ANNUAL REPORT TO UNITHOLDERS 2016

NORTHERN VISION DEVELOPMENT LIMITED PARTNERSHIP

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2016

NORTHERN VISION DEVELOPMENT LIMITED PARTNERSHIP

2016 ANNUAL REPORT TO UNITHOLDERS

We are pleased to provide you with this annual report on the activities of Northern Vision Development Limited Partnership ("NVD" or "the Partnership"). Included herewith are financial statements as at and for the year ended December 31, 2016, along with comparable results for the year ended December 31, 2015, which have been audited by Deloitte LLP.

The Partnership's Annual General Meeting will be held at **5:00 pm on Tuesday June 6, 2017 at the Best Western Gold Rush Inn, 411 Main Street, Whitehorse, Yukon**. We invite all interested stakeholders to join us for this meeting, to receive an update on the progress of the Partnership as well as information about future plans. For our Calgary-based investors, a follow up meeting will be held in Calgary, Alberta at 5:00 pm on Tuesday June 13, 2017, at the offices of OPUS Corporation, Suite 500, 5119 Elbow Drive S.W, Calgary, Alberta.

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OVERVIEW AND BACKGROUND

NVD is a private real estate partnership established in February 2004. The Partnership owns and manages hospitality, commercial and residential assets located in Canada's Yukon Territory. It also holds a portfolio of lands for sale or development. From time to time, it develops these lands into real estate assets that it either manages or sells. 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, including experience in the real estate and hospitality industries.

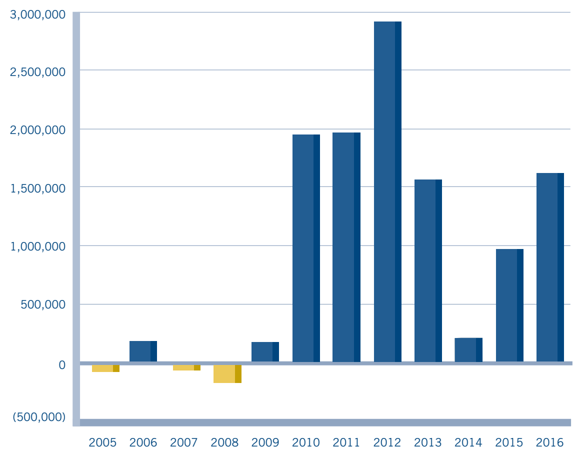
At the end of 2016, there were 21,291,434 units of the Partnership outstanding (2015 - 21,029,970 units) with no options or purchase warrants issued. The Net Asset Value ("NAV") is estimated at $2.35 per unit both basic and fully diluted as at December 31, 2016 (2015 - $2.18 basic; $2.16 fully diluted) as estimated by management and approved by the Board of Directors based on updates that rely on the methodology and assumptions used in the most recent third party valuations available. A distribution to unitholders of $750,000, based on 2015 Available Funds from Operations ("AFFO"), was declared and paid during the year. A distribution of $900,000, based on AFFO for the year ended December 31, 2016, was paid to unitholders in March 2017.

2016 HIGHLIGHTS

Financial results for 2016 improved over the 2015 period. Following are key highlights of the Partnership's achievements over the past year:

- The remaining $3.0 million in 6.75% Convertible Debt was redeemed on May 31, 2016. This redemption involved an informal liquidity event which saw the transfer of units between partners that resulted in the number of unitholders being reduced from 100 to 87;
- Hotel debt, which was previously held on a per-property basis, was consolidated and increased, with additional proceeds supporting the redemption of Convertible Debt and the purchase of a 2.3-hectare commercial land property in the Whistle Bend area of Whitehorse;
- Acting on the direction of the Board of Directors, Management actively sought to reduce NVD's loan portfolio, with the result being a 31% reduction to $1.3 million at year end;
- Book Value of Assets grew by 1.8% to $57.6 million, from $56.5 million at the end of 2015, due to acquisition of the Whistle Bend property, reinvestment in properties and organic growth;
- Basic NAV per unit increased 7.8% to $2.35 as at December 31, 2016 compared to $2.18 per unit as at December 31, 2015 (an 8.8% increase on a fully diluted basis from $2.16 per unit);
- Book Value of Debt to Equity dropped to 1.29:1 as at December 31, 2016 from 1.44:1 a year earlier and Debt to Market Value of Equity declined from 0.73:1 to 0.64:1 at the end of the year, marking the most conservative level of this ratio in Partnership history;
- Revenues remained relatively flat, improving $304,000 or 1.8%, to $16.8 million, with an increase in both Hotel and Rental income being offset somewhat by a decline in sales of properties held for sale, as inventory held for sale declined to minimum levels;
- The Hotel Division recorded a record year with 9.1% growth in operating income to $3.7 million from $3.4 million in 2015;
- As the Partnership retired its most expensive debt, the 6.75% Convertible Debentures, in the first half of the year, Interest expense was down 13.8% to $1.27 million for the year;
- Income from Operations, an important indicator of cash available for distributions, was up 73% on the year to $1.41 million versus $0.81 million in 2015;
- As a consequence of the foregoing, Net Income recorded a 68% increase to $1.61 million for the year ending December 31, 2016;
- Recorded Available Funds from Operations ("AFFO") of $1.26 million, a 16.4% increase over 2015, and declared a distribution of $900,000 payable in March 2017. (AFFO of $1.08 million and distribution of $750,000 in 2015. A total of 71.7% of 2016 AFFO was distributed in Q1 2017 and 69.6% of 2015 AFFO was distributed in Q1 2016).

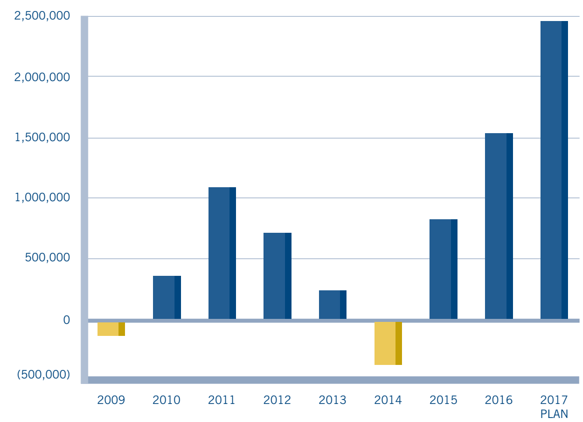
NET INCOME ($)



2016 Net Income improved to more than $1.6 million, moving towards acceptable performance levels. It is anticipated that in 2017, the Partnership will once again approach historical highs, although these results will now be based on income from sustained sources instead of a reliance on gains from sales and development activities.

As Net Income increased, so did AFFO, leading to an increase in distributions to unitholders. With continued growth in Net Income in 2017, the Partnership will begin to meet its yield expectations with AFFO generated from sustainable sources.

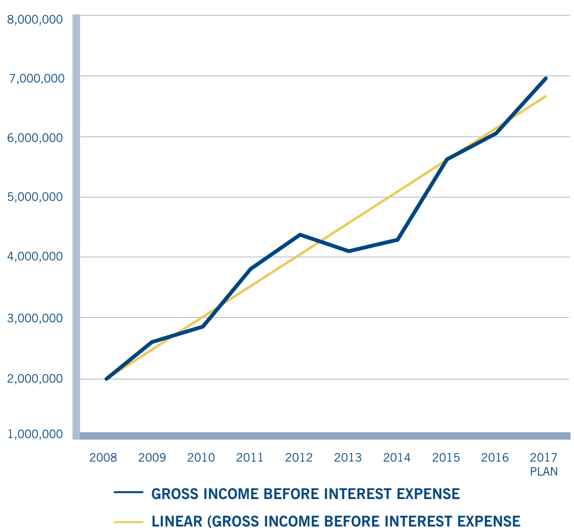
INCOME EXCLUDING DEVELOPMENT GAINS ($)



Examining Net Income excluding gains on sales and income from development and sales activity (both of which are naturally lumpy in nature) provides a good insight into the growing sources of sustained revenues upon which regular distributions are based. Included in the graph are plan projections for 2017, which predict that both growing revenues in all divisions, and savings on interest expenses and depreciation, will continue to drive growth in this measure.

2016 established a new high for this measure and the current year will build on that standard.

GROSS INCOME BEFORE INTEREST



The graph plots Gross Income before Interest Expenses and also shows the long term trend line for this metric. We have included estimates for 2017 in order to illustrate that in 2015/2016 the results had climbed back to the long term trend line, and that in 2017 we anticipate the Partnership will move ahead of this average. The period of GDP decline in the Yukon is well in evidence in this chart during the 2013 to 2015 period.

Gross Income before interest is the best metric for assessing long term yield prospects. Management will focus on attempting to maintain this performance level above the long term trend line.

CEO'S LETTER TO UNITHOLDERS

DEAR UNITHOLDERS:

I am pleased to communicate positive news regarding the year just completed, and a correspondingly positive outlook for the Partnership's prospects in 2017. A three-year period of GDP decline in the Yukon was tough for all businesses. NVD was no exception, which made it difficult to sound an optimistic tone about our near-term prospects in recent reports. But 2016, particularly the final half of the year, saw a return to a more robust economic climate and the associated pickup in activity levels in the Territory. Our efforts to strengthen the balance sheet and build on sustainable revenue sources have been very focused over the past several years, and now set the foundation for growth in the medium-term as economic conditions are expected to improve.

Beyond foundation building, solid improvements on the operating side were also recorded this past year. In the first quarter, we returned to making distributions to unitholders after a hiatus since late 2013. This was based on achieving meaningful Available Funds from Operations ("AFFO") in 2015, which were driven by record Hotel Division operating profits. In 2016 new records were set by our Hotel Division. While significant portfolio vacancy persisted in our Real Estate Division throughout the period of economic decline in the Yukon, hotel revenues and margins bucked the poor economic trends. This reflected the strength in the tourism industry supported by a low Canadian dollar relative to its US counterpart, and low energy costs which not only made the Yukon more affordable and accessible, but also improved margins through lower heating costs for our properties. Of course, the significant efforts of our professional management team with solid understanding of the local market were also a major contributor. The result: we achieved a profit of $1.6 million in 2016, moving us back towards the historical performance trend line. While Hotel Division margins continued to drive our profit recovery, there is no question that life returned to the commercial leasing and property sales sectors in the latter half of the year, and growth in our Real Estate Division has resumed.

The improvement in Net Income was not the only positive news in 2016. We continued to strengthen our balance sheet. The retirement of the Convertible Debentures was an important move. We converted approximately 17% of the debentures into units of the Partnership at $1.95 per unit. The balance of the debt was redeemed, with just over 70% of the total Debenture amount redirected by the debt holders to create an ad hoc liquidity event for existing unitholders. This met some of the pent-up demand for liquidity. This ad hoc offer for up to $2.625 million units at $1.80 was not completely matched with demand, as just over $2.1 million in units accepted the offer. We know that some unitholders declined to participate because of the discount to Net Asset Value ("NAV") represented by the offer, and so we continue to focus on providing a formal liquidity event, at a value closer to existing NAV, which is dependent on the success of the Private Placement which is currently underway. NVD has engaged Animus Capital Partners, a Calgary-based Investment Banker, to lead the financing and provide other strategic guidance to the Partnership. The engagement involves a Private Placement to sophisticated investors, including existing unitholders, of between $15 to $30 million with a maximum of $5 million to be made available for liquidity purposes for existing investors through a Secondary Offering or Issuer Bid. Meeting the minimum financing requirements will allow us to offer $5 million in liquidity through a formal issuer bid. We understand that regular liquidity opportunity is important to unitholders and we will continue to attempt to create regular liquidity opportunities as market conditions permit.

The move to redeem and convert the debentures eliminated our most costly debt, at 6.75% annual interest, which in turn assisted with growth in Net Income per unit. With interest expense reduced, improving rental prospects in the Real Estate Division and a consolidation of our gains in the Hotel Division, we can adopt an optimistic outlook for 2017 and beyond. Our positive outlook for increased contribution from margins from sustained operations will be augmented by our ability to once again improve and sell our assets held for development. In 2017, we will begin the sales and planning process for River's Reach Phase II, a major component of the development of our coveted waterfront lands. We will also begin the early phase of development planning with respect to our newly acquired Whistle Bend property. Long term unitholders will understand the significant impact that these development projects have on boosting our regular yields with one-time special payouts.

The current financing activities are a critical inflection point for NVD. If we are successful at the high end of our plans, the outcome will be a substantial increase in size of the Partnership. Our plans are to raise between $15 and $30 million in equity and, at the top end of that range, to add an additional $36.6 million in debt. Net of the secondary issuer bid, this will see an increase in the enterprise value of the Partnership to over $140 million at the top end of the capital raise. With follow on strategic moves and other financing activities, the Partnership will grow to a point that allows us significant flexibility with respect to future liquidity options and other growth initiatives. Board and management are expending significant effort to achieve the objectives of this financing.

"A CRITICAL SUCCESS FACTOR FOR 2017 WILL BE THE CLOSING OF THE PRIVATE PLACEMENT FINANCING..."

Success in 2017 will be measured in many ways. Certainly, the completion of the Private Placement will be a critical factor. Once that is completed, it will open the door for acquisition and development activity which should allow for significant improvement in both per unit NAV values and

“NET ASSET VALUE WAS ESTIMATED AT $2.35 ON A FULLY DILUTED BASIS AT THE END OF THE YEAR…”

yield per unit. The successful relaunch of the Edgewater Hotel and continued improvement in margin performance at the Coast High Country Inn and the Downtown Hotel in Dawson will be critical in supporting further Hotel Division growth from organic sources, while the successful Private Placement will provide an opportunity for acquisitions and the spreading of our professional management team over a larger number of properties. Vacancy absorption in our Real Estate Division, with a target to get below 5% by year end, will significantly improve margins. Although development activities will commence in earnest in 2017, we will not have income and yield outcomes from those activities until the 2018/2019 period. Still, successfully commencing these projects will provide for a boost in yield in future years.

NVD is in an excellent position to support strong growth in both NAV and yield in the coming years. After a prolonged slump, the Yukon economy seems poised to gain from a return in mining activity while at the same time continuing to benefit from the factors that have supported the tourism industry. We have consolidated gains in the Hotel Division and we are now able to adopt a reasonably optimistic outlook for 2017 and beyond. While the economy has been showing signs of improvement, we have continued to strengthen our management team and our strong Board is providing excellent guidance, support and strategic direction. Comprised of talented and experienced individuals with local knowledge and industry background, the Board can and will assist management in achieving its aggressive plans over the coming years.

NET ASSET VALUE, DISTRIBUTION AND FINANCING ACTIVITY

The Board and Management estimated the Net Asset Value (“NAV”) at $2.35 per unit on December 31, 2016, a 7.8% increase over the $2.18 estimated NAV per unit as at December 31, 2015. The primary driver in NAV growth was the improved performance of the Hotel Division during the year. NAV will continue to improve based on margin growth from hotels and leasing success in the Real Estate Division as well as ultimately through the outcomes from development activities commencing in 2017. The distribution was also increased from $750,000 or 3.6 cents per unit in the first quarter of 2016 to $900,000 or 4.2 cents per unit in the first quarter of 2017. While there are many factors to consider in declaring a distribution, the Partnership is focused on continuing to grow the yield available to investors in the coming years.

If successful, money raised through the Private Placement will be levered with the appropriate amount of commercial debt and will be employed to fund the River’s Reach Phase II

THERE IS NO QUESTION IN MY MIND THAT THE BEST YEARS FOR NVD ARE IMMEDIATELY IN FRONT OF US.

residential/commercial development project, the Phase I development activities at our Whistle Bend commercial site, acquisition of hotel properties, other acquisitions, and to support the funding of the planned issuer bid. A small portion of the funding will be used to support an acceleration of the sustained CAPEX program. Alternatively, we can slow the pace of the acquisitions and development program until funding permits, and provide funding for sustained CAPEX programs through cash flow and a small amount of additional debt financing.

SUMMARY

The management team and Board of NVD continue to work diligently to advance the prospects of NVD on behalf of unitholders. As CEO, I am blessed with the efforts of a dedicated and talented management team and a supportive and experienced Board. Our unitholders are well served by all of their efforts, and as usual I take the writing of this report to extend our thanks to all of them for their efforts.

We hope that you can join us for the Annual General Meeting on June 6, 2017 in Whitehorse or the follow up investor update on June 13, 2017 in Calgary. At that time, I hope to be able to update you on the successful completion of our financing, and the early deployment of that new capital. We thank you for your continuing support of the Partnership. As we have reported before, we believe that one of our key strengths is the quality of our unitholder base. Their patience, guidance and encouragement is an important part of our success and I would be remiss not to comment on this once again as we provide you with this 2016 Annual Report to Unitholders.

Sincerely,

Northern Vision Development LP

Richard S. Thompson
CEO

The remaining Waterfront lands are pictured here, between our Rivers Reach and Waterfront Station projects. This land will once again become the focus of NVD sales and development efforts.

LETTER FROM THE CHAIRMAN OF THE BOARD

DEAR UNITHOLDERS:

Northern Vision Development made steady progress in 2016 despite sluggish economic forces experienced by the Yukon economy early in the year. The mining industry came out of 2015 and into 2016 at a slow pace but has since accelerated with several significant new investments being made by major mining companies in Yukon. This, along with a robust and mature tourism economy, has been cause for optimism.

The management team led ably by Rich Thompson showed excellent entrepreneurial skill in identifying and seizing the opportunities that did exist and positioning the company to take full advantage of what appears to be a resurging economy. The company has instituted a plan to provide regular returns to investors while ensuring that it reaps benefits in the long term by making key tactical moves.

Once again, I report that an experienced Board of Directors has provided solid stewardship for the company. The Board was reduced in number in 2015 to help in streamlining corporate governance and many remained, thereby providing important stability and continuity. Members of the Board not only provide good oversight to company operations, they also provide assistance and guidance to the senior management team through their participation on active board committees including Audit, Hotel, Development and Compensation/Corporate Governance. Board members include Myron Tetreault, Shirley Adamson, Ian McAuley, Brian Titus, Hannes Kovac and Rob Savin. Each brings a world of business experience and accomplishments in their business lives to their roles on the Board.

2016 for NVD was a solid year of doing business, employing people, returning benefit to investors and building the economy. In addition, the company provided support to many important community organizations including the Whitehorse Food Bank. The company works hard to be a good corporate citizen and takes its role very seriously in helping to build and maintain Whitehorse as a healthy and prosperous place to do business.

We all look forward to 2017 and beyond.

Sincerely,

Northern Vision Development LP

Piers McDonald
Chairman of the Board

REPORT ON OPERATIONS

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

Northern Vision Development Limited Partnership

Operating Statistics

	2012	2013	2014	2015	2016
Income and Expenses ($)					
Hotel					
Revenue	10,515,791	11,518,087	12,731,544	13,057,357	**13,509,860**
Margin Contribution	2,146,338	2,289,245	2,245,975	3,365,927	**3,670,955**
Margin percentage	*20.4%*	*19.9%*	*17.6%*	*25.8%*	***27.2%***
Real Estate					
Revenue	1,488,530	1,624,695	2,234,947	2,526,038	**2,658,863**
Margin Contribution	1,328,661	1,487,711	1,834,708	2,063,817	**2,113,873**
Margin percentage	*89.3%*	*91.6%*	*82.1%*	*81.7%*	***79.5%***
Sales Activities					
Revenue	9,185,247	5,044,853	2,290,123	877,949	**202,527**
Margin Contribution	2,072,778	1,332,306	558,059	257,636	**106,516**
Margin percentage	*22.6%*	*26.4%*	*24.4%*	*29.3%*	***52.6%***
Expense					
Interest	570,631	1,002,509	1,478,241	1,471,982	**1,268,756**
Percentage of Revenue	*2.7%*	*5.5%*	*8.5%*	*8.9%*	***7.6%***
Depreciation	1,282,615	1,430,456	1,757,355	1,882,565	**1,964,583**
Percentage of Revenue	*6.0%*	*7.8%*	*10.1%*	*11.4%*	***11.7%***
Other Expenses	950,841	1,406,328	1,416,426	1,421,875	**1,399,878**
Percentage of Revenue	*4.5%*	*7.7%*	*8.2%*	*8.6%*	***8.3%***
Income from Operations	2,786,617	1,401,635	61,259	813,075	**1,407,834**
Percentage of Revenue	*13.1%*	*7.7%*	*0.4%*	*4.9%*	***8.4%***
Balance Sheet and Related					
Total Assets ($ million)	45.8	56.0	57.1	56.5	**57.6**
Total Debt ($ million)	20.9	27.8	29.1	31.9	**31.8**
Debt as % of Assets	*45.6%*	*50.1%*	*51.0%*	*56.4%*	***55.3%***
Weighted Average Cost of Debt (%)	*5.15%*	*4.72%*	*4.32%*	*3.84%*	***3.63%***

While top line revenues improved by just over $300,000, income from operations improved at a faster pace. The $600,000 improvement in income from operations was assisted by a decrease in interest expense of more than $200,000. For the first time, a material contribution was made by the Mighty Wash operations which accounted for more than $100,000 of the increase.

I. HOTEL DIVISION

OVERVIEW

After improving the Hotel Division margin in 2015 by more than 50% and establishing new record performance levels, the focus of management in 2016 was to ensure that the new standard for performance was maintained. In fact, margins continued to grow in 2016 by more than 9% with the Edgewater Hotel and the Best Western Gold Rush Inn being the main contributors to continued growth.

Both revenue increases and improved margins contributed to the growth in 2016. The division's revenue was up just over $450,000 while operating margin was up by $300,000, meaning that the division's operating margin improved from 25.8% to 27.2%. The majority of the revenue growth came from the Best Western Gold Rush Inn which saw revenues improve by $340,000 in 2016. In preparation for full renovations and re-launch, the Edgewater Hotel was closed in October 2016 and will reopen in April 2017. The 2.5 month closure meant that on a comparative basis revenues were flat year over year, but the slow season closure contributed positively to the Edgewater's year over year margin contribution. The Coast High Country Inn management continues to keep a close eye on the potential increased competition associated with the properties acquired by Holloway Lodging REIT. These include the Days Inn property (formerly the Ramada Klondike Inn) and the 183-room Westmark which are both located in Whitehorse and are the main competitive properties for NVD's Whitehorse portfolio. Holloway acquired the Days Inn in late 2014 and the Westmark in early 2016. Management continues to keep a close eye on the potential increased competition associated with the properties acquired by Holloway Lodging REIT. These include the Days Inn property (formerly the Ramada Klondike Inn) and the 183-room Westmark which are both located in Whitehorse and are the main competitive properties for NVD's Whitehorse portfolio. Holloway acquired the Days Inn in late 2014 and the Westmark in early 2016. Management anticipates that once Holloway's management team is fully familiar with these properties, that they will become a stronger competitor.

INDIVIDUAL PROPERTY PERFORMANCE

BEST WESTERN GOLD RUSH INN: For many years running, this 99-room Main Street property has provided steady gains at the top and bottom line. In 2016, this trend continued, with overall revenues up by more than $340,000 (6.1%) and operating income up $250,000 (12.7%). The property was responsible for 61% of the Hotel Division operating income, up from 58% in 2015.

The property's revenue and margin growth came almost exclusively from its Rooms Division where revenues were up $290,000 year over year and room margin was up $296,000. Food and Beverage (F&B) revenues were also up, but margin performance was off slightly, leaving amounts contributed from that area flat on a year over year basis.

"AT $3.7 MILLION, CONTRIBUTION FROM THE HOTELS DIVISION WAS UP 9% OVER RECORD 2015 CONTRIBUTION LEVELS…"

The Royal Suite at the Coast High Country Inn was host to Will and Kate's Royal Visit to the Yukon in September 2016.

COAST HIGH COUNTRY INN: After a breakout year in 2015, the new performance levels at the Coast High Country Inn were consolidated in 2016. Revenues declined on a year over year basis by 1.7% to $5.2 million and Net Operating Income was off 3.8% to $1.1 million. In 2016, the property delivered 30% of overall Hotel Division Operating income as contrasted to 33% in 2015. While Rooms Division revenues were up $270,000 and margin contribution was up $182,000 over 2015 levels, the gains were offset by poor performance from Food and Beverage activities, with both banquets and outlets producing disappointing results. The long-term value of the property is defined by strong Rooms Division performance, and so there is some good news in 2016, however significant changes have been made to ensure strong contribution from the Food and Beverage area can be counted on going forward. In the past NVD has experienced a yo-yo effect with respect to Food and Beverage with one year of progress followed by another year of disappointing results. Management will focus on making sustained improvements going forward. The results for the final quarter of 2016 and for the first two months of 2017 have been encouraging in this regard.

As anticipated, the Coast brand is assisting with the growth in both occupancy and Average Daily Rate ("ADR") at this property. In January 2017, the Coast High Country Inn hosted the annual Coast Hotel convention and in the fall of 2016 it hosted the Royal Visit. The renamed Royal Suite was used for Will and Kate during their brief stay in the Yukon. As the Council of the Federation also held its meeting in the summer of 2016 in Whitehorse, the Coast High Country Inn and the Best Western Gold Rush Inn played host to the Provincial and Territorial Premiers in 2016 as well as to the Royals. Significant branding opportunities presented by these types of "stays" have been leveraged in NVD's marketing activities.

The newly renovated rooms at the Edgewater will bring the quality of the product in keeping with its location and views.

Pictured here is the view of the Yukon River from the Edgewater Hotel.

EDGEWATER HOTEL: Despite being closed for renovations for most of October and all of November and December 2016, the Edgewater Hotel still posted a revenue gain of 2.2% on a year-over-year basis. Edgewater Hotel Net Operating Profit improved by 50% over the previous year to $318,000.

The property was completely renovated from October 2016 through to the writing of this Annual Report. With almost $2 million being invested in completely renovated rooms and common areas, the property is expected to make major occupancy and ADR gains in 2017. A grand opening event will be held in April 2017 and a push will be made by hotel management to improve ADR throughout 2017 and occupancy in the 2018 season. The intent is to position the Edgewater experience at the top of NVD's properties, combining its compelling Main and Front Street location with both a quality room and guest experience delivered by top-rated hotel staff.

DOWNTOWN HOTEL DAWSON: The Downtown Hotel in Dawson posted disappointing bottom line results in 2016 despite top line room division growth. Room revenues were up 8% year-over-year and the bottom line was up more than 15%. But stronger Rooms Division margins and overhead cost control were offset by poor performance from the Food and Beverage area, resulting in a Net Operating Profit that still falls below expectations based on investment made in the property to date.

The relaunch of the Edgewater will feature artwork that pays homage to Mining and First Nations themes – two very important aspects of Yukon history.

"ALL THREE OF THE SECONDARY HOTEL PROPERTIES ARE WELL POSITIONED IN 2017 AND CONTINUED DIVISION GROWTH IS EXPECTED…"

HOTEL DIVISION SUMMARY AND OUTLOOK:
The Division has been reliant on the Best Western Gold Rush Inn to provide the main drivers for both top and bottom line growth. But with year-round occupancy consistently now in excess of 85% and steady growth in ADR, this property will be challenged to continue to set the pace. The growth in the coming years will come from the secondary properties and all three are poised to deliver. Building on its recent Rooms Division growth, the Coast High Country Inn can move its bottom line up significantly if all areas of that hotel post expected outcomes. The new renovations at the Edgewater Hotel set the stage for significant top and bottom line growth at that property, and the Downtown Hotel is poised for a breakout year, after posting reasonable Rooms Division gains in each of the last two years.

With all of the properties moving close to or past expected return levels, it is time to look for additional management to turn its attention to acquisition activities that will either build on the current market presence, or add to the geographic footprint of this division, or both.

Some of NVD's hard working Head Office staff.

Pictured left to right:
Adam Gerle – VP Marketing
Alexis Brandt – HR Director
Gulmmira Gulyamova – Jr. Accountant
Denny Kobayashi – President Real Estate
Dylan Soo – General Manager Hotels
Kristine Hildebrand – Corporate Controller
Linda Hillie – Office Manager

II. REAL ESTATE DIVISION

The Real Estate Division has grown to include both rental income and operating income from Car Wash operations. In 2017, third party property management will be added to the division's activities, providing additional revenue and bottom line growth prospects, and allowing management to continue to reach for the objective of balancing margin contribution from Hotels and Real Estate.

Pressure on the leasing market resulting from the GDP declines in Yukon over an extended period lessened throughout the year, and by the second half of 2016 leasing activity was picking up. This allowed NVD management to complete some arrangements which had a minor impact in 2016 but will lead to further revenue and margin growth in 2017. However, revenues from rentals did increase by 5.3% in 2016, to $2.7 million, and margin contribution from rentals was up by 2.5% to $2.1 million. Margins did not increase at

NVD LP LEASE PORTFOLIO

Lease Summary for Northern Vision Development
Lease Status as at March 15 in both 2016 and 2017

	As at March 15, 2017		Net NVD Ownership Position at March 15				
Property	Leasable Square Footage (Total)	Vacant Square Footage (Total)	NVD Ownership	Leasable Square Footage (Net)	Vacant Square Footage (Net)	2017 Vacancy Rate	2016 Vacancy Rate
NVD Place	50,527	14,719	100%	50,527	14,719	29.1%	25.4%
Yukon Centre Mall	40,304	2,350	100%	40,304	2,350	5.8%	5.8%
Waterfront Station*	29,599	3,781	100%	29,599	3,781	12.8%	28.1%
Spook Creek Station	9,890	-	100%	9,890	-	0.0%	0.0%
Titanium Way 166	7,606	1,517	33%	2,485	496	19.9%	19.9%
Titanium Way 170	1,268	-	67%	845	-	0.0%	25.4%
Nugget Beach	5,899	-	100%	5,899	-	0.0%	25.4%
Pizza Hut/Marble Slab	4,413	-	100%	4,413	-	0.0%	25.4%
Gold Rush Inn	1,761	-	100%	1,761	-	0.0%	25.4%
Edgewater Hotel	6,400	-	100%	6,400	-	0.0%	25.4%
Carcross	1,384	-	50%	692	-	0.0%	25.4%
Mighty Wash	2,168	-	100%	2,168	-	0.0%	25.4%
Trades Centre I	960	-	100%	960	-	0.0%	100.0%
Subtotal Commercial	**162,179**	**22,367**	96%	**155,943**	**21,345**	**13.7%**	**15.7%**
River's Reach	4,283	-	100%	4,283	-	0.0%	0.0%
Total	**166,462**	**22,367**		**160,226**	**21,345**	**13.3%**	**15.3%**
Net Out Sales Inventory:				**Total Without Sales Inventory:**			
Waterfront Station	**3,781**			**156,445**	**17,564**	**11.2%**	

* Condos for sale are included in gross numbers available for lease, as they may be leased or sold.

the same pace as revenues due to one of the major lease deals being done on a "Government Gross Lease" basis which means certain costs need to be netted out of the lease versus the Triple Net lease equivalent.

Margins from operations, primarily from a full year of Mighty Wash car wash operations versus a final quarter of such operations in 2015, improved to $150,000 from $24,000 in the previous year. The Partnership anticipates that car wash revenues and profits will continue to grow in 2017. Margins for the division will increase as third party property management activities are expanded.

The chart on the previous page, summarizes portfolio vacancy as at March 15, 2017 compared to the same date last year. Since last reporting on the portfolio, the space available for lease at NVD Place has been expanded as the Partnership has allocated some of the kiosk space in that building for medical premises. In addition, NVD purchased a condo in Waterfront Station in May 2016 with a lease in place. Both of these moves have caused an increase in leasable space. At the same time, condo sales at Titanium Way 170 have decreased the amount of square footage we have available in that property. Finally, NVD purchased a 10% interest in three River's Reach residential condos that it did not already own, slightly increasing its net position in Residential lease square footage. Adjusted for NVD's interest, the Partnership offers total leasable area of 160,226 square feet, which is primarily represented by commercial premises for lease. Of this portfolio, 13.3% is currently vacant, which represents a small improvement on the vacancy situation one year ago. Of the vacant space, a good portion is currently subject to Letters of Intent that may or may not be signed, particularly medical premises lease offers in NVD Place. The Partnership anticipates that the vacancy rate will be reduced to approximately 5% by year end.

Two of the condos available for lease at Waterfront Station are also offered for sale. Moving these two units to sales inventory would reduce the "real" vacancy rate to 11.2%. As almost 20% of the portfolio was vacant eighteen months ago, the Real Estate Division is benefiting from the absorption of the vacant space, which not only improves revenues, but also reduces carrying cost charges for the Partnership.

SALES AND DEVELOPMENT

Entering 2016, the Partnership held four **Titanium Way Business Park** lots and four **Waterfront Station Condos** in sales inventory. During the year, it sold one of the Waterfront Station Condos to a dentist, and in early 2017 it entered a lease for another of the Waterfront Condos, leaving an inventory of two units in that building for sale or lease. The Partnership expects to either enter sales or lease agreements in 2017 that will see these two units productively utilized, at which point Waterfront Station will be fully leased or sold.

Of the four Titanium Way Business Park lots, one was sold during the year as part of a transaction that saw NVD take over the remaining 10% interest in three River's Reach Joint Venture units that it did not already own. NVD has entered similar transactions over the years that have allowed it to trade available lots and their associated carrying costs for productive income-producing assets, cash and vendor take back financing. The remaining three Titanium Way

Business Park lots are contiguous and will either be sold at full market value by NVD in 2017 or may become part of the Partnership's future development plans.

For development projects, the Partnership held its remaining Waterfront Lands situated between its previously developed River's Reach residential condominiums and its Waterfront Station complex. The Partnership sold one of the two units it owned in River's Reach in 2016, and has the other one contracted in a lease-to-own agreement. As noted above, it acquired the remaining 10% interest in three units that it previously owned as a 90% Joint Venture partner. All of these units are occupied under one year lease agreements. With River's Reach fully occupied and the Waterfront Station commercial project reaching toward full occupancy, NVD believes it is time to move forward on the next phases of the River's Reach program. This will involve the completion of two additional residential condo buildings, an attached commercial retail/office complex and finally a mixed-use project on the remaining lands. It is expected that full development can be accomplished over a four- to five-year period and pre-sales have commenced on the first residential building.

With plans now underway to develop the next phases of the Waterfront project, the only remaining undeveloped lands in NVD's portfolio are its **Main Street** lots located adjacent to the Best Western Gold Rush Inn. These lands are ideal for hotel expansion and parkade development and as the Partnership completes its Edgewater renovation project it will turn its attention to considering the proper timing for the development of these lands.

In order to ensure the Partnership is well positioned for further development opportunities, in 2016 it acquired a 2.3-hectare parcel of land for commercial and mixed-use development in the fast-growing Whistle Bend area of Whitehorse. **Whistle Bend** is a large residential development that also features projects such as a major continuing care facility. This multi-phase development is expected to house over 8,000 residents when complete, making it the biggest residential development ever undertaken in Whitehorse. NVD has acquired the key commercial lands and is beginning to work on plans for development of this property once critical mass is achieved in the residential areas. In 2017, the Partnership expects to complete the Phase I planning work for this project with development currently slated to commence in 2018.

In 2009, the Partnership completed the Titanium Way Joint Venture Project with Vuntut Gwitch'in Limited Partnership, referred to as **Titanium Way 170**. This project is a commercial office and industrial complex located in the Titanium Way Business Park that was developed by NVD. Over the years, the Joint Venture has leased or sold the seven condominiums in this project depending on the prevailing market conditions at the time. With the sale of a condo unit in October 2016 and another unit in March 2017, the Joint Venture now owns only one condo in this building as at the writing of this report. The Joint Venture

The 2.3-hectare site in Whistle Bend is ideally located on the main access roads into the new development. NVD development will commence in 2018.

also holds an interest in a Vendor Take Back mortgage and its 49% interest in the neighbouring Titanium Way 166 building which it holds in partnership with the Selkirk First Nation. In 2017, the focus will be on selling the remaining condominium in Titanium Way 170 and steps may be taken to simplify the Joint Venture arrangement which would hold an interest in the Selkirk Joint Venture as its only strategic holding.

The Partnership undertakes a sustained CAPEX investment program each year to ensure that its properties do not suffer from deferred maintenance issues and that efficient operating environments are maintained. Normally such programs are funded from cash flows and the size of such programs are in keeping with industry standards. In 2017, the Partnership has determined to advance some larger projects, spending the capital in 2017 and reducing expected future expenditures. Chief among these "larger" programs is a full facelift for the Partnership's Yukon Centre Mall, and a complete re-siding of the Best Western Gold Rush Inn which will also provide the opportunity to re-logo that project with the new Best Western brand. Together with normal sustained CAPEX, these projects are expected to require an expenditure of between \$2.5 million and \$3.0 million in 2017. Funding for this project will utilize a combination of sources including cash flow from operations, additional debt and proceeds from the financing currently underway.

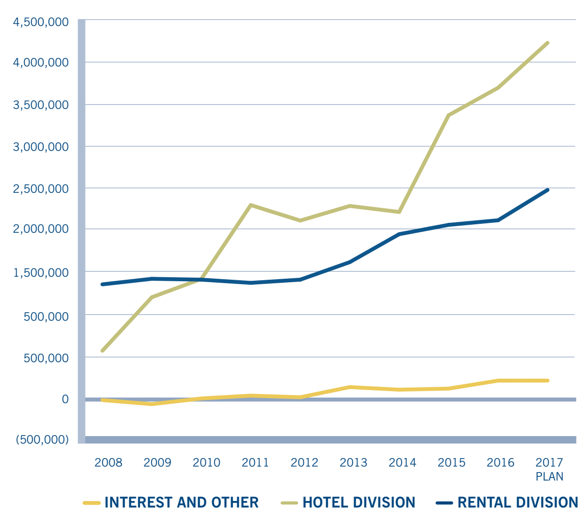
OPERATING ACTIVITIES

The Partnership is pleased with the contribution to Net Income and AFFO now being made by the Mighty Wash car wash, which was acquired as part of a transaction in late 2015. In the first half of 2016 a new credit card processing mechanism was added to the project, which up until that point was simply a coin-operated and manual car wash operation. Mighty Wash delivered a margin contribution that was ahead of expectations in 2016. This operation will form the basis of the new Operations Division in NVD, which will be grown in 2017 to include third party

Margin contribution from the two main divisions continue to demonstrate strong growth. The projections for 2017 are for more of the same. The Hotel Division will be challenged to keep up the steep growth incline exhibited in the past few years, but as the graph indicates, it is expected that the renovation of the Edgewater Hotel and the improvements in F&B services at the Coast High Country Inn will support further growth.

For Real Estate, it is expected that the improving lease environment will support growth in 2017, as market lease rates are achieved and vacancy carrying costs decline. The green line shows that with the addition of Mighty Wash, NVD is now witnessing a material contribution from a third source – the Operations Division – which up until now has been referred to as "Other". These revenues will replace declining revenues from the Partnership's loan portfolio as the Board has mandated that this portfolio be significantly reduced, with funds freed up to be used for more strategic investments.

GROSS MARGIN CONTRIBUTION BY DIVISION



The Spook Creek Station (2008) and River's Reach (2012) projects at the north end, and Waterfront Station (2013) project at the south end, book-end the lands that will now be the subject of River's Reach Phase II development plans in 2017.

Top photo: River's Reach and Spook Creek Station
Bottom photo: Waterfront Station on Yukon River

Property Management services. NVD provides property management for all of its wholly or partially owned properties, and has therefore built up the critical mass allowing it to offer this service for buildings that the Partnership does not own. In early 2017, Mike Nixon was hired to head up this division. Mr. Nixon previously managed his own property management company before becoming a member of the Territorial Government where he served as Minister of Tourism, and following that, Minister of Health and Social Services. He is an important addition to the team and has been tasked with aggressively growing the Property Management Division in ways that are accretive to Net Income and that utilize the existing base of NVD resources in this area.

ECONOMIC COMMENTARY

As noted in previous reports to unitholders, the Yukon economy has been under stress for a three year period stretching back to the end of 2013 and lasting into the early part of 2016. The latest predictions are that the Yukon economy will have posted GDP growth in 2016, expected to be in the 2.8% range, and driven in part by significant Territorial Government infrastructure spending. Recent forecasts for Yukon GDP in 2017 predict a decline of 5.7% – based on the planned closure of the activities at the Minto mine – before the economy finally breaks out into what is expected to be a period of more prolonged expansion.

While tourism has remained strong and government expenditures have remained steady, the mining industry has faced challenges over the past few years. Much has been observed about the challenging nature of the assessment environment in the Yukon and NVD expects this to continue to be a challenge for resource companies going forward. However, there are some strong mining programs in the Yukon that are either already permitted (Victoria Gold is an example) or maturing to a point of moving forward (examples include the Gold Corp acquisition of Kaminak and its Coffee Gold project, or the movement forward of the massive Casino project into the two-year final assessment phase). Overall there is reason for significant optimism in the mining sector when one considers that Kinross, Goldcorp, Amico Eagle and Newmont are all investing in projects and given the number of mid-tier companies, including Victoria Gold, Wellgreen Platinum and BMC Minerals that are in the advanced stages of development in real projects.

NVD's assessment is that there are enough significant activities now taking place in the mining industry to suggest the beginning of another economic expansion in the Yukon, as some economists are predicting. While NVD disagrees with the quantum of the major negative assessments for Yukon GDP decline in 2017, the Partnership believes that the economists have the direction right, and consequently there is likely one more year to manage through until economic tail winds can be counted on to support NVD's own activities in building positive business outcomes on a sustained basis. This period will be utilized, as set out in this annual report, to move development projects from the drawing board to the ground, and to begin the pre-sales and marketing efforts required for these projects to be successful. The timing is now good for the next phase of NVD's own expansion related activities.

Negative factors that NVD watches for include either a strengthening Canadian Dollar versus its US counterpart or an increase of substance in energy prices, both of which can have a dampening impact on the tourism sector. However, in the Partnership's experience, there seems to be some degree of counter cyclicity between the tourism and mining sectors in the Yukon and so the Partnership is more attentive to improvements in the resource sectors that tend to have an overall upward pressure on NVD's full range of activities in Canada's north. The Partnership is also impacted by interest rate moves and currently is more exposed than it would like to be to variable rates. With the completion of the Edgewater renovation project, NVD will move to fix the rate on its hotel portfolio debt, which will then skew its debt holdings to fixed over variable. While the Partnership does not believe there will be near term rate increases of significance, it does believe that an expanding US economy and a recovering resource sector will eventually create the impetus for upward movement in rates and consequently it is looking to shift, when possible, to more of a reliance on fixed rate debt.

There has been a change in government in the Yukon with the Liberals taking over from the Yukon Party (a conservative leaning party) in November 2016 after the Yukon Party had served three terms. Such a lengthy tenure by one party was unprecedented in the Yukon and as always, a change will come with both positives and negatives for business. The Liberals have demonstrated a commitment to working closely with Yukon First Nations, which NVD believes is critical to the long-term success of business, government and First Nations alike, and so this commitment is applauded. One of NVD's important advantages is that the Partnership has major investment from Yukon First Nations. It is anticipated that this new government, like the ones that have preceded it, will adopt policies that have both positive and negative impact on the operating environment for the Partnership. As always, NVD will seek to establish strong relationships with the government.

OUTLOOK

Overall, NVD believes that it is well positioned to take advantage of a period of above average expansion in the Territory, and in northern Canada, commencing within the next few years. The Partnership will focus on being fully ready to capitalize on economic tail winds in order to improve NAV growth and yield for its unitholders. In addition, the Partnership will once again begin to undertake development activities that contribute to one time distribution enhancement, and that can also contribute to organic growth in sustained income sources and yield.

Coast High Country Inn played host to the January 2017 Annual Coast Hotels Conference. Pictured here are representatives from APA Hotels, owner of Coast, and Coast Hotel managers, along with our own Kyla Bryant, Miss Coast High Country Inn.

Photo credit: Alistair Maitland Photography

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS

The financial statements of Northern Vision Development Limited Partnership, which are audited by Deloitte LLP as at and for the period ended December 31, 2016, are included with this annual report. This summary should be read in conjunction with the financial statements and related notes thereto.

STATEMENTS PREPARED UNDER ASPE

The Partnership's financial statements for the year ended December 31, 2016 continue to utilize the Accounting Standards for Private Enterprise ("ASPE") which was adopted for the first time by the Partnership in 2011. The Partnership can move to the IFRS framework at a time of its choosing, should it believe there is merit in such a change in accounting standards.

FINANCING ACTIVITIES

Long Term Debt: At December 31, 2016 long-term debt was $31,835,703, a $3,001,694 (10.4%) increase during the year (2015 - $28,834,009). This was caused by advances of new debt to fund the repayment of the part of the convertible debenture ($2,489,888) and funds obtained to assist in the purchase of properties ($511,806).

The Partnership made regular principal payments of $1,194,660 in the year (2015 - $1,575,839) and retired a mortgage on the sale of the underlying property worth $367,651. A short-term note balance of $50,000 was repaid in the period. To aid future working capital needs the partnership arranged a $750,000 line of credit with Scotiabank secured by its residential condo holdings at River's Reach. At year end, this facility was unused. The facility replaces a previous $550,000 line of credit with Scotiabank secured by the Partnership's loan portfolio.

Convertible Debentures: The Partnership redeemed or converted the remaining $3 million of the 6.75% convertible debentures outstanding in May 2016. The funds from additional long-term debt noted above were utilized for the bulk of the redemption with the balance coming from cash flow. The debtholders utilized $2,114,889 of the funds from redemption to make ad hoc purchases of units from existing unit holders and converted $510,112 of the debentures into 261,597 units of the partnership at $1.95 per unit.

Weighted Average Cost of Debt: At December 31, 2016, the weighted average cost of long term debt decreased to 3.63% (December 31, 2015 - 3.84%). Total debt to equity ratio was 1.3:1 (December 31, 2015 - 1.24:1).

NVDLP's debt includes 32% fixed rate and 68% variable rate loans (December 31, 2015 - 40% variable and 60% fixed). Fixed rate debt had an average cost of 3.33% (2015 - 3.93%). Variable rates were at 3.79% as at December 31, 2016 (2015 - 3.79%).

Currently, the Partnership is exposed to interest rate risk with each 1% rise in its variable interest rates responsible for an annual increase of $217,669 (2015 - $175,073) in interest expense. In mid-2017, $13.6 million of the variable rate debt is to be converted to fixed rate debt at the completion of the Edgewater renovation. This conversion would bring the Partnership's fixed rate debt to 75% of its total debt and lower the estimated cost of a 1% rise in variable interest rates from $217,669 to $81,368.

RETENTION AWARDS

At year end, 54,375 retention awards with a value of approximately $122,343 were granted to directors who elected to take the units in lieu of cash. (2015 - 51,555 and $111,874). During the year 27,782 units were redeemed for consideration of $67,830 (2015 - 6,991 and $15,571).

Senior employees, by the same program, are entitled to receive units over a three-year vesting period. During the year 40,833 units were redeemed for $91,874 (2015 - 11,665 and $22,470). An expense of $53,211 was recorded for units that vested in the year (2015 - $65,668). At year end, there were 8,073 units due to employees with an estimated value of $18,163. A liability of $140,506 (2015 - $148,486) has been accrued for vested retention awards not redeemed.

WORKING CAPITAL

Accounts receivable decreased to $727,713 from $918,499 at the end of 2015. The decrease reflects a higher level of management focus on hotel receivables and other normal course of business activities.

Accounts payable and accrued liabilities totaled $992,027 at year-end (2015 - $1,321,508). The decrease reflects the partnership's strong cash balances throughout the year allowing it to settle outstanding amounts more quickly.

Loans receivable decreased by $608,555 during 2016, following a reduction of $894,156 in 2015. The balance of $1,329,784 was decreased to under $1,000,000 in early January 2017. The Partnership's willingness to allow for early repayment has meant this portfolio which was nearly $3,000,000 in 2013 is being slowly collapsed, in response to a board mandate to redeploy these funds into strategic investment activities. Management has been specifically directed to reduce the loan balance where possible accepting the inherent value this mechanism provides in securing property sales and leases.

DEVELOPMENT ACTIVITIES

Properties held for sale consist of three (2015 - four) lots in the Titanium Way Business Park. Property under Development balances increased to $3.8 million at December 2016 (2015 - $2.1 million). In addition to the balance carried for the remaining Waterfront Place lands (two lots), the Partnership purchased a 2.3-hectare commercial lot (Whistle Bend) for $1.7 million. Property Taxes on all these properties and the interest on the Whistle Bend lot were capitalized ($37,000 and $30,000; 2015 - $19,000 and Nil).

CAPITAL EXPENDITURES

The partnership spent $2.76 million on property and improvements in the year (2015 - $2.31 million). A total of $615,000 was spent on regular hotel improvements (2015 - $668,000) and a further $701,000 had been incurred on the Edgewater renovation at December 31, 2016 (2015 - Nil). The Partnership also spent $902,000 to acquire a commercial unit in Waterfront Station. Of the balance, $301,000 was incurred at NVD Place (2015 - $1.3 million) $143,000 (2015 - $284,000) on other properties and the balance of $74,000 on corporate assets (2015 - $58,000).

OPERATING ACTIVITIES

Revenues: Revenues increased by $304,000 from 2015 to $16.8 million (2015 - revenues decreased 4.7%). This increase was driven by improvements in both Hotel and Rental revenues, offset by slower volume of sales activity. Revenues from sustaining operations were up by $979,000 or 5.9% in 2016.

Hotel revenues were up 3.5% to $13.5 million in 2016 (2015 $13.1 million). Rental Revenues were up $132,000 during the year, a 5.1% increase.

The $202,000 in revenues from Properties Held for Sale (2015 - $878,000) represented the sale of one Titanium Way Business Park lot and one residential condo in River's Reach (2015 - two Titanium Way Business Park lots, one commercial unit in a Joint Venture and one residential condo). During 2016, $333,000 in revenues (2015 - $53,000 from ten weeks) were recorded from the Mighty Wash car wash.

Gross Profit and Direct Expenses: Direct Expenses were down for the year by 1.4% to $10.75 million (2015 - $10.90 million). Expenses in the Hotel Division were up $147,000 as would be expected given the increase in division revenues. Cost of properties held for sale were off significantly as only one Titanium Way Business Park lot was sold during the year. Rental costs increased by $82,000 for the year because a major new lease was commenced on a "Government Gross" basis, which requires NVD to pay CAM, utility and janitorial costs as part of the arrangement. Other costs of $270,000 were reported as a segregated category for the first time as full-year revenues from the Mighty Wash car wash were included in the financial statements. There were no expenses related to Properties under Development in 2016. In 2015, as previously reported, $122,000 of Direct Expenses for Properties under Development were incurred, with no corresponding revenue, as NVD settled concerns over vertical sound transmission in River's Reach. No further expenses are expected associated with this settlement.

With Hotel Division revenues increasing at a faster pace than costs, higher margin gains achieved from sales of properties and relatively higher margin car wash operations now included, the overall Gross Profit margin improved to $6.0 million which was 36% of revenue (2015 - $5.6 million and 34%).

Management anticipates that direct expenses associated with rentals will decline in 2017 as vacancies are absorbed and the associated carrying costs of such vacancies are therefore reduced. There will be potential for some upward pressure on Hotel Division direct expenses in 2017, as energy costs have risen over the past year, and a higher quality operation at the Edgewater Hotel will lead to some increased costs for that property.

Expenses: Amortization increased 4.2% to $1.96 million in 2016 (2015 - $1.88 million). This was a more modest increase than in previous years and reflects limited acquisition activity and a lower level of capital expenditures and landlord work associated with tenant improvements as contrasted with previous years.

Interest expense decreased by 16.0% to $1.27 million (2015 - $1.47 million). This reflects reduced costs from the Partnership's highest cost debt, the 6.75% convertible debentures, which were redeemed and converted in May 2016. The savings associated with the elimination of this debt were offset somewhat by an increase in the amount of commercial debt associated with the Partnership's hotel portfolio.

Governance Costs increased by $4,000 to $138,000 for the year (2015 - $134,000). Compensation has been stable since the size of the Board was reduced to seven members from nine in 2015. While overall board compensation was lower in 2016 due to a full year at the smaller size, there were some costs associated with more face to face meeting time including a strategic session involving both the Board and the General Partners in 2016.

Wages expense represents staff not directly working in operational areas. The $893,000 expense in 2016 (2015 - $724,000) increased from the previous year for a number of reasons: (i) as income levels have improved, the Board has begun to increase the salary of the CEO and the CFO back to levels previously earned, and voluntarily decreased during the recessionary period in the Yukon; (ii) the depth of the accounting and management team was improved during 2016 in anticipation of a return to development activities; and (iii) general and normal course increases in salaries for middle management. The introduction of the Retention Award Program also contributed to the increases, as did the fact that the management team earned $62,500 in bonuses in 2016 associated with certain pre-defined performance objectives (2015 - Nil)

The Partnership's office expenses decreased by 5.9% to $169,000 (2015 - $180,000) due to some savings on the expenses associated with carrying storage space in Titanium Way Business Park.

Professional Fees decreased to $85,000 in 2016 (2015 - $96,000). This decrease reflects a lower amount of activity requiring legal services during the year as well as the declining cost of the annual audit based on an arrangement arrived at through management's competitive bid process, which selected the incumbent, Deloitte LLP, for another three-year period.

As noted in the 2015 annual report, the recessionary period resulted in pressures on tenants and some have been unable to make rent commitments. Further provisions were made in 2016 for potential bad debts including $50,000 set up against a restaurant tenancy. This provision was somewhat offset by recovery of approximately $9,000 related to provisions made previously for bad debts. Accordingly, this expense was $41,000 in 2016 (2015 - $177,000).

Due to all of the factors noted above, expenses decreased by 3.0% or $143,000 to $4.63 million (2015 - $4.78 million).

Income from Operations: Income from operations improved by $595,000 or 73.2% to $1.41 million (2015 - $0.81 million). This is the result of all the variances described in the foregoing analysis.

SALES ACTIVITIES AND INTEREST INCOME

Interest Income: The Partnership has entered loans involving Vendor Take Back financing on Titanium Way lot sales, tenant fit up (particularly for the Waterfront Station and NVD Place projects) and with partners with whom NVD operates Joint Ventures. These loans are at interest rates that are higher than the Partnership's weighted average borrowing costs. As previously noted, the Board has directed Management to reduce the size of this loan portfolio and therefore income from this source declined to $100,000 in the period (2015 - $146,000). This income source will continue to decline in 2017.

Gains on sales improved from the nominal amount recognized in 2015 to $104,000 in 2016 (2015 - $1,000). The bulk of the gain was generated from the sale of a Titanium Way lot, while a smaller amount was derived from the Partnership's interest in a condo sold in a Joint Venture.

As anticipated, 2016 Net Income improved by 67.8% to $1.61 million (2015 - $0.96 million). Improvement should continue in 2017 with revenues expected to continue to grow. The pace of sales may increase slightly, and the cost of vacancy should be reduced.

LIQUIDITY

The Partnership, which had not held a formal liquidity event since September 2012, facilitated an ad hoc bid for units in 2016 which saw over $2.1 million in units change hands, while the number of Limited Partners was reduced from 100 to 87. In addition, effort is still underway to support a formal issuer bid with proceeds from a Private Placement. At the writing of this annual report, the fundraising effort is ongoing, and if successful, a formal issuer bid will be made to unitholders. It is anticipated that this bid will be for a minimum of $5.0 million units at $2.10 per unit, but the ability to make this bid is dependent on the success of the Private Placement in raising at least $15 million in new unit sales.

REVIEW OF MANAGEMENT OBJECTIVES

In the 2015 Annual report to unitholders, management set out certain objectives for 2016. Following is a list of those objectives along with commentary on the Partnership's progress:

Objective: Redeem or have converted the remaining $3 million in convertible debt on or before maturity in August 2016.
Result: This objective was achieved through a combination of redemption and conversion. The redemption also supported a separate ad hoc bid that created liquidity for 17 unitholders and involved the transfer of more than $2.1 million in units.

Objective: Work with NVD's main lender, BDC, to amalgamate certain debt into a more efficient financing package with slightly extended average maturity dates in a manner that will more adequately support business activities including, but not limited to, the expansion of the Best Western Gold Rush Inn, or the renovation of the Edgewater Hotel or the retirement of Convertible Debt outstanding.
Result: This objective was achieved and proceeds were used to assist in the redemption of the Convertible Debt, support the Edgewater Hotel renovation and acquire the new Whistle Bend commercial lands. The expansion of the Best Western Gold Rush Inn has been placed on hold.

Objective: Continue to reduce the balance of NVD's loan portfolio by eliminating an additional 25% or more of the outstanding balance through normal collections and one-time repayments, while not extending further credit of significance to those purchasing lands from NVD.
Result: This objective was achieved as more than 30% of the loan portfolio was retired in 2016, and a further material portion was retired in the first months of 2017.

Objective: Meet or exceed operating income targets for hotel and car wash operations in order to support continuing growth of Available Funds from Operations ("AFFO"). Meet or exceed a target of $2.0 million for 2016 AFFO.
Result: This objective was partially achieved as AFFO was increased to more than $1.25 million and Net Income was increased to over $1.6 million. However, Management fell short of the goal to exceed $2.0 million in AFFO and will move that objective forward to 2017.

Objective: Deliver sufficient AFFO and cash flow to support a distribution to unitholders in excess of $2.0 million during 2016.
Result: This objective was not achieved, as while the distribution was increased, a total of $750,000 was paid out in the first quarter of 2016 and a total of $900,000 was paid out, related to 2016 AFFO, in the first quarter of 2017.

Objective: Complete a financing that provides at least partial liquidity for unitholders while also providing expansion equity for NVD.
Result: This objective is pending. Much work on the financing was completed in 2016 and it is now underway with a goal of raising a minimum of $15 million, of which $5 million will be made available for liquidity. As it became apparent that market conditions would continue to delay this effort, the Board and Management supported the facilitation of an ad hoc liquidity event that provided unitholders with the ability to exit in May 2016. Unitholders with combined holdings of $2.1 million participated in this ad hoc event.

The following 2017 objectives have been established by management:

OBJECTIVE:

Exceed AFFO of $2.0 million and Net Income of $2.25 million.

OBJECTIVE:

Complete a Private Placement financing that raises at least $15 million and complete an Issuer Bid that provides at least $5 million in liquidity for existing unitholders.

OBJECTIVE:

Commence pre-sales and early stage development of the River's Reach Phase II project.

OBJECTIVE:

Exceed $4.0 million in operating profit margin in the Hotel Division.

OBJECTIVE:

Successfully launch the renovated Edgewater Hotel and achieve in excess of $400,000 in operating profit margin from this property in 2017.

OBJECTIVE:

Achieve Gains from Sales in excess of $300,000.

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 20, 2017

On behalf of the Board:

Myron Tetreault,
Director and Audit Committee Chair

Piers McDonald,
Chairman of the Board

INDEPENDENT AUDITOR'S REPORT

To the Partners of
Northern Vision Development Limited Partnership

To the Partners of Northern Vision Development Limited Partnership

We have audited the accompanying consolidated financial statements of Northern Vision Development Limited Partnership, which comprise the consolidated balance sheet as at December 31, 2016, 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 Consolidated 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Deloitte LLP

Chartered Professional Accountants
March 20, 2017
Vancouver, British Columbia

Northern Vision Development Limited Partnership

CONSOLIDATED BALANCE SHEET

As at		December 31, 2016		December 31, 2015
ASSETS				
Cash	$	**947,204**	$	772,985
Accounts receivable (Note 9)		**727,713**		918,499
Inventories		**175,218**		156,547
Loans receivable (Note 8)		**1,329,784**		1,938,339
Property and equipment (Note 2)		**49,552,185**		49,590,455
Properties under development (Note 3)		**3,815,020**		2,061,201
Properties held for sale (Note 4)		**375,206**		464,349
Other assets (Note 5)		**633,031**		644,078
	$	**57,555,361**	$	**56,546,453**
LIABILITIES & PARTNERS' EQUITY				
Accounts payable and accrued liabilities (Note 9)	$	**992,027**	$	1,321,508
Customer deposits		**168,649**		156,447
Short-term loans		-		51,039
Convertible debentures		-		2,994,387
Long-term debt (Note 6)		**31,835,703**		28,834,009
		32,996,379		33,357,390
Partners' equity (Note 11)		**24,558,982**		23,189,063
	$	**57,555,361**	$	**56,546,453**

Approved on behalf of the Board of Directors:

Myron Tetreault, Director and Audit Committee Chair

Piers McDonald, Chairman of the Board

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,		2016		2015
Revenues				
Hotels	$	13,509,860	$	13,057,357
Rentals (Note 10)		2,658,863		2,526,038
Sale of properties held for sale		202,527		877,949
Other		419,703		24,883
		16,790,953		16,486,227
Direct expenses				
Hotels		9,838,905		9,691,430
Cost of properties held for sale		96,011		620,313
Rentals		544,990		463,132
Other		269,996		-
Cost of properties under development		-		121,855
		10,749,092		10,896,730
Gross profit		6,041,051		5,589,497
Expenses				
Amortization		1,964,583		1,882,565
Interest (Note 10)		1,268,756		1,471,982
Wages		893,164		724,218
Office		169,005		179,536
Bad debts		40,680		176,793
Governance		138,162		134,068
Professional fees		85,081		96,128
Marketing		42,526		64,374
Travel		29,271		40,026
Shareholder communications		1,989		6,732
		4,633,217		4,776,422
Income from operations		1,407,834		813,075
Other income				
Interest income (Note 8)		99,597		145,763
Gain on sale of property and equipment		104,169		1,425
Net income	$	1,611,600	$	960,263

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,		2016		2015
Partners' equity, beginning of year	$	**23,189,063**	$	22,228,800
Units issued		**508,319**		-
Net income for the year		**1,611,600**		960,263
Partners' Equity, before distributions		**25,308,982**		23,189,063
Distribution to unitholders		**(750,000)**		-
Partners' equity, end of year	$	**24,588,982**	$	23,189,063

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,		2016		2015
Cash flows from operating activities				
Net income for the year	$	1,611,600	$	960,263
Non-cash items				
Amortization of financing fees		23,342		26,898
Amortization of other assets		14,376		11,879
Amortization of property and equipment		1,950,206		1,873,963
Non-cash revenues		(76,875)		-
Retention Awards expensed		107,955		177,542
Gain on sale of property and equipment		(104,169)		(1,425)
Cost of properties sold		96,011		620,313
		3,631,446		3,669,433
Changes in non-cash working capital balances				
Accounts payable and accrued liabilities		(329,482)		(545,865)
Accounts receivable		190,786		409,713
Other assets		11,047		57,431
Inventories		(18,671)		(3,246)
Customer deposits		12,202		29,376
		3,497,328		3,616,842
Cash flows from investing activities				
Loans receivable		558,555		440,854
Proceeds on sale of property and equipment		1,016,088		733,853
Purchase of property and equipment		(2,907,442)		(2,925,479)
Purchase of properties under development		(1,753,819)		-
Acquisition of businesses		-		(1,086,916)
		(3,086,618)		(2,837,688)
Cash flows from financing activities				
Financing fees paid		(122,682)		1,750
Advances of short-term debt		-		50,000
Advances of long-term debt		5,268,313		1,262,265
Units issued		508,319		-
Distribution to unitholders		(750,000)		-
Repayment of convertible debentures		(3,000,000)		(1,000,000)
Repayment of short-term debt		(50,000)		-
Repayment of long-term debt		(2,090,411)		(1,575,839)
		(236,491)		(1,261,824)
Increase (decrease) in cash during the year		174,219		(482.670)
Cash, beginning of year		772,985		1,255,655
Cash, end of year	$	947,204	$	772,985

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 operation of hotels 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. All intercompany transactions and balances are eliminated on consolidation. The financial statements of the Partnership's subsidiaries are prepared using consistent accounting policies and the same reporting date as the Partnership. These consolidated financial statements include the accounts of the Partnership, 45978 Yukon Inc. and Iditarod Landscaping Inc. (wholly-owned subsidiaries), the 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 and property taxes during construction, and land acquisition costs. Amortization is provided using the following annual rates:

	Method	Rate
Automotive	Declining balance basis	30%
Buildings	Declining balance basis	4%
Computer equipment	Declining balance basis	30%
Computer software	Declining balance basis	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, properties under development and properties held for sale. Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that an asset's carrying value might be impaired. An impairment loss is recognized when the asset's carrying value exceeds the estimated future undiscounted cash flows from the asset's use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over the fair value. Any impairment is included in income for the year.

Income Taxes

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

Revenue Recognition

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

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

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

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. Areas requiring significant management estimates relate to the determination of the recoverability of accounts and loans receivable, the fair market value and any potential impairments of property and equipment and property under development and held for sale, and the useful lives of property and equipment. Actual results could differ from those estimates and may have an impact on future periods.

Properties Held for Sale

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

Property Under Development

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

Non-monetary Transactions

All non-monetary transactions are measured at fair value unless:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly Controlled Assets

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

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

Financial Instruments

Accounts receivable, loans receivable, accounts payable, short term loans, customer deposits, 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.

2. PROPERTY AND EQUIPMENT

	2016			2015		
	Cost	Amortization	NBV	Cost	Amortization	NBV
Automotive	$ 189,440	$ 158,734	$ 30,706	$ 179,424	$ 149,545	$ 29,879
Buildings	47,231,746	9,269,639	37,962,107	44,957,263	7,573,910	37,383,353
Computer equipment and software	721,738	459,180	262,558	620,558	382,131	238,427
Furniture and fixtures	4,206,819	2,770,543	1,436,276	3,996,904	2,498,266	1,498,638
Land and improvements	8,894,102	-	8,894,102	9,336,796	-	9,336,796
Paving and landscaping	1,851,999	885,563	966,436	1,919,794	816,432	1,103,362
	$ 63,095,844	$ 13,543,659	$ 49,552,185	$ 61,010,739	$ 11,420,284	$ 49,590,455

During the year, the partnership recorded a gain of $104,169 (2015 - gain of $57,238) from the sale of Plant, Property and Equipment. At year end, one of the hotels was closed for renovations; expenses of $43,572 and interest of $15,175 were capitalized as part of this renovation.

3. PROPERTIES UNDER DEVELOPMENT

		2016		2015
Land and improvements	$	3,815,020	$	2,061,201

Properties under development consists of assets under active development or lands identified for development by the Partnership for sale to third parties. During year costs of $36,994 (2015 - $19,177) and interest of $29,988 (2015 nil) were capitalized.

4. PROPERTIES HELD FOR SALE

		2016		2015
Land and improvements	$	375,206	$	464,349

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 $7,115 (2015 - $10,378). During the year, the Partnership recorded a net gain of $106,516 (2015 - $257,636) related to sales of property held for sale.

5. OTHER ASSETS

		2016		2015
Prepaid expenses and deposits	$	305,106	$	316,153
Goodwill - Mighty Wash		308,719		308,719
Other assets		19,206		19,206
	$	633,031	$	644,078

6. LONG-TERM DEBT

As at December 31, 2016 there was $283,417 (2015 - $189,704) in deferred financing fees netted against long-term debt. During the year, amortization of deferred financing fees amounted to $32,342 (2014 - $26,898), and $122,682 in new fees were incurred in the year (2015 - $1,750).

		2016		2015
Loan payable to First Nations Bank - interest at 3.95%, due October 1st, 2017, with monthly payments of principal and interest of $4,543 secured by a first mortgage on 2193 and 2195 2nd Avenue, Whitehorse and a general assignment over rental income from the properties.	$	607,768	$	634,470
Loan payable to RBC - interest at 3.01%, due May 1st, 2018, payable in equal installments of $7,481 principal and interest, secured by a first mortgage on the property of 9016 Quartz Road, Whitehorse.		1,157,422		1,207,744
Loan payable to RBC - interest at 3.7%, due January 4th, 2019, payable with monthly principal payments of $14,400 plus interest, secured by a first mortgage and assignment of rents from properties at 2237 2nd Avenue Whitehorse.		2,663,803		2,826,404
Loan payable to Yukon Housing Corporation - interest at 5%, due May 31st, 2019 with annual interest payments of $67,473 secured by Lot 117, Whitehorse, YT 2014-0069.		1,349,470		-
Promissory Note payable to a society at 4%, due no later than October 31st, 2019 with monthly payments of $9,307; secured by a second charge on property at 2237 2nd Avenue, Whitehorse.		291,968		-
Loan payable to Scotia Bank - interest at 3.04%, with fixed monthly repayments of $4,453 of principal and interest, due April 30th, 2021 secured by a first mortgage and assignment of rents over two commercial units at 2237 2nd Avenue, Whitehorse.		774,121		-
Loan payable to BDC - interest at BDC's floating base rate less 1%, due March 23rd, 2029, with monthly principal repayments of $2,564 secured by land and building on Lot 2A, Block B 335, Plan 2007-0028.		455,988		412,820
Loan payable to BDC - interest at BDC's floating base rate less 1%, due February 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.		277,844		383,373
Loan payable to BDC - interest at BDC's floating base rate less 1%, 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 building at 166 & 170 Titanium Way, Whitehorse.		338,100		346,367
Loan payable to BDC - with fixed monthly repayments of $52,350 principal plus interest, at 4% due April 30th, 2034 secured by a first mortgage over 3 hotel properties.		13,460,174		-

6. LONG-TERM DEBT (CONTINUED)

		2016		2015
Balance Brought Forward	$	**21,380,828**	$	5,811,178
Loan payable to BDC - interest at 4%, with fixed monthly repayments of $19,230 principal plus interest at 4%, due April 30th, 2034 secured by a first mortgage and assignment of rents at 2180/2190 2nd Avenue Whitehorse		**3,951,379**		-
Loan payable to First Nations Bank - interest at 3.95% due October 31st, 2020, with monthly principal repayments of $25,997 plus interest, secured by the following: first mortgage and assignment of rents on the partnership's interest in the land and building at 4201 4th Avenue, Whitehorse.		**5,855,675**		6,162,021
Loan payable to Tr'ondek Hwech' in Trust - interest at 5%, due October 31st, 2020, with annual principal payments of $35,709 plus interest due in June, July and August. Secured by a mortgage in property at 1026 Second Avenue, Dawson City.		**347,032**		371,627
Loan payable to BDC - interest at BDC's floating base rate less 1.0%, due May 23rd, 2031, with monthly principal repayments of $5,000 plus interest, secured by the following: first mortgage on 121 Copper Road; general assignment over property and equipment on the property.		**396,208**		413,250
Loan payable to RBC - with biweekly principal and interest repayments of $935.		-		367,831
Promissory note payable to individuals at 3% with monthly payments of $5,813 principal and interest.		-		189,351
Loan payable to BDC - interest at BDC's floating base rate less 1%, with monthly principal repayments of $7,500 plus interest.		-		1,558,165
Loan payable to BDC - interest BDC's floating base rate less 1%, with monthly principal repayments of $8,350.		-		281,329
Loan payable to BDC - interest at BDC's fixed base rate less 1%, with fixed monthly principal repayments of $15,625 principal plus interest.		-		3,231,060
Loan payable to BDC - interest BDC's floating base rate less 1%, fixed monthly principal repayments of $37,500 principal plus interest.		-		7,838,249
Loan payable to BDC - interest at BDC's fixed base rate less 1%, with monthly principal repayments of $13,000 plus interest.		-		2,609,955
	$	**31,931,122**	$	28,834,016

The BDC floating base rate at December 31st was 4.7% (2014 - 4.7%) and RBC and First Nations bank prime rate at year-end was 2.7% (2014 - 2.7%).

6. LONG-TERM DEBT (CONTINUED)

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

2017	$	2,366,937
2018		5,255,661
2019		3,006,831
2020		6,544,601
2021		1,844,205
Thereafter		13,145,991
	$	32,204,226

The Partnership's debt agreements contain financial covenants which require minimum levels of tangible equity, debt service coverage, limitations on borrowings, and limitations on the use of proceeds of asset sales. The Partnership was in compliance with all of its financial covenants as at December 31st, 2016.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit Risk

The Partnership is exposed to credit risk resulting from the possibility that a customer, tenant or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or if financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Partnership's financial instruments that are exposed to concentrations of credit risk related primarily to accounts and loans receivable. To mitigate the credit risk, the Partnership has accounts receivable widely distributed among its customer base, performs regular credit assessments of its customers, obtains advance deposits or with respect to loans receivable, takes a security interest in the property sold or the tenant's assets or personal guarantees. The Partnership therefore believes that there is acceptable credit risk associated with the collection of its accounts or loans receivable. The Partnership has recorded an allowance of $2,188 (2015 - $278) in respect of accounts receivable where collection is doubtful.

Interest Rate Risk

Interest rate risk is the risk that future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. Changes in market interest rates may 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 to two years. As described in Note 7, 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 and cash flows available in the future.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity Risk

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

8. LOANS RECEIVABLE

		2016		2015
Loans receivable (Note 12)	$	641,206	$	1,042,266
Mortgages receivable		584,470		785,070
Advances to joint ventures (Note 12)		104,108		111,003
	$	1,329,784	$	1,938,339

(i) Loans Receivable

Loans receivable represent advances to, or on behalf of, commercial tenants for the purpose of completing leasehold improvements on properties owned by the Partnership. The terms of the loans do not exceed 15 years, with interest rates ranging from 1% to 9%. The total interest earned on the loans in the year was $38,049 (2015 - $69,738). The maximum credit risk exposure associated with the loans receivable occurs if the borrower defaults on repayment of the loan. Therefore, the carrying value of the loans receivable balance represents the Partnership's exposure to the related credit risk without taking into account any rent that may be outstanding and the remaining term of the commercial lease or any collateral or any other credit security. There were no impairment provisions recorded on the loans receivable as at December 31, 2016.

(ii) Mortgages Receivable

Mortgages receivable represent vendor take back loans made to purchasers of properties sold by the Partnership. In all cases, security is provided by the underlying property. Interest is charged at rates ranging between 5% and 7% per annum. The total interest earned on the loans in the year was $50,714 (2015 - $49,232). The exposure to the credit risk associated with the mortgages receivable occurs if the borrower defaults on repayment of the mortgage. Therefore, the carrying value of the mortgage receivable balance represents the Partnership's maximum exposure to the related credit risk without taking into account any collateral or any other credit enhancements. There were no impairment provisions recorded on the mortgages receivable as at December 31, 2016.

(iii) Advances to Joint Ventures

Advances to Joint Ventures are made to assist working capital requirements and represent advances made in excess of the Partnership's proportionate share in the jointly controlled assets. Interest is charged at 5% per annum when the other joint venturer does not contribute their proportionate share. The total interest collected in the year was $10,801 (2015 - $11,402).

9. RELATED PARTY TRANSACTIONS AND BALANCES

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:

		2016		2015
Paid:				
Financing charges and interest paid to various investors in which the Partnership has proportionate interests	$	9,298	$	18,827
Fees paid to Directors of the Partnership		138,162		134,068
Rents paid to joint ventures in which the Partnership had an existing proportionate interest		78,167		87,816
Other fees - consists of miscellaneous and contractor payments paid to employees, partners, or companies controlled by employees of the Partnership		62,558		42,048
Received or recovery from:				
Rent received from a company controlled by an employee of the Partnership and a joint venture in which the Partnership has a proportionate interest	$	51,258	$	92,364
Interest received from a company controlled by an employee of the Partnership on a short-term loan and loans to employees and joint ventures		34,983		46,500
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		40,297		14,951
Loans:				
Loan receivable from an entity controlled by one of the unitholders of the Partnership	$	nil	$	373,341
Short-term loans due to unitholders of the Partnership		354,145		375,000
Loans advanced to Employees of the Partnership		262,848		279,161

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

As at December 31, 2016, the Partnership had the following amounts recorded in accounts receivable and accounts payable and accrued liabilities:

- Accounts receivable from related parties of $100,163 (2015 - $71,303).
- Amounts due from its joint venture partners of $16,278 (2015 - $1,103).
- Accounts payable and accrued liabilities owing to related parties of $134,064 (2015 - $149,149).
- Amounts due to its joint venture partners of $6,231 (2015 - $1,769).

10. SEGMENTS

As at December 31, 2015, 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 or held for future development.

2016

	Hotels	Rentals	Property Held for Sale	Property Under Development	Other	Total
Revenue	$ 13,509,051	$ 2,763,706	202,527	-	419,723	16,465,805
Amortization	790,817	1,122,644	-	-	51,122	1,964,583
Interest income	-	-	-	-	99,297	99,297
Interest expense	460,423	715,396	-	-	92,938	1,268,757
Net income (loss)	2,419,716	380,676	106,516	-	(1,295,308)	1,611,600
Properties and equipment	$ 16,769,733	$ 32,706,589	$ 375,206	$ 3,815,020	$ 191,896	$ 53,858,444

2015

	Hotels	Rentals	Property Held for Sale	Property Under Development	Other	Total
Revenue	$ 13,057,357	$ 2,526,038	$ 877,949	$ -	$ 24,883	$ 16,134,693
Amortization	860,732	926,306	-	-	95,526	1,882,565
Interest income	-	-	-	-	145,763	145,763
Interest expense	447,481	757,747	-	-	266,753	1,471,982
Net income (loss)	2,057,714	255,430	79,949	-	(1,432,849)	960,263
Properties and equipment	$ 16,079,775	$ 32,848,766	$ 464,349	$ 2,061,201	$ 661,914	$ 52,116,005

11. PARTNERS' EQUITY

At December 31, 2016 there are 21,291,434 partnership units outstanding (2015 - 21,029,970). During the year 261,464 units were issued for cash proceeds of $508,319.

12. JOINTLY HELD ASSETS

The consolidated financial statements include the Partnership's proportionate interest in two (2015 - three) jointly held assets. Effective November 1st, the Partnership acquired full control of the Rivers Reach Joint Venture, which was established in 2011 and in which the Partnership previously had a 90% interest.

Name	Interest	Activity	Year of inception
Titanium Way Joint Venture	67%	Lease of commercial properties	2008
Rivers Reach Joint Venture (ceased November 2016)	90%	Lease of residential properties	2011
Northern Carcross Joint Venture	50%	Lease of commercial property	2013
Dawson Downtown Hotel	50%	Hotel operations	2013

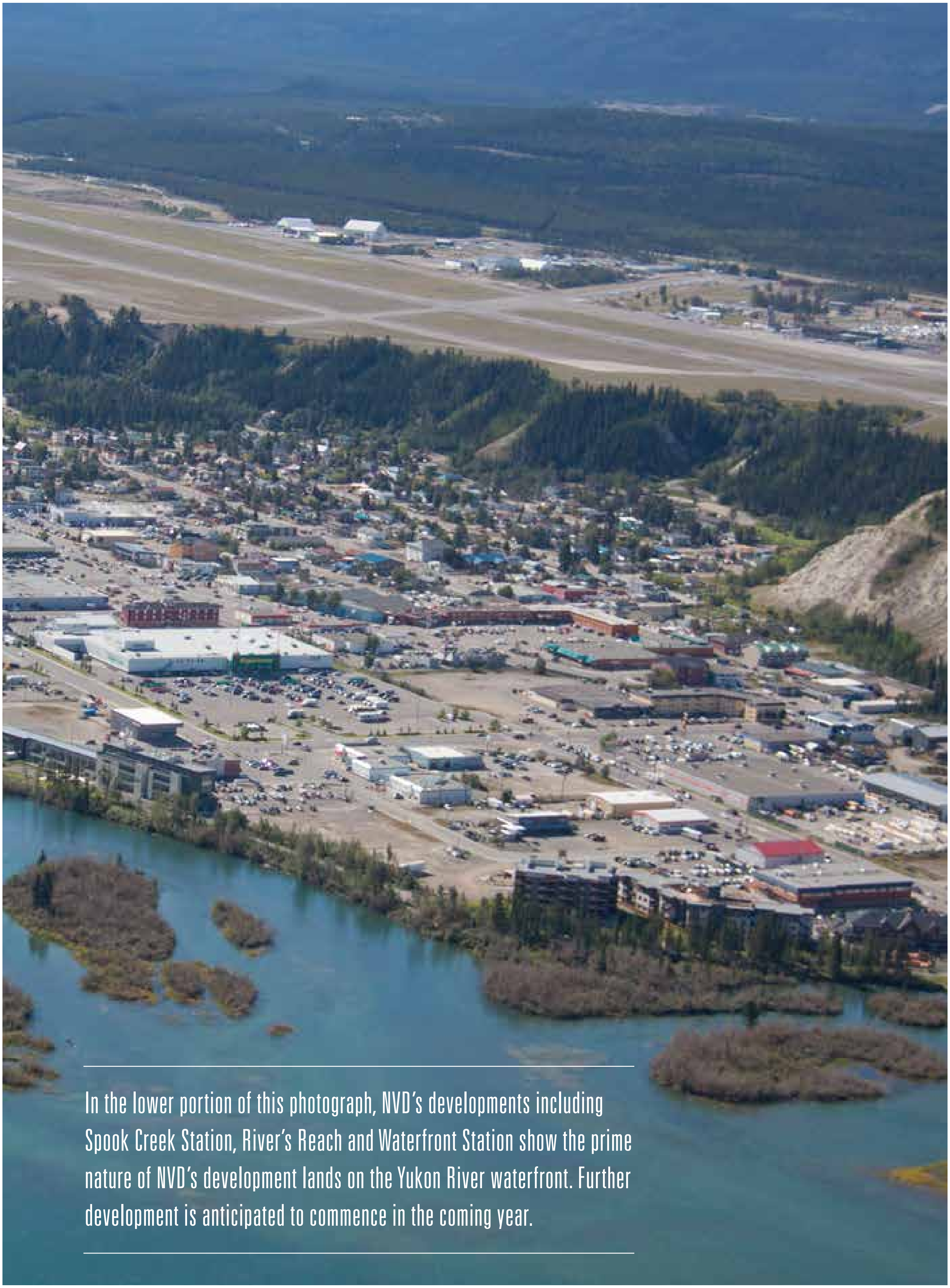
The Partnership's proportionate share of the assets and liabilities, revenues and expenses of the various operations are included in these consolidated financial statements on the following page. The Partnership is liable for the liabilities of the jointly held assets to the extent of its proportionate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

15. JOINTLY HELD ASSETS (CONTINUED)

		2016		2015
Cash	$	111,343		104,106
Accounts receivable		71,846		51,275
Government Remittances receivable		-		434
Prepaid expenses		24,562		44,807
Inventory		32,515		16,392
		240,266		217,014
Property and equipment		2,366,413		3,493,674
Organization costs		125		125
	$	2,606,804		3,710,813
Accounts payable and accrued liabilities	$	180,770	$	123,991
Government remittances		22,421		-
		203,191		123,991
Long-term debt		1,074,196		1,153,837
		1,227,387		1,277,828
Equity		1,329,417		2,432,985
	$	2,606,804	$	3,710,813

		2016		2015
Revenues				
Hotels	$	1,216,277	$	1,149,100
Rentals		162,600		196,464
Gains		35,065		43,972
	$	1,413,942	$	1,389,536
Expenses				
Hotels		1,151,211		1,117,367
Amortization		121,443		163,391
Property		68,370		73,132
Interest		32,178		41,707
Expenses		1,373,202		1,395,597
Net income	$	40,740	$	(6,061)

		2015		2014
Cash flows from operating activities	$	182,009	$	104,182
Cash flows from investing activities	$	243,204	$	(80,992)
Cash flows from financing activities	$	(65,689)	$	(213,907)



In the lower portion of this photograph, NVD's developments including Spook Creek Station, River's Reach and Waterfront Station show the prime nature of NVD's development lands on the Yukon River waterfront. Further development is anticipated to commence in the coming year.

CORPORATE INFORMATION

GENERAL PARTNER NORTHERN VISION DEVELOPMENT CORP.

BOARD OF DIRECTORS

Shirley Adamson **

Hannes Kovac **

Ian McAuley ***

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

Myron Tetreault *

Robert Savin ****

Brian Titus *

* Denotes member of the Audit Committee
** Denotes member of the Development Committee
*** Denotes member of the Hotel Committee
****Denotes member of the Corporate Compensation and Governance Committee

MANAGEMENT

Richard Thompson, CEO
Philip Fitzgerald, CFO, President Hotels Division
Denny Kobayashi, President Real Estate Division
Dylan Soo, General Manager Hotels Division
Adam Gerle, General Manager Downtown Hotel
Mike Nixon, VP Property Management
Alexis Brandt, Director Human Resources
Kristine Hildebrand, Controller
Rudy Colasanzio, Director Maintenance

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