PORT RENFREW DEVELOPMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

(Expressed in Canadian dollars)

Contents

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, 2013 and December 31, 2012 and the consolidated statements of comprehensive income, consolidated changes in unitholders' equity and cash flows for the year ended December 31, 2013 and for the period from the date of settlement 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.

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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, 2013 and December 31, 2012 and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2013 and for the period from the date of settlement on January 17, 2012 to December 31, 2012 in accordance with International Financial Reporting Standards.

March 28, 2014

Chartered Accountant
Calgary, Canada

Port Renfrew Development Trust

Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

December 31, 2013

	Note	**2013**	2012
		$	$
ASSETS			
Current Assets			
Cash		**90,549**	636,730
Cash held in trust	4	**-**	3,000
Options to purchase land	5	**-**	175,400
Inventory	6	**3,849,784**	385,957
Due from related parties	7	**38,826**	28,379
Total Assets		**3,979,159**	1,299,466
LIABILITIES AND PARTNERS' CAPITAL			
Liabilities:			
Accounts payable and accrued liabilities		**257,015**	112,640
Short term loan	8	**1,328,423**	72,224
Due to related party	7	**-**	90
UNITHOLDERS' EQUITY			
Unitholders' equity		**2,393,721**	1,044,512
Total liabilities and Unitholders' Equity		**3,979,159**	1,229,466

Subsequent events (note 11)

JASON BROWN,

TRUSTEE

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

Port Renfrew Development Trust

Consolidated Statement of Comprehensive Income

(Expressed in Canadian dollars)

Year ended December 31, 2013

(From the date of settlement on January 17, 2012 to December 31, 2012)

	Note	2013	2012
		$	$
Expenses:			
Financing costs		**7,225**	2,244
General and administrative costs		**25,078**	30,942
Loss and comprehensive loss		**32,303**	33,186
Loss per Unit (basic and diluted)		**0.15**	0.99
Weighted average number of Units outstanding (basic and diluted)		**217,027**	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)

Year ended December 31, 2013

(From the date of settlement 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		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
Issuance of units for cash	9	170,721	1,387,692	-	1,387,692
Redeemed		(618)	(6,180)	-	(6,180)
Loss for the period		-	-	(32,303)	(32,303)
Balance at December 31, 2013		311,712	2,459,210	(65,489)	2,393,721

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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, 2012

(From the date of settlement on January 17, 2012 to December 31, 2012)

	2013	2012
	$	$
Operations:		
Loss for the period	**(32,303)**	(33,186)
Change in non-cash working capital	**(3,326,989)**	(304,596)
Cash outflow from operating activities	**(3,359,292)**	(337,782)
Investing activities:		
Options to purchase land	**175,400**	(175,400)
Cash outflow from investing activities	**175,400**	(175,400)
Financing activities:		
Short term loan	**2,369,094**	72,224
Loan repayments	**(1,112,895)**	-
Redemption of units	**(6,180)**	-
Issuance of units for cash	**1,387,692**	1,077,688
Cash inflow from financing activities	**2,637,711**	1,149,912
Cash generated (used) in the year	**(546,181)**	636,730
Cash and cash equivalents at beginning of period	**636,730**	-
Cash and cash equivalents at end of period	**90,549**	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)

Year ended December 31, 2013

(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 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.

The consolidated financial statements were approved and authorized for issue by the Trustee on March 28, 2014.

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, 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 year ended December 31, 2013 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.

Effective January 1, 2013, the Fund adopted IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurements

IFRS 10 uses a single consolidation model to be applied in the control analysis for all investees. IFRS 10 defines control as when an investor has power over an investee; is exposed or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of IFRS 10 did not impact the consolidated financial statements.

IFRS 11 classifies joint arrangements as either joint operations or joint ventures. An entity's interest in a joint operation, which is an arrangement wherein the parties have rights to the assets and obligations for the liabilities, will be accounted for based on the entity's interest in those assets , liabilities, revenues and expenses. An entity's interest in joint ventures, which is an arrangement wherein the parties have rights to the net assets, will be accounted for using the equity method. The Fund has no interest in joint operation or joint ventures as defined by IFRS 11.

IFRS 12 requires enhanced disclosures about the natures of, and the risks associated with, an entity's interest in other entities and the effect of those interests on the entity's financial position, financial performance and cash flows. The application of IFRS 12 did not impact the consolidated financial statements.

IFRS 13 sets out a single framework for measuring fair value and the related disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. With the exception of the additional disclosures required for fair value measurements, the adoption of IFRS 13 did not impact the consolidated financial statements.

Recent accounting pronouncements

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.

(Expressed in Canadian dollars)

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. These funds were subsequently used to pay down the principal outstanding on the purchase of Parcel A.

5. **OPTIONS TO PURCHASE LAND**

		2013		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 provided the Partnership with the option to purchase five parcels of land. The option for Parcel A was exercised and the remaining options were allowed to lapse.

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

6. **INVENTORY**

		2013		2012
Land	**$**	**2,994,800**	$	-
Development costs		**790,502**		321,475
Cabin		**64,482**		64,482
Total inventory	**$**	**3,849,784**	$	385,957

Port Renfrew Development Trust

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

Year ended December 31, 2013

(As at and for the period ended December 31, 2012)

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.

   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, 2013 amounts to $156,198.

   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, 2013 amounts to $1,100,000.

(Expressed in Canadian dollars)

9. **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.

The number of units issued and outstanding are as follows:

	Units	Amount
CLASS A	Number	$
Units outstanding, January 1, 2013	141,609	1,077,698
Redeemed	(618)	(6,180)
Units issued for cash	170,721	1,414,077
Units outstanding, December 31, 2013	311,712	2,485,595

Units issued pursuant to the offering are net of issue costs of $293,133

10. **RELATED PARTY TRANSACTIONS**

Valhalla, a company which owns the share capital of the General Partner provided management services totalling $324,340 (2012 - $147,010) which is included in inventory. Included in accounts payable and accrued liabilities is $164,223 (2012 - $82,383) relating to these services provided. Additionally, during the period, general and administration expenses of $1,866 (2012 - $615) and issue costs of $8,992 (2012 - $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 $11,480 (2012 - $86,725), which is included in inventory. Included in accounts payable and accrued liabilities is $10,786 (2012 - $10,786) relating to the planning services provided.

The Fund acquired five parcels of land located at Port Renfrew, British Columbia for $2,994,000 from Three Points Properties (2006) Ltd, which is a related party by virtue of common officers and directors.

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.

11. SUBSEQUENT EVENTS

Subsequent to the year end, the Fund issued 10,030 Class B units and 3,400 Class C units for gross proceeds of $134,300. The Fund acquired 9,630 Class B Units and 2,960 Class C units in the Business Trust at a total cost of $125,900.

The Business Trust used the funds raised from the issue of 9,630 Class B Units to provide a loan of $96,300 to the Partnership. The loan bears interest at the rate of 10% per annum and is repayable within 36 months of the loan advance date. The loan is secured by a collateral mortgage on Parcels B, D and E of the lands owned by the Partnership in Port Renfrew.

The Business Trust acquired 2,960 Class C Partnership Units in the Partnership at a total cost of $29,600.

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 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.

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 $90,549, and due from related parties of $38,826.

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 $257,015 and short term loan of $1,328,423.

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, 2013.