

PORT RENFREW DEVELOPMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

(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, 2014 and 2013 and the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for the years then ended and 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 financial position of Port Renfrew Development Trust as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years the ended in accordance with International Financial Reporting Standards.



March 28, 2015

**Chartered Accountant
Calgary, Canada**

Port Renfrew Development Trust

Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

December 31, 2014

	Note	2014	2013
		\$	\$
ASSETS			
Current Assets			
Cash		5,666	90,549
Accounts receivable		200,000	-
Inventory	4	3,875,215	3,849,784
Due from related parties	5	15,947	38,826
Total Assets		4,096,828	3,979,159
LIABILITIES AND PARTNERS' CAPITAL			
Liabilities:			
Accounts payable and accrued liabilities		381,529	257,015
Short term loan	6	383,423	1,328,423
UNITHOLDERS' EQUITY			
Unitholders' equity		3,331,876	2,393,721
Total liabilities and Unitholders' Equity		4,096,828	3,979,159

Subsequent events (note 9)

JASON BROWN,
TRUSTEE

Port Renfrew Development Trust

Consolidated Statement of Comprehensive Income

(Expressed in Canadian dollars)

Year ended December 31, 2014

	Note	2014	2013
		\$	\$
Revenue		350,000	-
Cost of sales		(203,815)	-
Gross profit		146,185	-
Expenses:			
Financing costs		(7,223)	(7,225)
General and administrative costs		(26,196)	(25,078)
Profit (Loss) and comprehensive income (loss)		112,766	(32,303)
Profit (Loss) per Unit (basic and diluted)		0.32	(0.15)
Weighted average number of Units outstanding (basic and diluted)		353,820	217,416

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, 2014

	NOTE	TRUST UNITS	TRUST UNITS	PROFIT (LOSS)	TOTAL
		Number	\$	\$	\$
Balance at December 31, 2012		141,609	1,077,698	(33,186)	1,044,512
Issuance of units for cash	9	170,721	1,387,692	-	1,387,692
Redeemed		(618)	(6,180)	-	(6,180)
Loss for the year		-	-	(32,303)	(32,303)
Balance at December 31, 2013		311,712	2,459,210	(65,489)	2,393,721
Issuance of units for cash:					
Class A		200	2,000	-	2,000
Class B		45,624	423,249	-	423,249
Class C		47,767	400,140	-	400,140
Profit for the year		-	-	112,766	112,766
Balance at December 31, 2014		405,303	3,284,599	47,277	3,331,876

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, 2014

	2014	2013
	\$	\$
Operations:		
Profit (Loss) for the period	112,766	(32,303)
Change in non-cash working capital	(78,038)	(3,326,989)
Cash outflow from operating activities	34,728	(3,359,292)
Investing activities:		
Options to purchase land	-	175,400
Cash outflow from investing activities	-	175,400
Financing activities:		
Short term loan	-	2,369,094
Loan repayments	(945,000)	(1,112,895)
Redemption of units	-	(6,180)
Issuance of units for cash	825,389	1,387,692
Cash inflow from financing activities	(119,611)	2,637,711
Cash generated (used) in the year	(84,883)	(546,181)
Cash and cash equivalents at beginning of period	90,549	636,730
Cash and cash equivalents at end of period	5,666	90,549

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)

Year ended December 31, 2014

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 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 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 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 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.

Port Renfrew Development Trust

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2014

The consolidated financial statements were approved and authorized for issue by the Trustee on March 28, 2015.

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 financial statements. The consolidated financial statements reflect the financial position,

Port Renfrew Development Trust

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2014

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) **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) **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, 2014 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.

Port Renfrew Development Trust

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2014

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 based on the cash flow characteristics of the asset and the business model of the portfolio in which the asset is held. The effective date of this standard is January 1, 2018 with early adoption permitted. IFRS 9 did not impact the financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 issued in May 2014 provides a structured approach to measuring and recognizing revenue. The approach provides for a five step recognition and measurement method and quantitative and qualitative disclosure requirements. Revenue is recognized at an amount that reflects the consideration entitled to in exchange for goods and services. The effective date of this standard is January 1, 2017 and is to be applied retrospectively.

4. INVENTORY

	2014	2013
Land	\$ 2,815,270	\$ 2,994,800
Development costs	995,463	790,502
Cabin	64,482	64,482
Total inventory	\$ 3,875,215	\$ 3,849,784

5. 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.

Port Renfrew Development Trust

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2014

6. 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.

The Partnership indirectly 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, 2014 amounts to \$156,199.

The Partnership indirectly 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, 2014 amounts to \$155,000.

7. 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 transferrable, 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.

Port Renfrew Development Trust

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2014

The number of units issued and outstanding are as follows:

	Units	Amount
CLASS A	Number	\$
Units outstanding, January 1, 2014	311,712	2,459,210
Units issued for cash	200	2,000
Units outstanding, December 31, 2014	311,912	2,461,210

	Units	Amount
CLASS B	Number	\$
Units outstanding, January 1, 2014	-	-
Units issued for cash	45,624	423,249
Units outstanding, December 31, 2014	45,624	423,249

	Units	Amount
CLASS C	Number	\$
Units outstanding, January 1, 2014	-	-
Units issued for cash	47,767	400,140
Units outstanding, December 31, 2014	47,767	400,140

Units issued pursuant to the offering are net of issue costs of \$110,521.

8. RELATED PARTY TRANSACTIONS

Valhalla, a company which owns the share capital of the General Partner provided management services totalling \$210,579 (2013 - \$324,340) which is included in inventory. Included in accounts payable and accrued liabilities is \$359,802 (2013 - \$164,223) relating to these services provided. Additionally, during the period, general and administration expenses of \$Nil (2013 - \$1,866) and issue costs of \$Nil (2013 - \$8,992) was paid to a Valhalla.

Port Renfrew Development Trust

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Rainforest Trails Ltd., a company controlled by one of the directors of the General Partner provided planning services of \$Nil (2013 - \$11,480), which is included in inventory. Included in accounts payable and accrued liabilities is \$Nil (2013 - \$10,786) relating to the planning services provided.

During the year, the Fund assigned approximately 7 acres of land located in Port Renfrew, British Columbia for \$350,000 to Pacific Rim Development LP 1, which is a related party by virtue of common control by the General Partner.

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.

9. SUBSEQUENT EVENTS

Subsequent to the year end, the Fund issued 7,600 Class C units for gross proceeds of \$76,000. The Fund acquired 6,572 Class C units in the Business Trust at a total cost of \$65,720.

The Business Trust acquired 6,572 Class C Partnership Units in the Partnership at a total cost of \$65,720.

10. 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

Port Renfrew Development Trust

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2014

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 \$381,529 and short term loan of \$383,423.

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, 2014.