BUILDING LONG-TERM VALUE

NORTHERN VISION DEVELOPMENT

ANNUAL REPORT TO UNITHOLDERS

2013

NORTHERN VISION DEVELOPMENT LIMITED PARTNERSHIP

2013 ANNUAL REPORT TO UNITHOLDERS

We are pleased to provide you with this report on the activities of Northern Vision Development Limited Partnership ("NVD" or "the Partnership") for 2013. Included herewith are financial statements as at and for the year ended December 31, 2013, along with comparable results for the year ended December 31, 2012, which have been audited by Deloitte LLP and BDO Canada LLP respectively.

An annual meeting of the Partnership will be held at **5:00 pm on Thursday May 22, 2014, at the offices of Prairie Merchant Corporation** on the seventh floor of 933 - 17th Avenue S.W. Calgary, Alberta. We invite all interested stakeholders to join us for this meeting, to receive an update on the progress of the Partnership and information about future plans for the Partnership. In order to accommodate shareholders who do not live in Calgary, or who cannot attend this meeting, we will hold a follow-up session in Whitehorse, Yukon, at 4:00 pm on Tuesday, June 3, 2014 at the Coast High Country Inn. The event in Whitehorse will be part of day long celebrations that will mark the tenth anniversary of NVD as a partnership, as well as the official opening of NVD Place, our new retail and office complex in downtown Whitehorse. All NVD stakeholders are invited to attend these events.

TABLE OF CONTENTS

HIGHLIGHTS FOR 2013 ______ 02

CEO'S LETTER TO UNITHOLDERS ______ 05

CHAIRMAN'S MESSAGE ______ 10

REPORT ON OPERATIONS ______ 11

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS ______ 20

FINANCIAL STATEMENTS AND NOTES ______ 28

CORPORATE INFORMATION ______ 48

OVERVIEW AND BACKGROUND

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

At the end of 2014 there were 21,029,970 units of the Partnership outstanding (2013 - 21,029,970 units) with no options or purchase warrants issued. During the year, a total of $1.5 million was distributed to limited partners as a return of capital. The Net Asset Value ("NAV") per Unit was estimated to be $2.06 as at December 31, 2013 based on management's estimate of value for assets owned by the limited partnership utilizing available market sales and capitalization rate data. The Partnership has not conducted a formal third party valuation since October 31, 2011 in the lead up to its 2012 Liquidity Event.

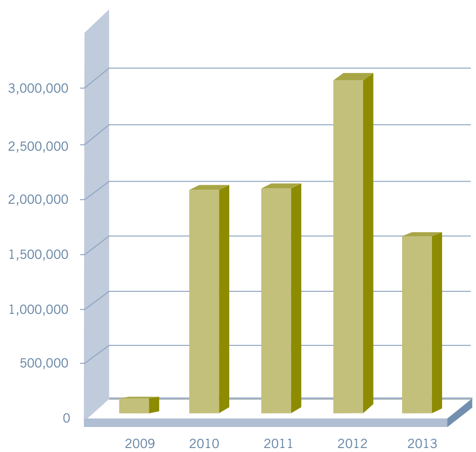
HIGHLIGHTS FOR 2013

During 2013 the Partnership focused on the leasing and sales efforts required to address vacancies in recently completed developments, the acquisition and integration of new hotels and the development of its signature NVD Place project. Following are key operational highlights for the year:

- Acquisition and integration of two new hotels during the summer of 2013 – the Edgewater Hotel in Whitehorse and the Downtown Hotel in Dawson City;
- Commencement of development of NVD Place (formerly Canadian Tire), a 50,000+ square foot shopping mall in downtown Whitehorse;
- Sale of 16 lots in the Titanium Way Business Park (the highest annual number ever);
- Sale of four commercial condominiums in the Waterfront Station development;
- Acquisition of 50% of the Waterfront Station development that the Partnership did not already own, in September 2013;
- Implementation of the Coast Hotels brand at the Coast High Country Inn, with corresponding positive impact on room revenues late in the year;
- Establishment of NVD offices in Waterfront Station and expansion of the NVD senior management team; *and*
- Commencement of the rental program for the remaining units of River's Reach that were not sold by late 2013.

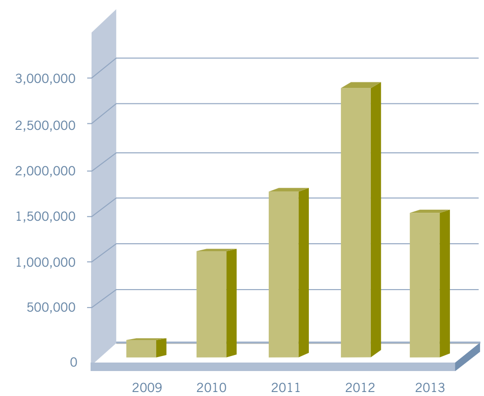
The newly renovated lobby at the Edgewater Hotel provides a more welcoming entry.

NET INCOME



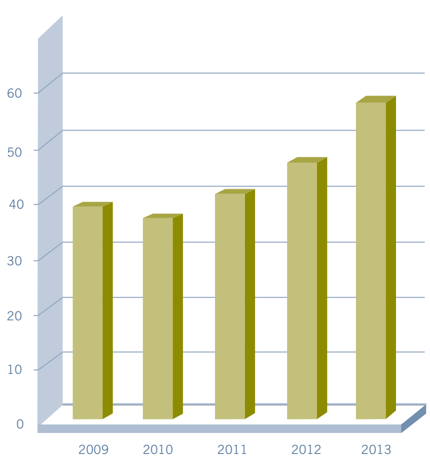
After a strong increase in 2012 due to development projects, income dropped to below recent historical levels in 2013. This reflected higher overheads related to acquisition and development activity, a slight reduction in same store hotel performance, and in particular higher costs associated with interest and depreciation.

INCOME FROM OPERATIONS



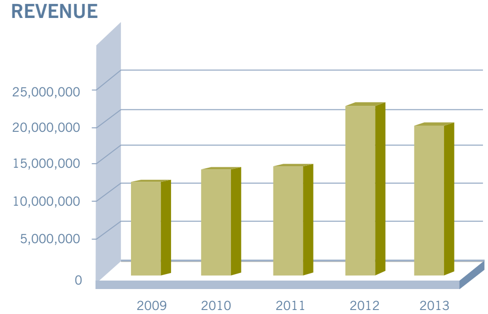
Due to methodology change, Income from Operations now includes income derived from ongoing sales of non-income producing properties (previously recorded as a net Gain from Sale amount). Using this methodology, 2012 included considerable sales related to the Waterfront Station and River's Reach projects as part of Income from Operations.

TOTAL ASSETS



Asset values increased significantly during the year reflecting the acquisition of 1.5 hotel properties as well as completion or partial completion of development properties including Waterfront Station and NVD Place.

REVENUE



The same accounting methodology change means that Gross Sales of Development Properties and Properties Held for Sale are now included in Total Revenue. 2012 reflects the substantial one time sales activity associated with River's Reach and Waterfront Station. Revenue in 2013 was up over 2011 levels due to the inclusion of new hotel revenue, and considerable activity with respect to Titanium Way Business Park lot sales.

The following is a summary of the Partnership's key financial highlights for the year:

- Raised $4.0 million in convertible debentures with interest at 6.75% per annum for a three year term to assist in financing acquisition and development activities;
- Raised $3.25 million in short term debt at 8% per annum with $2.75 million of this amount retired prior to year end;
- Retired the BDC debt outstanding on the Titanium Way Business Park in keeping with the large number of sales recorded during the year;
- Negotiated and commenced drawdown (December 2013) of a $6.4 million construction financing and take out mortgage facility with First Nations Bank to support the final construction phase of NVD Place (formerly Canadian Tire);
- Arranged a $1.8 million mortgage facility with BDC with interest at 4.5% per annum to support the acquisition of the Edgewater Hotel;
- Gross revenues* of the Partnership declined by 13.7% from $21.2 million in 2012 to $18.3 million in 2013, due to a substantial drop in sales of properties under development during the year;
- Sold 16 Titanium Way Business Park lots for total gains of $1.03 million (six sales and $602,000 in gains in 2012);
- Income from Operations** dropped to $1.4 million from $2.8 million in 2012 due to a substantial drop in net income associated with development activities as well as an increase in overhead expenses (primarily interest and amortization) of $1.0 million;
- Recorded a 46.3% decrease in Net Income to $1.6 million, down from $2.9 million in 2012;
- Almost doubled Interest Income to $166,000 from $87,000 in 2012;
- Increased revenues from the rental division by 10.4% to $1.62 million ($1.47 million in 2012) as a result of new inventory being available for lease; *and*
- Recorded Available Funds from Operations ("AFFO") of $1.6 million and distributed $1.5 million to unitholders (94.5% of AFFO).

* For 2013 the auditors recommended a change in accounting methodology that causes the Partnership to report gross revenues from sales activities. Accordingly, the comparable numbers from 2012 have been restated to reflect this methodology change which has no impact on the net income reported in 2012. However, all historical numbers are now reported on a gross basis with respect to sales activity.

** The same accounting change has caused a shift from recording gains from sales below the Net Income line to including such gains as normal income from operations. Accordingly, Income from Operations referenced here for both 2013 and 2012 includes what would have previously been classified as gains from sales.

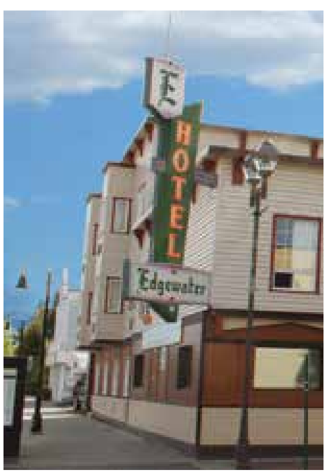
CEO'S LETTER TO UNITHOLDERS

Dear Unitholders:

This past year marked a period of major progress during which we continued to build the foundation for long term growth in yields for our unitholders: hence the title of this report: Building Long-Term Value. Income declined during the year, but we are pleased to have delivered a 19.2% return on investment to unitholders in the 15 months since our September 2012 restructuring event, when we consider both distributions to unitholders and growth in Net Asset Value of the units. This past year also marked a period of substantial acquisition and development activity, and while all of this causes short term pressure on the organization, it also lays a great foundation for sustained distribution to unitholders once the production from these assets is maximized.

ACQUISITIONS FOR THE HOTEL PORTFOLIO

In late May we completed the acquisition of the 32-room Edgewater Hotel located on Main Street in Whitehorse. This was followed in July 2013 by the acquisition of the Downtown Hotel in Dawson City. The Downtown Hotel, which was acquired in a 50/50 ownership arrangement through the Downtown Dawson Limited Partnership with Chief Isaac Inc. (the Development Corporation arm of the Tr'ondëk Hwëch'in First Nation), is a 59-room hotel that includes two buildings, empty land and considerable food and beverage facilities. The combination of the two acquisitions grew our Hotel Division by 91 rooms, to 273, and added food and beverage services associated with both properties. NVD has entered into a management agreement to manage the Downtown Hotel on behalf of the Dawson Downtown Limited Partnership.



Purchase of new hotel properties including the Edgewater (left), and the Downtown (right) highlighted a year of active acquisition and development.

The Edgewater Hotel, located at the opposite end of Main Street from the Best Western Gold Rush Inn, is a strong complement to our existing Whitehorse hotels. In 2013, we realized the anticipated benefits related to sending overflow rooms from our existing properties to the Edgewater Hotel, and we also realized the expected operating synergies associated with increased scale in Whitehorse. The Downtown Hotel should also benefit from integration with our other hotels in 2014 as we begin to integrate the Dawson product into our marketing campaigns and packages with our other properties.

ACQUISITION AND DEVELOPMENT ACTIVITIES ALLOWED FOR EXPANSION OF BOTH HOTEL AND RENTAL DIVISIONS.

With four hotels to manage (3.5 net owned) and one located outside of Whitehorse, we have established a meaningful and growing Hotel Division footprint that will more fully utilize the professional hotel management team we have built over the past five years. We will look at further expansion of this division if attractive opportunities are uncovered. In the meantime we will focus on ensuring maximum operating results from the hotels in our portfolio.

DEVELOPMENT ACTIVITY

Early in the year we started the leasing effort for NVD Place (formerly Canadian Tire) and by mid-year we had commenced construction on this project. We completed the back end of the building first, and in October 2013 Teegatha Oh' Zeh occupied 7,000+ square feet in this project. At the writing of this annual report our leasing effort is approximately two thirds complete, with tenant fit up underway and a formal opening planned for May 2014. This well-located property will feature restaurants, a medical office, a pharmacy and fashion retailers, among other services. It is distinguished by its ample parking, as well as a comprehensive renovation that has brought it up to new-built standard and enhanced its operating efficiency. The grand opening of this project is highly anticipated in the Whitehorse market.

Leasing and sales activities have slowed for the Waterfront Station project. This is a reflection of the general economic situation in Whitehorse as opposed to concerns with this project specifically. Despite the challenging environment, we were able to complete and close a number of sales in 2013 that had been arranged in 2012. Additionally, we sold a new main floor commercial condominium to the Association of Yukon Communities and we leased out retail space on the main floor to Hunter Gatherer, a fashion retailer. Renewed leasing and sales efforts will be a critical focus in 2014, and we are hopeful for a return to a more robust leasing and sales market.

At the end of 2013, we shifted our focus from sales to leasing of our River's Reach units as the sales market for high-end residential condominiums had softened. At the writing of this report, our 90% owned Joint Venture that developed River's Reach has three units (out of an original 20) remaining for sale or lease, and two of these are under rental agreements. NVD owns a further two units directly in the complex. One is under long-term lease and the other has been used by the Partnership's staff who travel to the territory as well as for short-term rental. It is our intention to have all five of these units either sold or leased during the current year.

Our opinion is that the market is somewhat overbuilt, especially for commercial premises, and further development efforts will be less aggressive until the excess capacity in the market is absorbed. This does not mean we will cease to take advantage of opportunities that exist in areas that are not overbuilt such as affordable housing. The affordable housing initiative spearheaded by Yukon Housing Corporation, which provides grants to qualified projects that meet affordable housing criteria is an attractive opportunity for the Partnership. At the writing of this annual report, I am pleased to share with our unitholders that we have submitted both Whitehorse- and Dawson-based proposals for this project and both have advanced to the second round for consideration. Should one or both of these proposals be accepted, there would be significant development activity for NVD in the 2014 to 2016 period. I hope to be in a position to share positive news with unitholders related to these projects when it is time to present our 2014 semi-annual results. If these projects move forward, they would address a key unfulfilled requirement in the Yukon market that does not compete with any of our existing inventory.

NET ASSET VALUE AND FINANCING ACTIVITIES

The operations summary in this report addresses the Net Asset Value estimate prepared by the board and management which places NAV per Unit at $2.06. This represents an 8.4% increase from the last valuation of September 2012 when we completed the Liquidity Event and the associated Private Placement at $1.90 per unit. Our approach to distributing a substantial portion of Available Funds From Operations ("AFFO") on an annual basis to unitholders means that any upward or downward movement of NAV values is primarily the result of either: a change in market CAP rates as evidenced and informed by sales activities, combined with successful development of non-income producing development inventory into productive assets for the Partnership; or below-market acquisition of assets that we subsequently subject to improved operating performance and that therefore experience value growth.

Consequently, we encourage unitholders to assess the performance of their units on a total return basis that combines return from estimated NAV growth with distribution returns to unitholders. On this basis, an assessment of the 15-month period from the completion of the Liquidity Event to December 31, 2013, would result in the following overall return on both a total period and per annum basis:

Return on Investment September 2012 to December 2013

Distribution per unit December 2012		
Sustained	$	0.081
Special from Development	$	0.050
Distribution per unit December 2013	$	0.071
Growth Per Unit – 15 months ($2.063 - $1.90)	$	0.163
Total Return per unit	$	0.365
Percentage return in 15 months		19.2 %
Annualized Return		14.9 %

Using the Liquidity Event as a starting point, investors who held units or who purchased units in September 2012 have witnessed a 14.9% per annum return.

Looking forward, we anticipate the annual return will be lower over the next one to two years as a result of two factors: (1) the general performance of the Yukon economy which has led us to experience much higher vacancy rates compared to previous years, and which has also put downward pressure on Hotel Division Net Operating Income; and (2) the use by NVD of short term and convertible debt to make acquisitions, which increased interest costs and decreased net income and AFFO, until such time as the projects become fully productive. However, in the long run, the use of debt as opposed to equity for these purchases should lead to higher yields for unitholders. We are pleased that our balance sheet has supported the use of convertible debt and low interest commercial mortgages which have enabled us to make moves we believe to be in the long term best interest of unitholders from both NAV growth and distribution perspectives.

DISTRIBUTION

In December, NVD distributed $0.071 per unit. This was down from the previous year where we distributed $0.081 per unit from operations along with a special distribution of $0.05 per unit associated with profits from unique development activities. Our divisional operational performance was actually up overall which bodes well for future sustained cash flows as this defines the base from which AFFO is derived. AFFO for the year was $1.6 million, meaning that this year's distribution was 94.5% of AFFO.

SUMMARY

As you read our operations report and review the financial statements, you will see that the Partnership is focused on filling vacant space, finding buyers for unsold inventory, and increasing efforts aimed at maximizing contribution from the Hotel Division. With this focus in mind, we expect to see improved results going forward regardless of the economic backdrop.

I want to thank our dedicated management team for their considerable efforts in 2013 which led to NVD being recognized as the best marketer in the North at the recent Frozen Globe Awards presented by Up Here Business. At that same award show we were short listed as one of the nominees for Best Overall Business in the North. The Partnership is well regarded for the role it, and its employees, play in striving to make the Yukon a better place for people to work, live and play. We are also celebrated for the considerable effort our staff makes through leadership roles on many community boards. Given the significant role that Yukon First Nations play in the ownership of the Partnership (over 40%), we were very pleased to receive the **Trail Blazer Award** recognizing leadership in Business/First Nation partnerships which was bestowed upon us by the Assembly of First Nations when they gathered in Whitehorse this past summer.

As strategic issues have presented themselves more prominently, I am reminded of how fortunate we are to have an extremely dedicated and active board, led by Chairman Piers McDonald. The ability for the board to proactively assess the challenges and opportunities we face, and to provide insightful guidance for management, continues to be a critical success factor for the Partnership. Our unitholders are well served as a result.

Success in the coming year will be defined by: our ability to retain and possibly grow market share for our hotels while improving margin performance in that division; our success in both sales and leasing of the real estate we own and operate in Whitehorse against a soft economic backdrop; and taking full advantage of new opportunities and initiatives that are accretive to unitholder value, such as the initiative now under consideration with Yukon Housing.

I continue to hear regularly from many of our unitholders. I am always amazed at how well they understand the challenges and opportunities in front of the Partnership and how encouraging they are with respect to our efforts. We have a great group of unitholders, and many of you are not simply passive investors in the business. I thank you for your ideas, your encouragement and the passion you demonstrate toward NVD.

I will close by thanking you for your continued support of Northern Vision Development Limited Partnership over the past year. We look forward to a bright future.

With warm regards,

Northern Vision Development Limited Partnership

Richard S. Thompson
Founder, Director and CEO

CHAIRMAN'S MESSAGE

In our tenth year of operation NVD has performed well even as the economy softened. The Partnership made two significant acquisitions in the Edgewater Hotel in Whitehorse and the Downtown Hotel in Dawson and has already taken steps to make them strong contributing components of our hotel portfolio. The Partnership further acquired some ideally located commercial property (Old Canadian Tire Store: now NVD Place) and immediately set itself the task of renovating the property making it home to a number of new and expanding businesses in Whitehorse. With these new acquisitions we have significantly expanded our commercial property portfolio and acquired quality hotel properties that have begun to test our remote management capacities.

Once again the management team has been lead ably and with vision by Rich Thompson, CEO. He has assembled a small but very capable and dynamic group of people who have not only risen to meet the challenges the economy has presented, but who have also demonstrated their entrepreneurial spirit in identifying opportunities and making good business happen. These qualities have not only served to make NVD a leading and award winning business in the North, but have also produced good short term returns for investors and positioned the Partnership to reap significant long term rewards. The company continually arranges itself to lead the way as new economic opportunities arise.

We are also fortunate to have people of significant reputation, experience and accomplishment sit on our Board of Directors. Each member not only commits to providing careful stewardship of the company through their role as board members but they also contribute to the company by participating on key board committees: Audit, Hotel, Development and Compensation and Corporate Governance. This year we welcomed Shirley Adamson as she joined Trevor Harding, Hannes Kovac, Ian McAuley, Stanley Noel, Myron Tetreault, Rich Thompson and Brian Titus on our board.

NVD continues to build the local economy and employs many local people in an effort to meet its business objectives. As a good corporate citizen it makes a priority of supporting a number of organizations that provide much needed services to our community. In the past year a significant contribution has been made, once again, to the Whitehorse Food Bank and another to the publishing of the new Illustrated History of Whitehorse. These initiatives demonstrate our deep commitment to the health and vitality of the communities in which we operate.

We will celebrate 10 full years of operation in 2014 and can count the many accomplishments and contributions that have been made by many people over the years. We will have the opportunity to thank them all for the impressive work they have done at our anniversary celebration in June. NVD epitomizes what can be accomplished from a strong work ethic, a large dose of entrepreneurial creativity and a commitment to community. This, along with the continued support and vision of our investors, will contribute to a strong and dynamic future for the company.

Northern Vision Development 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 LP
Operating Statistics

	2009	2010	2011	2012	2013
Income And Expenses ($)					
Hotel					
Revenue	8,401,587	9,234,720	10,064,594	10,515,791	11,518,087
Margin Contribution	1,202,684	1,419,837	2,343,805	2,146,338	2,289,245
Margin percentage	*14.3%*	*15.4%*	*23.3%*	*20.4%*	*19.9%*
Rental Property					
Revenue	1,529,211	1,531,762	1,443,409	1,488,530	1,624,695
Margin Contribution	1,374,865	1,422,999	1,375,236	1,328,661	1,487,711
Margin percentage	*89.9%*	*92.9%*	*95.3%*	*89.3%*	*91.6%*
Sales Activities					
Revenue	661,567	2,328,605	1,914,616	9,185,247	5,044,853
Margin Contribution	281,171	1,000,304	707,295	2,072,778	1,332,306
Margin percentage	*42.5%*	*43.0%*	*36.9%*	*22.6%*	*26.4%*
Expense					
Interest	719,524	573,203	569,552	570,631	1,002,509
Percentage of Revenue	*6.8%*	*4.4%*	*4.2%*	*2.7%*	*5.5%*
Depreciation	1,118,452	1,135,998	1,133,946	1,282,615	1,430,456
Percentage of Revenue	*10.6%*	*8.7%*	*8.4%*	*6.0%*	*7.8%*
Other Expenses	864,523	1,094,886	1,100,589	950,841	1,406,328
Percentage of Revenue	*8.2%*	*8.4%*	*8.2%*	*4.5%*	*7.7%*
Income from Operations	156,221	1,330,670	1,774,785	2,786,617	1,401,635
Percentage of Revenue	*1.5%*	*10.2%*	*13.2%*	*13.1%*	*7.7%*
Balance Sheet and Related					
Total Assets ($ million)	36.9	34.9	38.7	45.8	55.7
Total Debt ($ million)	17.0	14.7	17.1	20.9	27.9
Debt as % of Assets	*46.0%*	*42.1%*	*44.3%*	*45.6%*	*50.1%*
Long-term Debt: Equity	0.82	0.75	0.75	0.77	1.21
Weighted Average Cost of Debt	3.78%	4.19%	4.18%	5.15%	4.72%

Note: * In 2013 the Partnership commenced reporting Gross Sales amounts as part of revenue on the advice of it's auditors. This required revising the presentation of the earlier year financial results to allow for proper comparison. There was no change to Net Income amounts reported in the previous periods.

For the first time in four years, NVD experienced a drop in Net Income from Operations in 2013. This was driven by a significant decrease in sales associated with development activities and an increase in operating expenses, interest and depreciation related to work on projects not yet ready in 2013 for lease or sale. The trend is expected to reverse itself by 2015 as the new hotels are fully integrated into operations and new projects become more fully leased. However, in 2014 the Partnership expects both the Yukon economy and the reduced amount of Titanium Way lot inventory to combine to keep downward pressure on Income from Operations.

I. HOTELS DIVISION

An Active Year

Revenues for the Hotel Division were up 9.5% for the year from $10.5 million to $11.5 million. This was due to the inclusion of seven months financial results from the Edgewater Hotel and almost six months from the Downtown Hotel in Dawson. Considering performance on a same-store basis, revenues were actually down 3.6% for the combined Best Western Gold Rush Inn ("Gold Rush") and the Coast High Country Inn ("High Country") for the year. This is considered relatively strong performance for the two existing properties given: (a) statistics indicated the overall market was off as much as 7% for the year; and (b) new competition entered the market in the form of the 100-room Klondike Inn being rebranded under the Ramada flag and opening year round as opposed to its traditional May-September operating period under previous management. The Gold Rush continued its strong annual performance, contributing $1.5 million in annual Gross Operating Margin (before interest and depreciation) which was down 6.1% year over year, and the High Country finished 2013 with Gross Operating Margin up 3.6% year over year to $550,000.

New Acquisitions

The main event in the Hotel Division was the acquisition activity during the year.

Edgewater Acquisition In late May 2013, NVD acquired the Edgewater Hotel ("Edgewater"). This 32-room hotel is located at the intersection of Main Street and Front Street in Whitehorse and features a boutique style hotel with two food and beverage outlets. NVD rented out the food and beverage outlets to a local operator as these had been struggling under previous ownership and NVD was focused on dealing with the collective bargaining activities underway at the High Country. NVD planned, and is now executing, some medium level renovations to this hotel property, including a full renovation of the lobby area, and some room improvements including the introduction of flat screen televisions.

In just the first seven months of ownership, the Partnership realized on the expected synergies associated with this property. Firstly, no new management was hired to replace the existing management team and all activities such as marketing were coordinated with existing efforts. Secondly, the property benefited directly from overflow in the high season being directed to it primarily from the Gold Rush. The combination of these two factors, and the fact that the hotel was acquired immediately before the main part of the high season, allowed it to make a meaningful contribution in the first seven months to the NVD Hotel Division. Gross Operating Margin for the Edgewater for the seven months was $275,000 representing an 8.6% return on investment for the period. As integration efforts continue the property should continue to make a strong contribution. However the food and beverage industry in Whitehorse has generally been down and the Edgewater is no exception. NVD will monitor the performance of food and beverage leases for this property closely in 2014 as they may be the one area that is challenged. Unlike the Gold Rush, food and beverage is a significant part of the Edgewater property and so plays a bigger role in overall hotel performance.

The lobby renovation has transformed the presence of this hotel, and with minor improvements to rooms and continued attention paid to the food and beverage offering, the Partnership expects strong performance from the Edgewater in 2014 and beyond. The Edgewater enjoys a loyal following for its room product and is a natural fit with its sister hotel on Main Street, the Gold Rush, for those who cannot book rooms at NVD's flagship property during the busy season.

Downtown Hotel Acquisition in Dawson

The integration of the Downtown Hotel in Dawson proved more challenging for NVD in 2013. It was only acquired in July, part way through the high season, and so it had a larger skew of low season revenues during the initial period of operations under NVD ownership

The Downtown Hotel acquisition included the main and annex buildings as well as vacant land.

and management in 2013. After a strong high season performance, the property lost significant amounts in each of the final three months of the year. This lead to a gross margin loss for the period of $50,000 ($25,000 NVD share) for the property during the less than six months it was owned and operated by the Downtown Dawson Limited Partnership (owned 50% by NVD) in 2013.

The losses resulted from a drop-off in off-season revenues in Dawson that was significantly steeper than anticipated due to a virtual shut down in mining activity in that area of the Yukon. NVD, as manager of the property, has moved to address this by significantly reducing the staff levels at the hotel for the slow season and by revising plans for operations in the slow season in 2014/5. Plans for 2014 call for a positive contribution from this hotel property.

The Downtown Dawson Limited Partnership has embarked on a half million dollar renovation program for the hotel which aims to substantially improve the room product offering, and at the same time management will focus on improving the service delivery from staff and review margin contribution from the food and beverage area. All of these moves should lead directly to improved bottom line performance at the Downtown Hotel.

Going Forward: Management is focused on improved performance for the Hotel Division in 2014. In Whitehorse, this will be achieved through improved margin performance and efficiency, whereas in Dawson there is opportunity to significantly increase gross revenue. Overall, the focus will be on improving return on equity for the Hotel Division in 2014.

II. RENTAL DIVISION

Revenues in this division were up 9.1% in 2013 to $1.6 million. This was the direct result of including a full year of Waterfront Station revenues in the financial reporting, including 100% inclusion of revenues for NVD during the last three months of the year. Revenues from NVD Place were included in the 2013 results as the building will not be substantially complete until May 2014, even though an occupancy permit was obtained for part of the building and Teegatha Oh' Zeh moved into the premises in the fall of 2013.

The balance of the portfolio performed in step with previous years with the exception of the Titanium Way properties and Yukon Centre Mall. Titanium Way 170 lost several tenants during the year and sits approximately 50% empty at year end (NVD owns two-thirds of this project). Titanium Way 166 received new tenants during the year, but still has one vacancy. The Axis Insurance lease in Yukon Centre Mall came to term in late 2012, and leasing efforts related to this space were unrewarded during 2013.

BOTH NVD PLACE AND WATERFRONT STATION, WHEN FULLY LEASED, WILL DRIVE SIGNIFICANT GROWTH IN RENTAL DIVISION REVENUES.

Summary of Leasable Square Footage - NVD - As at December 31, 2013

Property	Leasable	Leased	NVD Ownership	Net NVD Leasable	Net NVD Leasable	Percent Leased	Percentage of Portfolio
	(sf)	(sf)	(%)	(sf)	(sf)	(%)	(%)
Yukon Centre Mall	40,304	38,460	100%	40,304	38,460	95.4%	27.0%
Nugget Beach	5,899	5,899	100%	5,899	5,899	100.0%	3.9%
Spook Creek Station*	10,107	10,107	100%	10,107	10,107	100.0%	6.8%
Pizza Hut	4,413	4,413	100%	4,413	4,413	100.0%	3.0%
Trades Centre I Condo	880	880	100%	880	880	100.0%	0.6%
Titanium Way 170	6,702	3,471	67%	4,468	2,314	51.8%	3.0%
Titanium Way 166	7,606	6,089	33%	2,485	1,989	80.1%	1.7%
Gold Rush Inn Retail	1,571	1,571	100%	1,571	1,571	100.0%	1.1%
Carcross VIC	1,384	1,384	50%	692	692	100.0%	0.5%
Edgewater Hotel Retail	6,400	6,400	100%	6,400	6,400	100.0%	4.3%
Waterfront Station**	26,245	15,752	100%	26,245	15,752	60.0%	17.5%
Total	**111,511**	**94,426**		**103,463**	**88,477**	**85.5%**	**69.2%**

* At year end the kiosk space at Spook Creek Station was vacant, but under lease for February 2014
** Condos still available for sale are included as vacancies

Future Property	Leasable	Leased	Ownership	Net NVD Leasable	Net NVD Leasable	Percent Leased	Percentage of Portfolio
	(sf)	(sf)	(%)	(sf)	(sf)	(%)	(%)
NVD Place***	46,085	29,263	100%	46,085	29,263	63.5%	30.8%
Total including NVD Place	157,596	123,689		149,548	117,740	78.7%	100.0%

*** Includes signed leases and one letter of offer

At December 31, 2013, 85.5% of NVD's portfolio was under lease. This percentage, down significantly from previous years, was impacted by the large vacancy at the Waterfront Station project, where all condominium inventory held for sale are included in the summary as available for lease. Once NVD Place is completed, the percentage of the portfolio is leased will drop to 79% unless additional space is leased in the interim period. In the case of NVD Place, the percentage leased includes signed leases and one letter of offer.

Demand for both lease premises and commercial condominium space has been soft over the past 18 months. NVD management is focused on a comprehensive leasing program aimed at attracting new national tenants to both Waterfront Station and NVD Place, while at the same time looking to be inventive in attracting new users to the Titanium Way properties. Growth in 2014 will be in large part dependent on successful results from the leasing and sales program.

SALES PROGRAM – A SUCCESSFUL YEAR FOR TITANIUM WAY BUSINESS PARK

Titanium Way Business Park: NVD recorded a record sales year with respect to lots in its Titanium Way Business Park ("Titanium Way"). During the year a total of 16 lots were sold for gross proceeds of $2.9 million with associated income in excess of $1.0 million ($1.4 million in gross proceeds and $0.6 million in income in 2012). This activity level was a stark contrast to the tepid sales demand experienced in other areas of the business. At the end of the year, NVD held seven lots in Titanium Way. Completed in early 2008, it has taken the expected five years to develop and/or sell the bulk of the lots in Titanium Way. For the remaining lot inventory, all of which is either located on the river or the second row of the development, NVD will be seeking premium pricing or interesting development opportunities. Four of the remaining lots are contiguous with NVD's existing developments at 166 and 170 Titanium Way.

Waterfront Station: In September 2013, NVD purchased the 50% of Waterfront Station that it did not already own from its Joint Venture partner, Ketza Group ("Ketza"). Accordingly, during the year, this project was recorded as a Joint Venture for nine months and as a 100% owned property for the remaining three months of the year. NVD sold two commercial condos during the year while this was a joint venture and two units after the purchase from Ketza had closed. The combination of these sales led to NVD recording gross sales of Properties under Development of $2.1 million in 2013 with associated income of $0.3 million. This contrasts to $7.8 million in gross proceeds and $1.5 million in income associated with sales of Properties under Development in 2012 when NVD sold the bulk of its River's Reach residential condo inventory as well as a number of Waterfront Station condominiums.

There were no sales of River's Reach condos in 2013; however, at the writing of this report, one sale has closed in 2014. NVD is focused on either entering into long term leases or selling the remaining River's Reach residential inventory in 2014. At the end of 2013, it owned one River's Reach unit directly, and three through the Joint Venture that built the project, and in which NVD holds a 90% interest.

DEVELOPMENT ACTIVITIES

During the year, the Partnership commenced development of the NVD Place project which includes more than 46,000 leasable square feet of commercial space with ample parking and a superb location. This initiative involves the conversion of the former Canadian Tire store on Fourth Avenue into a retail shopping and office complex. The finished project will feature medical services that include a medical office, pharmacy and medical service supplier. It also will feature restaurant, information technology and fashion providers. Official opening is planned for May 2014, and at the writing of this report the project is approximately two-thirds leased.

NVD Place will bring NVD's portfolio of leasable square footage (net) to approximately 150,000 square feet, which is a 45% increase in the size of the existing portfolio. Accordingly, the lease Property Management Division will grow in importance with respect to both revenue and margin contribution. This is important strategically for the Partnership as the Property Management Division

Construction commenced at NVD Place in summer 2013, completion is planned for May 2014.

provides a stable base of incomes for operations, which in turn ensures stability in AFFO available for distributions. Accordingly, the Partnership is striving for the right balance between its three main drivers of "Income from Operations", being Hotel Division Income, Property Management Income and Development Income.

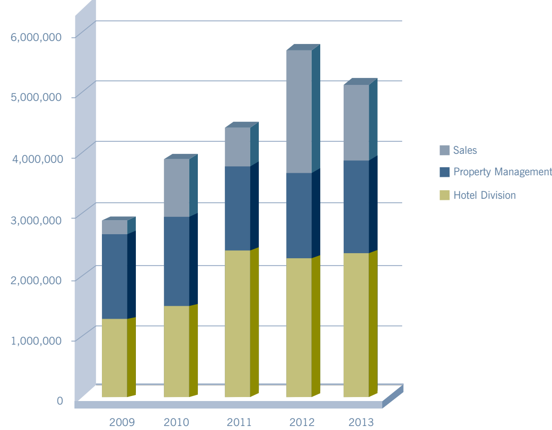
Margin contribution from each division is shown in the graph on the next page. Looking forward, the addition of NVD Place and lease up of Waterfront Station will increase the percentage contribution from Property Management. Sales will likely fall off as there are only seven lots remaining in the Titanium Way Business Park inventory.

In May 2013, the Partnership completed the Carcross Visitor Reception Centre in the Carcross Commons. This building, constructed in a 50/50 partnership with Carcross Tagish Management Corp., marked the first project that NVD has taken on outside of Whitehorse. The project is under lease to the Yukon Territorial Government and was completed essentially on time and on budget.

OTHER SOURCES ON INCOME

Interest and other income increased in 2013 to $298,000 from $130,000 in 2012. This reflects stronger interest income associated with vendor take backs on Titanium Way lot sales and interest associated with fit up loans and other loans supporting development projects. It also reflects stronger property management income due to the increased size of the portfolio and sales income associated with joint venture projects. This source of income has grown over the past few years, but will start to drop off in 2014.

MARGIN CONTRIBUTION PER DIVISION



Margin contribution from each division is shown here. Looking forward the addition of NVD Place and lease up of Waterfront Station will increase the percentage contribution from Property Management. Sales will likely fall off as there are only seven lots remaining in the Titanium Way Business Park inventory.

ECONOMIC COMMENTARY

As noted throughout this report, the Yukon economy has slowed over the past 18 months primarily due to a steep decline in mining exploration activity throughout the territory. In the most recent economic outlook, the Yukon Territorial Government projected final GDP growth for 2013 at 1%, which marks the tenth consecutive year of economic growth for the territory. However, this rate of growth was down significantly from previous years. The significant decline in the mining sector was offset by improvements in the tourism sector, driven by an 8% increase in border crossings which have now reached 345,000 annually.

The 2011 census confirmed that over the 2006 to 2011 period the Yukon Territory experienced the highest population growth for any region in Canada. This growth continued in 2013 with territorial population estimated to have grown 2% to 36,700.

Mining Sector The decline in the mining sector is the result of recent weakness in commodity prices on global markets which made it difficult for junior mining companies to access financing. The juniors were not the only group impacted. The value of mineral production in the territory dropped to $490 million from $510 million in 2012. Lower development expenditures ($80 million in 2013 versus $100 million in 2012) and significantly lower exploration activity ($85 million in 2013 versus $230 million in 2012) led to declines in other areas including a drop in retails sales to $655 million from $670 million in the previous year and low construction permitting which dropped to $79 million in 2013 from $100 million in 2012.

There were a number of specific events in the Yukon mining sector in 2013 that led to the decline in mineral production. In June, Yukon Zinc Corporation announced a reduction in both production (40%) and project workforce (30%) at its Wolverine mine. Production was increased at this mine in September to 75% of processing capacity and personnel were recalled. In July, Alexco Resources Corporation suspended operations of its Bellekeno mine due to lower metal prices and cost concerns. This led to the layoff of more than 100 employees. There are some signals that production and even the expansion of operations at this mine site may occur in the near term.

Looking Forward: Increased growth is expected in 2014 and the years following. According to Yukon Territorial Government estimates, GDP is expected to grow 3.3% in 2014, on the back of further increases in mining production (return to 2012 levels), population (expected to grow a further 1.4%) and tourism visitation (with border crossings estimated to exceed 350,000).

The Yukon Government's outlook for mineral production in 2014 is mixed. It estimates that production of gold, copper and zinc will increase on a year-over-year basis as a result of activities at the Minto and Wolverine mines. However, it expects production of silver and lead to decrease due to a decline in activity at the Bellekeno mine. Into 2015, the resumption of activity at the Bellekeno mine is expected to be a main driver of increased production levels overall.

On the tourism side, 2014 growth is expected to flatten out after the strong gains in 2013. The Yukon Government estimates growth in the 1% range for the coming year.

The outlook for the 2015 to 2019 period is even more favourable for the Yukon economy, with four mines expected to begin production, including the large scale Casino mine project. If projections for these mine openings are correct, then the Yukon Government estimates an annual average GDP growth of 4.8% over this period, with mineral production reaching $1.3 billion in 2019, or two and a half times 2013 levels. With an annual population growth rate of 1.7% anticipated, it is estimated that the Yukon population will exceed 40,000 by 2019.

In 2014, unemployment is expected to remain below 6% in the Yukon, continuing the trend since 2004 where the Yukon Territorial unemployment rate remains below the national average.

OUTLOOK

The Partnership faces a tough economic backdrop in the Yukon in 2014 as it seeks to complete the sales and leasing programs for NVD Place and Waterfront Station. A successful year will be the result of either selling or leasing most of the remaining vacant space and available inventory in these properties. Equally important will be achieving Room and Food & Beverage margin improvements in the Hotel Division while improving revenues at both the Edgewater Hotel in Whitehorse and the Downtown Hotel in Dawson.

Titanium Way lot sales will play a less prominent role in overall revenues and income going forward, as there are now only seven lots remaining. Accordingly, the Partnership will set sight on appropriate development of the remaining development inventory that includes Waterfront Place, Main Street and Nugget Beach once the leasing and sales programs are completed for Waterfront Station and NVD Place.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS

The audited financial statements for NVD as at and for the period ended December 31, 2013 are included with this annual report. This summary should be read in conjunction with the financial statements and related notes thereto. The financial statements were prepared by management and audited by Deloitte LLP.

STATEMENTS PREPARED UNDER ASPE

The Partnership's financial statements for the year ended December 31, 2013 continue to utilize the *Accounting Standards for Private Enterprise* ("ASPE") which were adopted by the Partnership in 2011.

FINANCING ACTIVITIES

Unit Equity and Convertible Debt: There were no new units of the Partnership issued in 2013. As at December 31, 2013 there were 21,029,970 Limited Partnership Units outstanding (21,029,970 at December 31, 2012). On August 30, 2013, the Partnership issued $4.0 million in 6.75% Secured Convertible Debentures with interest paid quarterly in arrears. The debentures mature on August 31, 2016, and carry the following provisions: NVD may redeem outstanding debentures, in whole or in part, any time after February 28, 2015, in increments of $100,000 with the minimum redemption being $500,000; the debenture holders may convert the debentures, in whole or in part, any time after February 28, 2014, at a price that is the lesser of $1.95 per unit or NVD's NAV per unit as determined semi-annually at a 5% discount to the most recently calculated NAV per unit amount (this would be $1.957 as at December 31, 2013 being 95% of $2.06); during the three-year period, so long as there are convertible debentures outstanding NVD agrees to pay out no more than 90% of AFFO without prior agreement for the debenture holders (this was granted in 2013), and if a higher percentage of AFFO is paid out in any year, the amount over 90% will be offset in the year following by a reduction in the AFFO payment and any prepayment of AFFO will be adjusted for impact on conversion price at time of conversion.

As at December 31, 2013, there were no conversion privileges and therefore the basic and fully-diluted number of units outstanding was 21,029,970. As at February 28, 2014 the conversion privileges commence. At that time an adjustment to the computed NAV would have to be made for $72,000 of prepaid AFFO under the debenture terms, meaning that the $1.957 computed NAV conversion price would be adjusted to $1.954, still higher than the $1.95 floor conversion price. Accordingly, there were 23,081,252 units outstanding on a fully diluted basis as at February 28, 2014, using a conversion price of $1.95 on the $4 million in outstanding debentures.

Long Term Debt: The Partnership entered into a number of transactions related to long term debt during 2013. At December 31, 2013, total long term debt had increased to $24,006,917 from $18,431,122 in 2012. Despite the increase in total long term debt, the current portion of long term debt decreased at the end of 2013 to $1,275,348 from $1,819,438 at the end of 2012. This is due to the fact that at December 31, 2013, there were no loans set to mature within 12 months (one loan at $677,760 set to mature within 12 months of December 31, 2012).

Specifically the following transactions took place during the year: (a) A mortgage with TD Bank secured by the Nugget Beach Property that matured on October 1, 2013, carrying a variable interest rate of 4.25% per annum was paid out and replaced by a loan with First Nations Bank with a balance of $684,975 at December 31, 2013, and a fixed interest rate of 3.95% per annum that matures on October 1, 2017; (b) A loan with BDC secured by the Titanium Way lots with a balance of $1,141,283 at December 31, 2012, and carrying a variable interest rate of 4.5% per annum was paid out in full during the year; (c) a mortgage with GE Real Estate secured by Spook Creek Station that had a balance of $1,256,215 at December 31, 2012, carrying a fixed interest rate of 6.78% per annum and maturing on May 1, 2013 was paid out and replaced by a mortgage with RBC with a balance of $1,305,766 at December 31, 2013, and carrying a fixed interest rate of 3.01% per annum that matures on May 1, 2018; (d) a construction mortgage with RBC that was in place at the end of 2012 was converted to a long term mortgage secured by Waterfront Station with a balance of $3,319,810 and carrying a fixed interest rate of 4% per annum that matures on January 4, 2019; (e) a loan with BDC secured by Yukon Centre Mall with a balance of $454,622 at December 31, 2013, and carrying a variable interest rate of 4.5% that matures on January 5, 2018, was arranged in order to finance the Carcross VIC project as well as for working capital requirements; (f) A mortgage secured by the Yukon Centre Mall that was entered into with BDC in 2012 with a balance of 1,834,386 at December 31, 2012 carrying an interest rate of 4.5% per annum was fully drawn down during 2013 and had a balance of $3,553,226 at December 31, 2013 with proceeds being used to finance the NVD Place project and other acquisitions; and (g) a mortgage with BDC with a balance of $1,712,017 at December 31, 2013 and secured by the Edgewater Hotel carrying a variable interest rate of 4.5% per annum and maturing on May 15, 2033 was arranged to support the acquisition of the Edgewater Hotel.

Short Term Debt: The Partnership entered into short term debt arrangements with a number of sources during the year to finance the NVD Place project and to assist in the acquisition of the Downtown Hotel in Dawson. As noted above with respect to Long Term Debt, the Partnership retired short term construction financing during the year associated with the Waterfront Place project by either paying it out from proceeds of commercial condominium sales or converting it into the long term mortgage noted above. Financing of the NVD Place construction during the year involved: (a) the issuance of $2.25 million of 8% per annum short term notes in July 2013 that were paid out in full in December 2013; and (b) entering into a construction financing and mortgage take out arrangement with First Nations Bank with a cap of $6.4 million and interest only payments at 4.4% per annum of which $3,348,849 was drawn down at December 31, 2013. Financing of the Downtown Hotel acquisition involved the issuance of $1.0 million in short term notes in July 2013 carrying an interest rate of 8% per annum. At December 31, 2013 $500,000 of these notes remained outstanding and were payable on or before March 31, 2014. These notes were fully paid out in the first quarter of 2014.

Weighted Average Cost of Debt: At December 31, 2013, weighted average cost of total debt decreased to 4.72% (5.16% at December 31, 2012). This decrease was due primarily to the replacement of maturing mortgages during the year with facilities at lower interest rates, partially offset by the higher cost associated with the short term notes and convertible debentures. The long term debt to equity ratio at December 31, 2013 increased to 1.03:1 (2012 – 0.83:1) if convertible debt is treated as equity. If convertible debt is treated as long term debt, this ratio is 1.21:1 (2012 -0.83:1). As the Partnership pays out the bulk of Available Funds from Operations ("AFFO") each year, equity remains relatively constant unless new equity is issued, which did not occur in 2013. However, debt was increased through conventional mortgages and the use of short term and convertible debt which substantially exceeded in value the amount of mortgage and other debt that was retired during the year. Accordingly, the Partnership's debt to equity ratio increased significantly.

Including short term loans and convertible debentures the Partnership had 50.3% of its total loan portfolio in fixed interest rate facilities and 49.7% in variable rate loans at December 31, 2013 (29.5% fixed rate and 70.5% variable rate at December 31, 2012). This means that the Partnership has met its objective of balancing its fixed rate and variable rate facilities. Currently, the Partnership is exposed to interest rate risk with each 1% rise in its variable interest rates responsible for an annual increase of $159,725 ($126,315 in 2012) in interest expense.

WORKING CAPITAL

As has been noted in previous annual reports, the classification of the balance sheet is somewhat meaningless for a real estate development and property management company. Accordingly, the Partnership plans to adopt an unclassified balance sheet for 2014 in keeping with the approach of many publicly traded real estate companies. In the meantime, it is noted that in 2013, once again current liabilities substantially exceeded current assets given that short term loans associated with construction financing are recorded appropriately as a current liability.

Accounts receivable returned to historical levels of $670,252 as at December 31, 2013 ($1,972,256 as at December 31, 2012). This relates to development activities recorded in 2012 wherein sales were completed in 2012 with cash received in early 2013. Accounts payable and accrued liabilities were similarly down substantially from $2,358,901 at December 31, 2012 to $1,867,293 at December 31, 2013 due to deposits received from purchasers of units in Waterfront Station and amounts owed by Joint Ventures that were recorded in the 2012 results.

OPERATING ACTIVITIES

Revenues: Revenues for the year ended December 31, 2013 have been presented on a gross basis for the first time on advice from NVD's auditors. Gross revenue presentation for sales of properties (previously reported as net income from sales) more accurately portrays the activity level for the Partnership. Using this presentation, revenues decreased 13.7% to $18.3 million versus $21.2 million in 2012. Gross revenues increased in the Hotel Division by 9.5% due to the acquisition of two (net 1.5) hotel properties in May and July of 2013. Revenues from sales of properties under development declined by 72.1% as in 2013 there were no sales of River's Reach condominiums (16 River's Reach condominium sales accounted for $6.8 million or 87.3% of revenues from properties under development in 2012 and Nil in 2013). Waterfront Station condominium sales, which were included at 50% up to September 30, 2013, because they were held in a Joint Venture, and 100% thereafter, accounted for $1.0 million in revenues (two sales at 50%) recorded in 2012. This amount increased to $2.2 million in 2013 (two sales at 50% and two sales at 100%). Sales and rental of properties held for sale increased by 101.4% in 2013 to $2.9 million from 1.4 million in 2012. This increase was the result of selling 16 lots in 2013, some of which were sold in bulk purchases, versus six lots in 2012 which included two oversized lots. Under the new reporting format for 2013 the Hotel Division accounted for 62.9% of overall revenues (2012 – 49.5%), Rentals accounted for 8.9% (2012 – 6.9%), sale of Properties under Development accounted for 11.8% (2012 – 36.6%), sale and rental of Properties Held for Sale accounted for 15.7% (6.7% in 2012) and Other Activities 0.7% (2012- 0.2%).

Gross Profit and Direct Expenses: In step with the reporting changes noted in the revenue section, Direct Expenses were also reported on a gross basis with respect to property sales (previously only the net gain amounts were reported). Direct Expenses were down for the year by 16.4% to $13.1 million (2012 - $15.6 million). This was driven by a 10.2% increase in hotel direct costs, which meant direct costs in that division rose slightly more than revenues. Direct costs for the sales divisions were down in step with the lower level of activities associated with River's Reach condominium sales. Overall Gross Profit decreased 6.3% to $5.2 million (2012 - $5.6 million) driven by the lower level of overall sales activity associated with River's Reach condominiums offset by the increased income from acquired hotels and a higher level of activity with respect to Titanium Way lot sales.

Expenses: In 2013, amortization increased to $1.4 million from $1.3 million in 2012, driven primarily by the inclusion of both new acquisitions and development projects. Interest expenses increased significantly in 2013 to $1.0 million (2012 - $571,000). An increase in both long term and short term debt required to support acquisition and development activities was responsible for this increase. The weighted average cost of debt decreased during the year to 4.72% (2012 - 5.16%) due to the replacement of maturing higher interest mortgages with lower cost mortgages, and the material increase in long term debt at rates below the previous weighted average, offset slightly by the impact of higher interest rates associated with the Short Term Notes and Secured Convertible Debentures.

Wages were up 52.6% to $733,593 in 2013 (2012 -$481,443) resulting from a number of factors. Increased acquisition and development activity including the acquisition of the Edgewater and Downtown Hotels and the development of NVD Place required the expansion of senior management ranks. The Partnership invested significantly in the accounting function in order to catch up with the higher level of activities associated with its growing hotel and property portfolio. Finally, a portion of management salary was previously reported under the category of Management Fees, which is no longer included in the statements since the September 2012 Liquidity Event.

Governance costs record director fees and costs associated with board meetings. This item was only included for the final three months of 2012 after the Liquidity Event was concluded and the Limited Partnership became responsible for paying these costs directly. Previously, these costs were recorded as Management Fees paid to the General Partner, which in turn paid the board costs. Had Governance costs been recorded in the same manner in both 2013 and 2012, then the costs would be up in 2013 due primarily to the inclusion of costs associated with new directors who joined the board subsequent to the Liquidity Event.

Office costs were up during the year primarily due to the move of NVD offices to Waterfront Station. Previously, NVD had its offices in the Best Western Gold Rush Inn and paid a nominal amount for these premises to the hotel. For a period of eight months during 2013, while Waterfront Station was a Joint Venture, the Partnership was required to record a rental cost for its offices at fair market value rents. This requirement accounts for $70,000 of the variance. From October 1, 2013 forward the Partnership owned 100% of Waterfront Station and accordingly the bulk of these costs will now disappear on consolidation. The balance of the increase is associated with other costs that are of an ongoing nature including condominium and utility fees in the new premises, NVD rent expenses for storage in the Titanium Way Joint Venture net by sublease rents received, increased office expenses associated with increased staff levels, increased accounting software costs (some of which were one-time) and other expenses.

Marketing expenses were up by 59.5% to $125,665 (2012 - $79,007). This was mostly due to a much higher level of sponsorship activity, including being the presenting sponsor for the Annual General Assembly of the First Nations which was held in Whitehorse in the summer of 2013. Advertising costs increased in association with marketing of Titanium Way, Waterfront Station and NVD Place as did the percentage of marketing wages NVD allocated to the Limited Partnership due to these activities, which were offset by a similar decrease in costs in the Hotel Division.

Professional fees more than doubled in 2013 to $116,658 (2012- $50,574) as a result of the audit fees for 2012 being substantially higher than the amount accrued for in 2012. This increase in 2012 fees was recognized in 2013 and accounted for a $52,000 variance. During 2013, as noted above, the Partnership invested in its accounting function and does not anticipate such additional charges will be required in future years. The Partnership also switched auditors in 2013. The balance of this variance, $14,000, was associated with legal fees that were mostly one time in nature including costs associated with the short term notes and a review of the Partnership lease documents.

INTEREST INCOME

Interest Income almost doubled in 2013 to $166,297 (2012 – $86,689). As the Partnership leases space, it is sometimes required to provide fit up loans that are not built into rental rates for tenants. These loans accounted for some of the increased income, as there was a substantial amount of fit up activity associated with leases in the Waterfront Station project during 2013. The Partnership also provides some vendor take back financing on Titanium Way lot sales in order to facilitate such sales. The Partnership also provides temporary loans to some of its joint venture partners. During 2013, vendor take back loans and mortgages accounted for 81.8% of this income, tenant fit up loans accounted for 7.6% and other loans accounted for 10.5% of this income.

REVIEW OF MANAGEMENT OBJECTIVES

Following is a review of the objectives set for 2013 in the 2012 annual report with commentary on the results achieved:

Objective: Successfully lease out a significant percentage of NVD Place and complete landlord work on this project, with the majority of the space enjoying tenants in place by year end. **Result:** The property is approximately two-thirds leased and opening is scheduled for April/May 2014.

Objective: Complete the sales of River's Reach units and the sales and leasing of the remaining Waterfront Station Inventory. **Result:** As of the writing of this report, all but one River's Reach unit (95%) are either sold or leased, over 70% of Waterfront Station condominium units have been either sold or leased.

Objective: Lease the balance of the NVD portfolio that is currently vacant with a key focus on the Titanium Way projects. **Result:** All but one unit in Titanium Way 166 is leased; however, two units are leased to NVD for use by the Hotel Division. Titanium Way 170 remains 50% leased and there is one unit vacant in Yukon Centre Mall.

Objective: Complete financing programs to support all acquisitions and development activities in 2013. **Result:** Utilizing conventional construction and mortgage financing, short term notes and secured convertible debentures the Partnership was able to acquire the Edgewater Hotel and 50% of the Downtown Hotel as well as finance the development activities at NVD Place.

Objective: Successfully identify and commence to develop projects outside of Whitehorse that can be undertaken in partnership with major NVD unitholders if they meet the Partnership's return expectations. **Result:** NVD entered into a Joint Venture with Carcross Tagish Management Corporation to develop a Visitor Reception Centre in Carcross, Yukon, which it leased to the Yukon Territorial Government commencing May 2013. Further, NVD entered into a Limited Partnership with Chief Isaac Inc. to acquire and operate the Downtown Hotel in Dawson City, Yukon.

Objective: Continue to enhance the property management and development teams in order to allow

NVD to deliver professional services that support the Partnership's rapid expansion. **Result:** High quality full time staff were added to the NVD management team, increasing depth and quality of service in both of these areas.

Objective: Successfully integrate the Edgewater Hotel into the Hotel Division and ensure improvement in operating margin through a focus on costs. **Result:** The Edgewater was successfully acquired in late May 2013 and was integrated into operations in a manner that allowed it to exceed budget expectations for this property for the year.

Objective: Allow the Partnership to continue to distribute to unitholders despite the increased activity levels and associated pressure on available funds. **Result:** The Partnership made its fourth consecutive annual distribution for a total of $1.5 million representing 94.5% of AFFO.

Objective: Support the governance review, and if appropriate, support the introduction of a mechanism to reward board and management for meeting and exceeding outcomes that are in the best interest of unitholders. **Result:** A Corporate Compensation and Governance Committee was provided with a broader mandate and a retention award program was presented and approved by members present at the Annual General Meeting held in May 2013 in Whitehorse.

The following are the key objectives for management in 2014:

Objective: Continue focus on leasing and selling the remaining vacant premises in the portfolio and return to an overall occupancy rate exceeding 90% for the entire lease portfolio.

Objective: Complete the renovation program at the Downtown Hotel and improve performance such that the Net Operating Income for this property exceeds $150,000 in 2014.

Objective: Be a successful proponent for an affordable housing project in either Whitehorse or Dawson and earn a grant contribution associated with this proposal of at least $5 million.

Objective: Continue to produce the financial results sufficient to pay a distribution to unitholders that is in keeping with historical distribution levels.

Objective: Commence at least one new development project in Whitehorse that meets NVD development return standards and that can be largely completed in 2014.

Objective: Improve revenues, food and beverage margins, and room margins such that Net Operating Income for the Hotel Division exceeds $2.5 million.

Objective: Retain sufficient cash flow throughout 2014 to allow NVD to begin to either materially retire the outstanding secured convertible debentures that may still be outstanding as at February 28, 2015, or to allow NVD to use such cash flow to provide equity funding for development and/or housing projects.

Objective: Sell a minimum of four Titanium Way lots.

FINANCIAL AND LIQUIDITY PLANS

The Partnership has reached historically high debt to equity ratios when viewed from a net book value perspective (1.21:1 treating convertible debentures as long term debt). However, long term debt, including convertible debentures, to market value of equity remains at a more conservative 0.62:1. Accordingly, the Partnership will concentrate on retiring debt that does not carry penalties for early retirement and that carries the highest interest rates. The secured convertible debentures can be retired commencing February 28, 2015, unless they are converted prior to that date. The Partnership retired the remaining $500,000 of short term notes in the first quarter of 2014. These lending facilities are the highest cost debt and therefore will be the focus of debt reduction efforts unless available cash flow is required to fund equity components of new development projects. While the Partnership is committed to distributing 90% of AFFO for 2014 to unitholders, less the $70,000 prepaid in 2013, it will have significant cash flow associated with maturing short term debt obligations to the Partnership as well as sales and other cash flows that should allow it to make some progress in retiring the secured convertible debt in the first quarter of 2015.

The Partnership is committed to arranging Liquidity Events when market conditions present the right opportunities to do so. This allows unitholders to have a regular opportunity to seek liquidity and also presents opportunities for new unitholders to enter the Partnership. At a meeting in March 2014, the board will give consideration to the appropriate time to arrange a follow up Liquidity Event to the one that took place in September 2012. Investors will be updated on future Liquidity Events at the Annual General Meeting of the Partnership in May 2014.

FINANCIAL STATEMENTS AND NOTES

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

The financial statements have been audited by 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 3, 2014

On behalf of the Board:

Stanley Noel, Director and Audit Committee Chair

Ian McAuley, Director and member of the Audit Committee

INDEPENDENT AUDITOR'S REPORT

To the Partners of
Northern Vision Development Limited Partnership

We have audited the accompanying financial statements of Northern Vision Development Limited Partnership, which comprise the consolidated balance sheet as at December 31, 2013, and the consolidated statements of income, partners' equity and cash flows for the year then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Vision Development Limited Partnership as at December 31, 2013, and the results of its operations and its cash flows for the year in accordance with Canadian accounting standards for private enterprises.

Other Matter

The consolidated financial statements of Northern Vision Development Limited Partnership as at December 31, 2012, and for the year then ended were audited by other Chartered Accountants who expressed and unqualified opinion on those consolidated financial statements in their report dated April 26, 2013.

Chartered Accountants

Deloitte LLP

March 3, 2014
Vancouver, British Columbia

Northern Vision Development Limited Partnership

CONSOLIDATED BALANCE SHEET

As at		December 31, 2013		December 31, 2012
ASSETS				
Current				
Cash	$	1,528,219	$	486,818
Accounts receivable (Note 11)		670,252		1,972,256
Inventories		157,543		129,376
Prepaid expenses and deposits		232,816		374,233
Note receivable		-		77,637
Current portion of loans receivable (Note 10)		1,215,983		566,236
Properties held for sale (Note 5)		1,074,939		1,348,513
		4,879,752		4,955,069
Loans receivable (Note 10)		1,787,937		2,173,382
Property and equipment (Note 3)		39,941,776		31,790,014
Properties under development (Note 4)		8,372,771		4,392,902
Properties held for sale (Note 5)		971,380		2,459,621
Other		4,833		12,278
	$	55,958,449	$	45,783,266
LIABILITIES & PARTNERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 11)	$	1,867,293	$	2,746,499
Deferred revenue		109,291		205,101
Customer deposits		140,684		1,500
Current portion of long term debt (Note 6)		1,275,348		1,819,438
Short term loans (Note 8)		3,829,540		2,437,134
		$7,222,156		$7,209,672
Convertible debentures (Note 7)		3,977,548		-
Long term debt (Note 6)		22,731,569		16,611,684
		33,931,273		23,821,356
Partners' equity (Note 13)		22,027,176		21,961,910
	$	55,958,449	$	45,783,266

Approved on behalf of the Board:

Stanley Noel, Director, Chair of Audit Committee

Ian McAuley, Director, Member of the Audit Committee

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

Northern Vision Development Limited Partnership
CONSOLIDATED STATEMENT OF PARTNERS' EQUITY

For the year ended December 31,		2013		2012
Partners' equity, beginning of year	$	**21,961,910**	$	19,918,496
Units issued				14,355,651
Units redeemed		-		(11,811,446)
Issuance costs		-		(627,771)
Net income for the year		**1,565,266**		2,876,980
Partners' equity		**23,527,176**		24,711,910
Capital distribution		**(1,500,000)**		(2,750,000)
Partners' equity, end of year	$	**22,027,176**	$	21,961,910

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

Northern Vision Development Limited Partnership

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31,		2013		2012
Revenues				
Hotels	$	11,518,087	$	10,515,791
Rentals (Note 11)		1,622,945		1,470,155
Sale of properties held for sale		2,878,444		1,411,750
Sale of properties under development		2,166,409		7,773,497
Rental income from properties held for sale		1,750		18,375
Other		131,666		42,927
		18,319,301		21,232,495
Direct expenses				
Hotels		9,228,842		8,369,453
Rentals		136,984		159,869
Cost of properties held for sale		1,844,268		809,416
Cost of properties under development		1,868,279		6,303,053
		13,078,373		15,641,791
Gross profit		5,240,928		5,590,704
Expenses				
Amortization		1,430,456		1,282,615
Interest (Note 11)		1,002,509		570,631
Wages		733,593		481,445
Governance (Note 11)		197,314		24,953
Office		191,025		61,886
Marketing		125,665		79,007
Professional fees		116,658		50,574
Travel		23,173		30,805
Shareholder communications		18,900		14,398
Management fee (Note 11)		-		207,773
		3,839,293		2,804,087
Income from operations		1,401,635		2,786,617
Other income				
Interest income		166,297		86,689
(Loss)/gain on sale of property and equipment		(2,666)		3,674
Net income	$	1,565,266	$	2,876,980

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

Northern Vision Development Limited Partnership

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31,	2013	2012
Cash flows from operating activities		
Net income for the year	$ 1,565,266	$ 2,876,980
Non cash items		
Amortization of financing fees	59,807	56,711
Amortization	1,430,456	1,282,615
Revenue contributed as equity	-	(20,000)
Loss (gain) of sale of property and equipment	2,666	(3,674)
Cost of properties sold	3,712,547	7,112,469
	6,770,742	11,305,101
Changes in non cash working capital balances		
Accounts payable and accrued liabilities	(879,205)	1,155,246
Accounts receivable	1,302,004	(1,287,645)
Prepaid expenses and deposits	141,416	(61,757)
Inventories	(28,167)	(40,269)
Properties held for sale	273,575	(1,217,962)
Deferred revenues	(95,810)	(373,933)
Customer deposits	139,184	(10,029)
Promissory notes	-	(70,000)
	7,623,739	9,398,752
Cash flows from investing activities		
Loans receivable, net	(264,302)	(2,376,428)
Proceeds on sale of property and equipment	8,807	-
Purchase of property and equipment	(11,656,642)	(10,217,988)
Acquisition of businesses (Note 2)	(4,007,500)	-
Other assets	7,445	(746)
	(15,912,192)	(12,595,162)
Cash flows from financing activates		
Financing fees paid	(184,904)	(132,582)
Advances of short-term debt	9,630,388	6,824,309
Advances of long-term debt	8,366,004	12,054,446
Repayment of short-term debt	(6,975,079)	(6,273,729)
Repayment of long-term debt	(4,006,555)	(8,810,083)
Proceeds from debentures issued	4,000,000	-
Partnership units issued	-	14,355,651
Partnership units redeemed	-	(11,811,446)
Issuance costs	-	(627,771)
Capital distribution	(1,500,000)	(2,750,000)
	9,329,854	2,828,795
Net increase (decrease) in cash during year	1,041,401	(367,615)
Cash, beginning of year	486,818	854,433
Cash, end of year	$ 1,528,219	$ 486,818

The accompanying notes are an integral part of these 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 operations of hotels located in the Yukon.

The Partnership consists of a general partner, Northern Vision Development Corp. (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. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income for the effective date of acquisition or up to the effective date of disposal, as appropriate. 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 and 45978 Yukon Inc., a wholly owned subsidiary, the Partnership's 50% interest in the Dawson Downtown Partnership 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 to finance projects, property taxes and land acquisition costs. Amortization is provided using the following annual rates:

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

Impairment of Long-Lived Assets

Long-lived assets consist of property and equipment and properties under development. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies. In the event that changes in facts and circumstances indicate that the Partnership's long-lived assets may be impaired, an evaluation of recoverability is performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. Any impairment is included in income (loss) for the year. The Partnership has determined that no circumstances exist that would require such an evaluation.

Income Taxes

The Partnership is a limited partnership. As a result, the Partnership's earnings or losses for federal income tax purposes are included in the tax returns of the Partners. Accordingly, no recognition has been given to 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 nonrefundable rental payments. The rental agreements may be terminated at any time by the tenant without further obligation or cost upon sufficient notification. Revenue from rental agreements is recognized over the rental term as amounts become due and when collection is reasonably assured.

Hotel revenue is recognized as services are provided and when collection is reasonably assured.

Where revenue is obtained from the sale of properties held for sale or under development, it is recognized when the significant risks and rewards have been transferred, collection is reasonably assured and there are no significant obligations remaining. This normally takes place on exchange of unconditional contracts and transfer of title.

Refundable tenant security deposits are recorded as a liability until repaid to the tenant.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Significant areas requiring management estimates relate to the determination of the impairment of assets, useful lives and recoverability of property and equipment, properties under development, properties held for sale, and the recovery of receivables. Actual results could differ from those estimates and may have an impact on future periods.

Properties Held for Sale

The Partnership classifies the 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 or services received nor the fair value of the assets or services given up is reliably measurable; or
- the transaction is a non-monetary, non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation.

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

Joint Ventures

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Accounts receivable, notes receivable, loans receivable, accounts payable and accrued liabilities, short term loans, promissory notes, customer deposits, related party balances, convertible debentures and long term debt are initially recorded at fair value and subsequently measured at amortized cost. Financing and transaction costs associated with long term debt are netted against the carrying value of the long term debt and are amortized over the term of the financing using the 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.

The entire proceeds of convertible debentures issued by the Partnership have been allocated to the liability component, and the equity component has been deemed to be $Nil.

2. BUSINESS ACQUISITIONS

Effective May 30, 2013, the Partnership acquired the assets of the hotel business known as the Edgewater Hotel from an unrelated party. In addition, effective July 3, 2013, the Partnership acquired 50% of the assets of the hotel business known as the Downtown Hotel from an unrelated party. The results of operations of these divisions have been included in the consolidated financial statements from the effective date of each acquisition. The aggregate purchase price for these acquisitions was $4,007,500 in cash and has been allocated to the fair value of the assets acquired as indicated below:

Assets acquired		
Building and improvements	$	3,084,156
Land		680,844
Equipment		242,500
	$	4,007,500

3. PROPERTY AND EQUIPMENT

	2013			2012		
	Cost	Amortization	NBV	Cost	Amortization	NBV
Automotive	$ 204,480	$ 131,546	$ $72,933	$ 228,181	$ 136,697	$ 91,484
Buildings	34,409,571	4,985,549	29,424,022	25,625,146	4,039,086	21,586,060
Computer equipment and software	474,904	206,799	268,105	203,196	144,765	58,431
Furniture and fixtures	3,383,406	1,835,173	1,548,233	3,004,542	1,477,035	1,527,507
Land and improvements	7,647,985	-	7,647,985	7,463,008	-	7,463,008
Paving and landscaping	1,615,341	634,842	980,498	1,613,446	549,923	1,063,524
	$ 47,735,686	$ 7,793,910	$ 39,941,776	$ 38,137,518	$ 6,347,506	$ 31,790,013

During the year, the partnership recorded a loss of $2,765 (2012 gain of $3,674) from the sale of Plant, Property and Equipment

4. PROPERTIES UNDER DEVELOPMENT

		2013		2012
Land and improvements	$	3,959,999	$	2,601,788
Buildings		4,412,772		1,791,114
	$	8,372,771	$	4,392,902

Properties under development consists of assets under active development or lands identified for development by the Partnership for sale to third parties. During the year, one property was completed with another one under development at year end. During the year, the Partnership capitalized development and other costs in the amount of $4,378,355 (2012 $6,946,783) and interest of $314,400 (2012 $193,648).

5. PROPERTIES HELD FOR SALE

Properties held for sale consist of land and completed property developments and are accounted for at the lower of cost and estimated net realizable value. During the year, the Partnership capitalized development and other costs in the amount of $28,852 (2012 - $50,788) and interest of $48,267 (2012 - $31,095).

6. LONG TERM DEBT

As at December 31, 2013, there was $204,917 (2012 $163,281) in deferred financing fees netted against long term debt. During the year, amortization of deferred financing fees amounted to $54,916 (2012 $56,061) and a further $81,757 (2012 $101,792) in fees were incurred.

		2013		2012
Loan payable to BDC- interest BDC's floating base rate less 0.5 % per annum due January 5, 2018, with monthly principal repayments of $8,350 plus interest, secured by the following: secured by the following: first mortgage on 2180/2190 2nd Avenue Whitehorse; general assignment over property and equipment on that property.	$	454,622	$	-
Loan payable to RBC - interest at 4% annum, due January 4th, 2019, payable with monthly principal payments of $7,200 plus interest, secured by a first mortgage and assignment of rents from properties at 2237 2nd Avenue Whitehorse.		3,319,810		-
Loan payable to RBC - interest at 3.01% per annum, due May 1, 2018, payable in equal installments of $7,481 principal and interest, secured by a first mortgage on the property of 9016 Quartz Road, Whitehorse.		1,305,766		-
Loan payable to BDC - interest BDC's floating base rate less 0.5 % per annum, due March 23rd, 2033, with fixed monthly repayments of $37,500 principal plus interest, secured by the following: first mortgage on 411 Main Street, Whitehorse; general assignment over property and equipment on that property; first priority on inventory and receivables to lender extending line of credit.		8,622,102		8,958,666

6. LONG TERM DEBT (CONTINUED)

Loan payable to BDC - interest BDC's floating base rate less 0.5 % per annum, due March 23rd, 2033, with fixed monthly repayments of $15,625 principal plus interest, secured by the following: first mortgage on 2180/2190 2nd Avenue Whitehorse; general assignment over property and equipment on that property.	$	3,553,226	$	1,834,386
Loan payable to BDC - interest at BDC's floating base rate less 0.5% variance per annum, due September 23, 2028, with monthly principal repayments of $13,000 plus interest, secured by the following: first mortgage on 4051 4th Avenue, Whitehorse; general assignment over property and equipment of the property; first priority on inventory.		2,882,550		3,038,346
Loan payable to BDC - interest at BDC's floating base rate, due March 23, 2029, with monthly principal repayments of $2,564 secured by land and building on Lot 2A, Block B 335, Plan 2007-0028.		466,666		495,561
Loan payable to BDC - interest at BDC's floating base rate, due Feb 23rd 2029, with monthly principal repayments of $2,436 plus interest, secured by the following: first mortgage and assignment of rents on the partnership's interest in the land and buildings at 166 & 170 Titanium Way, Whitehorse		426,162		453,770
Loan payable to BDC - interest at BDC's floating base rate plus 0.5%, due March 23rd 2038, with monthly principal repayments of $1,600 plus interest, secured by the following: first mortgage and assignment of rents on the partnership's interest in the land and buildings at 140 Gypsum Way, Whitehorse.		182,121		156,185
Loan payable to BDC - interest at BDC's floating base rate less 0.5% , due June 23rd 2032, with monthly principal repayments of $1,837 plus interest, secured by the following: first mortgage and assignment of rents on the partnership's interest in the land and buildings at 166 & 170 Titanium Way, Whitehorse		396,900		418,950
Loan payable to BDC - interest at BDC's floating base rate less 0.5%, due May 15, 2033, with monthly principal repayments of $7,500 plus interest, secured by the following: first mortgage on 101 Main St Whitehorse; general assignment over property and equipment on that property.		1,712,017		-
Loan payable to First Nations Bank - interest at 3.95%, due October 1st, 2017, with monthly payments of principal and interest of $4,534 secured by a first mortgage on 2193 and 2195 2nd Avenue, Whitehorse and a general assignment over rental income from the properties		684,975		-
Loan payable to TD - repaid during the year		-		667,760
Loan payable to BDC - repaid during the year		-		1,141,283
Loan payable to GE Capital - repaid during the year		-		1,256,215
Total		24,006,917		18,431,122
Less Amounts included in current liabilities		1,275,348		1,819,438
	$	22,731,569	$	16,611,684

The BDC floating base rate at year end was 5.0% (2012 5.0%). RBC and TD prime rate at year end was 3.0% (2012 3.0%).

6. LONG TERM DEBT (CONTINUED)

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

2014	$	1,275,348
2015		1,275,348
2016		1,275,348
2017		1,850,697
2018		2,272,726
Thereafter		16,057,450
	$	24,006,917

The Partnership was onside with its debt agreement covenants at the end of the period which require minimum levels of tangible equity, debt service coverage, limitations on indebtedness, and limits to the use of proceeds of asset sales.

7. CONVERTIBLE DEBENTURES

At December 31, 2013, the Partnership had $4,000,000 in convertible debentures outstanding. The debentures were issued August 30, 2013, bear interest at 6.75% per annum paid quarterly and are secured with mortgages over four otherwise unencumbered properties and a security interest in the Partnership's other properties. The lenders have the option to convert the debenture at any time after February 28, 2014, into Partnership units at the lesser of $1.95 per Partnership unit or the calculated Net Asset Value per Partnership unit as defined in the agreement, less 5% up to the maturity date of July 31, 2016. The Partnership can redeem the debentures at any time after February 15, 2015 at cost.

As at December 31, 2013 there was $22,452 (2012 $nil) in deferred financing fees netted against the debentures.

Under the terms of the credit agreement relating to the debentures, the Partnership must satisfy certain restrictive covenants. As at December 31, 2013, the Partnership was not in compliance with a financial covenant relating to the amount of the capital distributions paid to the Partners in 2013. The debenture holders have waived this covenant violation on the basis that the combined fiscal 2013 and fiscal 2014 capital distribution complies with the agreement.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2013, short term loans included the following:

The Partnership borrowed $500,000 from a unitholder of the Partnership for the purchase of a hotel property. Interest is being charged at 8% per annum and is secured against the Partnership's interest in the hotel property and is due no later than March 31, 2014. Of this amount, $300,000 was repaid subsequent to year end.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Partnership borrowed $3,358,849 from the First Nations' Bank relating to a commercial construction project. The debt is secured against a general security agreement and a first mortgage on 4201 4th Avenue, Whitehorse, and is due May 30, 2014. Monthly payments at year end were interest only with the interest rate being 4.4% per annum. The credit facility is non-revolving with a limit of $6,400,000. At December 31, 2013, the remaining credit limit was $3,051,151. At December 31, 2013, there was $29,309 (2012 - $Nil) in deferred financing fees netted against the short term loan.

The $2,437,134 balance from December 31, 2012 relating to a commercial construction project was fully repaid in the year.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit Risk

The Partnership is exposed to normal credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or if financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Partnership's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts 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, provides an allowance for potentially uncollectible accounts of $6,605 (2012 - $Nil), obtains advance deposits or with respect to loans receivable, takes a security interest in property sold. The Partnership therefore believes that there is minimal credit risk associated with the collection of its accounts or loans receivable.

Interest Rate Risk

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

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its obligations as they fall due. In 2013, the Partnership met its third party obligations, including all debt service requirements and expects to do so in fiscal 2014.

10. LOANS RECEIVABLE

		2013		2012
Loans receivable	$	2,181,690	$	1,505,888
Mortgages receivable		679,969		908,105
Advances to joint ventures		142,262		325,625
		3,003,920		$2,739,618
Less: current portion		(1,215,983)		(566,236)
	$	1,787,937	$	2,173,382

(i) Loans Receivable

Loans receivable are with both related party and third party borrowers. The terms of the loans do not exceed five years, with interest rates ranging from nil to 7%. The total interest earned on the loans in the year was $90,061 (2012 - $52,297). The maximum exposure to the credit risk associated with the loans receivable occurs if the borrower defaults on repayment of the mortgage. Therefore, the carrying value of the loans receivable balance represents the Partnership's maximum exposure to the related credit risk without taking into account any collateral or any other credit enhancements. There were no impairments or impairment provisions recorded on the loans receivable as at December 31, 2013.

(ii) Mortgages Receivable

Mortgages receivable represent advances 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%. The total interest earned on the loans in the year was $50,086 (2012 - $20,840). The maximum exposure to the credit risk associated with the mortgages receivable occurs if the borrowers defaults on repayment of the mortgages. 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 impairments or impairment provisions recorded on the mortgages receivable as at December 31, 2013.

(iii) Advances to Joint Ventures

Advances to Joint Ventures are made to assist working capital requirements and represent the other venturers' proportionate share of the obligations. Interest is charged at 5% per annum when other joint venturers do not contribute their obligation. The total interest collected in the year was $13,903 (2012 - $11,312).

11. RELATED PARTY TRANSACTIONS AND BALANCES

Amounts due from related parties are non-interest bearing, payable on demand and have arisen from the sales of properties, rental operations or cash advances.

During the year, the Partnership had the following transactions with parties that were either partners, employees or companies controlled by partners or employees of the Partnership:

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

		2013		2012
Paid:				
Financing charges and interest – paid to various to investors (2012 joint ventures) in which the partnership has proportionate interests.	$	110,027	$	34,632
Asset purchased – the partnership purchased a 50% interest in a joint venture in which it had a existing proportionate interest.		2,240,413		393,794
Rents paid to Joint Ventures in which the partnership had an existing proportionate interest		161,146		
Fees paid to Directors of the Partnership		175,186		27,590
Management fees – paid to various joint ventures in which the partnership has proportionate interests and to a related company with common shareholders		-		117,266
Finder fees – paid to a company of which an employee of the partnership is a director		-		94,500
Other fees – consists of miscellaneous and contractor payments paid to employees, partners, or companies controlled by employees of the partnership		108,752		21,082

		2013		2012
Received or recovery from:				
Management fees – received from a related company with common shareholders	$	-	$	$232,773
Rent – received from a company controlled by an employee of the partnership and a joint venture in which the partnership has a proportionate interest		189,301		128,268
Assets sold – the partnership sold land to a joint venture in which it has proportionate interest and to a company controlled by an employee		352,938		-
Assets sold – the partnership sold condominiums from its joint ventures in which it has proportionate interests to one of its employees and to a company owned by the wife of a board member		1,799,159		1,260,687
Interest – received from a company controlled by an employee of the partnership on a short-term loan and loans to employees and Joint ventures		19,195		24,687
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		93,012		-

		2013		2012
Loans				
Loans – advanced to employees of the partnership and a company controlled by a Director (at year end loan balance outstanding is $330,000 (2011 -nil)	$	723,683	$	354,687
Loans – advanced to joint ventures in which the partnership has a proportionate interest		463,075		-
Loans – received from unitholders of the partnership		3,000,000		-
Repayment of loans receivable		500,000		-
Loans – received from a board member of the partnership paid to a joint venture in which the partnership has a proportionate interest				1,000,000

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

As at December 31, 2013, the Partnership had the following amounts recorded in accounts receivable and accounts payable:

- Accounts receivable from related parties of $10,648 (2012 - $10,648).
- Amounts due from its joint venture partners of $370,989 (2012 - $370,989).
- Accounts payable from related parties of $1,533 (2012 - $1,533).
- Amounts due to its joint venture partners of $70,536 (2012 - $70,536).

12. SEGMENTS

As at December 31, 2013, the Partnership had four reportable segments: hotels, rentals, property held for sale and property under development. Hotel operations consist of room rental and food and beverage services. Rental properties consist of commercial and residential properties held under long term lease. Property held for sale consists of residential properties and commercial lots publicly available for sale. Property under development consists of lands and buildings under construction.

2013

	Hotels	Rentals	Property Held for Sale	Property Under Development	Other	Total
Revenue	$ 11,518,087	$ 1,622,945	$ 2,878,444	$ 2,168,159	$ 133,416	$ 18,319,301
Amortization	818,826	528,290	-	-	83,340	1,430,456
Interest Income					166,298	166,297
Interest expense	523,799	375,555	-	-	103,155	1,002,509
Net income (loss)	946,620	630,975	1,034,176	299,880	(1,346,385)	1,565,266
Property and Equipment	$ 16,281,857	$ 22,198,183	$ 2,046,319	$ 8,372,771	$ 1,461,736	$ 50,360,866

2012

	Hotels	Rentals	Property Held for Sale	Property Under Development	Other	Total
Revenue	$ 10,515,791	$ 1,470,155	$ 1,411,750	$ 7,773,497	$ 61,302	$ 21,232,495
Amortization	716,940	463,283	-	-	102,392	1,282,615
Interest Income					86,689	86,689
Interest expense	270,808	296,153	-	-	3,670	570,631
Net earnings (loss)	1,158,589	554,525	663,119	1,470,444	(969,697)	2,876,980
Property and Equipment	$ 12,633,320	$ 18,734,329	$ 3,808,134	$ 4,392,902	$ 422,365	$ 39,991,050

13. PARTNERS' EQUITY

At December 31, 2013, there are 21,029,970 partnership units outstanding (2012 - 21,029,970).

14. NON-MONETARY TRANSACTIONS

During the year, the Partnership received a bare lot of land as partial consideration for the sale of a commercial property and is recorded as a Property Held for Sale at year end.

The remaining balance of $77,637 from the Trades Centre II transaction in 2012 was received in the year.

15. CHANGES IN PRESENTATION OF COMPARATIVE FINANCIAL STATEMENTS

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

16. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash investing and financing activities		2013		2012
Note receivable	$	-	$	77,637.00
Vendor take back loan receivable		1,407,170		733,126

17. JOINT VENTURES

The consolidated financial statements include the Partnership's proportionate interest in five (2012 - four) joint ventures. Effective September 30, 2013, the Partnership acquired full control of the Waterfront Station Joint Venture, which was established in 2011 and in which the Partnership previously had a 50% interest.

Name	Interest	Activity	Year of inception
Rivers Reach Joint Venture (44588 Yukon Inc.)	90%	Construction and sale of residential properties	2011
Titanium Way Joint Venture	67%	Lease of commercial properties	2008
Waterfront Station Joint Venture (45798 Yukon Inc)	50%	Construction and leasing of commercial properties	2012
Titanium Way Storage Park Joint Venture	40%	Operation of a long term storage facility	2012
Northern Carcross Joint Venture	50%	Lease of commercial properties	2013

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

		2013		2012
Cash	$	**52,761**	$	163,468
Accounts Receivable		**23,453**		958,164
Government Remittances receivable		-		78,978
Prepaid Expenses		**11,158**		19,728
Inventory		**1,018,091**		1,348,513
		1,105,463		2,568,853
Property and Equipment		**2,799,786**		2,149,492
Property under development		-		5,305,400
Organization costs		**752**		2,505
		$3,906,000		$10,026,250
Accounts Payable and accrued liabilities	$	**35,570**	$	1,272,397
Government remittances		**1,316**		873
Other current liabilities		**10,653**		56,402
Short term debt		**9,623**		2,437,134
		57,161		3,766,806
Long term debt		**1,219,210**		993,182
		1,276,371		4,759,988
Equity		**2,629,630**		5,266,262
	$	**3,906,001**	$	10,026,250

17. JOINT VENTURES (CONTINUED)

		2013		2012
Revenues				
Rentals	$	332,026	$	132,756
Gains		140,726		585,890
	$	472,752	$	718,646
Expenses				
Property		73,505		89,747
Amortization		151,769		59,998
Interest		96,604		44,634
Expenses		321,877		194,379
Net income	$	150,875	$	329,888

		2013		2012
Cash flows from operating activities	$	443,370	$	(1,590,337)
Cash flows from investing activities	$	(324,657)	$	(940,466)
Cash flows from financing activities	$	194,544	$	3,040,331

CORPORATE INFORMATION

GENERAL PARTNER – NORTHER VISION DEVELOPMENT CORP.

BOARD OF DIRECTORS

Shirley Adamson

Trevor Harding ****

Hannes Kovac **

Ian McAuley *,***

Hon. Piers McDonald, Chairman **,****

Stanley Noel *

Myron Tetreault ****

Richard Thompson, CEO **,***,****

Brian Titus *

* Denotes member of the Audit Committee
** Denotes member of the Development Committee
*** Denotes member of the Hotel Committee
**** Denotes member of the Governance Committee

MANAGEMENT

Richard Thompson, CEO
Philip Fitzgerald, COO & CFO
Ranj Pillai, Senior VP Business Development
John Robertson, General Manager Hotels
Heiko Franke, Director of Maintenance

HEAD OFFICE

Suite 200, 2237 2nd Avenue
Whitehorse, Yukon Y1A 0K7
Phone: 867-668-7886
Fax: 867-668-7851

CALGARY OFFICE

Suite 700, 933 17th Avenue SW
Calgary, Alberta T2T 5R6
Phone: 403.705.7730
Fax: 403.705-7749

LEGAL COUNSEL

Barrett Law
Whitehorse, YT

Bennett Jones LLP
Calgary, Alberta

ACCOUNTANTS

Deloitte LLP

Suite 200, 2237 2nd Avenue
Whitehorse, Yukon Y1A 0K7
nvdlp.com