Facing the Crisis

Northern Vision Development Limited Partnership
Annual Report to Unitholders

As at and for the Year Ending December 31, 2019

NORTHERN VISION DEVELOPMENT LIMITED PARTNERSHIP
2019 ANNUAL REPORT TO UNITHOLDERS

We provide you with this annual report on the activities of Northern Vision Development Limited Partnership ("NVD" or "the Partnership"). Included herewith are financial statements as at and for the year ended December 31, 2019 audited by Deloitte LLP, along with comparable results for the previous year.

The Partnership's Annual General Meeting will possibly be held at 4:30 pm (Pacific Time) on Tuesday, May 26, 2020 at the Coast High Country Inn in Whitehorse, Yukon. It will be proceeded by the annual meeting of shareholders of the General Partner* at 4:15 pm (Pacific Time) on that date at the same location. We invite all interested stakeholders to join us for the Limited Partner Annual General Meeting, to receive an update on the progress of the Partnership as well as information about future plans. For our Calgary-based investors, a follow up information meeting will likely be held in Calgary at 5:00 pm on Tuesday June 2, 2020, at the offices of Opus Corporation – Fifth Floor, 5119 Elbow Drive SW, Calgary, Alberta. **NOTE: These two meetings may be replaced by a single conference call if current travel restrictions and social distancing guidance remain in place. We will update as we get closer to the event.**

Overview

NVD, a private real estate partnership established in February 2004, owns, manages and develops hospitality, commercial and residential assets located in Canada's Yukon Territory. NVD is managed by its General Partner, Northern Vision Development Corp., a private corporation based in Whitehorse and formed under the laws of the Yukon*. The operations of the Partnership are overseen by a board of directors of the General Partner, comprised of individuals with a diverse mix of skill sets, including experience in the real estate and hospitality industries.

As at December 31, 2019, there were 26,756,921 Limited Partnership units outstanding (December 31, 2018 – 26,317,396) with no options or purchase warrants issued. However, an agreement with the shareholders of the ex-General Partner of NVD undertaken after year end representing a commitment to issue 272,232 Limited Partnership ("LP") units, along with 19,865 LP units held in escrow related to a "buildings for units transaction" in 2019, bring the fully diluted units outstanding to 27,048,838 (December 31, 2018 - 26,317,396). A total of 93 unique Unitholders held interest in the Partnership as at December 31, 2019 (92 - December 31, 2018). The Net Asset Value ("NAV") was estimated at $2.93 per basic and $2.90 per fully diluted unit as at December 31, 2019 (December 31, 2018 - $2.77 basic and fully diluted per unit), based on updates that rely on the methodology and assumptions used in the most recent third-party valuations for assets. This represents a 5.8% increase for the past year on a per unit basis (4.7% fully diluted). During the year a distribution to Unitholders of $1,000,000 was declared and paid in April representing 3.8 cents per unit (2018 – 4.1 cents per weighted average unit outstanding). The decline in distributions was related to redirecting funds toward development projects. **NOTE: The NAV estimate was approved prior to the COVID-19 crisis and at the current time we cannot reliably project NAV values or how they may be impacted by current world health turmoil and associated economic impacts.**

**** In December 2019 the General Partner NVD Corp. was replaced by a resolution involving more than 80% of the units outstanding as signatories, which removed NVD Corp. and replaced it with a new General Partner ("GP") being 536775 Yukon Inc. Subsequent to the replacement an agreement was reached to allow NVD Corp to continue to manage NVD, with the agreement of 536775 Yukon Inc., until such time as a smooth transfer arrangement could be reached and then NVD Corp could be amalgamated into the new GP, with it operating as NVD Corp after such amalgamation.***

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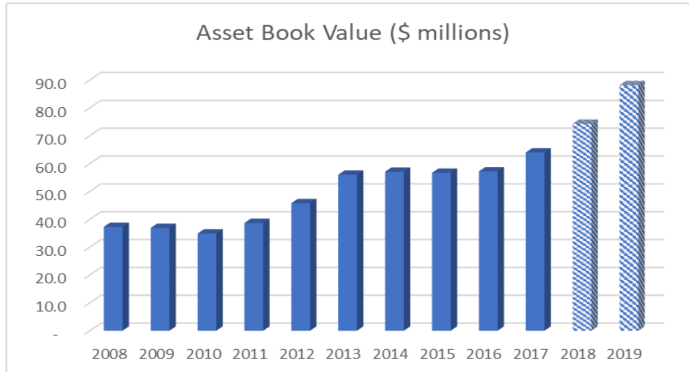
2019 Highlights

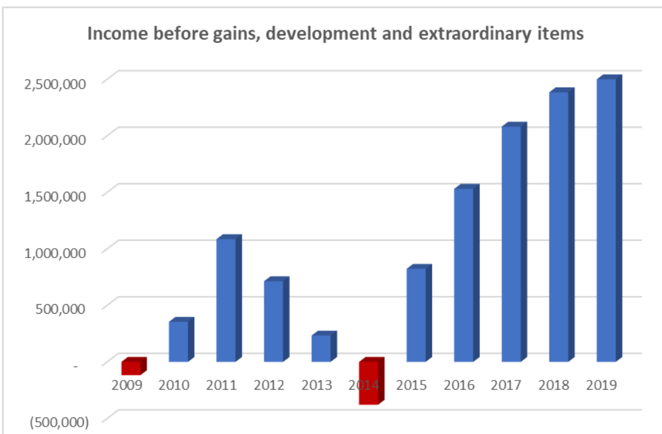
Financial results for the past year were lower than expected. The River's Reach II project was less profitable than planned and primarily delivered in the first part of 2020, meaning it had smaller than expected positive impact on 2019 results. Here are the highlights for the year:

- Equity funding was restricted to the Distribution Reinvestment Program ("DRP") in April 2019 as well as a building for units transaction involving the purchase of the Waterfront Business Centre condo in Waterfront Place from a group of First Nation Investors. As a result, units outstanding at year end were up 1.7% to 26,756,921;
- Through the DRP, a total of 128,453 units at $2.6315 were issued in April 2019. This resulted from 34.3% of distributions being reinvested in the Partnership involving 20 Unitholders;
- Loans Receivable decreased 4.7% during the year, from $1.30 million to $1.26 million, reflecting normal principal repayment, several one time payouts and an increase in the Partnership's loan to its Downtown Dawson Limited Partnership in support of development of the Midnight Sun assets;
- Book Value of Assets grew by 21.4% to $88.2 million at December 31, 2019 ($74.2 million – December 31, 2018) primarily reflecting investment in the River's Reach II project and retention of most income earned;
- Gains on sale of property and equipment were $345,200 for the year (2018 – $413,500) primarily derived from the sale of Lot 47 – a portion of the Nugget Beach property (gain of $120,000) and the sale of the Many Rivers building after the tenant lost access to its government funding ($205,000);
- Book Value of Debt to Equity increased back to historical levels, being 1.02:1 as at December 31, 2019, an increase from 0.86:1 a year earlier. Debt to Market Value of Equity increased to 0.54:1 from 0.45:1 at December 31, 2018;
- Revenues were up 34.6% to $27.2 million from $20.2 million in 2018. The increase primarily related to River's Reach II Condominium sales. Excluding development income, revenues were up 9% over 2018 driven by growth in NVD's operating divisions, with Hotel revenues up 9.4% and Real Estate rental revenue up 8.2%;
- Gross Profit was up 6.1% or $458,000 to $8.0 million;
- Interest expense was up 8.3% on the year to $1.50 million reflecting an intentional increase in leverage by adding long term fixed debt to support construction projects through an equity take out loan with BDC;
- At year end, fixed rate loans represented 76% of NVD's mortgage portfolio (74% - December 31, 2018). Weighted average cost of long term debt was 4.60% at December 31, 2019 (4.54% December 31, 2018);
- Income from Operations was up 1.1% to $2.42 million versus $2.29 million in 2018;
- Net Income did not benefit from the same level of gains as in 2018. Accordingly, it was up only 1.4% to $2.85 million for 2019;
- Hotel Division operating income exceeded $5.0 million for the first time, but this represented only a 1.6% increase over the previous year;
- *Available Funds from Operations* ("AFFO") was $1.47 million, a 23% decline over 2018 which was a very disappointing result due primarily to the reduction in profit expectation and delays associated with River's Reach II coupled with a slowdown in growth in margins from the Hotel Division; *and*
- The Partnership faced issues with a majority of shareholders of the ex-General Partner in the fourth quarter which took some focus away from operations at a critical time. It is now reacting to massive impact from COVID-19 in the first quarter of 2020.

There has been significant growth in total book value of assets on NVD's balance sheet over the past few years.

This growth will decline as condos are sold off from the River's Reach II project, with a significant number being sold in the first quarter of 2020. However, the Partnership has reached a new level of asset value when measured by either book or fair market value measures, and it will be maintaining a material number of the River's Reach II condominiums in its rental portfolio.

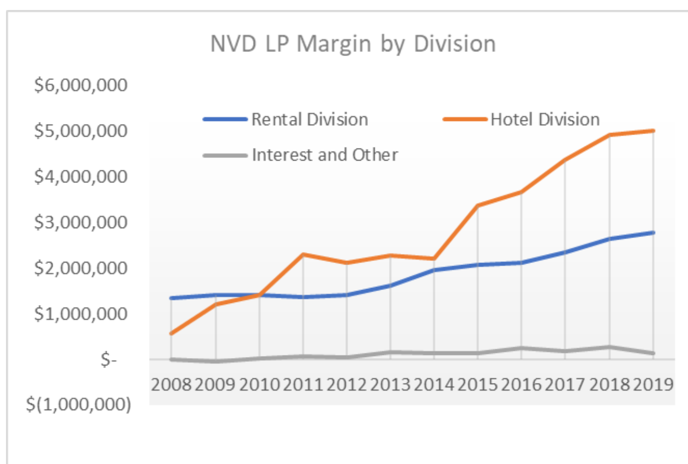




Income before inclusion of gains on sales, development income and extraordinary items remains on an upward trend but the pace has fallen off. This is due to softer growth in the Hotel Division and an increase in interest costs related to increased leverage, which was used to support development and hotel capital projects.

In 2020 Partnership performance will be assisted by development income earned from River's Reach II. Management will focus on these results by contining to support operating division growth. The current world conditions will likely work against this objective for much of 2020.

While margin performance improved in both operating divisions in 2020, Hotel Division contribution growth slowed. In 2020 the Hotel Division will be aided by the launch of the Midnight Sun Hotel (subject to COVID-19 related factors) as early as June 2020, which should grow Dawson revenues. Our Whitehorse porftolio will see a slight increase in competition from a new 59-room hotel, however we do not anticipate this will have a material impact on performance.



More worrisome is the fallout from COVID-19. At the writing of this report the Arctic Winter Games have been cancelled in March 2020, which negaively impacted the NVD Hotel Division revenues by at least $300,000, and there will be even more significant follow on impact. Already the Partnership has temporarily closed its Edgewater Hotel and turned over the Coast High Country Inn and Convention Centre to act as a triage and isolation facility for Yukon Health. There is no question that it will be very difficult for both operating divisions to post postiive results in 2020, in particular the Hotel Division. The management team and board will do what they can to mitigate the impact of this crisis and preserve as much asset value as possible.

CEO's Letter to Unitholders

Dear Unitholders:

We face unprecedented challenges.

Your management team and board are taking every step possible to ensure that first we survive as a Partnership, and eventually that we thrive, in the face of the COVID-19 crisis. We know that is expected of us and I can assure you that we are up to the current challenges. Our current focus is on reacting to the daily issues that come our way and we hope to soon migrate our focus to supporting a renewed period of expansion and yield growth when we emerge from the current challenges. This report provides a shortened summary of last year's events while also providing some commentary on how we are dealing with current issues.

2019 Performance

Our performance in 2019 was disappointing except in our Real Estate division. We had projected major growth due to the delivery of the River's Reach II project and it suffered from both cost over-runs and delays. These caused profits to be less than anticipated, and to be delayed, in large part, to 2020. Some of Building A did deliver in 2019 but unit sales in that building could only be partially closed as only certain floors were completed, and Building B did not deliver until Q1 2020.

The Hotel Division had a great start to the year, but that was followed by a soft third quarter. We still achieved in excess of $5 million in Net Operating Income for the first time, which fell just short of budget expectations. Our Real Estate Division posted strong growth and benefited from a strong underlying economy, but both operating divisions will be buffeted by the strong winds of the current health and economic crisis in 2020. It will be very difficult to turn a profit in 2020, so our focus is on preserving value and putting ourselves in the best position for renewed growth by keeping our team intact as much as possible and limiting the losses.

We encountered some turmoil involving shareholders of our General Partner, which in turn impacted the health and wellbeing of the Limited Partnership in the last part of 2019. We have tried to manage this in the best interest of all of our Unitholders, but no doubt this had a negative impact in diverting management and board attention and focus at a critical time for the Partnership. While there was a short term impact on the Partnership's performance as a result of this turmoil, we look at it as a cathartic moment that will be used to refocus energies and commitment to supercharge our performance once we emerge from the current crisis. Thankfully, all investors, including all of the shareholders of our ex-General Partner have been incredibly supportive as we react to the current challenges and we thank all of them for that. We enjoy and have enjoyed tremendous support from Unitholders and that will be an important ingredient of future success. Your board and management will take all steps necessary to ensure the challenging events we faced at the end of 2019, and more significantly with the COVID crisis in 2020, eventually have a silver lining that will be evident in a key focus on NAV and yield growth once circumstances normalize. We are up to that task and thank you for your support.

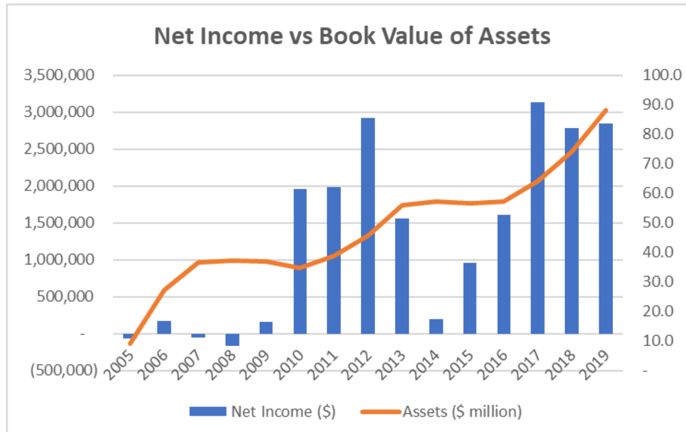
"Net Income was up marginally in 2019, despite inclusion of some development income…"

Key results from the past year include minor improvement of net income (just over 1.1% growth) despite the inclusion of some development income from River's Reach II. Operating income was up 5.4% but would have been down slightly were it not for the River's Reach II development income. Our operating divisions improved, as set out later in this report, with our Real Estate rental income showing strong growth, but increases in interest costs and corporate overheads ate up these gains. Expense increases are intentional, with interest expense up due to increased leverage and corporate overheads up as we invest in the next stage of growth. In that sense the flat income is a pause before we expect future growth to be realized. However, the current COVID issues will mean the outcomes from these investments will have to wait. Investment in senior staff was intended to assist long term growth but is paying off in for the Partnership with the people we now have in place to deal with the current crisis.

Much of the profit from River's Reach II that we had anticipated booking in 2019 has been deferred to 2020 and the overall profit on that project has suffered from delays and cost increases. Still it has been profitable and the sales we were able to close in 2019 added income on top of normal returns from operations. Before the COVID impacts began to be felt, we very much expected a breakout year in 2020. This will now not be realized as we focus instead on preserving balance sheet strength. Income will be substantially reduced in 2020 with impacts on both operating divisions and while we will attempt to avoid a loss, if the length of the crisis is as expected, that may not be possible.

The chart opposite shows the pattern NVD has followed in building assets followed by periods of substantial income growth. We were naturally poised for another step function move in terms of improving income, and that will be our focus when we emerge from the COVID crisis.

Book value of assets has reached substantially higher levels as we have invested in new assets such as River's Reach II and the Midnight Sun, while improving other assets – all aimed at deepening the foundation upon which we can increase long term sustained income. While asset values will naturally drop as we sell off additional River's Reach II condominiums in 2020, we are continuing to invest in our hotel projects and will return to financing and building additional projects in 2021. The current crisis will no doubt delay our progress towards a $200 million NAV valuation for the Partnership, but it is only a delay, and we will pursue that goal with renewed enthusiasm once we are in a position to do so.



Partnership Income and Assets from 2005 to present.

Investment and the Future

The Midnight Sun asset renovations in Dawson will be largely completed by June 2020 and will lead to increased income in the current year, although we have to be prepared for the COVID-19 virus issues to impact earnings from hotels. We are aided in our work in Dawson by a substantial capital improvement grant (see below). The Partnership, working with various levels of government, is doing everything it can to mitigate the COVID impact. Some examples of the impacts: the cancellation of the Artic Winter games in March 2020 had a negative impact in the range of $300,000 on lost hotel revenues in the first quarter and it will get worse before it gets better; we have had to temporarily close one hotel, and turn another over to Yukon Health on a cost recovery basis for the time being; and we are already getting requests from retail and food service clients for abatement and deferral support on their commercial rents. While we don't know when things will change for the better, we anticipate more negative impact before things normalize. At the writing of this report it is impossible to project the size or duration of the impacts from this worldwide issue, but obviously profits will be illusive in 2020 as we have had to temporarily lay off most of our front line staff, while imposing hour reductions and salary cuts on others. Management and Board are participating in these cuts, and in some cases volunteering to cut deeper than they are being asked to do, and we are working with our bankers to take advantage of any programs they make available. The provincial and federal governments have indicated a willingness to assist with mitigating this impact – through programs like deferrals and staff subsidies – and we will be sure to take advantage of all programs while trying to assist our staff as much as possible with these difficult circumstances. Investors can have confidence that management will do all that is possible to ensure that the impacts are minimized to the extent possible.

Government Capital Support: On the positive side, the governments are already assisting. In March 2020 our Downtown Dawson Limited Partnership, of which NVD is a 50% owner, was awarded financial grant support of up to $728,000 for our Midnight Sun and Caley projects in Dawson. This reduces the risk of these projects and allows us to fully realize the vision we have for a growing presence in Dawson. We have established protocols within NVD to maximize access to all available grants that NVD may access, in order to help accelerate our capital investment programs while at the same time reducing risk. This was done before the current crisis arose; however, it will be very helpful as we direct these in-house resources at maximizing access to new programs.

Summary

We provide a shorter CEO Letter and Report on Operations in this Annual Report. It is a changed world and what we have to say on operations is changing almost daily. The key message is that we will weather the current storm, invest in our assets as possible and where supported, and be ready to return to even more robust growth when we emerge from current circumstances. Our investment activity will be restricted to the Midnight Sun asset package in Dawson, our Property Improvement Project ("PIP") at the Best Western Gold Rush Inn which will be suspended after we complete the fourth floor currently in progress, and the commencement of our Normandy assisted living project in which NVD is a 25% investor and manager.

And, we will approach everything with both skill and confidence, knowing full well that our leadership position in the Yukon demands that we demonstrate a clear path both through and out of this crisis.

With there being little concrete to communicate about financings, forward looking plans, or other matters, I bring this letter to Unitholders to an end. We do plan to continue to grow the Partnership aggressively and invest both in Yukon and beyond its borders as we seek to grow the company in step with our long-term plans. We also will return our focus to sustained and growing yield as soon as practical. For the time being your board and management will focus on protecting your balance sheet, building our reputation and ensuring our assets and team are well positioned to thrive when the current period of survival is behind us.

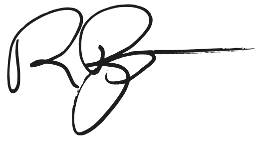
We hope by the time we are providing you with our semi-annual report to Unitholders that we have much more to say on a forward looking basis and that we will be able to report we have managed through the current crisis in a manner that exceeds our own expectations and yours.

I conclude by letting our investors know that I am incredibly proud of our management team. They have come together in a manner that exceeds expectations. They have handled significant layoffs with grace and a true concern for our employees. They have not shied from acting quickly and decisively on difficult decisions, after carefully considering all the available information and options. They have been well led by our senior managers including our new COO, Michael Hale, who joined us a short six months ago and without whom we would be much less suited to deal with the current circumstances. Our new Executive Vice President, Leon Algadzis, is spearheading our creative renovation work in Dawson and its launch will mark the beginning of a new chapter for the Partnership. In addition, many of our staff who have been with us for a long time, have shown courage and a true coming together in the impressive moves undertaken to protect our investors' interests. Your board, as always, has been both thoughtful and supportive as we navigate this crisis and is providing both timely and important guidance. That support not only means a lot, but it is also very helpful as we address issues for which there is no playbook.

In the coming months we will regularly report to Unitholders on our challenges and responses, and it is our hope that by the time of our Annual General meeting we may once again be able to safely congregate, and that we can have a little longer term horizon for our plans. In the meantime, I hope you stay safe and healthy and that you are able to deal with the challenges that you too are facing.

Sincerely,

Northern Vision Development LP



Richard S. Thompson
Chief Executive Officer

"We are here for the long term and we are committed to our future success…"

Letter from the Chairman of the Board

Dear Unitholders:

The past year and the first quarter of 2020 have been challenging for the Board and management of NVD. There have been some well-earned successes in several sectors of the business. There have also been some challenges both in the execution of one key project and the unforeseen calamity of the recent COVID-19 crisis.

Until recently the prosperous Yukon economy has been a nurturing environment for the Partnership, providing a good place to operate hotels, build new condominium housing and fill vacant commercial real estate. NVD undertook its most ambitious capital project in the construction and sales of the River's Reach II condominium complex on the Whitehorse waterfront. While this signature project was projected to provide strong returns in 2019, slipping deadlines and some cost over runs have reduced the expected outcomes, and pushed much of the positive impact into 2020. One fortuitous consequence of this is that it puts the company in a stronger financial position to weather the present COVID-19 crisis.

The last quarter of 2019 and the beginning of 2020 also saw the Board and management divert focus from core business in an attempt to resolve a dispute between shareholders of the General Partner (GP). This was, in part, resolved with a resolution by the Limited Partners to migrate to a new GP and the ultimate agreement by all parties to provide for a smooth transition from one to the other. The measures giving effect to this transition have, at the beginning of March 2020, been put on hold as everyone is pulling together to overcome the current precipitous economic decline in Yukon and around the world.

A strong and dedicated Board of Directors has given much attention and focus to overcoming the obstacles we have faced and positioning the Partnership to take full advantage of the opportunities before us. This past year we have benefitted from the experienced leadership of Hannes Kovac, Lori Simcox, Ian McAuley, Shirley Adamson and Rob Savin. At the writing of this year end letter we have been informed that Rob Savin has resigned from the board in order to focus on his business and take on other significant responsibilities. We will miss his wise counsel. He remains an interested and supportive investor in the LP and will no doubt continue to make positive contributions to the company's fortunes in the future.

We are fortunate to have a very competent and hardworking management team led by our CEO Rich Thompson. He continues to demonstrate substantial leadership skills both for the Partnership and within the Yukon business community and has exercised his well-honed entrepreneurial skills and instincts in both good times and in meeting challenges as they arise. His management team, now including our new COO Michael Hale, continues to perform with agility and skill. This has never been more obvious than in the response to the current dire economic circumstances. It certainly gives the Board and investors the confidence that NVD LP will not only survive the COVID-19 outbreak, it will prosper in the future.

On behalf of the board, management and staff of NVD I encourage everyone to do what they can to stay healthy and provide support to their fellow citizens where they can.

Yours Sincerely,

Northern Vision Limited Partnership

Piers McDonald,
Chairman

Report on Operations

The following chart provides key operating and financial statistics for the past five years:

Northern Vision Development Limited Partnership Operating Statistics – Five-year Period

	2015	2016	2017	2018	2019
Income and Expenses ($)					
Hotel					
Revenue	13,057,357	13,509,860	15,041,403	16,577,468	**17,127,810**
Margin Contribution	3,365,927	3,670,955	4,371,286	4,925.860	**5,003,162**
Margin percentage	*25.8%*	*27.2%*	*29.1%*	*29.7%*	***29.2%***
Real Estate					
Revenue	2,526,038	2,658,863	3,542,187	3,225,700	**3,490,502**
Margin Contribution	2,063,817	2,113,873	3,063,681	2,511.507	**2,816,146**
Margin percentage	*81.7%*	*79.5%*	*86.5%*	*77.9%*	***80.7%***
Sales Activities					
Revenue	877,949	202,527	581,166	-	**5,187,082**
Margin Contribution	257,636	106,516	199,072	-	**221,814**
Margin percentage	*29.3%*	*52.6%*	*34.3%*		***4.3%***
Expense					
Interest	1,471,982	1,268,756	1,276,789	1,384,651	**1,499,011**
Percentage of revenue	8.9%	7.6%	6.8%	6.8%	**5.7%**
Depreciation	1,882,565	1,964,583	1,963,229	2,302,390	**2,330,959**
Percentage of revenue	*11.4%*	*11.7%*	*10.4%*	*11.3%*	***8.9%***
Other Expenses	1,421,875	1,399,878	1,605,954	1,576,510	**1,762,679**
Percentage of revenue	*8.6%*	*8.3%*	*8.5%*	*7.8%*	***6.7%***
Income from Operations	61,259	813,075	1,407,834	2,294,510	**2,423,864**
Percentage of revenue	*4.9%*	*8.4%*	*11.7%*	*11.3%*	***9.2%***
Balance Sheet and Related					
Total Assets ($ million)	56.5	57.6	65.0	74.2	**88.2**
Total Debt ($ million)	31.9	31.8	32.2	33.1	**42.1**
Debt as % of Assets	56.4%	55.3%	49.6%	44.6%	**47.7%**
Weighted Average Cost of Debt	3.84%	3.63%	4.29%	4.54%	**4.60%**

Commentary: *The percentages are significantly altered in 2019 due to the inclusion of development income, and a lower level of profitability on that income than anticipated. The early unit closings at River's Reach II were amongst the earliest sales and were priced at fixed sales prices before cost increases were incurred. Therefore, they were not as profitable as originally projected. Other expenses were up on a gross basis as we invested in our senior management team, an investment aimed to support succession and long-term growth.*

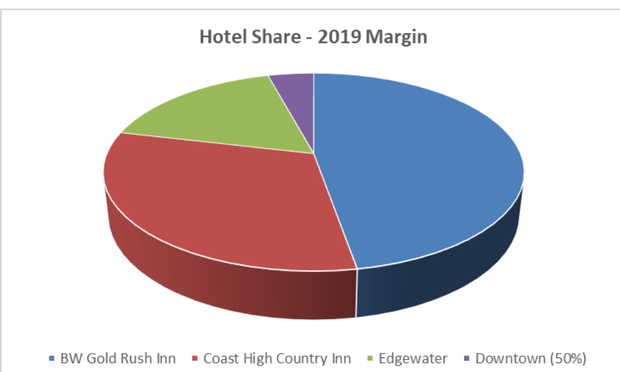
I. Hotel Division

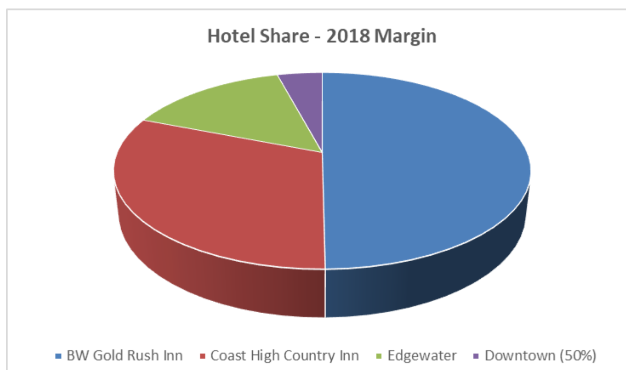
In 2019 the Hotel Division exceeded $5.0 million in Net Operating Income for the first time.

The Best Western Gold Rush Inn showed a slight drop in revenue as some rooms were taken out of service during the year to allow for a comprehensive Property Improvement Program. The Coast High Country Inn and Edgewater both picked up room revenues during the year. In the case of the Edgewater this led to record net operating income for the property. In the case of the Coast High Country Inn, gains in rooms were offset by disappointing Food and Beverage performance and so the property delivered flat Net Operating Income results year over year.

In Dawson, margins from the Downtown Hotel were up slightly for the year, consolidating the significant improvement in Net Operating Income levels first realized in 2018. During the year the Partnership, through its 50% interest in the Downtown Dawson Limited Partnership, invested in a package of assets in Dawson that included the Midnight Sun Hotel, a 21-room property with three food and beverage facilities; the Caley Building, which will accommodate 16 staff members as well as two Boardwalk suites through our hotel offering and two long term stay units; two cabins and a parking lot. These assets are contiguous with our Downtown Hotel property and will add significant capacity to the Partnership's Hotel offering in Dawson.

The Partnership also acquired a 49% interest and management responsibility for the Bedrock Motel in Mayo, in partnership with Nacho Nyak Dun Development Corporation, which is a new partner for NVD. Much of 2019 was spent bringing the project up to NVD's standards and it is expected the property will make a positive contribution to margins in 2019 with fully functioning RV facilities and rooms there were completely renovated in 2019.





The charts show that while the division is still dependent on the performance of the Best Western Gold Rush Inn, that dependence continues to shrink, and in 2019 that hotel no longer accounted for more than half of the division's Net Operating Income. With the introduction of the Midnight Sun, the emergence of the Bedrock as a contributor and continuing strength from the Edgewater and High Country Inn, the division will be much more diversified when normal operations return after the current world crisis. However, in March 2020 all Whitehorse guests are being accommodated in the Gold Rush Inn, and in Dawson, the plans to launch the Midnight Sun have been delayed from the original March 2020 date. Hotel profits will be nonexistent in the first half of 2020, but it is hoped that the Partnership will be able to report a more optimistic outlook in its semi-annual report.

In terms of steps taken to meet the COVID crisis, of course the Hotel Division was the first area to get attention from NVD management. It became clear that the division would be impacted when the decision was made to cancel the Arctic Winter Games. NVD was a major sponsor of the games and had made most of its mid-March hotel inventory available for the expected visitors and participants. The cancellation had an immediate impact of $300,000 in losses; however, there are indications from both the Arctic Winter Games society and the government that measures will be taken to address some of these losses. Within a week of dealing with the Arctic Winter Games cancellation, it became clear that that would be the first of many blows. With virtually no guests expected in NVD's hotel properties from mid-March on, steps were taken to close the Edgewater Hotel and offer either reduced hours (through work opportunities at other properties) or voluntary temporary layoffs to staff. Many opted for the voluntary layoffs.

Also in March, NVD entered into an agreement to turn over the Coast High Country Inn to the Yukon Territorial Government Department of Health on a cost recovery basis. This allowed the Partnership not only to provide a community service while having its costs covered, it also allowed NVD to ensure some of its staff members would remain fully paid as the property is operated as a community screening facility as well as for staff housing and isolation. These moves will substantially reduce the extent of the economic bleeding in the Hotel Division, but it will still likely face losses during the year.

NVD has consolidated its guests at the Best Western Gold Rush Inn and will continue to operate that property as long as it is both safe and practical to do so. Unfortunately most of our front line staff are subject to temporary layoffs if they have chosen that path, and there may be some challenges when it comes time to return to normal operations.

II. Real Estate Division

The Real Estate Division posted strong overall growth in 2019 and finally moved below 5% vacancy, a target that had not been reached since the completion of NVD Place. Significantly the condominiums owned in Waterfront Place were fully leased for the first time since that building was constructed. Renewals that came through during the year were done at rates above previous levels which also contributed to business growth.

Revenues for the Division were up 8.2% over 2018 and margins were up 12.1%.

During the year the Many River's Counselling Centre lost its government funding. As a result, rental payments were terminated in August as allowed by their lease. NVD retained the assets they left behind, and through either use or sale of these assets the Partnership was able to make up for lost rental income until the building was sold in December 2019 at a gain of more than $200,000 versus the acquisition amounts paid in 2018. Another gain was realized during the year from the sale of a 7,000-sf vacant land section on the corner of Ogilvie Street and First Avenue. NVD realized a gain of approximately $120,000 on the sale of this non-strategic asset.

River's Reach II sales that closed in November added approximately $220,000 in income. This was a lower profit margin than anticipated. The project was originally slated to be completed in September (Building A) and November (Building B) but in actual fact only a few floors of Building A were available for occupancy by November 2019. While this allowed for the closing of some sales, most were deferred to 2020 and the delays added significantly to the building overall construction costs and the carrying costs associated with the longer delivery time frames. While these issues are almost all behind us at the writing of this Annual Report, an anticipated 17% profit margin will now be less than 10% and we have only been able to achieve that through price increases. It remains to be seen if that can be maintained given the current economic backdrop, but the leasing market has been active and NVD is in a position to hold and lease these units until they can be sold into a market that supports the pricing required. In fact, due to the receipt of government funding, NVD is required to make a certain portion of the units available for lease so these condominiums will be accretive to rental income and margin over time.

The COVID issues will also impact the Real Estate Division as tenants who operate food service businesses and retail stores will be seeking rental abatements, deferrals, or both immediately and others may follow. NVD will evaluate these requests on a case by case basis and will be sure to support our community in the appropriate ways. In turn NVD will seek relief from bankers in the form of principal and interest payment deferrals and will be expecting property tax abatements and other measures from the City of Whitehorse and other levels of government. The Partnership has communicated with the government that it will be in need of measures to support both its operating divisions that should include but should not be limited to Property tax abatements and deferrals, WCB abatements and deferrals, tax relief, wage subsidy and other measures.

The results from the Mighty Wash Car Wash operation were disappointing during the year. Management has been replaced, new marketing and fleet programs are being undertaken and the COVID-19 crisis is not expected to substantially negatively impact the current year financial performance of Mighty Wash in 2020, although volumes will likely be down for at least a three-month period.

III. Economic Commentary

While strength in the Yukon Territory was being supported by the 2019 opening of the Eagle Gold mine near Mayo, the reopening of the Minto mine in late 2019, and the slated reopening of the Alexco mine in 2020, as well as a relatively strong tourism industry, all of that is now minor news in light of the COVID-19 crisis. There is no reason to doubt that strength will return to the Yukon economy when the crisis is over, but there is no way to know how long the current impacts will persist.

The Partnership will benefit by more than $100,000 per annum due to the recent 1.25% reduction in variable interest rates (two reductions in March 2020), however with the bulk of the Partnership's debt in fixed rate loans, this will not have a major impact on performance.

Management's Discussion and Analysis

Management's Discussion and Analysis of the Financial Results

The financial statements of Northern Vision Development Limited Partnership, which are audited by Deloitte LLP as at and for the period ended December 31, 2019, are included with this annual report. This summary should be read in conjunction with the financial statements and related notes thereto.

Statements Prepared Under ASPE

The Partnership's financial statements for the year ended December 31, 2019 continue to utilize the Accounting Standards for Private Enterprise ("ASPE") which was adopted for the first time by the Partnership in 2011. The Partnership can move to the IFRS framework at a time of its choosing, should it believe there is merit in such a change in accounting standards.

Financing Activities

Long Term Debt: At December 31, 2019 long term debt was $38.6 million, representing an increase of $5.5 million or 14.3% during the year (2018 - $33.1 million). The growth in long term debt was primarily due to the drawdown of $7.33 million from a total $8 million facility with BDC for the purposes of completing the River's Reach II project ($6 million) and to support the Property Improvement Program at the Best Western Gold Rush Inn ($1.33 million from $2 million available for this project) as well as $1 million provided by BDC to support the renovation program at the Yukon Centre Mall, net of regular principal retirement. The BDC loan balances stood at $7,260,110 and $988,060 at year end. The Partnership also paid off debt of $736,482 which represented a mortgage on the Many River's building that was sold by NVD in December 2019.

NVD made regular principal payments of $2,020,416 in 2019 (2018 - $1,987,779). Several debt facilities were reworked during the year, resulting in increased balances for these loans. Two RBC mortgages secured by Waterfront Station totaling $1,828,888 were replaced with a single facility of $2.75 million which had an outstanding balance of $2,669,653 at year end. NVD and its partner, Tr'ondek Hwech'in Trust ("THT"), increased the loans that they both provide to the Downtown Dawson LP which is owned jointly by NVD and the Tr'ochek Limited Partnership which is owned by THT. This resulted in NVD recording the payout of $312,430 to THT, and the introduction of a new loan which had a balance of $774,978 at December 31, 2019.

A loan with Yukon Housing Corporation matured during the year and a balloon payment of $1,520,094 was made in September 2019 to retire this facility.

Short Term Debt: Short term debt was utilized to support construction of the River's Reach II condominium project during the year. A total of $8.88 million was drawn down during the year (2018 - $nil) and $5.38 million was repaid during 2019 (2018 - $nil). All $3.5 million outstanding at year-end was owed to related parties, with $3.0 million being owed to a company owned by a Unitholder and current director of NVD, and $500,000 owed to a Unitholder and past director of NVD. The $3.5 million outstanding at year end was fully repaid in the first quarter of 2020.

Weighted Average Cost of Debt: At December 31, 2019, the weighted average cost of long-term debt increased slightly to 4.60% (December 31, 2018 – 4.54%). A combination of factors is involved including increases in variable interest rates during the year and higher cost of new debt due to higher prime rates at time of debt acquisition versus recent history.

NVD's total debt includes 78% fixed and 22% variable rate loans at December 31, 2019 (December 31, 2018 - 74% fixed and 26% variable). Fixed rate debt had an average cost of 6.25% (December 31, 2018 - 4.33%). The increase was the result of inclusion of high interest rate mezzanine debt supporting River's Reach II which was paid off after year end. Long term fixed rate debt had a weighted average cost of 4.47% at December 31, 2019 December 31, 2018 - 4.33%). Variable rate debt was at 5.05% as at December 31, 2019 (December 31, 2018 – 5.14%).

Total debt to equity ratio was 1.02:1 (December 31, 2018 – 0.86:1) on a book value basis, which was the result of an intentional return to historical leverage levels by utilizing long term debt for a portion of the funding of the River's Reach II condominium project. On a fair market value basis, the debt to equity ratio was at 0.54:1 at year end which was an increase from 0.42:1 a year earlier.

At year end the Partnership was exposed to interest rate risk with each 1% rise in its variable interest rates responsible for an annual increase of $92,149 in interest expense (December 31, 2018 - $87,983). Subsequent to year end there has been a 1.25% cut to variable interest rates which will be responsible for a positive variance on interest rate expense of $115,186 per annum based on year end balances.

Equity Fundraising: The Partnership raised $338,028 through issuance of 128,453 units at $2.6315 per unit via the Distribution Reinvestment Program ("DRP") associated with the April 2019 distribution. A total of 20 Unitholders participated in the DRP, reinvesting 34.3% of the total distribution. A total of 330,753 units were issued in consideration for the purchase of the Waterfront Business Centre condominium. These units will ultimately be distributed to a number of First Nations entities which held investment in this condominium through the Yukon Indian Development Corporation, an existing investor in the Partnership. A total of $1,183,141 was raised through these transactions during the year (net $5,695,719 in 2018 through net issuance of 2,271,681 units).

Retention Awards

As at December 31, 2019 a total of 80,810 retention awards with a value of approximately $229,499 were granted to directors who have elected to take the units in lieu of cash. (December 31, 2018 – 81,675 and $218,073). During the year 29,868 units were issued to directors at value of $84,826 in lieu of cash expense (2018 – 31,711 and $84,668). In 2019 at total of 32,191 units were redeemed by directors for consideration of $94,104 (2018 – 38,174 and $95,164).

Senior employees are entitled to receive units over a three-year vesting period through retention grants as well as through election of bonus payments and a percentage of salary in lieu of cash. During the year a total of 31,167 units were issued to staff for a total expense of $88,513 (2018 – 28,500 and $75,240). In 2019, 43,744 units were redeemed for $120,796 (2018 – 24,445 units for $59,206).

Combined, an expense of $116,274 was recorded for units that vested in the year (2018 - $132,600).

At year end, there were 67,408 units due to senior employees with an estimated value of $191,439 (December 31, 2018 – 96,097 units and $256,579). A liability of $420,938 (December 31, 2018 - $474,652) has been accrued for vested retention awards not redeemed.

Working Capital

Restricted Cash are the balances held for dedicated capital expenditures within the Hotel Division. They arise from regular monthly payments to BDC as part of hotel loan arrangements and are refunded to NVD as capital expenditures are incurred. As expenditures were actively being made at the end of 2019, the balance was $47,008 versus $329,603 a year earlier.

Accounts Receivable increased to $3,019.546 from $1,356,846 at the end of 2018. A core balance of $1,859,854 was normal accounts receivable and reflects a higher level of banquet activity at the hotels late in the year for 2019 versus the previous year. The balance of the increase reflects holdbacks and deposits held in trust associated with the River's Reach condominium project.

Accounts Payable and Accrued Liabilities totaled $2,699,959 at year end (December 31, 2018 - $2,508,843). Balances from both of the last two years are higher than normal due to construction invoices outstanding at year end associated with the River's Reach II project. The normal operating balances remained at historical levels.

Loans Receivable decreased slightly to $1,259,512 (December 31, 2018 - $1,303,811). Three new loans were advanced during the year totaling $294, 926 and two loans were fully repaid total $202, 232. Scheduled principal repayments accounted for $133,985 in 2019. A larger advance was made to the Downtown Dawson LP in conjunction with the Midnight Sun acquisition, and the existing loan to that entity was retired. Two tenant fit-up loans were advanced for Waterfront Station tenants. A vendor-take back mortgage related to a Titanium Way lot was completely repaid during the year.

Development Activities

Property under Development balances increased to $23.97 million (December 31, 2018 - $12.72 million) driven by investment in the construction of the Rivers Reach II residential condominium project of $15.16 million and sales of finished condominiums of $4.97 million. A total of $564,567 in interest was capitalized with $510,033 associated with River's Reach II and the balance associated with the Whistle Bend lot (2018 - $71,683 total with $2,916 associated with River's Reach II).

Capital Expenditures on Property and Equipment

The Partnership invested $5.22 million in property and improvements in the year (2018 - $4.94 million). A total of $1.78 million was related to regular hotel improvements (2017 - $1.13 million) and a further $993,000 represented investments in the newly acquired Midnight Sun assets and Bedrock Motel. A total of $2.40 million was invested in commercial properties (2018 - $3.23 million), with $834,703 expended on the Yukon Centre Mall (2018 - $777,876); $860,250 on the acquisition of a business centre in Waterfront Station (2018 - $nil); $367,481 on acquisition of staff housing (2018 - $470,340); $100,813 on fit up at NVD Place (2018 - $471,940); and the balance invested in fit up of other premises. Total assets of $1.31 million were disposed of during the year primarily made up of the sale of the Many Rivers building and land on Fourth Street.

A total of $42,507 was spent on corporate assets (2018 - $156,450), which was primarily comprised of computer assets, office equipment and furnishing for staff housing.

Operating Activities

Revenues: Revenues increased by 29.6% to $26.2 million in 2019 (2018 – $20.2 million). This increase was primarily the result of inclusion of $5.2 million in sales of properties under development associated with the River's Reach II condominium sales (2018 - $nil)

Hotel revenues were up 3.3% to $17.1 million (2018 - $16.6 million). Rental Revenues were up 8.2% to $3.5 million (2018 - $3.3 million). During 2019, $340,532 in revenues (2018 - $333,823) were recorded from the operations of Mighty Wash car wash and included in the Operating Revenue category, with the balance of revenues in that category derived from Property Management services.

Gross Profit and Direct Expenses**:** Direct Expenses were up by 43.6% to $18.2 million (2018 - $12.7 million), with fully 90% of this change attributable to inclusion of River's Reach II sales. Excluding cost of properties under development, Direct Expenses were up 4.5% to $13.3 million in 2019. Expenses in the Hotel Division were up 4.1% to $12.1 million, in line with the increase in division revenues which increased at a slightly slower pace. Rental costs were down by 5.6% reflecting a reduction in vacant unit costs due to leasing success.

Gross Profit improved 76.1% to $8.02 million which was 30.6% of revenue (2018 - $7.56 million and 37.3%). The decline in margin as a percentage of revenue was related to the inclusion of sale of properties under development which contribute substantially lower margin percentage than the operating division.

Expenses**:** *Amortization expense* increased by 1.2% to $2.33 million in 2019 (2018 - $2.30 million). This small change relates to the fact that acquisition and development activities had slowed in 2019 and the investments in River's Reach II were being capitalized during the year and not subject to amortization.

Interest expense increased by 8.3% to $1.49 million (2018 - $1.38 million). Several factors combined to create this outcome. Several loans taken on during the year in 2018 were in place for all of 2019, while the variable rate rose slightly during the year. One loan that matured during the year was renewed at a slightly higher fixed rate than the previous arrangement.

Wages expense represents staff not directly working in operational areas of the Partnership. The $1.16 million expense incurred in 2019 (2018 - $1.14 million) increased by 1.7% from the previous year due to senior management hires made in the last four months of the year. While this represented a larger increase than the overall numbers would suggest, there were also a larger amount of capitalized and recovered salaries during the year. Management bonuses of $50,000 associated with achievement of certain pre-defined performance objectives (2018 - $99,000) were paid. As well, $255,246 (2018 - $171,111) of salaries were capitalized and charged against the Rivers Reach II project.

Governance costs decreased by 8.0% to $123,313 for the year (2018 - $134.028) primarily associated with having seven board members in place for half of 2018 whereas only six members were in place for all of 2019.

The Partnership's *office expenses* increased 33.1% to $218,280 (2018 - $164,024). There were a number of contributing factors. A total of $31,140 in costs recovered from services provided to the General Partner and to Earls Restaurant in 2018 were not recorded in 2019 as these services were no longer provided. There will be some recovery from the General Partner in 2020 on wind up, but as the exact amount is unknown it has not been recorded. Earls Restaurant took over it own accounting responsibilities in 2019. Communication costs were up by $9,833 in 2019 associated with an increase in the number of cell phones and telephone charges due to an increase in staff as well as a CRTC surcharge that was added during the year. Other increases related to printer expenses and other small office costs.

Marketing expenses were up by 48.3% to $98,549 in 2019 (2018 -$66,426). This significant increase reflected major sponsorship commitments related to both the Northlight Innovation Hub and the Arctic Winter Games when both became tenants of NVD.

Bad debt expenses (recoveries) There were no bad debt expenses in 2019. A recovery of $28,287 in 2018 was related to a sale of assets seized from a former tenant in association with outstanding obligations for which a provision had been previously set up.

Professional fees increased by 148.3% to $143,741 in 2019 (2018 - $57,889), Legal fees account for $61,107 of this increase with $46,881 related to matters concerning the General Partner issue, and the balance related to other one-time matters. The remaining $27,745 in increases related to increased audit fees and travel.

Travel costs are primarily associated with the regular charges to fly the CEO from Calgary to Whitehorse to maintain a strong presence in the local market. The decrease of 58.5% to $16,085 (2018– 38.771) reflected a decrease of the frequency of trips in 2019, especially in the fourth quarter when corporate governance matters forced the CEO to remain in Calgary more often. In addition, more judicious use was made of Air Passes which significantly reduce travel costs.

Income from Operations: Income from operations improved by 5.4% to $2.42 million (2018 - $2.29 million) and was the result of the impact of all of the items described in the foregoing analysis.

Sales Activities and Interest Income and Extraordinary Item

Interest Income: The Partnership has entered into loans involving Vendor Take Back financing on Titanium Way lot sales, tenant fit up (particularly for the Waterfront Station and NVD Place projects) and with partners with whom NVD operates Joint Ventures. These loans are at interest rates that are higher than the Partnership's weighted average borrowing costs. For the past five years, the Partnership has generally sought to reduce the size of this portfolio, leading to reductions in the income earned. In 2019 several of these loans were either fully or partially retired due to one-time payments, which reduced the income from this source. Late in the year the partnership entered into a refinancing of an existing loan to support the renovation program in Dawson, which increased the loan portfolio balance as well as adding two new tenant fit up loans. Therefore, this income source is likely to increase in 2020 barring any further one-time payouts.

Gains on sales were $345,288 in 2019 (2018 - $413,456). There were three components of this gain. Approximately $205,000 resulted from the sale or Many Rivers, $120,000 for the sale of Lot 47 at Nugget Beach and the balance resulted from a gain on sale of leaseholds in the Partnership's shared office facility in Calgary.

Net Income: In 2019 Net Income increased by 1.4% to $2.85 million (2018 - $2.81 million). This resulted from the combination of all the foregoing items discussed.

Liquidity

No liquidity opportunities were provided to Unitholders in 2019, given that the Partnership did not arrange any Private Placements during the year.

There are now a total of 94 Unitholders in the Partnership represented by 76 unique unitholders, with some holding units through multiple entities that they control. The number of Unitholders will increase when the units associated with the purchase of the Waterfront Business Centre at Waterfront Station are distributed to the individual First Nation entities that own an interest in the Yukon Indian Development Corp.

Review of the Partnership Objectives

In the 2018 Annual report to unitholders, management set out certain objectives for the year. Following is a list of those objectives along with commentary on the Partnership's progress. No objectives are set out for the current year as the key objective is to manage through the COVID-19 crisis while maintaining our balance sheet, reputation and key staff.

The following objectives were established for 2019 by the Partnership. Following each objective, we comment on the results:

Exceed AFFO of $3.5 million and Net Income of $4.25 million. **RESULT:** Delays and cost increases associated with River's Reach II meant that we fell far short of this goal.

Deliver the River's Reach project by Q3 and on budget, with at least 85% pre-sold or pre-leased units. **RESULT:** While the sales and leasing efforts were close to target at 73%, the schedule to deliver the project has slipped badly and most condominiums were not delivered until the very end of 2019 or during the first quarter of 2020). The expectations were that Building A would deliver in September 2019 and Building B in November 2019. This objective was not met.

Acquire up to $5 million in buildings through use of units as a component of the transaction. **RESULT:** Less than $1 million of assets were acquired through the buildings for units' program as only the Waterfront Business Centre was acquired in this fashion.

Exceed $5.25 million in operating profit margin in the Hotel Division. **RESULT:** This objective looked very reachable in the first half of the year, but a soft third quarter and food and beverage challenges especially at the Coast High Country Inn meant that this objective was not met. However, the Hotel Division did exceed $5 million in net operating profit margin for the first time.

Achieve over $500,000 in operating profit from the Downtown Hotel in Dawson (100%) **RESULT:** Once again this objective looked reachable after the first half of the year, but in the end the Dawson properties delivered just over $420,000 in operating profit. Still, this consolidated the significant gains first achieved in 2018, and during the year management embarked on the acquisition and renovation of the Midnight Sun assets.

Reduce commercial lease portfolio vacancy below 5% and maintain that level. **ACHIEVED.** For the first time since the delivery of NVD Place in 2014 and Waterfront Station a year earlier, the Partnership has achieved this goal.

Distribute at least $3.5 million to unitholders. **RESULT:** Only $1.0 million was paid out. Delays in the River's Reach project pushed the fall distribution to spring, and now the Partnership faces the COVID crisis which is placing pressure on the balance sheet and potentially further pressure on distributions.

Successfully complete debt and equity financing programs to support the Partnership's acquisition and development objectives. **ACHIEVED.** NVD, in partnership with Tr'ondek Hwech'in Trust ("THT"), jointly provided funding for the acquisition and renovation of the Midnight Sun assets, with THT providing the majority of this financing, and the Partnership cofounded the development of the Bedrock Motel with Nacho Nyak Dunn Development Corporation.

Move forward on the Partnership's plans for board and management succession to support the next chapter of NVD's growth plans. **ACHIEVED.** A highly qualified Chief Operating Officer and an experienced Executive Vice President of Business Development were hired to round out the executive suite at the beginning of the final quarter of the year. These moves, coupled with the hiring of a Corporate Controller in early 2020, complete all aspects of the management development program needed to support succession. The board will receive attention one the Partnership has moved past the COVID-19 crisis.

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 with 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 Deloitte LLP in accordance with Canadian generally accepted auditing standards on behalf of the partnership. Deloitte LLP has full access to the Board of Directors.

March 20, 2020

On behalf of the Board:

Lori Simcox

Lori Simcox, Director and Audit Committee Member

Piers McDonald

Piers McDonald, Chairman of the Board of Directors, Acting Audit Committee Chair

Deloitte.

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Independent Auditor's Report

To the Partners of Northern Vision Development Limited Partnership

Opinion

We have audited the consolidated financial statements of Northern Vision Development Limited Partnership (the "Partnership"), which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated statements of income, partners' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises ("ASPE").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is enough and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, 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.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

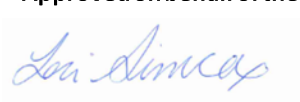
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional
Accountants March 23, 2020
Langley, British Columbia

Consolidated Balance Sheet

As at December 31,		**2019**		2018
ASSETS				
Cash *(Note 2)*	**$**	**892.929**	$	1,974,806
Accounts receivable *(Note 10)*		**3,019,546**		1,356.846
Inventories		**295,751**		235,483
Loans receivable *(Note 9)*		**1,259,512**		1,303,811
Property and equipment *(Note 3)*		**57,601,089**		55,917,882
Property under development *(Note 4)*		**23,966,405**		12,722,910
Other *(Note 5)*		**1,153,059**		764,984
	$	**88,188,291**	$	74,226,722
LIABILITIES & PARTNERS' EQUITY				
Commitments *(Note 14)*				
Accounts payable and accrued liabilities *(Note 10)*	**$**	**3,699,959**	$	2,508,843
Customer deposits		**942,809**		209,360
Short term loans *(Note 11)*		**3,500,000**		-
Long term debt *(Note 6)*		**38,607,607**		33,098,542
		46,750,375		35,816,745
Partners' equity *(Note 13)*		**41,437,916**		38,409,977
	$	**88,188,291**	$	74,276,722

Approved on behalf of the Board



Lori Simcox, Director and Audit Committee Member

Piers McDonald, Chairman of the Board of Directors, Acting Audit Committee Chair

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Income

For the year ended December 31,		**2019**		2018
Revenues				
Hotels	$	**17,127,810**	$	16,577,468
Sale of properties under development		**5,187,082**		-
Rentals *(Note 10)*		**3,490,502**		3,225,700
Other		**431,503**		441,560
		26,236,897		20,244,728
Direct expenses				
Hotels		**12,124,648**		11,651,608
Sale of properties under development *(Note 4)*		**4,965,268**		-
Rentals		**674,356**		714,193
Other		**456,112**		320,865
		18,220,384		12,686,666
Gross profit		**8,016,513**		7,558,061
Expenses				
Amortization		**2,330,959**		2,302,390
Interest *(Note 10)*		**1,499,011**		1,384,651
Wages		**1,162,711**		1,143,659
Office		**218,280**		164,024
Professional Fees		**143,741**		57,889
Governance *(Note 10)*		**123,313**		134,028
Marketing		**98,549**		66,426
Travel		**16,085**		38,771
Bad debt expense (recovery)		**-**		(28,287)
		5,592,649		5,263,551
Income from operations		**2,423,864**		2,294,510
Other income				
Gain on sale of property and equipment		**345,228**		413,456
Interest income *(Notes 9 and 10)*		**80,706**		104,906
Net income	**$**	**2,849,798**	$	2,812,872

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Partners' Equity

For the year ended December 31,	**2019**	2018
Partners' equity, beginning of year	$ **38,409,977**	$ 30,970,416
Units issued *(Note 13)*	**1,1178,141**	7,575,119
Units redeemed *(Note 13)*	**-**	(1,879,400)
Issuance costs	**-**	(69,029)
Net income for the year	**2,849,798**	2,812,872
Partners' equity, before distributions	**42,437,916**	39,407,977
Distribution to unitholders	**(1,000,000)**	(1,000,000)
Partners' equity, end of year	$ **41,437,916**	$ 38,409,977

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended December 31,	**2019**	2018
Cash flows from operating activities		
Net income for the year	**$ 2,849,798**	$ 2,812,872
Non-cash items		
Amortization of financing fees	**48,041**	33,990
Amortization of other assets	**5,793**	7,297
Amortization of property and equipment	**2,325,166**	2,302,390
Retention awards expensed	**231,224**	244,520
Gain on sale of property and equipment	**(345,228)**	(413,456)
Cost of properties sold	**4,965,268**	=
	10,080,062	4,987,613
Changes in non-cash working capital balances		
Accounts payable and accrued labilities	**959,892**	676,042
Accounts receivable	**(1,662,700)**	445,854
Other assets	**(443,868)**	(92,755)
Inventories	**(60,268)**	(702)
Customer deposits	**733,449**	18,116
	9,606,567	6,034,167
Cash flows from investing activities		
Loans receivable	**44,299**	(365,049)
Proceeds on sale of property and equipment	**1,686,363**	1,516,282
Purchase of property and equipment	**(4,509,395)**	(4,898,064)
Purchase of properties under development	**(16,208,763)**	(8,273,303)
	(18,987,496)	(12,020,134)
Cash flows from financing activities		
Financing Fees paid	**(93,639)**	(102,458)
Advances of long-term debt	**11,612.343**	3,488,668
Advances of short-term debt	**8,875,000**	-
Units issued	**338,028**	7,575,119
Units redeemed	**-**	(1,879,400)
Issuance costs	**-**	(69,029)
Distribution to unitholders	**(1,000,000)**	(1,000,000)
Distribution from Joint Venture	**-**	198,483
Advance to Joint Venture	**-**	(22,000)
Repayment of short-term debt	**(5,375,000)**	-
Repayment of long-term debt	**(6,057,680)**	(2,551,703)
	8,299,052	5,637,680
Net decrease (increase) in cash during year	**(1,081,877)**	(348,286)
Cash, beginning of year	**1,974,806**	2,323,092
Cash, end of year	**$ 892,929**	$ 1,974,806
Supplemental disclosure of non-cash transactions		
Non-cash proceeds from property sales	**$ -**	$ 450,000
Issuance of vendor take-back loans receivable	**$ 11,000**	$ 450,000
Issuance of Units for property purchase	**$ 840,113**	-

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Yukon Territory on March 22, 2004. The Partnership's principal business is the acquisition, development and sale of commercial, industrial and residential properties, and the operation of hotels located in the Yukon.

The Partnership consists of a general partner (the “General Partner”), and a number of limited partners holding partnership units (collectively the “Partners”).

Pursuant to the terms of the Limited Partnership Agreement, the General Partner has unlimited liability for the debts and obligations of the 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 consolidated 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”).

Basis of Consolidation

The consolidated financial statements include the financial statements of the Partnership, its controlled subsidiaries and its proportionate share of the assets, liabilities and operations of its joint venture interests. Control is achieved when the Partnership has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances are eliminated on consolidation. The financial statements of the Partnership’s subsidiaries are prepared using consistent accounting policies and the same reporting date as the Partnership. These consolidated financial statements include the accounts of the Partnership, 45978 Yukon Inc. and Iditarod Landscaping Inc. (wholly owned subsidiaries), the Partnerships’ interest in the Dawson Downtown Partnership (50%) and the Bedrock Hotel Limited Partnership (49%) and its joint venture interests.

Inventories

Inventories consist of hotel supplies, which 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 are 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 and property taxes during construction, 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	30%
Furniture and fixtures	Declining balance basis	20%
Paving and landscaping	Declining balance basis	8%

Impairment of Long-Lived Assets

Long-lived assets consist of property and equipment and properties under development. Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that an asset’s carrying value might be impaired. An impairment loss is recognized when the asset’s carrying value exceeds the estimated future undiscounted cash flows from the asset’s use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over the fair value. Any impairment is included in income for the year.

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Partnership is a limited partnership. As a result, the Partnership's earnings or losses for income tax purposes are included in the tax returns of the Partners. Accordingly, no recognition has been given to current or future income taxes in the accompanying consolidated financial statements of the Partnership. Net earnings for financial statement purposes may differ significantly from taxable income reportable to the Partners as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements under the Partnership agreement.

Revenue Recognition

Properties are rented to tenants pursuant to rental agreements, which provide for various rental terms with non-refundable rental payments. Revenue from rental agreements is recognized over the rental term as amounts become due and when collection is reasonably assured.

Revenue from the sale of properties under development and property and equipment is recognized when persuasive evidence of an arrangement exists, amounts are fixed and determinable, all material conditions of the sale have been fulfilled, collection is reasonably assured and title to the property has transferred.

Hotel revenue is recognized as services are provided and when collection is reasonably assured, and refundable tenant security deposits are recorded as a liability until repaid to the tenant.

Use of Estimates

The preparation of consolidated financial statements in accordance with ASPE 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Areas requiring significant management estimates relate to the determination of the recoverability of accounts and loans receivable, the fair market value and any potential impairments of property and equipment and property under development and held for sale, and the useful lives of property and equipment and the allocation of the cost of properties under development to direct expenses as individual properties are sold. Actual results could differ from those estimates and may have an impact on future periods.

Properties Held for Sale

The Partnership classifies properties as held for sale when management approves and commits to a formal plan of sale and it does not believe it can utilize the lands for active development. Properties held for sale are carried at the lower of cost and net realizable value, with net realizable value being determined as the estimated selling price less estimated costs to sell.

Property under Development

The Partnership classifies properties under development as those that are or will be actively developed for the purposes of generating rental income or subsequent revenue from sales for the Partnership.

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 received, nor the fair value of the assets 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 the Partnership’s future cash flows are expected to change significantly as a result of the transaction.

1. Summary of Significant Accounting Policies (continued)

Jointly Controlled Assets

Jointly controlled assets are investments which the Partnership has joint control with one or more unaffiliated entities. Jointly controlled assets are accounted for using the proportionate consolidation method as follows:

- the consolidated balance sheet includes the Partnership's proportionate share of the assets and the liabilities of the jointly controlled assets;
- the consolidated statement of operations includes the Partnership's proportionate share of the income and expenses of the jointly controlled asset; and
- gains on transactions between the Partnership and its jointly controlled assets are eliminated to the extent of the Partnership's interest in the jointly controlled assets and losses are eliminated unless the transaction provides evidence of an impairment of the asset.

Jointly Controlled Enterprises

The Partnership has elected to perform an analysis of its interest in each jointly controlled enterprise to determine whether it represents a right to the net assets or rights to the individual assets and obligations for the individual liabilities of jointly controlled enterprise.

Financial Instruments

Cash, accounts receivable, loans receivable, accounts payable, customer deposits, 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 straight-line 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.

2. Cash

	2019	2018
Restricted	**$ 47,008**	$ 329,603
Unrestricted	**845,921**	1,645,203
	$ 892,929	$ 1,974,806

3. Property and Equipment

	2019			2018		
	Cost	**Amortization**	**Net Book Value**	Cost	Amortization	Net Book Value
Automotive	**$ 329,993**	**$ 241,721**	**$ 88,272**	$ 329,993	$ 202,295	$ 127,698
Buildings	**58,888,038**	**13,558,358**	**45,329,680**	55,313,304		43,489,102
Computer equipment and software	**984,180**	**736,686**	**247,493**	918,253	642,254	275,999
Furniture and fixtures	**5,202,289**	**3,754,245**	**1,448,044**	4,875,521	3,401,443	1,474,078
Land and improvements	**9,751,802**	**-**	**9,751,802**	9,752,449	-	9,752,449
Paving and landscaping	**1,825,760**	**1,089,963**	**735,797**	1,825,740	1,027,184	798,556
	$ 76,982,062	**$ 19,380,973**	**$ 57.601,089**	$ 73,015,260	$ 17,097,377	$ 55.917,882

During the year, the partnership recorded a gain of $345,228 (2018 - $413,456) from the sale of property and equipment.

4. Properties under Development

	2019	2018
Land and improvements	$ 4,554,122	$ 4,387,748
Building and construction	19,412,283	8,335,162
	$ 23,966,405	$ 12,722,910

Properties under development consists of assets under active development or lands identified for development by the Partnership for sale to third parties. During year construction and other direct costs of $15,388,950 (2018 - $8,025,117), interest of $564,567 (2018 - $71,703) and salaries of $255,246 (2018 - $171,111) were capitalized, and accumulated costs of $4,965,268 (2018 - $nil) were expensed in connection with the sale of properties under development.

5. Other Assets

	2019	2018
Prepaid expenses and deposits	$ 455,479	$ 386.722
Goodwill - Mighty Wash	308,719	308,719
Other assets	388,861	19,493
	$ 1,153,059	$ 714,984

6. Long Term Debt

As at December 31, 2019 there was $373,990 (2018 - $328,392) in deferred financing fees netted against long term debt.

During the year, amortization of deferred financing fees amounted to $48,041 (2016 - $33,990), and $93,639 in new fees were incurred in the year (2018 - $102,458).

	2019	2018
Loan payable to First Nations Bank - interest at 3.96%, due October 1, 2020, with monthly payments of principal and interest of $4,543 secured by a first mortgage on 2193 and 2195 2nd Avenue, Whitehorse and a general assignment over rental income from the properties.	$ 445,074	$ 473,065
Loan payable to First Nations Bank – interest at 4.45% due October 31, 2020, with monthly principal repayments of $25,977 plus interest, secured by the following: first mortgage and assignment of rents on the Partnership's interest in the land and building at 4201 4th Avenue, Whitehorse.	4,935,175	5,242,047
Loan payable to Scotia Bank - interest at 3.04%, with fixed monthly repayments of $4,453 of principal and interest, due April 30, 2021 secured by a first mortgage and assignment of rents over two commercial units at 2237 2nd Avenue, Whitehorse.	675,520	710,681
Loan payable to Scotiabank – interest at 4.59% with fixed monthly repayment of $4,825 of principal plus interest, due June 30, 2023 secured by a first mortgage and assignment of rents over 212 Main Street, Whitehorse.	2,150,742	2,214,844
Loan payable to RBC - interest at 4.03%, due September 1, 2021, payable in equal installments of $7,875 principal and interest, secured by a first mortgage on the property of 9016 Quartz Road, Whitehorse.	1,238,425	1,275,843
Loan payable to Scotia Bank - interest at 4.23%, with fixed monthly repayments of $1,389 of principal and interest, due July 31, 2022 secured by a first mortgage and assignment of rents over a commercial unit at 2237 2nd Avenue, Whitehorse.	234,273	240,874
Loan payable to RBC - interest at 4.37%, due May 31, 2022, payable in equal installments of $20,944 principal and interest, secured by a first mortgage over properties at 2237 Second Avenue, Whitehorse.	2,669,653	-
Loan payable to Tr'ondek Hwech'in Trust - interest at 6.00%, due May 31, 2034, with monthly blended payments of $6,751 Secured by a mortgage over several properties in Dawson City.	774,978	-
Balance to carried forward	13,124,152	10,157,354

6. Long Term Debt (continued)

	2019	2018
Balance brought forward	$ 13,124,152	$ 10,157,354
Loan payable to BDC - interest at BDC's floating base rate less 1.00%, due March 23, 2029, with monthly principal repayments of $5,000 secured by land and building on Lot 2A, Block B 335, Plan 2007-0028.	560,136	619,596
Loan payable to BDC - interest at 4.95%, due June 23, 2032, with monthly principal repayments of $2,756 plus interest, secured by the following: first mortgage and assignment of rents on the Partnership's interest in the land and building at 166 Titanium Way, Whitehorse.	413,438	446,513
Loan payable to BDC - interest at BDC's floating base rate less 1.00%, due May 23, 2031, with monthly principal repayments of $2,300 plus interest, secured by the following: first mortgage on 121 Copper Road; general assignment over property and equipment on the property.	313,803	341,288
Loan payable to BDC – interest at 4.00% with fixed monthly repayments of $19,230 principal plus interest, due June 14, 2034 secured by a fixed mortgage and assignment of rents at 2180/2190 2nd Avenue Whitehorse.	3,273,600	3,499,315
Loan payable to BDC -with fixed monthly repayments of $52,350 principal plus interest, at 4% due April 30, 2034 secured by a first mortgage over 3 hotel properties.	12,674,620	13,551,040
Loan payable to BDC - interest at BDC's floating base rate less 1.00%, with fixed monthly repayments of $33,330 plus interest, due December 31, 2039 secured a second mortgage over three hotel properties.	7,260,110	-
Loan payable to BDC - interest at BDC's floating base rate less 1.00%, with fixed monthly principal repayments of $4,160 plus interest, due December 31, 2039 secured a second mortgage and assignment of rents at 2180/2190 2nd Avenue Whitehorse.	988,060	-
Loans payable to RBC repaid in the year.	-	1,828,888
Loan payable to Yukon Housing Corporation – repaid in the year	-	1,520,094
Promissory Note payable to a society – repaid in the year	-	85,542
Loan payable to Tr'ondek Hwech'in Trust – repaid in the year	-	312,430
Loan payable to BDC – repaid in the year	-	736,482
Total	**$ 38,607,607**	$ 33,098,542

The BDC floating base rate at December 31, 2019 was 6.05% (2017 – 6.05%). RBC and First Nations bank prime rate at December 31, 2019 was 3.95% (2017- 3.70%).

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

2020	$ 7,354,496
2021	8,428,174
2022	1,692,251
2023	1,694,694
2024	1,697,288
Thereafter	18,114,695
	$ 38,981,597

6. Long Term Debt (continued)

The Partnership's debt agreements contain financial covenants which require minimum levels of tangible equity, debt service coverage, limitations on borrowings, and limitations on the use of proceeds of asset sales. The Partnership was in compliance with all its financial covenants as at December 31, 2019.

7. Operating Line of Credit

The Partnership has available an operating line of credit with a maximum authorized limit of $550,000 of which $181,500 was pledged at December 31, 2019 (2018 - $181,500). The line of credit bears interest at the bank prime rate plus 1.0% per annum and is secured by a mortgage over certain of the Partnership's properties.

8. Financial Instruments and Risk Management

Credit Risk

The Partnership is exposed to credit risk resulting from the possibility that a customer, tenant 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 and loans receivable. To mitigate the credit risk, the Partnership has accounts receivable widely distributed among its customer base, performs regular credit assessments of its customers, obtains advance deposits or with respect to loans receivable, takes a security interest in the property sold or the tenant's assets or personal guarantees. The Partnership therefore believes that there is acceptable credit risk associated with the collection of its accounts or loans receivable. The Partnership has recorded an allowance of $nil (2017 - $55,916) in respect of accounts receivable where collection is doubtful.

Interest Rate Risk

Interest rate risk is the risk that future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. Changes in market interest rates may influence 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 to two years. As described in Note 6, a portion of the Partnership's long-term debt bears interest at floating rates. Fluctuations in these rates will impact the cost of financing incurred and cash flows available in the future.

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its obligations as they fall due. The Partnership monitors its liquidity on a regular basis and will draw on existing credit facilities or obtain new financing as necessary to fund shortfalls.

9. Loans Receivable

	2019	2018
Loans receivable *(Note 10)*	**$ 309,588**	$ 447,838
Mortgages receivable	**525,223**	678,407
Advances to joint ventures *(Note 10)*	**224,701**	177,566
	$ 1,259,512	$ 1,303,811

(i) Loans Receivable

Loans receivable represent advances to or on behalf of commercial tenants for the purpose of completing leasehold improvements on properties owned by the Partnership. The terms of the loans do not exceed 15 years, with interest rates ranging from 1% to 9%. The total interest earned on the loans in the year was $38,389 (2018 - $30,312). The maximum credit risk exposure associated with the loan's receivable occurs if the borrower defaults on repayment of the loan. Therefore, the carrying value of the loans receivable balance represents the Partnership's exposure to the related credit risk without taking into account any rent that may be outstanding and the remaining term of the commercial lease or any collateral or any other credit security. The balance of loans receivable includes a provision for impairment of $nil ($2018 - $nil).

9. Loans Receivable (continued)

(ii) Mortgages Receivable

Mortgages receivable represent vendor take back loans made to purchasers of properties sold by the Partnership. In all cases, security is provided by the underlying property. Interest is charged at rates ranging between 5% and 7% per annum. The total interest earned on these loans in the year was $31,028 (2018 - $32,312). The exposure to the credit risk associated with the mortgage's receivable occurs if the borrower defaults on repayment of the mortgage. Therefore, the carrying value of the mortgage 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 impairment provisions recorded on the mortgages receivable as at December 31, 2019.

(iii) Advances to Joint Ventures

Advances to Joint Ventures are made to assist working capital requirements and represent advances made in excess of the Partnership's proportionate share in the jointly controlled assets. Interest is charged at 5% per annum when the other joint venturer does not contribute their proportionate share. The total interest collected in the year was $11,289 (2018 - $11,973).

10. Related Party Transactions and Balances

Certain accounts on the balance sheet and income statements include balances and transactions with related parties, which are described below. The Partnership related parties include partners, employees or companies controlled by partners or employees of the Partnership:

	2019	2018
Paid:		
Financing charges and interest paid to various investors in which the Partnership has proportionate interests	**$ 367,051**	$ 12,187
Fees paid to Directors of the Partnership	**114,950**	111,920
Rents paid to joint ventures in which the Partnership had an existing proportionate interest	**-**	7,664
Properties purchased from investors and employees of the Partnership	**1,109,250**	-
Other fees - consists of miscellaneous and contractor payments paid to employees, partners or companies controlled by employees of the Partnership	**17,750**	31,283
Received or recovery from:		
Rent received from a company controlled by an employee of the Partnership and a joint venture in which the Partnership has a proportionate interest	**$ 61,509**	$ 51,876
Interest received from a company controlled by an employee of the Partnership on a short-term loan and loans to employees and joint ventures	**24.228**	26,874
Other fees - consists of miscellaneous payments received for services and reimbursements for recoveries from joint ventures in which the Partnership has proportionate interests and related companies	**38,840**	46,630
Loans:		
Loans advanced to Unitholders of the Partnership (Note 11)	**3,500,000**	317,171
Short-term loans due to employees of the Partnership	**49,906**	116,045

The related party transactions occurred in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2019, the Partnership had the following amounts recorded in accounts receivable and accounts payable and accrued liabilities:

- Accounts receivable from related parties of $139,793 (2018 - $117,103).
- Amounts due from its joint venture partners of $210,047 (2018- $203,376).
- Accounts payable and accrued liabilities owing to related parties of $13,847 (2018 - $nil).
- Amounts due to its joint venture partners of $1,318 (2018 - $5,145).

11. Short Term Loans

Short term loans consist of the following:

- A loan of $3,000,000 bearing interest at 8.5% per annum and due March 31, 2020
- A loan of $500,000 bearing interest at 6% per annum and due January 14, 2020

Each of the loans have been repaid subsequent to year-end.

12. Segments

As at December 31, 2019, 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 that were publicly available for sale. Property under development consists of lands and buildings under construction or held for future development.

2019

	Hotels	Rentals	Property under development	Other	Total
Revenue	**$ 17,127,810**	**$ 3,490.502**	**$5.187.082**	**$ 431,503**	**$ 26,236,897**
Amortization	**1,002,094**	**1,244,664**	**-**	**84,200**	**2,330,959**
Interest income	**-**	**-**	**-**	**80,706**	**80,706**
Interest expense	**621,114**	**843,631**	**-**	**34,266**	**1,499,011**
Net income (loss)	**2,783,843**	**727,869**	**221,814**	**(883,728)**	**2,849,798**
Properties and equipment	**20,788,017**	**35,576,969**	**23,570,104**	**793,474**	**81,728,564**

2018

	Hotels	Rentals	Property under development	Other	Total
Revenue	$ 16,577,468	$ 3,225,700	$ -	$ 441,560	$ 20,244,728
Amortization	955,956	1,248,570	-	97,864	2,302,390
Interest income			-	104,906	106,906
Interest expense	632,070	719,697	-	32,884	1,384,651
Net income (loss)	3,337,834	543,239	-	(1,068,201)	2,812,872
Properties and equipment	19,011,552	36,598,842	12,722,910	307,518	68,640,792

13. Partners' Equity

At December 31, 2019 there are 26,766,605 partnership units outstanding (2018 – 26,317,396). During the year the following transactions occurred:

- 128,456 units were issued for proceeds of $338,028;
- 330,753 units were issued representing consideration of $840,113 in connection with the purchase of a condominium unit; and
- No units were redeemed

In 2018 3,132,491 units were issued for proceeds of $7,575,119 and 780,810 units were redeemed for $1,879,400.

14. Commitments

The Partnership has commitment to make monthly payments to a tenant under the terms of a lease agreement. Payments required under the terms of the agreement are as follows:

2020	150,000
2021	100,000
2022	100,000
2023	50,000

The Partnership Has entered into a construction contact for renovations to one of its hotel properties. As at December 31, 2019 the estimated remaining cost to complete this work amounted to $2.3 million.

15. Change in Presentation of Comparative Financial Statements

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

16. Jointly Held Assets and Jointly Controlled Enterprises

Name	Interest	Activity	Year of Inception
TW Selkirk Joint Venture	49%	Lease of commercial properties	2011
Northern Carcross Joint Venture	50%	Lease of commercial property	2013
Dawson Downtown Hotel	50%	Hotel Operations	2013
Bedrock Motel	49%	Hotel Operations	2019

The Partnership's proportionate share of the assets and liabilities, revenues and expenses of the various operations are included in these consolidated financial statements as follows. The Partnership is liable for the liabilities of the jointly held assets to the extent of its proportionate share in each operation.

Assets		**2019**		2018
Cash	**$**	**105,158**	$	141,150
Accounts receivable		**46,620**		-
Prepaid expenses		**50,683**		20,231
Inventory		**26,835**		34,724
	$	**229,296**	$	196,105
Property and equipment		**3,139,411**		2,235,917
Organization costs		**125**		125
		3,984,597		2,432,147
Liabilities and Equity				
Accounts payable and accrued liabilities	**$**	**140,410**	$	58,935
Government remittances		**19,203**		20,573
Net income		**159,613**		79,508
Long term debt		**1,270,239**		848,335
		1,429,852		927.843
Equity		**2,554,745**		1,509,304
	$	**3,984,597**	$	2,432,147

Income Statement		**2019**		2018
Revenues				
Hotels	**$**	**1,819,161**	$	1,591,768
Rentals		**117,091**		98,846
Gains		**-**		73,668
	$	**1,936,252**	$	1,764,282
Expenses				
Hotels		**1.614,058**		1.399,945
Amortization		**127,599**		109,853
Property		**15,219**		115,630
Interest		**64,529**		30,909
Expenses		**1,821,405**		1,656,337
Net income	**$**	**114,847**	$	107,945
Cash flows from operating activities	**$**	**253,457**	$	332,891
Cash flows from investing activities	**$**	**(993,216)**	$	(77,815)
Cash flows from financing activities	**$**	**467,046**	$	160,194

17. Subsequent Events

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Partnership in future periods.

CORPORATE INFORMATION

General Partner – 536775 Yukon Inc. in cooperation with Northern Vision Development Corp.

Board of Directors

Shirley Adamson[2]
Hannes Kovac[2]
Ian McAuley[3]
Hon. Piers McDonald, Chairman[1,2,4]
Lori Simcox[1]

1 Denotes member of the Audit Committee
2 Denotes member of the Development Committee
3 Denotes member of the Hotel Committee
4 Denotes member of the Governance and Compensation Committee

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Philip Fitzgerald, CFO
Kristine Hildebrand, V.P. Asset Management
Leon Algadzis, Executive VP Business Development
Dylan Soo, General Manager Hotels Division
Adam Gerle, V.P Marketing
Denny Kobayashi, Real Estate Sales
Jerome Casanova, Senior Property Manager
Eduardo Castaneda, Director of Maintenance

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