PORT RENFREW DEVELOPMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in Canadian dollars)

Contents

Auditor's Report	2
Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Unitholders' Equity	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7

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, 2017 and 2016 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.

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, 2016 and 2015 and its financial performance and its cash flows for the years the ended in accordance with International Financial Reporting Standards.

April 27, 2018

Chartered Accountant
Calgary, Canada

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

Port Renfrew Development Trust
Consolidated Statement of Financial Position
(Expressed in Canadian dollars)
December 31, 2017

	Note	2017	2016
		$	$
ASSETS			
Non-Current Assets			
Due from related party	6	**48,983**	35,664
Property, plant and equipment	5	**26,100**	-
		75,083	35,664
Current Assets			
Cash		**25,445**	46,191
Accounts receivable		**17,552**	2,162
Inventory	4	**4,965,707**	4,280,297
Deposits		**5,390**	5,390
		5,014,094	4,334,040
Total Assets		**5,089,177**	4,369,704
LIABILITIES AND PARTNERS' CAPITAL			
Liabilities			
Accounts payable and accrued liabilities		**726,057**	510,492
Short term loans	7	**279,198**	300,240
Deposit		**-**	5,000
Current portion of long term loan	8	**7,007**	-
		1,012,262	815,732
Non-Current			
Loan	8	**111,204**	-
UNITHOLDERS' EQUITY			
Unitholders' equity		**3,965,711**	3,553,972
Total liabilities and Unitholders' Equity		**5,089,177**	4,369,704

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, 2017

	Note	2017	2016
		$	$
Expenses:			
Financing costs		**12,114**	9,242
General and administrative costs		**175,734**	101,727
Loss and comprehensive income		**187,848**	110,969
Loss per Unit (basic and diluted)		**0.38**	0.26
Weighted average number of Units outstanding (basic and diluted)		**494,599**	433,296

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, 2017

	NOTE	TRUST UNITS	TRUST UNITS	(LOSS)	TOTAL
		Number	$	$	$
Balance at December 31, 2015		412,902	3,345,402	21,597	3,366,999
Issuance of units for cash:					
Class C		38,353	297,942	-	297,942
Loss for the year		-	-	(110,969)	(110,969)
Balance at December 31, 2016		451,255	3,643,344	(89,372)	3,553,972
Issuance of units for cash:					
Class C	9	68,868	605,087	-	605,087
Redemption of units for cash:					
Class A		(550)	(5,500)	-	(5,500)
Loss for the year		-	-	(187,848)	(187,848)
Balance at December 31, 2017		519,573	4,242,931	(277,220)	3,965,711

.

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, 2017

	Note	2017	2016
		$	$
Operations:			
Loss for the year		**(187,848)**	(110,969)
Items not affecting cash:			
Amortization		**2,900**	-
Change in non-cash working capital	12	**(490,235)**	(176,269)
Cash outflow from operating activities		**(675,183)**	(287,238)
Investing Activities			
Purchase of equipment		**(29,000)**	-
Due from related parties		**(13,319)**	(12,543)
Cash outflow from investing activities		**(42,319)**	(12,543
Financing activities:			
Issuance of units for cash		**605,087**	297,942
Redemption of units for cash		**(5,500)**	-
Proceeds from loan		**121,000**	-
Loan repayments		**(2,789)**	-
Repayment of short term loans		**(21,042)**	(3,531)
Cash inflow from financing activities		**696,756**	294,411
Cash generated (used) in the year		**(20,746)**	(5,370)
Cash and cash equivalents at beginning of year		**46,191**	51,561
Cash and cash equivalents at end of year		**25,445**	46,191

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

1. **NATURE OF OPERATIONS**

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

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

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

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

2. **BASIS OF PREPARATION**

a) **Statement of compliance**

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

The consolidated financial statements were approved and authorized for issue by the Trustee on April 27, 2018.

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 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) Cash

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

b) Inventory

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

c) Revenue recognition

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

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

c) Profit (loss) per unit

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

d) Property, plant and Equipment

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

Equipment	5 years	straight-line method

(Expressed in Canadian dollars)

e) **Future Changes in Accounting Policies**

A number of new standards and amendments to standards and interpretations are not effective for the year ended December 31, 2017 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.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments to replace IAS 39. IFRS 9 provides guidance on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial assets. IFRS 9 also introduces an impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected loss at initial recognition and the recognition of full lifetime expected loss if certain criteria are met. A new model for hedge accounting aligns hedge accounting more closely with entity's risk management activities. IFRS 9 is effective for annual periods beginning or after January 1, 2018. The Company is currently assessing the impact of the adoption of this standard.

The IASB issued IFRS 15, Revenue Recognition, in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of assessing the impact of IFRS 15 and has not yet determined when it will adopt the new standard.

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

4. **INVENTORY**

	2017	2016
Land	**$ 2,815,270**	$ 2,815,270
Development costs	**1,949,046**	1,379,796
Cabin	**201,391**	85,231
Total inventory	**$ 4,965,707**	$ 4,280,297

5. **PROPERTY, PLANT & EQUIPMENT**

			2017	2016
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Equipment	29,000	2,900	26,100	-

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

(Expressed in Canadian dollars)

6. **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.

7. **SHORT TERM LOAN**
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, 2016 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, 2016 amounts to $50,000.

The Partnership received a loan of $73,000 at an interest rate of 8% per annum repayable on demand. The loan outstanding at December 31, 2017 amounts to $73,000.

8. **LOANS**

		2017	2016
First Capital loan bearing interest at 10.15% per annum, repayable in monthly blended payments of $679. The lease matures on August 21, 2020 and is secured by 2017 Bombardier 8MH600	**$**	**18,450**	-
Loan bearing interest at 8% per annum, repayable in monthly blended payments of $700. The loan matures on June 7, 2020 and is secured by a cottage (excluding land) located in Port Renfrew, B.C.	**$**	**99,761**	-
		118,211	-
Amounts payable within one year		**(7,007)**	
		111,204	

Principal payments are approximately:	
2018	**7,007**
2019	**7,742**
2020	**103,462**
	118,211

(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 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, 2017	311,911	2,461,201
Units redeemed	(550)	(5,500)
Units outstanding, December 31, 2017	311,361	2,455,701
CLASS B		
Units outstanding, January 1, 2017	45,624	423,249
Units issued for cash	-	-
Units outstanding, December 31, 2017	45,624	423,249
CLASS C		
Units outstanding, January 1, 2017	93,720	758,894
Units issued for cash	68,868	605,087
Units outstanding, December 31, 2017	162,588	1,363,981

Units issued pursuant to the offerings are net of issue costs of $952,799.

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

Subsequent to the year end, the Fund issued a further 6,093 Class C units for total proceeds of $82,662.

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

A company which owns the share capital of the General Partner provided management services totalling $120,000 (2016 - $86,294) which is included in inventory. Included in trade payable and accrued liabilities is $304,288 (2016 - $380,368) relating to these services provided.

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 $68,868 (2016-$38,353) in commissions from the sale of trust units.

A company controlled by a Director of the General Partner provided a loan of $73,000 at an interest rate of 8% per annum repayable on demand. The loan outstanding at December 31, 2017 amounts to $73,000.

The Directors of the General Partner each received $100,000 in fees each during the year, which is included in inventory. A total of $160,000 is included in trade payable and accrued liabilities at December 31, 2017 relating to these services.

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

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

11. SUBSEQUENT EVENTS

Subsequent to the year end, the Fund issued a further 6,093 Class C units for total proceeds of $82,662. Commission totalling $8,266 was paid a company controlled by a close family member of the trustee.

12. CHANGE IN NON CASH WORKING CAPITAL

	2017	2016
Accounts receivable	**(15,390)**	(1,417)
Inventory	**(685,410)**	(262,047)
Accounts payable and accrued liabilities	**215,565**	82,586
Deposit	**(5,000)**	4,609
	(490,235)	(176,269)

13. 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.

14. 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 $25,445, accounts receivable of $17,552, deposits of $5,390 and due from related parties of $48,983.

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 $726,057 current portion of long term loan of $7,007 and short term loans of $279,198.

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, 2017.