

The background of the page features a complex geometric pattern of overlapping triangles in various shades of blue. A series of four parallel white lines runs diagonally from the bottom left towards the top right, intersecting the blue pattern.

A CLEAR VISION

Northern Vision Development Limited Partnership
2011 ANNUAL REPORT TO UNITHOLDERS



We are pleased to provide you with this report on the activities of Northern Vision Development Limited Partnership (“NVDLP” or the “Partnership”) for 2011. Included herewith are financial statements as at and for the year ended December 31, 2011, which have been audited by BDO Canada LLP.

Details on the annual general meeting for the Partnership will be sent to unitholders. We invite all interested stakeholders to join us for this meeting in the main board room of the Prairie Merchant and Friends offices at Suite 700, 933 17th Avenue S.W. in Calgary, Alberta., at which we will provide an update on liquidity plans, as well an overview of our plans and our outlook for the Partnership.



NORTHERN VISION
DEVELOPMENT LP

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01

// OVERVIEW AND BACKGROUND

*THIS PAST YEAR OUR FOCUS WAS ON
DEVELOPMENT AND SALES OPPORTUNITIES AIMED
AT UNLOCKING VALUE FOR OUR UNITHOLDERS.*

NVDLP, a private real estate partnership, was established in February 2004 with a mandate to acquire properties with strong growth prospects located in Whitehorse, Yukon. Since inception, NVDLP has acquired, and partially developed or sold, a diverse base of commercial, residential, industrial and hospitality properties that provide regular cash flow and capital appreciation for its unitholders. The Partnership is managed by its general partner, Northern Vision Development Corp., a private company based in Whitehorse and formed under the laws of the Yukon. The operations of NVDLP are overseen by a board of directors comprised of individuals located in Calgary, Alberta and Whitehorse, Yukon, with a mix of skill sets and experience in the real estate and hospitality industries.

As at December 31, 2011 the Partnership had issued 12,260,287 units with no warrants or options outstanding. A recent valuation completed by BDO Canada LLP estimates the overall net asset value of the Partnership on October 31, 2011 at \$37.54 million, an increase of 18.1% from the \$31.8 million value estimated by management as at December 31, 2010. The estimate of net asset value increased despite a distribution to unitholders of \$1.7 million in October 2011. The estimated net asset value for each series of units has been computed and is set out in the table opposite with comparisons for unit values at December 31 of previous years. The Partnership notes that the value of an investor's units vary based on the timing of the investment and the amount of the capital contribution.

LP UNITS	ISSUE DATE	ISSUE PRICE	UNIT VALUE AS AT DECEMBER 31,*				
			2011**	2010	2009	2008	2007
1	February 2004	\$ 1.00	\$ 2.25	\$ 1.85	\$ 1.72	\$ 1.48	\$ 1.68
2	February 2004	-	0.85	0.46	0.33	0.16	0.43
3	April 2004	1.25	2.58	2.18	2.06	1.80	1.98
4	July 2005	1.50	2.76	2.38	2.26	1.99	2.16
5	May 2006	2.00	3.26	2.89	2.78	2.48	2.62
6	October 2006	2.50	3.79	3.44	3.34	3.01	3.12
7	March 2007	2.50	3.71	3.36	3.26	2.94	3.06
8	May 2007	2.90	4.12	3.78	3.69	3.34	3.43
9	June 2007	3.00	4.22	3.88	3.80	3.44	3.53
10	July 2007	3.00	4.21	3.87	3.79	3.43	3.52
A	November 2005	1.00	2.10	1.73	1.60	1.36	1.56
B,C	June 2006	1.00	2.05	1.67	1.55	1.32	1.52
D	March 2007	1.00	1.99	1.62	1.50	1.27	1.48
E	May 2007	1.00	1.97	1.61	1.49	1.26	1.47
F	May 2007	2.00	3.10	2.75	2.65	2.36	2.50
G	July 2007	1.00	1.97	1.60	1.48	1.25	1.46
H, I	December 2007	2.00	3.02	2.68	2.58	2.29	2.44
J,K	December 2007	2.00	3.01	2.68	2.58	2.28	2.43

* Unit values are calculated allowing for return of capital paid to date. Therefore actual return on investment would be higher than simply assessing the capital appreciation presented in this chart. Estimates of value for 2007 through 2010 are based on management's overall estimate of Net Asset Value for the Partnership which relied on individual property appraisals.

** 2011 Estimates of Value are based on BDO Canada LPP valuation as at October 31, 2011.

// HIGHLIGHTS FOR 2011

During 2011, the focus of the Partnership was on achieving operating performance gains while simultaneously embarking on a comprehensive development program aimed at unlocking asset value for unitholders.

\$38.7 *MILLION*

TOTAL ASSETS OF THE PARTNERSHIP

Key operational and development project highlights included:

- » Commencement of construction and pre-sale of 50% of the 20-unit River's Reach Residential Condominium project on the Yukon River waterfront through a 90/10 Joint Venture between NVDLP (90%) and Ketza Group (10%);
- » Design and launch of the 44,000 square foot Waterfront Station commercial project (a 50/50 Joint Venture with Ketza Group) on the Yukon River Waterfront with more than 40% of the units pre-sold or leased;
- » Substantial completion of the 7,800 square foot Selkirk Building at Titanium Way in a Joint Venture with Selkirk Development Corp and Vuntut Gwitchin Limited Partnership and lease out of approximately 50% of the building;
- » Sale of seven lots in the Titanium Way Business Park;
- » Sale of the remaining Heights Condominium inventory and the remnant lands associated with that project;
- » Substantial improvement in operating performance of the Hotel Division;
- » Completion of Phase I and commencement of Phase II of the High Country Inn renovation project;
- » Sale of the non-strategic Sixth Avenue Four-plex residential building;
- » Recognition for NVDLP as Whitehorse **Business of the Year** by the Whitehorse Chamber of Commerce;

- » Comprehensive valuation by BDO Canada LLP of the Partnership which established a midpoint Net Asset Value of \$37.5 million at October 31, 2011 which was an 18.1% increase over the \$31.8 million estimated by management at December 31, 2010.

The following is a summary of the Partnership's KEY FINANCIAL HIGHLIGHTS for the year:

- » Net Book Value of total assets of the Partnership increased by 10.9% since December 31, 2010, rising from \$34.9 million to \$38.7 million.
- » Gross revenues of the Partnership increased by 7.0% from \$10.8 million in 2010 to \$11.5 million in 2011;
- » Seven Titanium Way Business Park lots and three Heights Condominiums were sold for gains of \$574,000;
- » Recorded Income from operations of \$1.0 million, a 214% increase over the previous year.
- » Recorded a 2.5% increase in net income to \$2.0 million;
- » Recorded gains from sale of non-strategic assets of \$327,000;

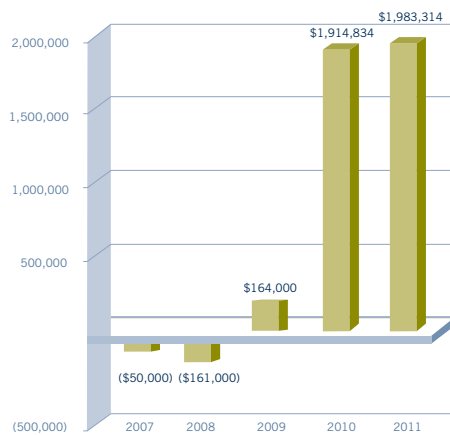
Net income for the year remained relatively consistent with results reported in 2010 despite the Partnership recording substantially lower gains from sales of assets during the year as compared to 2010. This result allowed the Partnership to continue payment of a similar return on capital to unitholders while accelerating the pace of development activities aimed at creating additional future value for unitholders.

\$11.5 MILLION

GROSS REVENUE

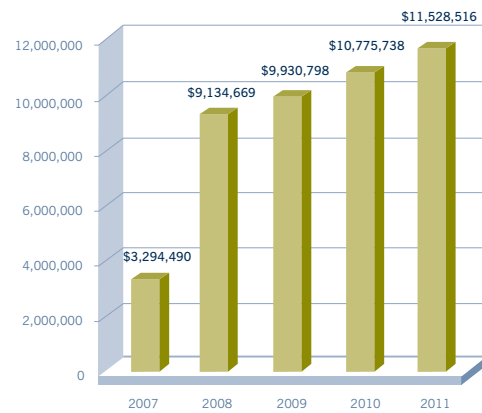
Net Income (\$ millions)

Net Income was just short of two million for the second year running.



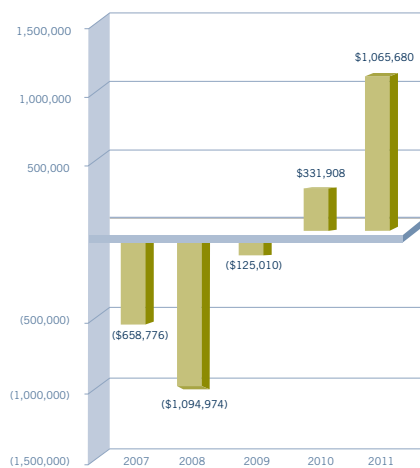
Revenue (\$)

The Hotel Division also drove continuing improvement in gross revenues.



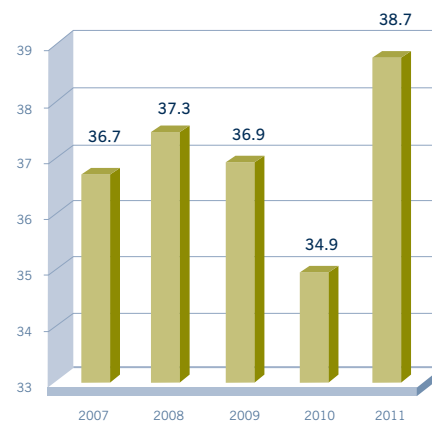
Income from Operations (\$)

Strong hotel performance was behind substantial improvement in income from operations.



Total Assets (\$ Millions)

A return to development activities, and a slower pace of asset sales combined to allow renewed growth in total assets for the Partnership.



// LETTER TO UNITHOLDERS

Dear Unitholders:

Management and the Board of Directors of NVDLP are pleased with the continued improvement in operating performance in 2011, lessening our reliance on asset sales to provide returns to unitholders. We declared our second annual distribution to unitholders in October 2011. Our ability to make this payment, while simultaneously accelerating the pace of development and renovation activity, was made possible by success in a range of areas including sale of non-core assets at attractive gains, continuing improvement in operating results, particularly from the Hotel Division, and accelerated pace of sales of Titanium Way Business Park lots.

We continued to benefit from a strong economy in the Yukon, a dedicated management team, past and current capital

investment in our Hotels Division, and the continuation of an historically low interest rate environment. The outlook for 2012 and beyond is encouraging, and we are focused on continuing to improve operating performance while unlocking the value of assets through strategic development initiatives. NVDLP will continue to benefit from a low interest rate environment; however, a significant portion of our low variable-rate loans mature toward the end of 2012. This presents the likelihood that the average cost of debt for the Partnership will increase at that time. However it will also present the opportunity for us to lessen our reliance on, and exposure to variable interest-rate debt. We have already commenced negotiations for the renewal or replacement of these loans and expect we will secure fixed rate loans at attractive rates when the existing loans mature.

The Road Ahead

This past year our focus was on development and sales opportunities aimed at unlocking value in our unique waterfront lands and our Titanium Way Business Park. In 2012 we will recognize gains associated with sales of River's Reach condominium units and Waterfront Station commercial condominiums that have been the driver of significant management effort (and some increased management cost) during 2011. We are pleased with the relationship that we have developed with Ketza Group, our joint venture partner and builder for these projects. These residential and commercial units have been well received by the Whitehorse community thus far, and we expect demand to remain strong as these projects become a reality. Ideally we will have the River's Reach project fully sold by the end of 2012 and we are targeting to have the Waterfront Station project at least 70% sold and 20% leased by year end. If market conditions prove favourable, we may retain up to 20% of the River's Reach project for lease and long-term stay inventory. A decision on the second phase of both the residential and commercial projects will be dependent on the pace of sales of these projects through the first three quarters of 2012.

Over the next six months we are targeting to fully lease out the new Selkirk JV building located at 166 Titanium Way. We are also focused on selling another seven Titanium Way Business Park lots this year. At the writing of this report one lot has been sold and one is under offer. Lately the commercial office leasing market has been slightly less robust and we are experiencing some price sensitivities that we did not observe throughout most of 2011. We will continue to monitor this demand to determine if it is a seasonal issue, or if it is indicative of a trend. We will only

commence new projects when these market dynamics begin to show new signs of strong demand.

We were particularly pleased with the performance of our Hotel Division in 2011 following record performance in 2010. The Best Western Gold Rush Inn had another record year measured at both the top and bottom line. It continues to produce strong results for the Partnership and we continue to anticipate strong cash flow contribution from this property. The pace of investment in this property was much more limited in 2011. Areas requiring attention have already been renovated, and there are less obvious areas where capital expenditures will be rewarded with strong returns.

We were pleased with the income and cash flow contributions from the High Country Inn & Convention Centre for the first time since we acquired it in 2007. Benefitting from the conclusion of Phase I renovations, this property posted results in 2011 in keeping with original expectations and meeting our budget expectations for the first time. Significant improvements were observed in the margins generated by both the rooms and food & beverage divisions, resulting from revenue increases and enhanced cost control. Phase II renovations will be completed in 2012. Looking forward, we expect this property to make further gains once the full renovation program is completed.

Having made substantial market share and revenue gains over the past few years in the Hotel Division, our focus is shifting to managing costs and improving margins through steady increases in Average Daily Rates. Energy costs will be a key focus in 2012. New radiant heat distribution installed in the High Country Inn should provide us with some important support in this regard, as energy costs in the Yukon are expected to rise.

IN AUGUST 2011 NVDLP WAS RECONIZED AS THE WHITEHORSE BUSINESS OF THE YEAR BY THE WHITEHORSE CHAMBER OF COMMERCE.

Valuation and Liquidity

In preparation for a liquidity event in 2012, the Partnership engaged BDO Canada LLP to complete a comprehensive valuation of the Partnership's assets as at October 31, 2011. They determined a range of \$35.3 million to \$39.7 million, with the midpoint being \$37.5 million. Subject to the application of a potential liquidity discount to this valuation, we plan to allow all existing unitholders to either offer their units for sale, hold their current position, or subscribe for additional units at this price. We expect to fund the liquidity event, to the extent that units on offer exceed units subscribed by existing unitholders, with funding from cash flow, additional leverage if appropriate, new investors, or in all likelihood a combination of all three. Accordingly, unitholders will have the opportunity to realize a reasonable return for some or all of their investment, or to hold or increase their investment in NVDLP as we lengthen the mandate and place a longer term focus on realizing the full potential for the investment we have made in positioning NVDLP as one of the Yukon's leading and most admired companies. Unitholders will be provided an updated outlook for the Partnership in order to allow them to make an informed decision, and management will make itself available to ensure that both the potential and the risks are properly communicated.

We may also use the opportunity during the liquidity event of seek approval from Limited Partners to freeze the values of all units in the partnership and to consolidate the LP units into one series if there are benefits associated with such a move and if it is tax effective to do so. Every series will be treated according to its value at the time of the liquidity event.



In August 2011 the Whitehorse Chamber of Commerce named Northern Vision as the Business of the Year. CEO Rich Thompson accepts the award on behalf of the board and management team.

Business of the Year in Whitehorse

In August 2011 NVDLP was recognized as the Whitehorse Business of the Year by the Whitehorse Chamber of Commerce. In presenting this honour to the Partnership, the Chamber recognized NVDLP's community leadership, its efforts to change the face of Whitehorse through its waterfront development initiatives and its contribution to the Whitehorse business community through its investment in quality hotel and commercial lease product. NVDLP was pleased to receive this recognition.

Development Activities

Our key development projects were both advanced in 2011. Occupancy of River's Reach is set for June 2012, and Waterfront Station will follow in September. At the writing of this report we have pre-sold 60% of the River's Reach project, and over 40% of Waterfront Station is under contract for either sale or lease. As the interior finishes are underway at River's Reach, the true quality of this project is becoming evident to Whitehorse residents. We are delighted with the

THE OUTLOOK FOR 2012 AND BEYOND IS ENCOURAGING, AND WE ARE FOCUSED ON CONTINUING TO IMPROVE OPERATING PERFORMANCE WHILE UNLOCKING THE VALUE OF ASSETS THROUGH STRATEGIC DEVELOPMENT INITIATIVES.

progress of these projects and thank the Royal Bank for their support financially, and Ketz Group for their commitment to quality construction. Our architects – Calgary based Abugov Kaspar for River's Reach, and Whitehorse-based Northern Front Studio for Waterfront Station - have both been exceptional to work with.



The 166 Titanium Way project, build in a Joint Venture with Selkirk Development Corp and Vuntut Gwitchin Limited Partnership, was completed and ready for occupancy in early 2012.

At year end we completed the Selkirk Joint Venture project in Titanium Way. This project is run as a Joint Venture with the Selkirk Development Corp (51%). NVDLP owns its net 33% interest in this project through the Titanium Way Properties joint Venture it formed with Vuntut Gwitchin Limited Partnership to build Titanium Way 170. NVDLP acts as manager for both the new Selkirk Joint Venture building and the Titanium Way 170 Project. This 7,800 square foot project is currently 50% leased. We have been somewhat disappointed with the initial interest in this project; however, we expect our leasing efforts to result in a fully leased building during 2012. NVDLP owns a net interest in this project of approximately 33% and acts as the manager for both development and management.

Defining Success

The key success factors in 2012 will be: (a) completion of the River's Reach project on time and on budget, with most units sold or leased by year end; (b) completion of the Waterfront Station project with 90% of the project being either sold or leased by year end; and (c) sale and/or development of at least seven Titanium Way Business Park lots. These activities combined with steady performance from our Hotels and Property Management Divisions will allow us to meet our expectations for the year.

As important will be the successful delivery of our planned partial liquidity event which will give unitholders the opportunity to either sell, hold or buy more units in NVDLP. This event may also allow us to simplify the structure of the Partnership and extend its mandate while providing investors with a full update on future possibilities for NVDLP.

A thanks to our management team and board

I want to extend my sincere thanks to our Hotel Division management team and staff. They are justifiably proud of their accomplishments in 2011 which saw us post record results. They should be particularly pleased with their work which enabled the High Country Inn to post strong results. They have also worked very hard on our Phase II renovation project at the High Country Inn and they are rightly proud of the results of these efforts, particularly with respect to our new Morel's restaurant and the improvements made to the Convention Centre. These investments should pay off with increased revenues and margins in the years to come.

Equally important to our success this past year were our Property Management and Accounting teams. They took on the increased burden associated with major development initiatives and continued to improve the quality of our

property management services while overseeing the renewal of leases for a major portion of the portfolio. Our Maintenance team once again shouldered the twin burdens of managing regular maintenance and CAPEX programs, while at the same time overseeing an aggressive renovation program. A tip of the hat is due to their strong efforts as well.

In the final quarter of 2011 we said goodbye to a member of our senior management team - our CFO Bonnie Sills. Bonnie was an integral part of our team over the past few years and made a major contribution as operating results for the Partnership turned the corner. While we were disappointed to see Bonnie move on, I am delighted that we were able to replace her with Philip Fitzgerald who takes on the joint role of CFO and COO. Philip has become a valuable member of the team, bringing with him the experience gained as BDO's representative on the audit for The Partnership, as well as substantial contacts within both the Yukon First Nations community and within Whitehorse where he serves as a both member of the board of the Whitehorse Chamber of Commerce and Treasurer.

Once again our board made a major contribution this past year. Our Chairman, Piers McDonald, is actively engaged in assisting with our development efforts, and the board has wrestled with the best way to handle the partial liquidity event in a manner that maximizes returns to unitholders – focusing attention on both those wishing to exit while ensuring significant opportunities for those who wish to continue to support the Partnership. They have also balanced the risks and rewards associated with our development projects and provided both the running room and the guidance to senior management that is needed to make these projects a success. The board's contact network, skills, and experience in the area of development and hotel operations

has provided welcome guidance and inspiration for the management team.

Our Limited Partners continued to provide encouragement, feedback and support throughout the year. Our annual general meetings have provided an opportunity for full engagement with Limited Partners and we enjoy the fact that many of our LP unitholders feel a strong bond with the Partnership that goes beyond that of a passive investor. Our board, and our management team, appreciate the group of Limited Partners that have helped to pave the way to success for NVDLP.

I look forward to seeing many of you at the annual general meeting of unitholders as well as updating you again in our semi-annual report. Within the next few months you will receive final information on the liquidity plans that set out LP unitholder options and forecasts for the partnership going forward. As always, I will be happy to discuss these plans with any unitholders who have questions.

Thanks to all of our stakeholders for their support in 2011.

Sincerely,

Northern Vision Development LP



Richard S. Thompson

CEO, Northern Vision Development Limited Partnership

// CHAIRMAN'S MESSAGE

The past year has seen NVDLP perform very well. The High Country Inn and Best Western Gold Rush Inn have exceeded expectations; property development projects have begun to substantially improve the Whitehorse waterfront; property sales have met expectations and our commercial property portfolio continues to be managed tightly. Care has been taken to maintain excellent relations with everyone from our hotel customers to our joint venture associates and commercial lending partners.

*2012 PROMISES TO OFFER GOOD OPPORTUNITIES
FOR THE NVDLP TO CONTINUE THE SOLID
PERFORMANCE EXPERIENCED THIS PAST YEAR.*

While the Yukon economy continues to grow, in no small part due to a vibrant mining economy and the continued stable and expanding government presence, the Partnership's performance has been largely due to the inspired leadership of our CEO, Rich Thompson, and his management team. The contribution that Northern Vision Development is itself making to the Yukon economy has not gone unnoticed by the business sector which recognized the Partnership as Business of the Year for 2011. This is a solid accomplishment for a Partnership that started with an entrepreneurial vision less than eight years ago.

The Board of Directors have provided careful oversight to the Partnership's operations; set high standards for performance and have established strategic objectives and direction which continues to bring full value to company investors. We are most fortunate to have people of significant reputation and accomplishment sit on our board: Myron Tetreault, Trevor Harding, Stanley Noel, Hannes Kovac, Ian McCauley, and Rich Thompson.

Besides helping to build the Whitehorse and Yukon economies the company has made contributions to the Whitehorse and Yukon communities both through corporate donations and hotel sponsorship activities. These activities not only build good solid business for our hotel properties, they also recognize our corporate responsibility to contribute to the community's well being.

2012 promises to offer good opportunities for the NVDLP to continue the solid performance experienced this past year. It will also mark a point in the evolution of the Partnership where we reset our performance targets; renew our investor base and look ahead for new opportunities to build the Partnership. It is an exciting time and the Board of Directors and Management Team are looking forward to continued prosperity.

Sincerely,



Piers McDonald
Chairman, Northern Vision Development LP

// REPORT ON OPERATIONS

Key Activities in 2010

The chart below provides key metrics relating to operations of the Partnership's business segments. Please note that some of the numbers for 2010 reported in the 2010 Annual Report to Unitholders have been reclassified. Although the net income has not been changed for 2010, a review of how certain revenues and expenses are allocated has caused some minor shifts between divisional revenue and expenses and general and administrative expenses. These changes are not material, but allow for the proper comparison with 2011 numbers as reported in the financial statements and notes.

Net Profit from Operations improved in 2011 to \$1.07 million from \$332,000 in 2010. A critical success factor for NVDLP is the establishment of sustainable EBITDA from Operations which can now be expected to provide a source of funds for both CAPEX investment and distributions to unitholders. Accordingly the Partnership was pleased with the 30% increase in EBITDA from Operations in 2011, following a 23% increase in 2010 and a 71% increase in 2009.

Property Management / Other	2011	2010	2009	2008	2007
Percentage leased at year end	100%	100%	98.6%	100%	100%
Revenue	\$1,487,429	\$1,541,018	\$1,529,211	\$1,608,596	\$1,320,637
Net Income	\$642,895	\$587,858	\$479,150	\$362,911	\$229,162
Hotel Division					
Revenue	\$10,064,594	\$9,234,720	\$8,401,587	\$7,526,083	\$4,967,853
Net Income (Loss)	\$1,392,249	\$494,677	\$260,363	\$(494,725)	\$(3,157)
General					
Operating Expenses	\$987,350	\$743,514	\$864,523	\$918,156	\$890,781
Net Profit (Loss) From Operations	\$1,067,490	\$331,908	\$(125,010)	\$(1,049,974)	\$(658,776)
EBITDA from Operations	\$2,752,204	\$2,110,120	\$1,713,026	\$1,003,797	\$948,537
Weighted Average cost of debt	4.18%	4.19%	3.78%	4.81%	7.09%

I. HOTELS DIVISION

Renovations Continued at High Country Inn & Convention Centre. Strong Results from Both Properties

In 2011 overall revenue, gross profit and income from operations improved substantially for the Hotel Division. After a number of years and significant investment and management effort, the High Country Inn & Convention Centre met the expectations the Partnership established for the property when it was purchased in August 2007. Gross Profit from the Hotels Division rose to \$2.3 million from \$1.4 million in 2010 and was primarily responsible for the Partnership's more than 30% improvement in Gross Profit. This improvement is similarly reflected in Net Income for the Hotel Division which increased from \$495,000 in 2010 to \$1.39 million in 2011.

In early 2011, NVDLP finished the Phase I Renovation Program at the High Country with the completion of the fitness centre and addition of a new fourth floor room, as well as the replacement of flooring and fixtures for The Deck. In the latter part of 2011 Phase II renovations were started and will be completed in 2012. These renovations include the renovation of second and first floor rooms, replacement of the flooring in the Convention Centre, new flooring in the kitchen facility, and the creation of a new Food and Beverage outlet called Morel's. The Phase II renovation program also involves installation of high efficiency radiant heating in all rooms. All planned renovations for the High Country will be completed in 2013 when the windows in the guest rooms will be replaced. Once completed NVDLP will be operating a more efficient hotel property which is better able to compete for both room and banquet revenue. The Convention Centre investment is particularly relevant in light of the planned opening of a new convention facility on the banks of the Yukon river in 2012 which may place some competitive

pressure on the High Country facilities. The Phase II renovation program was funded by a new loan facility from BDC, who hold the first mortgage on the property, for \$800,000.



Morel's: The new fine dining restaurant in the High Country Inn - Morel's has opened to rave reviews of its appetizers, main courses and of course, its desserts!

With the completion of Phase II Renovations at the High Country, NVDLP will have invested more than \$5 million in its two hotel properties since commencing renovation work at the Best Western Gold Rush Inn in 2007. The net result is a highly competitive product offering that has experienced occupancy and the beginnings of Average Daily Rate (ADR) growth that should be sustainable in the years to come. A recent comprehensive valuation of the Partnership completed by BDO Canada LLP as at October 31, 2011 confirms that this investment is creating value. The midpoint of the valuation for the Hotel Division is \$21.7 million as contrasted to the net book value of original purchase price and total capital expenditures of \$16.7 million.

As has been the case since 2009, the Best Western Gold Rush Inn continued to exceed expectations for the Partnership. The property continues to benefit from strong occupancy

NVDLP WILL CONTINUE TO SELL AND OPPORTUNISTICALLY DEVELOP ITS OWN PROJECTS AT TITANIUM WAY, WHILE ALSO CONSIDERING JOINT VENTURES WITH OTHER PARTIES TO DEVELOP THE REMAINING LOTS.

levels, and management was able to move Average Daily Rates up in 2011. These factors, coupled with strong performance from the Gold Pan Saloon and careful cost management, allowed for stronger contributions from this property. Renovation activity was limited during the year. The property continues to win high scores from Best Western inspections, and Trip Advisor reviews have been highly positive with respect to the room product, food and beverage outlet and, most importantly, staff interaction.



Hockey Day in Canada: Whitehorse hosted Hockey Day in Canada in February 2011, and many celebrities from Don Cherry and Ron MacLean to Lanny McDonald made NVD hotel's their temporary home in Whitehorse.

The maturity of the Gold Rush Inn mortgage in December 2012 will present the opportunity for the Partnership to consider additional leverage on this property given the significant increase in its valuation since purchase in 2006. The midpoint of the BDO Valuation was established at \$15.3 million due to several factors: (a) the material increase in operating income and cash flows generated by this hotel property on a sustained basis; (b) the consistency with which it is meeting and exceeding management growth targets; and (c) a general compression of Capitalization Rates for hotel properties in Canada since 2009.

II. PROPERTY MANAGEMENT DIVISION

The Property Management Division, including assets held for sale and property management activities, contributed Gross Profit of \$1.40 million in 2011 as contrasted to \$1.43 million in 2010. This 2.6% decline can be attributed to the cumulative impact of selling off income producing properties over the past two years including the remaining Heights Condominiums, the ICycle property and the Sixth Avenue Four-plex, offset by some gains associated with increased rents achieved during renewals in 2011. The slight decrease in revenues was more than offset by interest costs which were \$83,000 lower during the year for this division due to the sales of those assets.

At year end the Partnership was fully leased on its existing portfolio of properties, with the exception of the Trades Centre II Condominium which it is using for its own account as a vehicle storage and work shop. Although still working on certain deficiencies with respect to the Selkirk Building, this new 7,800 square foot commercial building recently completed in the Titanium Way Business Park was available for lease in January 2012. As of the writing of this report the building is 50% leased. NVDLP has a 33% interest in this property. Accordingly, the Partnership has available commercial space for lease.

The major focus for the Partnership in 2011 was the releasing of commercial leases that were maturing during the year. A total of more than 35,000 square feet of lease space was up for renewal during the year including several of the Partnership's largest available commercial spaces. As earlier reported, NVDLP was able to renew all leases at or above their current rates, securing a strong foundation of performance for this division for years to come.

|||||

In 2012 this division will face a new challenge related to the renewal of major mortgage financing that is maturing in December 2012. Mortgages totaling approximately \$8 million will mature on December 1, 2012. These mortgages relate to the Yukon Centre Mall and the Best Western Gold Rush Inn. They are the two largest single property mortgages in the NVDLP mortgage portfolio, and they have also traditionally attracted the lowest interest costs given the variable mortgage debt established with GE Real Estate for these properties at a cost of Banker's Acceptance plus 2.04%. Accordingly these mortgages have experienced interest costs below 3% for the last three year period. GE Real Estate will no longer be providing mortgage financing for multi-tenant properties so the Partnership will seek alternatives from its other lenders. As of the writing of this report NVDLP is reviewing term sheets from a number of our key lenders with respect to these renewals. While the partnership has no reason to commit to an early renewal of these facilities given the low interest rates and early payment penalties associated with the GE Real Estate loans, it appears that NVDLP will have attractive options to renew, likely at higher leverage, in a manner that will support the partial liquidity plans of the Partnership. An update will be provided to unitholders in the semi-annual report, at which point management expects to have identified its choice of lender(s) and will likely have entered into terms of renewal.

Titanium Way Business Park Sales Program

In 2011 the Partnership sold seven Titanium Way Business Park lots – a significant increase in pace versus the previous few years. A similar goal has been set for each of the next four years. NVDLP will also look to opportunistically develop its own projects in the business park, or to enter into joint ventures with other parties to develop lots at Titanium Way. If this pace of sales and development can be maintained, the entire one million square foot business park will be sold and/or developed at the end of the four year period. At the writing of this report

one interior lot has been sold in 2012 and one waterfront lot is under conditional offer.

More importantly many of the lots that have been sold recently have been the focus of immediate development. During 2011 large projects were constructed by third party buyers of Lots 100/101, Lots 104/105 and Lot 92. Lot 93 was prepared for development. In addition NVDLP developed a building on Lot 116 in the Joint Venture partnership previously described with Selkirk Development Corp and Vuntut Gwitchin Limited Partnership. Accordingly there is a strong development momentum present at the business park and it is expected that this will carry into 2012 and beyond.

Over the past few years the market value property assessment values at Titanium Way have increased markedly in response to the sales activity. This, in turn, has caused an increase in the taxes associated with these properties and has therefore increased the carrying costs associated with holding Titanium Way Lots for sale. Accordingly NVDLP plans an average \$0.50 increase per square foot in lot sale prices. NVDLP has also launched an appeal with the City of Whitehorse and is addressing the tax increase issue with the Yukon Territorial Government in order to encourage a review of the approach to assessing and taxing lots that are held in a development inventory. The Partnership is hopeful that it will get the appropriate hearing on this issue, as failure to do so will impact its aggressiveness with respect to future development opportunities.

In summary, the Titanium Way Business Park has matured into a quality asset for NVDLP and is now generating regular sales gains for the Partnership. It will continue to be an important source of cash flow and development opportunities in the years to come.

Sales of undeveloped properties

In 2011 NVDLP focused on selling some of its non-strategic assets at attractive gains. It completed this sales program in 2012 through the sale of the remnant lands at the Heights and the Sixth Avenue Four-plex.

The remnant lands were created when the Summit Apartments were converted into the Heights Condominiums. The lands were sold in 2011 for gross proceeds of \$225,000. Considering the final gains associated with this sale, the Heights Condominium project has been a highly profitable project for NVDLP, particular given the relatively small amount of Partnership equity at risk. Unfortunately it will be difficult to duplicate, as opportunities to buy apartment buildings at the price paid for Summit House are no longer available, and construction prices have increased. Accordingly the focus on residential condominium development has shifted to new-build projects on NVDLP's undeveloped land inventory.

The Sixth Avenue Four-plex was a popular downtown rental unit that did not fit into the Partnership's future plans. While it was not listed for sale, NVDLP received an attractive unsolicited offer for the property and elected to sell this last non-strategic asset. Together with the remnant land sale, this allowed NVDLP to record gains on sale from non-strategic assets of \$327,000 in 2011 as contrasted to \$923,000 in 2010. Future gains from sales will be generated through sales of Titanium Way lots and the development of NVDLP's property portfolio.

DEVELOPMENT ACTIVITIES

River's Reach and Waterfront Station



In March 2012, the construction activities were focused on interior finishes. The River's Reach project will be ready for occupancy in June 2012 when it will set a new standard for condominium living in Whitehorse.

Substantial operation's focus in 2011 was directed to the development of our core strategic lands located on the Yukon River waterfront. As previously reported, NVDLP launched both the Waterfront Station commercial Project and the River's Reach residential project on these lands in 2011. At the writing of this report, 60% of the River's Reach complex is under contract and just over 40% of the Waterfront Station project is either sold or leased. RBC has provided important financial support for our waterfront development project which we have undertaken in Joint Venture with the builder, Ketza Group ("Ketza"). River's Reach is a 90/10 Joint Venture between NVDLP and Ketza, and Waterfront Station is a 50/50 Joint Venture between the partners. NVDLP is pleased to be engaged in a partnership with a high quality construction firm on these important initiatives. Following is the outlook for these two projects:

BOTH THE RIVER'S REACH AND WATERFRONT STATION PROJECTS SHOULD DRIVE SUBSTANTIAL GAINS FROM SALES FOR THE PARTNERSHIP IN 2012.

River's Reach Condominiums

This 20-unit condominium complex is expected to be completed in June 2012. At the writing of this report the interiors are being completed along with a show suite which should help with the Spring marketing effort. Discussions are underway with a good number of prospects and the target is to be at least 70% sold by delivery date. As the final product emerges there is no question that River's Reach sets a new standard for condominiums in Whitehorse in an unrivalled location.

The Partnership may choose to hold onto some of the River's Reach inventory for high end long-term-stay product which is the subject of strong potential demand. This decision will be based on the sales demand that emerges for River's Reach as the project moves toward the final delivery date. The decision on Phase II of the River's Reach project will also be based on the demand that materializes as NVDLP moves to completion of Phase I as well as the availability of financial resources to move forward on the project.

Waterfront Station Commercial Project



Pictured here in March 2012, the 44,000 sq ft Waterfront Station project is beginning to take shape.

The 44,000 square foot Waterfront Station commercial project has met with strong initial demand. Slated for completion in September 2012, this project is approximately 40% sold or leased with the majority of that being condominium sales. However as the building begins to take physical shape, the leasing activity has picked up and the Partnership is targeting to hold approximately 25% of this project as lease inventory.

Both the River's Reach and Waterfront Station projects should drive substantial gains from sales for the Partnership in 2012. The repatriation of capital invested in these projects coupled with the gains, based on substantial sell out of these projects, will support both the partial liquidity event and/or return of capital to unitholders in the coming year.

Economic Commentary

The positive economic story in Yukon continued in 2011. With the release of the Statistics Canada census numbers it was revealed that Yukon was the fastest growing Province or Territory over the 2006 to 2011 period. In November 2011 the Yukon reported the highest population in its history at 35,818, with 27,190 (76%) of this total in Whitehorse. For several years the Territory has posted the strongest GDP growth in the country. These are some of the key underlying reasons behind the strong performance of the Yukon economy and the resultant robust performance of the Partnership.

In January 2012, the labour force in the Yukon was measured at 20,900, also an historical high watermark for that measure. The unemployment rate was 6.2% compared to the national average for that month of 7.6%. Retail Sales also established a new annual record, with preliminary measures suggesting a total of \$669.4 million, up \$91.0 million or 15.6% from 2010. This compared to a national average increase of 3.6% for the same period.

ON MARCH 5, 2012 THE YUKON CHAMBER OF MINES ANNOUNCED THAT THE YUKON WAS NAMED THE TENTH MOST ATTRACTIVE JURISDICTION FOR MINERAL EXPLORATION AND DEVELOPMENT IN THE WORLD.

Mining, Oil and Gas and Tourism

On March 5, 2012 the Yukon Chamber of Mines announced that the Yukon was named the tenth most attractive jurisdiction for mineral exploration and development in the world. It was the first time a Canadian Territory has ever been named in the top ten. The study has been prepared every year since 1997 by the Fraser Institute and ranks 93 jurisdictions around the world according to mineral endowments and public policy factors including regulation and taxation.

There is no question that the emerging mining sector is a major driver of the Yukon economy. Gold has moved from a value of under \$800 USD per ounce in 2008 to over \$1,800 USD per ounce in 2011. This commodity price increase, coupled with the discovery of important gold and other mineral deposits in the Yukon has driven the substantial growth in exploration activity that has benefited the Yukon during this period. This exploration activity is now moving to the more mature exploitation phase as the mining companies work on permitting and production phases. External investment has been attracted, most notably the involvement of Chinese interests, for example in the Yukon Zinc's Wolverine mine which is in production phase.

Alexco's Bellekeno mine entered production in January 2011, and Capstone's Minto mine continued production growth through the discovery of new deposits. In addition, Victoria Gold Corporation is expected to commence construction of a gold mine at its Dublin Gulch property. Although it is difficult to find statistics related to Placer Mining, it is clear that this activity is also on the rise.

Golden Predator, an NVDLP tenant, has released positive news on its advanced Brewery Creek project, and other indicators such as Kinross Gold taking stakes in Junior

Mining companies in the Yukon are positive indicators that the movement is toward a more mature phase of the mining boom, where exploration activities are balanced with new production activities with longer lasting impact.

Challenges do exist. The energy infrastructure will be taxed as mines come on stream and ongoing infrastructure investment will be required. Yukon Energy has assessed the feasibility of trucking in liquid natural gas to provide the necessary fuel stock for energy expansion and much focus is being applied to the infrastructure challenges that will need to be addressed to support the future growth of the mining industry.

There is also substantial discussion continuing around the Peel Watershed and the more general issue of land preservation and protection in the Yukon. All of these factors will impact the pace of development. However, NVDLP believes that the general outlook for the Yukon economy is positive for the next several years, and specifically believes that the mining sector will continue to be a key driver of economic growth.

From an oil and gas perspective, the potential use of liquid natural gas may create opportunities for Yukon-based potential suppliers. While the possibility of construction of the Alaska Gas pipeline appears to be diminishing significantly in the wake of low natural gas commodity prices and in particular the massive new source of shale gas closer to North American major markets, the potential for a local oil and gas industry in the Yukon appears to be increasingly realistic. NVDLP expects increased activity associated with oil and gas activity in the Yukon as a result, and this is certainly in evidence with the 12 recent land nomination in the Whitehorse trough for Oil and Gas.

NVD continues to be very dependent on the tourism industry which creates strong summer peak demand for the Hotel Division and, increasingly, a source of shoulder and winter season traffic most clearly associated with the growing interest in opportunities such as Northern Lights viewing in Whitehorse. After a decrease in demand associated with the world's economic troubles and associated drops in disposable income during the worldwide recession, the Partnership has recently experienced some resurgence in demand from the tourism industry. Preliminary results indicate non-airplane border crossings were down marginally by 0.6% in 2011 versus 2010, while aircraft movements in and out of Whitehorse were up 2.8% during the same period.

Real Estate Leasing and Sales

While median residential rents have reached approximately \$800 per month, vacancy rates remained below 1.5% for the entire year in Whitehorse. An important measure for NVDLP is average residential selling prices. In Whitehorse the selling price for a single house in December 2011 was up \$27,800 to \$432,600 representing a 6.9% increase from the prices one year earlier.

In terms of building activity, construction permits issued in 2011 in the Yukon were up \$45 million to \$177 million as compared to the previous year. Of these, 78% were residential and 18% were commercial.

Summary and Outlook

The Partnership has benefited from a sustained strong economy in the Yukon for the past few years. This, coupled with a sustained period of low interest rates and the Partnership's mortgage skew to a variable interest rate portfolio as well as NVDLP's ability to gain market share for its Hotel Division, have combined to deliver the results summarized in this annual report.

The Partnership expects a continuation of the strong economic growth in the Yukon throughout the current year and possibly beyond, but recognizes that risks exist. With mining and tourism being the major drivers of the Yukon economy, it is susceptible to variances in world commodity prices – particularly gold prices – and world economic performance which impacts the disposable income of potential tourists. Accordingly the Partnership continues to be prudent with respect to the pace of its development activities, the renewal of its leases, the renewal of its mortgage portfolio, and the investment it makes in both its products and human resources.

Success in the current year will continue to depend on strong performance of the Hotel Division, but for the first time will be at least as dependent on the outcomes of the Partnership's waterfront development activities and the sales of its Titanium Way lots.

// MANAGEMENT'S DISCUSSION AND ANALYSIS

The audited financial statements of NVDLP as at and for the period ended December 31, 2011 are included with this annual report and this summary should be read in conjunction with the financial statements and related notes thereto. The financial statements were prepared by management and audited by BDO Canada LLP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS

Statements Prepared Under New Accounting Framework

The Partnership's financial statements for the year ended December 31, 2011 reflect the adoption of a new accounting framework, the Accounting Standards for Private Enterprise ("ASPE"). This change was mandated by the decision of the Canadian accounting bodies to move the existing common body of Generally Accepted Accounting Principles ("GAAP") into two separate frameworks, ASPE and the International Financial Reporting Standards ("IFRS") for accounting periods commencing January 1, 2011. The Audit Committee of the board, in consultation with management, choose to recommend the adoption of the ASPE framework believing the additional cost of adopting IFRS was not beneficial to unit holders at this point of time. The board accepted this recommendation. The Partnership may move to the IFRS framework at a later time if desired.

Financing Activities

Since inception in 2004 the Partnership has raised equity of approximately \$19.9 million. No equity financing took place in 2011. NVDLP has returned Partner's Capital of \$3.4 million since inception, including \$1.7 million in October 2011.

Long Term Debt: As in previous years, the Partnership entered into new debt financing arrangements including the following: (a) payout of the fixed rate mortgage payable to CIBC (\$456,103 as at December 31, 2010) related to the Nugget Beach property; replacement of the mortgage on the Nugget Beach property with a variable interest rate mortgage at TD Bank Prime plus 1.25% (\$729,660 as at December 31, 2011); retirement of the remaining RBC partial discharge mortgage associated with the Heights Condominium project (\$392,231 as at December 31, 2010) from proceeds of sales of the final Heights Condominium units; establishment of a loan for the Partnership's share of the Selkirk JV project with BDC at the

BDC floating base rate less 0.5% (\$245,754 as at December 31, 2011); and the increase of a mortgage payable to BDC and secured by a portion of the Titanium Way Business Park lot inventory at BDC's floating base rate less 0.5% for a total of \$1,680,894 as at December 31, 2011 (replacing a loan at \$535,000 as at December 31, 2010). Prior to December 31, 2011 NVDLP entered into a relationship with BDC to provide up to \$800,000 to support the Phase II renovation program for the High Country Inn & Convention Centre, but this funding was not accessed by the Partnership until the first quarter of 2012.

More than 50% of the Partnership's long term debt matures in December 2012. Loans with GE Real Estate bearing interest at Banker's Acceptance plus 2.04% and having a balance of \$4,143,089 as at December 31, 2011 (\$4,355,899 as at December 31, 2010), Banker's Acceptance plus 4.09% and having a balance of \$354,026 as at December 31, 2011 (\$373,591 as at December 31, 2010), and bearing an interest rate at Banker's Acceptance plus 2.04% and having a balance of \$3,373,994 as at December 31, 2011 (\$3,575,486 as at December 31, 2010) all mature on December 1, 2012. GE Real Estate has advised the Partnership that it is exiting from providing these types of loans and will not be renewing them on maturity; however, they have also requested that GE Franchise Financing be given an opportunity to provide terms on the Best Western Gold Rush Inn loan facility. Given the relatively low interest rates associated with the two major loans, NVDLP has determined it is not in its best interest to renew these facilities early and will leave them in place until the planned maturity dates. The Partnership has already received attractive term sheets for these mortgages that would allow for increased leverage at competitive terms and has no reason to believe it will encounter any difficulty in arranging refinancing of these mortgages at competitive

MARKETING COSTS WERE UP (THIS YEAR) — DUE TO A MORE AGGRESSIVE PROGRAM AIMED AT MARKETING THE TITANIUM WAY BUSINESS PARK INCLUDING A MAJOR EVENT AND NEW BROCHURE MATERIALS AND WEBSITES.

terms during 2012. However, as the Partnership has not entered into specific terms of arrangement with a lender at this time, the entirety of these loans are classified as short term portion of long-term debt in the attached financial statements and notes.

Short Term Debt: Though its River's Reach Joint Venture, the Partnership entered into a construction financing loan with RBC during 2011 to support the development of the River's Reach Project. As at December 31, 2011 the Partnership's portion of the amount drawn down on this facility was \$1,917,343 and the remaining credit limit was \$3,674,657 (nil and nil as at December 31, 2010). Prior to year end NVDLP also signed a term sheet with RBC relating to the financing of the Waterfront Station project.

Weighted Average Cost of Debt: At December 31, 2009 weighted average cost of long term debt remained essentially unchanged at 4.18% at December 31, 2011 (4.19% at December 31, 2010). Total long term debt before allowance for current portion increased \$0.6 million or 3.9% to \$15.2 million at December 31, 2011 (\$14.7 million as at December 31, 2010) as a result of the aforementioned loan activities throughout the year. The long term debt to equity ratio at December 31, 2011 increased to 0.77:1 (2010 – 0.75:1). Including the fixed rate short term construction loan associated with the River's Reach project, NVDLP's loan portfolio includes 19% fixed rate and 81% variable rate loans. The Partnership will continue to seek opportunities to rebalance the portfolio to a higher percentage of fixed rate mortgages if it is prudent to do so. Currently, the Partnership is exposed to interest rate risk with each 1% rise in its variable interest rates responsible for an annual increase of \$139,890 in interest expense. Looking forward to 2012, the Partnership has planned for interest rates to increase only marginally from existing levels.

Working Capital

Given the reclassification of more than 50% of its loan portfolio as current portion of long term debt, the fact that the Partnership records the drawdown of its construction loan facility as a short term obligation while recording the asset value of this as a long term asset ("Property Under Development") and given that NVDLP's sales inventory of Titanium Way lots is properly classified under ASPE as "Property and Equipment Held for Sale", the working capital deficiency and current ratios appear as significant concerns in the financial statements. However as previously discussed, the Partnership has no reason to expect to encounter any difficulties in renewing the three maturing mortgages when appropriate. In addition, the short term debt will be retired from proceeds of sales from the River's Reach Project. Presently the proceeds associated with pre-sales will be enough to retire almost 100% of the expected maximum debt associated with this project. Finally, a substantial portion of the accounts payable as at December 31, 2011 are related to invoices associated with either River's Reach or the Selkirk Project for which loan financing is in place but was not drawn down as at December 31, 2011. Accordingly, management anticipates that loan agreements in place or under discussion, coupled with the normal performance of the operations of NVDLP will provide sufficient cash flow to meet its obligations.

Operating Activities

Revenues: Revenues for the year ended December 31, 2011 increased by 7.0% to \$11.5 million versus \$10.8 million in the previous year. The primary driver was higher hotel revenues which accounted for \$829,000 or 110% of the increase. Hotel revenues were \$10.1 million in 2011 and accounted for 87.2% of total revenues (\$9.2 million and 85.6% in 2010). Property management activities and revenues from assets held for sale contributed \$1.5 million in 2011 representing

12.8% of total revenues (\$1.5 million and 14.4% in 2010). The property management portfolio was relatively stable in 2011 with a decrease accounted for by sales of the remaining Heights Condominiums and one other revenue property, and increases resulting from the lease renewals and full year contribution from lease up of property in the Titanium Way Business Park.

Gross Profit and Direct Expenses: Direct Expenses were down for the year despite the increase in revenues creating a gross profit increase from \$2.9 million in 2010 to \$3.7 million in 2011. This was driven by a decrease in Hotel Division direct expenses from \$7.8 million in 2010 to \$7.7 million in 2011. The margin improvement was primarily driven by improved cost control in the housekeeping area and improved food and beverage margins. Given that the remaining three Heights units were sold early in 2011 (Ten lots held at the beginning of 2010 and three remaining at the end of 2010) both rental income from properties held for sale, and direct expense from properties held for sale were down substantially in 2011 compared to the previous year.

Expenses: Amortization remained almost unchanged at \$1.134 million in 2011 versus \$1.136 million in 2010. Decreases in amortization related to the reduction in unclaimed capital costs from the previous year were almost equally offset by increases in amortization associated with either the full year or half year inclusion of additions. Likewise interest changes were relatively unchanged, dropping to \$570,000 from \$573,000 for the year. The weighted average cost of debt decreased during the year by 0.01% and the net amount of debt throughout the year while variable due to changes described earlier, remained relatively consistent with the previous year. Consequently interest costs related to operations remained relatively constant.

Interest related to properties held for sale dropped considerably during the year due to the fact that the Partnership sold its remaining ten Heights Condominium units during 2010 and 2011. Although NVDLP secures debt with a portion of the Titanium Way lots, that debt has not specifically been employed to improve the Titanium Way Business Park and instead, as intended, has been used to support development activities on the Waterfront Properties. Accordingly this debt is not charged to Assets Held for Sale and is instead capitalized against Properties Under Development.

Management fees are calculated at 1.5% of the Partnership's book value of Net Assets. As the net book value of assets under management remained largely unchanged, on balance, for the year, so too did the management fees. These fees are paid to the General Partner. A portion of this fee is in turn used to offset a some of the gross salary costs of NVDLP.

Marketing costs were up considerably in 2011 to \$49,000 from \$18,000 in 2010. This is directly related to a more aggressive program aimed at marketing the Titanium Way Business Park including a major event and new brochure materials and websites. The Partnership also increased activities associated with heightening NVDLP's overall profile in order to support the sales of all its properties under development.

Wages were up significantly in 2011 with an increase of \$213,000 to \$479,000 (\$266,00 -2010). The primary driver was an increase in senior management bonus associated with meeting and exceeding operating income targets in 2011 (responsible for \$125,000 of the variance), increased salary for development and marketing activities associated with the sale of Titanium Way Business Park Lots and support of the Waterfront Development Projects and salary increases (collectively accounting for \$73,000 of the

variance), and some overlap between our incoming and outgoing CFO (accounting for \$15,000 of the variance).

Income from Operations: The variances analyzed above account for the Income from Operations increasing by 214.5% to \$1.044 million (\$332,000 – 2010).

Sales Activities

In keeping with its plans, the Partnership sold seven Titanium Way lots during the year, and completed the sale of the Heights project by selling the remaining three condominiums while also selling the remnant lands associated with that project. NVDLP also sold the non-strategic Sixth Avenue Four-plex for which it received an unsolicited offer. These sales contributed a gain of \$900,000 during 2011 (Seven Heights Condominiums, two Titanium Way lots, two undeveloped lots and one income producing property in 2010 for gains of \$1.56 million in 2010).

Review of Management Objectives

Here is a review of the objectives set for 2011 in the 2010 annual report with commentary on the results achieved:

I. OBJECTIVE: Enhance distributions and create a liquidity event for Limited Partners seeking exit by summer 2012.

Result: The Partnership paid a distribution in October 2011 equivalent to the Distribution paid in August 2010 and has set plans in motion to deliver the liquidity plan in the summer of 2012.

II. OBJECTIVE: Continue to improve available operating cash flow. **Result:** Net income from operations was improved by 214% year over year to \$1.04 million and EBITDA improved by over 30% to \$2.8 million

III. OBJECTIVE: Commence construction and sell out Phase One of River's Reach Residential Condominium Project.

Result: The project will deliver in June 2012 and is currently 60% sold.

IV. OBJECTIVE: Advance plans for Waterfront Station Commercial Project. **Result:** The construction of this project is underway and over 40% is either leased or sold.

V. OBJECTIVE: Sell or commence development of at least five Titanium Way Business Park Lots and use proceeds for enhanced distribution to unitholders. **Result:** A total of seven Titanium Way lots were sold during the year and a further lot was developed in a Joint Venture project.

VI. OBJECTIVE: Maintain 100% occupancy in commercial rental portfolio. **Result:** Achieved with the caveat that the new Selkirk JV project was ready for occupancy in January 2012 and is currently 50% leased, and the Trade Centre II project of which the Partnership took delivery in September 2011 is being leased by the Hotel Division for storage and as a work shop.

VII. OBJECTIVE: Explore the sale of non-core and/or non-critical Partnership assets and use proceeds to accelerate distributions to unitholders. **Result:** The remaining non-core assets owned by the Partnership were sold for attractive gains during the year.

ENHANCE DISTRIBUTIONS AND CREATE A LIQUIDITY EVENT FOR LIMITED PARTNERS SEEKING EXIT BY SUMMER 2012.

The following are the key objectives for 2012:

- I. Sell and/or commence to develop a minimum of seven Titanium Way Business Park lots.
- II. Maintain or grow the income generated from operations of the Hotel and Property Management Divisions.
- III. Deliver the River's Reach Residential Project by June 2012 and either sell or lease the remaining unsold inventory by year end.
- IV. Deliver the Waterfront Station Commercial Project by September 2012 and either sell and or lease at least 90% of the project by year end.
- V. Lease out the remaining commercial spaces in the Selkirk JV project in Titanium Way and re-lease space that becomes vacant in the TW 170 project by year end.
- VI. Formulate a schedule for the development of the remaining Waterfront lands based on sales and leasing success of the Phase I Residential and Commercial projects.
- VII. Complete a successful partial liquidity event for unitholders during the year and extend the mandate of the Partnership for those who wish to remain as unitholders.

Financial and Liquidity Plans

The Partnership will draw down its new renovation facility with BDC to finance the Phase II High Country Inn renovations project. In addition it is in the final phase of putting the Waterfront Station loan financing in place with RBC required to fund the balance of that project. As discussed earlier in the Management Discussion and Analysis, it is already in possession of term sheets for the renewal of the maturing GE loans in December 2012 and it will determine whether it makes sense to increase the leverage associated with these properties. This decision will be determined by the final style of the partial liquidity event which will be finalized prior to mid-year.

07

*// FINANCIAL STATEMENTS
AND NOTES*

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Northern Vision Development Limited Partnership and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

These financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The partnership maintains systems of internal accounting and administrative controls of quality that are consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the partnership's assets are appropriately accounted for and adequately safeguarded.

The partnership's management is responsible for ensuring that the partnership fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board of Directors review the partnership's financial statements and recommend their approval. The Board of Directors meet periodically with management, as well as the external accountants, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external accountants' report. The Board of Directors takes this information into consideration when approving the

financial statements for issuance to the partners.

The Board of Directors also consider the engagement of the external accountants.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the partnership. BDO Canada LLP has full access to the Board of Directors.

March 14, 2012

On behalf of the Board:



Myron Tetreault, Director



Stanley Noel, Director

**To the Partners of
Northern Vision Development Limited Partnership**

We have audited the accompanying financial statements of Northern Vision Development Limited Partnership, which comprise the balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of operations, partners' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Vision Development Limited Partnership as at December 31, 2011, December 31, 2010 and January 1, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian accounting standards for private enterprises.

Chartered Accountants

BDO Canada LLP

Whitehorse, Yukon
March 14, 2012

Northern Vision Development Limited Partnership

BALANCE SHEET

As at	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current			
Cash	\$ 854,433	\$ 762,081	\$ 345,987
Accounts receivable	684,611	466,739	500,471
Due from related parties	-	-	33,857
Inventories	89,107	98,596	99,032
Prepaid expenses and deposits (Note 9)	312,475	191,416	380,520
Note receivable (Note 13)	173,299	169,338	101,415
Current portion of long-term investments (Note 10)	36,977	7,192	3,000
	2,150,902	1,695,362	1,464,282
Long term investments (Note 10)	326,483	98,998	121,851
Property and equipment (Note 3)	25,817,423	25,995,888	27,080,142
Property under development (Note 4)	7,196,983	2,907,292	3,396,725
Property and equipment held for sale (Note 5)	3,212,264	4,187,495	4,849,603
Other	14,605	17,673	8,758
	\$38,718,660	\$34,902,708	\$36,921,361
LIABILITIES AND PARTNERS' EQUITY			
Current			
Accounts payable and accrued liabilities	\$ 1,591,252	\$ 521,007	\$ 433,138
Government remittances payable	-	18,861	48,757
Customer deposits	11,529	9,297	46,967
Deferred revenue	50,587	-	17,000
Current portion of long term debt (Note 6)	8,676,169	985,490	975,655
Short term loan (Note 7)	1,856,369	-	-
Note payable (Note 15)	70,000	70,000	-
	12,255,906	1,604,655	1,521,517
Long term debt (Note 6)	6,544,258	13,665,681	15,982,309
	18,800,164	15,270,336	17,503,826
Partners' equity	19,918,496	19,632,372	19,417,535
	\$38,718,660	\$34,902,708	\$36,921,361

Approved On Behalf Of The Board



Myron Tetreault, Director



Stanley Noel, Director

Northern Vision Development Limited Partnership
STATEMENT OF PARTNERS' EQUITY

For the year ended December 31	2011	2010
Partners' equity, beginning of year	\$ 19,632,372	\$ 19,417,535
Net income for the year	1,986,124	1,914,837
Partners' equity, end of year	21,618,496	21,332,372
Capital distribution	(1,700,000)	(1,700,000)
Partners' equity, end of year	19,918,496	19,632,372

Northern Vision Development Limited Partnership
STATEMENT OF OPERATIONS

For the Year Ended December 31	2011	2010
Revenues		
Hotels	\$ 10,064,594	\$ 9,234,720
Rentals	1,420,909	1,451,637
Rental income from properties held for sale	22,500	80,125
Other	44,018	9,256
	11,552,021	10,775,738
Direct expenses		
Hotels	7,720,789	7,814,883
Rentals	64,186	48,362
Rental properties held for sale	3,987	58,859
	7,788,962	7,922,104
Gross profit	3,763,059	2,853,634
Expenses		
Amortization	1,133,946	1,135,998
Interest	569,552	573,203
Interest relating to properties held for sale	5,026	69,011
Management fee	296,683	293,371
Marketing	49,408	17,645
Office	50,840	49,418
Professional fees	67,787	78,249
Shareholder communications	14,480	14,889
Travel	28,586	23,680
Wages	479,261	266,262
	2,695,569	2,521,726
Income from operations	1,067,490	331,908
Other income		
Interest income	18,167	22,802
Gain on disposal of properties held for sale	573,887	636,699
Gain on disposal of property and equipment	326,580	923,428
Net income for the year	\$ 1,986,124	\$ 1,914,837

Northern Vision Development Limited Partnership
STATEMENT OF CASH FLOWS

For the Year Ended December 31	2011	2010
Cash flows from operating activities:		
Net income for the year	\$ 1,986,124	\$ 1,914,837
Add back non cash items		
Amortization of financing fees	62,648	94,952
Amortization of other assets	1,764	3,465
Amortization of property and equipment	1,132,182	1,131,077
Gain on disposal of property and equipment	(900,467)	(1,560,126)
Revenue from barter transaction	-	(17,000)
	2,282,251	1,567,202
Changes in non cash working capital balances:		
Accounts payable and accrued liabilities	1,070,249	87,869
Accounts receivable	(221,114)	(46,068)
Prepaid expenses and deposits	(121,060)	189,104
Inventories	9,489	436
Customer deposits	2,233	(37,670)
Increase in deferred revenue	50,587	-
Government remittances payable	(19,580)	(29,896)
	3,053,055	1,730,977
Cash flows from investing activities:		
Long term investment	(257,270)	100,538
Proceeds on sale of property	3,082,241	4,302,193
Purchase of property	(6,451,718)	(1,665,961)
Other assets	3,067	(12,380)
	(3,623,680)	2,724,390
Cash flows from financing activities:		
Financing fees paid, net	(89,159)	(7,000)
Related party advances	-	33,857
Repayment of long term debt	(2,416,961)	(2,366,130)
Capital distribution	(1,700,000)	(1,700,000)
Advances from loans	4,869,097	-
	662,977	(4,039,273)
Net increase in cash during the year	92,352	416,094
Cash, beginning of year	762,081	345,987
Cash, end of year	\$ 854,433	\$ 762,081

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Northern Vision Development Limited Partnership (the "partnership") was formed as a limited partnership under the laws of Alberta on January 15, 2004 and was extra provincially registered under the Partnership and Business Names Act of the Territory on March 22, 2004. The partnership's principal business is the acquisition, development and sale of commercial, industrial, residential and hospitality real estate located in Whitehorse, Yukon.

The partnership consists of a general partner, Northern Vision Development Corp., and a number of limited partners holding partnership units. The partnership pays the general partner an annual management fee of 1.5% of the net asset value of the partnership.

Pursuant to the terms of the Limited Partnership Agreement, the General Partner has unlimited liability for the debts and obligations of the Limited Partnership. The liability of each Limited Partner is limited to the amount of capital contributed or agreed to be contributed, the Limited Partner's assumed share of the mortgage financing, and their share of undistributed income.

Basis of Accounting

These financial statements reflect only the assets, liabilities, revenue and expenses of the partnership and therefore do not include any other assets, liabilities, revenues or expenses of the partners or the liability of the partners for income taxes on earnings of the partnership.

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

Inventories

Inventories consist of linen, beverages, food and other supplies and are valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis. A provision is raised when it is believed that the costs incurred will not be recovered on the ultimate sale of the inventory.

Property and Equipment

Property and equipment is initially stated at cost less accumulated amortization. Capitalized costs include all direct costs related to development, construction and upgrades, other than ordinary repairs and maintenance, carrying costs including interest on debt to finance projects, property taxes and land acquisition costs. Amortization is provided using the following annual rates:

	Method	Rate
Automotive	Declining balance basis	30%
Buildings	Declining balance basis	4%
Computer equipment	Declining balance basis	30%
Computer software	Declining balance basis	45%
Furniture and fixtures	Declining balance basis	20%
Paving and landscaping	Declining balance basis	8%

The preparation of financial statements in accordance with accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring management estimates relate to the determination of the impairment of assets, useful lives of property and equipment, inventory obsolescence, recognition of revenue and recovery of receivables. Actual results could differ from those estimates and may have an impact on future periods.



Property and Equipment Held for Sale

Non current assets classified as held for sale are stated at cost if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Organization Costs

Organization costs were initially recorded at cost and amortized using the straight line method over six years, based upon management's best estimate of the useful life of the asset.

Non Monetary Transactions

All non monetary transactions are measured at fair value unless:

- » The transaction lacks commercial substance;
- » The transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;
- » Neither the fair value of the assets or services received nor the fair value of the assets or services given up is reliably measurable; or
- » The transaction is a non monetary, non reciprocal transfer to owners that represents a spin off or other form of restructuring or liquidation.

A non monetary transaction has commercial substance when an entity's future cash flows are expected to change significantly as a result of the transaction

Joint Ventures

Joint ventures are entities over which the partnership has joint control with one or more unaffiliated entities. Joint venture investments are accounted for using the proportionate consolidation method as follows:

- » The balance sheet includes the partnership's share of the assets that it controls jointly and the liabilities for which it is jointly responsible;
- » The statement of operations includes the partnership's share of the income and expenses of the jointly controlled entity; and
- » Gains on transactions between the partnership and its joint ventures are eliminated to the extent of the partnership's interest in the joint ventures and losses are eliminated unless the transaction provides evidence of an impairment of the asset.

Where the joint venture has adopted accounting policies which differ from the partnership, adjustments have been made to ensure consistency.

- » Accounts receivable and notes receivable are initially recorded at fair value and subsequently measured at amortized cost.
- » Accounts payable and accrued liabilities, short term loans, notes payable, customer deposits, related party balances and long term debt are initially recorded at fair value and subsequently measured at amortized cost.
- » Financing and transaction costs associated with long term debt are netted against the carrying value of the long term debt and are amortized over the term of the financing using the effective interest rate method.
- » Financial assets are recognized on the date the partnership commits to purchase or sell the asset and derecognized when the partnership no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold or all the risks and rewards of ownership have transferred to an independent third party.

Effective January 1, 2010, the partnership adopted the requirements of the new accounting framework, Canadian accounting standards for private enterprises (ASPE) or Part II of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting. These are the partnership’s first financial statements prepared in accordance with this framework and the transitional provisions of Section 1500, First time Adoption have been applied. Section 1500 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening ASPE balance sheet at the date of transition of January 1, 2010.

The partnership issued financial statements for the year ended December 31, 2010 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V Pre changeover Accounting Standards. The adoption of ASPE resulted in no adjustments to the previously reported assets, liabilities, equity, net income and cash flows of the partnership.

The following exemption was used at the date of transition to ASPE:

The partnership elected to not restate assets or liabilities related to transactions with related parties when the related party transaction occurred prior to the date of transition to ASPE.

The partnership has adopted a mandatory exemption where estimates at the date of transition and for the comparative period are to be consistent with estimates made for the same date in accordance with previous Canadian generally accepted accounting principles, unless there is objective evidence that those estimates were in error.

The partnership has adopted a mandatory exemption where any derecognized non derivative financial assets or non derivative financial liabilities reported under the previous Canadian generally accepted accounting principles do not get recognized as assets and liabilities under ASPE unless they qualify for recognition as a result of a later transaction or event.

3. PROPERTY AND EQUIPMENT

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Automotive	\$ 228,180	\$ 97,490	\$ 134,304	\$ 61,596
Buildings	20,864,545	3,337,539	20,015,430	2,664,225
Computer equipment	52,530	31,065	45,239	20,813
Computer software	138,100	90,244	130,268	74,028
Furniture and fixtures	2,347,737	1,190,623	2,199,799	915,850
Land and improvements	5,818,597	-	5,996,210	-
Paving and landscaping	1,573,805	459,110	1,573,350	362,200
	\$ 31,023,494	\$ 5,206,071	\$ 30,094,600	\$ 4,098,712
Net book value		\$ 25,817,423		\$ 25,995,888

4. PROPERTY UNDER DEVELOPMENT

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land & improvements	\$ 3,031,642	\$ -	\$ 2,907,292	\$ -
Buildings	4,165,341	-	-	-
	\$ 7,196,983	\$ -	\$ 2,907,292	\$ -
Net book value		\$ 7,196,983		\$ 2,907,292

Property under development consists of assets under active development or lands identified for development by the partnership.

During the year, the partnership capitalized development and other costs in the amount of \$4,255,637 (2010-\$36,434) and interest on long term debt in the amount of \$21,180 (2010-\$nil).

Northern Vision Development Limited Partnership
NOTES TO FINANCIAL STATEMENTS (December 31, 2011)

5. PROPERTY AND EQUIPMENT HELD FOR SALE

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and improvements	\$ 3,212,264	\$ -	\$ 4,210,502	\$ 23,007
Net book value	\$ 3,212,264		\$ 4,187,495	

Property and equipment held for sale consists of lands and buildings and are accounted for at the lower of net book value and estimated net realizable value. Earnings and cash flows generated from these assets are included in the current operations of the partnership.

During the year, the partnership capitalized development and other costs in the amount of \$43,855 (2010-\$35,846) and interest on long term debt in the amount of \$27,012 (2010-\$35,967).

During the year, the partnership recorded a gain of \$573,887 (2010-\$638,242) from the sales of property and equipment held for sale.

6. LONG TERM DEBT

As at December 31, 2011, there was \$128,125 (2010 \$162,589) in deferred financing fees netted against long term debt. During the year, amortization of deferred financing fees amounted to \$62,648 (2010 \$94,952) and a further \$28,185 (2010 \$7,000) in fees were incurred.

	2011	2010
Loan payable to GE Capital interest at the Bankers' acceptance rate plus 2.04% per annum, due December 1, 2012, with fixed monthly repayments of \$20,932 principal plus interest, secured by the following: first mortgage on 411 Main Street, Whitehorse; general assignment over property and equipment on that property; first priority on inventory and receivables to lender extending line of credit.	\$ 4,143,089	\$ 4,355,889
Loan payable to GE Capital interest at the Bankers' acceptance rate plus 4.90% per annum, due December 1, 2012, with monthly principal payments of \$1,597 from January to September and \$1,727 from October to December plus interest, secured by the following: first mortgage on 411 Main Street, Whitehorse; general assignment over property and equipment on that property; first priority on inventory and receivables to lender extending line of credit.	354,036	373,591



	2011	2010
Mortgage payable to GE Capital interest at the Bankers' acceptance rate plus 2.04% per annum, due December 1, 2012, with monthly principal repayments of \$17,116 plus interest, secured by a first mortgage on 2180 2nd Avenue, Whitehorse.	3,373,994	3,575,486
Loan payable to GE Capital interest at 6.78% per annum, due May 1, 2013, payable in monthly installments of \$14,156, principal and interest, secured by a first mortgage on the property of 9016 Quartz Road, Whitehorse.	1,352,235	1,423,687
Loan payable to TD interest at prime rate plus 1.25% per annum, due October 1, 2013, with monthly principal repayments of \$4,167 plus interest, secured by a first mortgage on 2193 and 2195 2nd Avenue, Whitehorse; general assignment of rental income from the properties.	729,660	-
Loan payable to BDC interest at BDC's floating base rate less 0.5% variance per annum, due April 23, 2016, with monthly principal repayments of \$32,600 plus interest, secured by various properties in the Whitehorse Industrial, Plan 2007-0103.	1,680,894	-
Loan payable to BDC interest at BDC's floating base rate, due February 23, 2029, with monthly principal repayments of \$2,436 plus interest, secured by the following: first mortgage and assignment of rents on the partnership's interest in the land and buildings at 166 & 170 Titanium Way, Whitehorse.	479,392	513,922
Loan payable to BDC interest at BDC's floating base rate, due February 23, 2029, with monthly principal repayments of \$2,564 secured by land and building on Lot 2A, Block B 335, Plan 2007-0028.	526,330	555,625
Loan payable to BDC interest at BDC's floating base rate less 0.5% variance per annum, due December 23, 2031, with monthly interest payments, secured by the following: first mortgage and assignment of rents on the partnership's interest in the land and buildings at 166 & 170 Titanium Way, Whitehorse.	245,754	-
Loan payable to BDC interest at BDC's floating base rate less 0.5% variance per annum, due June 23, 2032, with monthly principal repayments of 11,665 plus interest, secured by the following: first mortgage on 4051 4th Avenue, Whitehorse; general assignment over property and equipment of the property; first priority on inventory and receivables to lender extending line of credit.	2,335,043	2,469,637

Northern Vision Development Limited Partnership
 NOTES TO FINANCIAL STATEMENTS (December 31, 2011)

6. LONG TERM DEBT (CONTINUED)

	2011	2010
Loan payable to CIBC — repaid during the year.	-	456,103
Loan payable to RBC — repaid during the year.	-	392,231
Loan payable to BDC — this loan was retired into the new BDC Drawdown facility.	-	535,000
	15,220,427	14,651,171
Less amounts due within one year included in current liabilities	8,676,169	985,490
	\$ 6,544,258	\$ 13,665,681

There are three loans that come to term within the next twelve months with a total value of \$7,941,025. It is management's intention to renew these loans on similar terms; management is not aware of anything that would preclude that. Accounting standards for private enterprises require these amounts to be shown as current in the absence of a binding contractual obligation to renew the debt.

The Bankers' acceptance rate at year end was 1.09% (2010 1.09%). The BDC floating base rate at year end was 5.0% (2010 5.0%). RBC and TD prime rate at year end was 3.0% (2010 3.0%).

Principal repayments on long term debt over the next five years and thereafter are as follows:

2012	\$ 8,676,169
2013	1,942,753
2014	670,675
2015	670,675
2016	396,929
Thereafter	2,990,770
	\$ 15,347,971

The total principal repayment of \$15,347,971 includes \$128,125 of deferred costs which are not reflected in the total long term debt of \$15,219,846.

Accounting standards for private enterprises require the disclosure of fair values of financial instruments. Fair value is the amount at which the instrument could be exchanged in a current transaction. The long term debt is subsequently measured at amortized cost. The fair value of the company's long term debt was determined to be equivalent to the carrying value. It is management's intention not to renew the long term debt until its maturity.

The partnership's debt agreements contain covenants which require minimum levels of tangible equity, debt service coverage, limitations on indebtedness, and limit the use of proceeds of asset sales. As at December 31, 2011, the partnership was in violation

of the debt service coverage covenant required by TD. Management does not believe operations will be constrained during fiscal 2012 as a result of this violation. In addition, the bank has indicated they are aware of this violation and have waived it.

7. SHORT TERM LOAN

As at December 31, 2011, there was \$1,917,343 (2010 \$nil) representing a 90% interest in short term debt obtained from RBC relating to a residential construction project undertaken in conjunction with a joint venture partner. The debt is secured against a general security agreement and a first mortgage on Lot 17, Block 321, Whitehorse and is due December 31, 2012. Monthly payments at year end were interest only with the interest rate being RBC's prime rate plus 2%. At December 31, 2011 this interest rate was 5%. The credit facility is non revolving with a limit of \$5,592,000. At December 31, 2011 the remaining credit limit was \$3,674,657.

As at December 31, 2011, there was \$60,974 (2010 \$nil) in deferred financing fees netted against the short term loan.

Principal repayments are to be made from the net sales proceeds of the residential construction project and are to be made no later than December 31, 2012.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair market values of cash, accounts receivable, accounts payable and accrued liabilities, short term loans, notes receivable, notes payable, customer deposits and related party advances approximate their carrying values due to their short term to maturity or capacity for prompt liquidation. The fair value of long term debt approximates its carrying value because the interest rates float with market or are similar to market rates.

Credit Risk

The partnership is exposed to normal credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or if financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The partnership's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts receivable. To mitigate the credit risk, the partnership has accounts receivable widely distributed among its customer base, performs regular credit assessments of its customers, provides allowances for potentially uncollectible accounts, obtains advance deposits and requires many of its customers to pay rent at the beginning of each month. The partnership therefore believes that there is minimal credit risk associated with the collection of its accounts receivable.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The partnership is exposed to interest rate risk with respect to its short term financial instruments all of which are expected to be realized within one year. As described in note 6, a substantial portion of the partnership's long term debt bears interest at floating rates. Fluctuations in these rates will impact the cost of financing incurred in the future. The partnership's various loans have rates between 3% and 7% and maturing between five and ten years.

NOTES TO FINANCIAL STATEMENTS (December 31, 2011)

Liquidity Risk

Currency Risk

9. PREPAID EXPENSES AND DEPOSITS

10. LONG TERM INVESTMENTS

(i) Mortgages receivable

During the year, the partnership issued a mortgage to a different third party borrower in connection with the sale of two of its properties. The mortgage is secured by the property formerly owned by the partnership, has a 6% rate of interest per annum and a seven year term to maturity. The interest earned on the mortgage in the year was \$nil.

The maximum exposure to the credit risk associated with the mortgages receivable occurs if the borrower defaults on repayment of the mortgages. Therefore, the carrying value of the mortgages receivable balance represents the partnership's maximum exposure to the related credit risk without taking into account any collateral or any other credit enhancements. There were no impairments or impairment provisions recorded on the mortgages receivable as at December 31, 2011.

(ii) Loans receivable

The loans receivable are to third party borrowers for improvements to properties leased by the partnership. The terms of the loans with the corresponding leases have interest rates ranging from nil to 7% per annum, monthly payments of \$250 and \$535, are unsecured and mature in July 2021 and March 2014. The interest earned on the loans in the year was \$1,048 (2010-\$1,040). The maximum exposure to the credit risk associated with the loans receivable occurs if the borrower defaults on repayment of the mortgage. Therefore, the carrying value of the loans receivable balance represents the partnership's maximum exposure to the related credit risk without taking into account any collateral or any other credit enhancements. There were no impairments or impairment provisions recorded on the loans receivable as at December 31, 2011.

11. RELATED PARTY TRANSACTIONS AND BALANCES

Amounts due to related parties are non interest bearing, payable on demand and have arisen from the sales of product and provision of services and cash advances.

Management has concluded that it is not practical to determine the fair value of related party loans as there is no comparable market data.

The following table summarizes the partnership's related party transactions with partners or companies controlled by partners of the partnership:

	2011	2010
Received or recovery from:		
Wages, benefits and contractors, recovery	\$ 145,767	\$ 157,884
Management fees	\$ 43,391	\$ -
Paid:		
Management fee	\$ 296,683	\$ 293,371
Wages, benefits and contractors	54,261	13,051
	\$ 350,944	\$ 306,422

During the year ended December 31, 2011, the partnership paid office related costs to three companies owned by an employee in the amount of \$36,237 (2010-\$38,001).

These transactions are in the normal course of operations and are measured at the exchange amount (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for services.

As at December 31, 2011, the partnership had accounts receivable from related parties of \$40,993 (2010-\$14,298). It had accounts payable to related parties of \$1,431 (2010-\$11,114).

Northern Vision Development Limited Partnership
 NOTES TO FINANCIAL STATEMENTS (December 31, 2011)

12. SEGMENTS

	Hotels	Rentals	Property held for sale	Property under development	Other	2011 Total
Revenue	\$ 10,064,594	\$ 1,420,909	\$ 22,500	\$ -	\$ 44,018	\$ 11,552,021
Amortization expense	684,805	431,946	-	-	17,195	1,133,946
Net revenue (expense)	1,658,136	902,136	18,513	-	26,823	2,605,608
Interest income	18,167	-	-	-	-	18,167
Interest expense	265,887	303,665	5,026	-	-	574,578
Net earnings (loss)	1,410,416	925,051	587,374	-	(936,718)	1,986,123
Property and equipment	\$ 12,110,227	\$ 13,665,086	\$ 3,212,264	\$ 7,196,983	\$ 42,110	\$ 36,226,670

	Hotels	Rentals	Property held for sale	Property under development	Other	2010 Total
Revenue	\$ 9,234,720	\$ 1,451,637	\$ 80,125	\$ -	\$ 9,256	\$ 10,775,738
Amortization expense	670,906	443,865	-	-	21,227	1,135,998
Net revenue (expense)	748,931	959,410	21,266	-	(11,971)	1,717,636
Interest income	22,802	-	-	-	-	22,802
Interest expense	254,254	318,949	69,011	-	-	642,214
Net earnings (loss)	771,733	1,882,838	657,965	-	(1,397,699)	1,914,837
Property and equipment	\$ 12,320,986	\$ 13,624,154	\$ 4,187,495	\$ 2,907,292	\$ 50,748	\$ 33,090,675

As at December 31, 2011, the partnership had four reportable segments: hotels, rentals, property held for sale and property under development. Hotel operations consist of room rental and food and beverage services. Rental properties consist of commercial and residential properties held under long term lease. Property held for sale consists of residential properties and commercial lots publicly available for sale. Property under development consists of lands and buildings in construction.

13. NOTE RECEIVABLE

During 2011, the partnership received a promissory note receivable from a third party borrower in connection with the sale of one of its properties. The note receivable is due on demand, non interest bearing and is secured by a property formerly owned by the partnership. The credit risk associated with the note receivable occurs if the borrower defaults on the entire amount due to the partnership. See Note 15-Non monetary Transactions for more details.

14. PARTNERS' EQUITY

The basic weighted average number of units outstanding for the year is 12,260,287 (2010-12,260,287). The number of units did not change in the year.

15. NON-MONETARY TRANSACTIONS

During 2009 and 2010, a non cash transaction was completed with a third party which included the partnership issuing consideration of a promissory note payable in the amount of \$70,000 and the right to apply this amount to the subsequent acquisition of a further parcel of land by the third party.

During the year ended December 31, 2010, the partnership entered into a similar barter arrangement with the same third party whereby the partnership transferred title of the parcel of land mentioned in the above paragraph to the third party and, in exchange, the third party agreed to transfer another condo to the partnership upon completion of said condo. The transaction is recorded at the fair value of the land and option transferred by the partnership of \$189,000. The fair value of the land is based on the comparable market values for the land. In connection with this agreement, the partnership received consideration equal to a promissory note receivable of \$169,338.

During 2011, this note was applied to purchase the Trades Center II from the same third party. The transaction is recorded at the fair value of the land and option transferred by the partnership of \$195,000. The fair value of the land is based on the comparable market values for the land. In connection with this agreement, the partnership received consideration equal to a promissory note receivable of \$173,298 (Note 13). This is a non cash transaction.

16. CHANGES IN PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

Northern Vision Development Limited Partnership

NOTES TO FINANCIAL STATEMENTS (December 31, 2011)

17. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2011	2010
Interest paid, expensed	\$ 574,578	\$ 628,131
Interest paid, capitalized	\$ 75,299	\$ 47,857
Non cash investing and financing activities:		
Note receivable	\$ 173,299	\$ 169,338
Deferred revenue	\$ 50,587	\$ -
Promissory note payable	\$ 70,000	\$ 70,000
Vendor take back mortgage	\$ 219,919	\$ -
Amortization of deferred financing fees	\$ 62,648	\$ 94,952

18. JOINT VENTURES

The financial statements include the partnership's proportionate interest in two joint ventures including Titanium Way in which it has a 66.67% interest and Rivers Reach in which it has a 90% interest.

The property and equipment consists of leased commercial properties. The property under development consists of residential properties being developed for eventual sale. At year end, there was \$160,000 held in trust by a third party as deposits on future sales.

	River's Reach 2011	River's Reach 2010	Titanium Way 2011	Titanium Way 2010
Cash	\$ 13,868	\$ -	\$ 63,692	\$ 12,028
Accounts receivable	37,315	-	11,600	5,487
Prepaid expenses	26,879	-	46,524	10,635
	78,062	-	121,816	28,150
Property and equipment	-	-	1,741,582	1,349,756
Property under development	4,860,998	-	-	-
Organization costs	-	-	3,528	5,292
	\$ 4,939,060	\$ -	\$ 1,866,926	\$ 1,383,198
Accounts payable and accrued liabilities	\$ 753,805	\$ -	\$ 246,058	\$ 3,547
Government remittances payable	-	-	374	297
Other current liabilities	-	-	91,177	91,176
	753,805	-	337,609	95,020
Long term debt	1,856,369	-	725,146	513,922
	2,610,174	-	1,062,755	608,942
Equity	2,328,886	-	804,171	774,256
	\$ 4,939,060	\$ -	\$ 1,866,926	\$ 1,383,198

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	River's Reach 2011	River's Reach 2010	Titanium Way 2011	Titanium Way 2010
Revenue	\$ -	\$ -	\$ 108,281	\$ 99,744
Expenses	-	-	78,365	80,660
Net income for the year	\$ -	\$ -	\$ 29,916	\$ 19,084
Cash flows from operating activities	\$ 689,611	\$ -	\$ 274,489	\$ 143,581
Cash flows from (used in) financing activities	\$ 4,185,255	\$ -	\$ 211,224	\$ (37,183)
Cash flows used in investing activities	\$ (4,860,998)	\$ -	\$ (434,057)	\$ (102,416)

// CORPORATE INFORMATION

General Partner – Northern Vision Development Corp.

Board of Directors

// Trevor Harding
// Hannes Kovac **
// Stanley Noel *
// Ian McAuley *,***
// Hon. Piers McDonald, Chairman **
// Myron Tetreault *
// Richard Thompson, CEO *,**,*

Head Office

// 411 Main Street
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Phone: 867.668.7886
Fax: 867.668.7851

* Denotes member of audit committee
** Denotes member of the Development Committee
*** Denotes member of the Hotel Committee

Management

// Richard Thompson, CEO
// Philip Fitzgerald, COO & CFO
// John Robertson, General Manager Hotels
// Heiko Franke, Director of Maintenance

Calgary Office

// Suite 700, 933 17th Avenue SW
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Other Founders

// Bruce Abugov
// Pam Boyde
// Ben Farella
// Mark Griffis
// Warren Hedges
// Brett Ironside
// Arthur Mitchell
// Lorne Metropolit
// Rena Nathanail
// Stuart O'Connor
// Robert Savin
// Graham Shannon
// Darryl Wiegand
// W. Brett Wilson

Legal Counsel

// Barrett Law
Whitehorse, YT

// Bennett Jones LLP
Calgary, Alberta

Accountants

// BDO Dunwoody LLP





NORTHERN VISION
DEVELOPMENT LP

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