# Northern Vision Development Limited Partnership

**2018 Semi-Annual Report to Unitholders**
*As at and for the six-month period ending June 30, 2018*
*with comparable results for previous periods*

***Increasing Enterprise Value***

## NORTHERN VISION DEVELOPMENT LIMITED PARTNERSHIP
## 2018 SEMI-ANNUAL REPORT TO UNITHOLDERS

We are pleased to provide unitholders with this report on the activities of Northern Vision Development Limited Partnership ("NVD" or "the Partnership") for the first six months of 2018. Included herewith are financial statements as at and for the period ended June 30, 2018, along with the appropriate comparable results. Current period results have been prepared by management and are not audited. Comparable numbers, when presented for the year ended December 31, 2017, were audited by Deloitte LLP, however when presented for the period ending or as at June 30, 2017 they are prepared by management.

**Northern Vision Development Limited Partnership**

NVD is a private real estate partnership, established in February 2004, with a mandate to acquire and own properties with strong growth prospects located in the Yukon. The Partnership owns a diverse base of commercial, residential, industrial and hotel properties that provide regular cash flow and capital appreciation for unitholders. NVD is managed by its general partner, Northern Vision Development Corp., a private company based in Whitehorse and formed under the laws of the Yukon. The operations of the Partnership are overseen by a board of directors with a diverse mix of skill sets and experience. The Partnership has no fixed term and has a mandate to pay out distributions to its unitholders based on Available Funds from Operations ("AFFO").

At June 30, 2018, 24,208,552 Limited Partnership units were outstanding with no options or purchase warrants issued (23,965,715 - December 31, 2016 basic and fully diluted). During the period, a distribution of $1,000,000 or $0.041 per unit was made to Unitholders ($900,000 or $0.042 per unit during the same period in 2017).

As at June 30, 2018, management estimated Net Asset Value ("NAV") per LP unit to be $2.67 basic and fully diluted ($2.55 basic and fully diluted as at December 31, 2017) based on management updates made to previous third party estimates of value made during the past two years. For the current estimate, the Partnership's Whitehorse-based hotels were subject to third party valuation by CBRE. Management updates estimates that are more than six months old in order to establish current values, and in Management's judgement there has been no material change to the capitalization rates applied in Whitehorse during the past six months.

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***As at June 30, 2018 NAV is estimated at $2.67 per unit***

## Highlights for the Period

***The following summarizes key highlights for the six months ended June 30, 2018:***

- Overall vacancy in the NVD Real Estate Division portfolio dropped from the 8.9 % reported in March 2018 to 7.0% at June 30, 2018. Adjusted for Condo sales inventory also marketed for rent, the vacancy rate in the portfolio stands at 6.1%
- Gains of sale of $340,000 were realized through the sale of a portion of the Partnership's Nugget Beach property and a commercial condo on the third floor of Waterfront Station, both occurring in the first quarter of 2018 (gain of $63,700 from sale of the Partnership's joint venture interest in a condominium in Titanium Way 170 in the first half of 2017).
- Interest income increased 62% to $44,000 from $27,000 in the same period in 2017 due to a vendor take back loan arrangement associated with the sale of the portion of the Nugget Beach property.
- Hotel Division net operating income for the first six months of the year was up 17.8% and exceeded $2 million for the first time in the first six months of the year. Hotel Division revenues for the first half of 2018 approach the same level achieved in the full 2014 year;
- At June 30, 2018 Long term debt increased by 2.4% to $33.0 million while debt to book value of equity remained steady at 1.04:1, the same ratio as at December 31, 2017. The increase in debt was primarily associated with the introduction of a $2,3 million mortgage facility with Scotiabank for the Main Steele property, offset by regular debt repayment and the reduction of a mortgage associated with Nugget Beach.
- Total comprehensive Income of $1.17 million improved 21.6% over the $965,000 recorded in the same period in 2017. Income from operations declined 9.6% over the same period last year to $790,000. Despite operating margins being up 6.4% during the period, increased expenses primarily associated with a 17.7% increase in amortization and a 14.0% increase in interest expense led to the reduction of Income from operations. The consolidation of the Hotel Division and NVD management teams in the Main Steele building, while carrying vacant space previously used by the NVD management team contributed to the extra cost as well, but significant operating synergies are being realized.
- Primarily due to strengthening income performance in core hotel properties, management's estimate of NAV per unit has increased by 4.7% to $2.67 over the last six months from $2.55 at December 31, 2017
- Net book value of total assets of the Partnership increased by 6.1% since December 31, 2017, from $65.0 million to $68.9 million;
- Gross revenues of the Partnership for the six-month period increased 15.1% from $7.64 million in 2017 to $8.79 million, with contributions to growth coming from all divisions.
- The River's Reach Phase II development, a 44-unit luxury residential condominium project with a value in excess of $20 million was launched during the period.

***Total comprehensive income improved by 21.6%***

## Overview

The Partnership recorded strong results in the first half of 2017, with Total Comprehensive Income for the period reaching $1.17 million, up 21.6% over the $0.97 million achieved in the same period in 2017. The Hotel Division performed extremely well: the newly renovated Edgewater continues to exceed expectations after reopening in April 2017; and the Coast High Country Inn is matching the record levels experienced in 2017. For the full year, the Hotel Division is once again on track to deliver record results at both the top and bottom line, with the potential to exceed $5.0 million in net operating income for the first time. Real Estate Division growth has been steady, and the initial sales for the River's Reach Phase II Condominium project have exceeded expectations.

***Operational and Financial Performance:*** Hotel Division revenues improved 15.2% over the same period last year, to $7.60 million. The revenue gains drove an increase in Hotel Division gross margin which improved 17.8% to $2.04 million for the six-month period. Margin improvement could have been stronger, but it was dampened by increased energy costs during the period related to commodity price increases and unusually cold weather. Real Estate Division rental revenues increased by 13.5% to $1.61 million for the period on the strength of inclusion of our new Main Steele property as well as ongoing absorption of vacancy which has dropped to 7.0% portfolio-wide. Real Estate Division margins improved by 9.8% to $1.27 million, with the slower growth rate reflecting that some of the new leases were gross as opposed to triple net leases.

**River's Reach Phase II: Two 22-unit residential condominiums sit atop a single 45 space in ground parkade alongside the Yukon River.**

The Partnership launched its River's Reach Phase II project and has 27 out of 44 units either sold or reserved for rental as at the writing of this report. The project is on schedule. A major renovation of the Yukon Centre Mall is underway including fit up of the new Yukon Innovation Hub as well as a facelift for the entire project. The Innovation Hub will open in September 2018 and the overall facelift will be completed in the fall. During the period the Partnership sold a commercial condominium in Waterfront Station to the tenant that had it under lease, as well as a portion of its Nugget Beach property (the Dominos Pizza building) for gains on sale of $340,000. These gains were as budgeted but do not increase AFFO as they were income producing properties.

With unusual periods of cold weather, operating revenues, primarily associated with the car wash, were off by by 8.5% during the period. The combination of the foregoing outcomes resulted in a gross profit improvement of 6.4% for the first half of 2018 to $3.38 million.

Overhead expenses were up $289,000 or 12.6% during the period primarily driven by a $171,000 (17.7%) increase in amortization due to the inclusion of the Main Steele acquisition and the Edgewater Hotel renovations for the full period (neither were included for the period in 2017).

Another significant driver was the increase of $82,000 or 14.0% in interest expense which was the intentional outcome of the Partnership's move to a fixed interest debt skew in late June 2017 in advance of interest rate moves, coupled with three interest rate increases on its variable debt portfolio due to moves by the Bank of Canada in the intervening period. As noted previously the fixed rate debt taken on for an eight-year term is already at competitive rates with where the variable debt has moved to, meaning that interest rate risk has been reduced significantly while increased expense impacted NVD only for a short period of time. Management is pleased with the timing of this move to a fixed rate skew, and the resultant risk reduction.

***Financing Activities*** Early in the third quarter, the Partnership closed a Private Placement financing that resulted in the net issuance of 2,889,654 units for gross proceeds of $7.0 million at $2.4225 per unit. As part of the financing a total of 780,810 units were redeemed at $2.4225 per unit for a total redemption of $1.89 million. As a result, a net of 2,108,844 units were issued through the private placement for gross proceeds to treasury of $5.1 million. These funds, combined with those raised in August 2017, will be used by the Partnership to support its development activities, which will also be supported by new commercial and construction debt.

In addition, at total of 144,206 units were issued at $2.33 to close a building purchase transaction originally negotiated in 2017 and closed in 2018. Finally, a total of 98,631 units were issued as part of the Distribution Reinvestment Plan ("DRP") in April 2018 for proceeds of $239,000 at a price of $2.4225 per unit. This represented 23.9% of the funds distributed.

| NVD Units Issued - 2017/2018 | Units | | Unit Price |
|---|---|---|---|
| **Units at beginning of 2017** | 21,291,434 | | |
| Net units Summer 2017 Private Placement | 1,313,126 | *6.2%* | $ 2.10 |
| Newunits issued for Main Steele Purchase | 1,200,811 | *5.6%* | $ - |
| New units issued via October 2017 DRP | 160,344 | *0.8%* | $ 2.33 |
| **Total Units Outstanding** | **23,965,715** | ***12.6%*** | |
| New units issued for Many River's Pruchase | 144,206 | *0.6%* | $ 2.33 |
| Net units - issued April 2018 DRP | 98,631 | *0.4%* | $ 2.42 |
| July 2018 Private Placement - NET | 2,108,844 | *8.8%* | $ 2.42 |
| **Total units Oustanding - current** | **26,317,396** | ***9.8%*** | |

Table summarizes net unit issues over the 2017-2018 period

Combined, the Private Placement, the DRP and building-for-units transactions saw a total of 2,351,681 units issued, increasing the unit total by 9.8% during the period to 2,351,681. The increased units support development projects that are anticipated to substantially boost annual yield commencing in 2019 and therefore these transactions are anticipated to be accretive for existing unitholders.

Debt increased utilizing a previously arranged $2.3 million loan facility with Scotiabank to finance Main Steele. The Partnership did not require the funds until it had commenced River's Reach Phase II and had used equity to fund the mortgage until May 2018. The same approach was utilized in respect to mortgages associated with Many River's and the purchase of staff housing in Whitehorse. NVD anticipates drawing down mortgages associated with these projects in the third quarter and deploying the funds on the River's Reach Phase II construction. The Partnership also made onetime reduction payments on mortgages associated with its Nugget Beach property when it sold it during the period and extended a vendor take back loan to the new purchaser, and on the Waterfront Station mortgage when it sold a condominium in that property. These moves had the impact of reducing debt and increasing the Partnership's loan portfolio assets. The combination of the foregoing meant that long term debt increased during the period by $789,000 or 2.4% to $33.0 million, while debt to book value of equity remained constant at the end of the period at 1.04 to 1, the same ratio recorded at December 31, 2017.

A distribution of $1,000,000 or $0.041 per unit was made in the first quarter ($900,000 or $0.042 per unit in the first half of 2017).

***Investment Activities*** While the Partnership closed the $1.12 million purchase of the single tenant Many River's building in the period, the bulk of its investment activities related to the commencement of development of the River's Reach Phase II residential condominium project that saw property under development grow 48.7% to $6.9 million. Loans receivable increased by 54.7% to $1.5 million associated with the aforementioned vendor take back loan arrangement. In all, assets increased 6.1% to a book value of $68.9 million.

***Estimated Net Asset Value*** Management estimates the Net Asset Value ("NAV") of the Partnership is $2.67 per unit, both basic and fully diluted, as at June 30, 2018. This is up 4.7% from $2.55 basic and fully diluted estimated at December 31, 2017. This NAV estimate per unit increase is supported primarily by updated third party appraisals, investment activity in its development projects and some increase in the value of its commercial building portfolio. The Partnership believes that despite a strong improvement in the Yukon economy, building capitalization {"CAP") rates have not changed appreciably and so an adjustment has not been made to these values. While the hotel values would have been up significantly based on income performance, the appraisers have allowed for the impact of new build in the market place, leading to a more modest rise in the value of these properties since the last management estimate.

**Northern Vision Development LP NAV Per Unit History**

| | Annual | | | | | | Six Months |
|---|---|---|---|---|---|---|---|
| | Dec-12 | Dec-13 | Dec-14 | Dec-15 | Dec-16 | Dec-17 | Jun-18 |
| Number of Units | 21,029,970 | 21,029,970 | 21,029,970 | 21,029,970 | 21,291,434 | 23,965,715 | 24,208,552 |
| *Growth in units YoY* | | | | | *1.2%* | *12.6%* | *1.0%* |
| NAV per Unit | $ 1.90 | $ 2.06 | $ 1.98 | $ 2.18 | $ 2.35 | $ 2.55 | $ 2.67 |
| Regular Distribution | $ 950,000 | $ 1,200,000 | | | $ 750,000 | $ 2,500,000 | $ 1,000,000 |
| Development Related | 1,800,000 | 300,000 | | | | | |
| Yearly Distribution | $ 2,750,000 | $ 1,500,000 | $ - | $ - | $ 750,000 | $ 2,500,000 | $ 1,000,000 |
| Distibution per Unit | $ 0.131 | $ 0.071 | $ - | $ - | $ 0.035 | $ 0.111 | $ 0.042 |
| Total NAV | $ 39,956,943 | $ 43,321,738 | $ 41,639,341 | $ 45,845,335 | $ 49,955,998 | $ 61,120,534 | $ 64,646,024 |
| Year over Year NAV/unit Growth | | 8.4% | -3.9% | 10.1% | 7.6% | 8.7% | 4.7% |
| **Enterprise Value ($ millions)** | | | **$ 74.7** | **$ 77.7** | **$ 81.8** | **$ 93.4** | **$ 95.7** |
| **Cummulative Return (NAV + Yield)** | | **12.2%** | **-3.9%** | **10.1%** | **9.2%** | **13.4%** | **5.7%** |

The chart plots overall yield growth annually since 2012, with six month figures for 2018

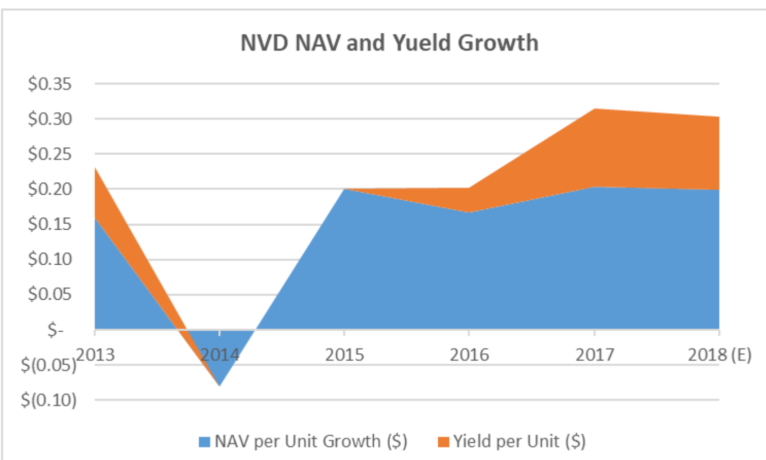
***Summary*** The Yukon economy is strong, the Partnership's operating assets are doing either very well in the case of the Hotel Division, or moderately well in the case of Real Estate Division performance. Development projects are underway with good timing and with the ability to boost Partnership financial performance in a significant way commencing in 2019. The Partnership is undertaking a comprehensive review of both board and senior management succession and the professional hotel management team has reached a new level of performance. Financing activities are well supported and early sales for River's Reach Phase II are encouraging. There is good reason to be optimistic about the future prospects of Northern Vision Development Limited Partnership.

There are risks that the board and management always focus on. The interest rate risk has been reduced substantially due to the shift to fixed rate skew in the debt portfolio and is traditionally one of the largest non-controllable risks faced by the Partnership. While development activities drive an increase in corporate overhead costs associated with increased staffing, the return profile is acceptable on those projects to support that increased investment. There is no reason to believe that the Yukon economy will take a negative turn in the short term, but the pressure on staffing is increasing with one of the lowest unemployment rates in the country. In particular the opening of a new long-term care facility in Whistle Bend has put huge pressure on hotel staffing with the new government sponsored jobs being offered at a substantial premium to what has traditionally been paid by private sector employers. Management is devising strategies to combat these factors, but the stresses are real and impactful in the short term. As NVD focus on being an attractive place to work, it is noteworthy that the Partnership will received (September 2018 in Toronto) the Frontier College Alfred Fitzpatrick Award – the highest honour bestowed by Frontier to organizations annually – as a company in Canada that has shown strong support of literacy. NVD's efforts in assisting our diverse employee group with English as a second language earned this recognition which puts the Partnership in a group of honourees that includes Scotiabank, Random House, Ontario Teacher's Federation, TD Bank Financial Group and others who have received the award over the past decade.

As always NVD keeps a watchful eye on the regulatory and assessment environments which can have both expected and unexpected consequences on economic growth in the territory. The Yukon Territorial Government continues to strive to support a business-friendly environment which creates helpful outcomes. The partnership between NVD and the Federal and Territorial Governments is a case in point and is likely to have meaningful impact on the diversification of the Yukon economy in future.

In summary, 2018 is providing for a reasonable transition year between a period where the Partnership was focused on balance sheet improvement and growth of sustained yield, and a new period, commencing in 2019, where sustained yields can be bolstered by development related income and organic growth.

**Per Unit NAV and Yield contributions**




**Using estimates for the last half of 2018, the chart shows the annual NAV per Unit and Yield per Unit contribution components commencing with 2013.**

*Solid operating results were recorded in the first six months*

## CEO's Letter to Unitholders

**Dear Unitholders:**

I am pleased to report on our affairs as we have entered an exciting phase in the Partnership's growth plans. The recent recession and subsequent renewal period in the Yukon provided the opportunity to focus on strengthening the Partnership's balance sheet, generating income from sustained sources and establishing a strong foundation for future growth. We invested in the quality and depth of our management team, while returning to regular yield punctuated by making two distributions in the 2017 year for the first time in NVD history.

These moves have allowed us to present a more attractive investment opportunity leading to a quarter of our unitholders electing to participate in our Distribution Reinvestment Program ("DRP") and allowing us to complete successful financing programs in the summers of 2017 and 2018. With equity raised, strong economic winds at our back and an improved northern Canadian economy, we are now embarking on development activities which should boost our yields through the provision of special development-related distributions commencing in 2019.

**Commentary on the Results for the First Six Months of 2018**

Previous sections of this report provided a snapshot of our financial performance during the first six months of 2018. I will not repeat that information here, other than to comment that we are pleased to see continued growth in total comprehensive income despite our conscious decision to increase interest expense by shifting to a fixed rate skew. This decision meant a significant increased interest expense during the period, however given the three interest rate increases by the Bank of Canada subsequent to our decision in June 2017, our variable rate debt would have already moved to the same level as the fixed rate eight-year term debt that we secured last year. We felt that reducing our exposure to future interest rate risk was the prudent move and so far, it looks like we got the timing exactly right.

We have consolidated our Hotel Division and NVD management teams in one office which has created some unfilled vacancy that we are in the process of filling. While this has temporarily increased costs, synergies resulting from the consolidation are obvious to us and continue to be reflected in both Hotel Division operating results and administrative synergies through sharing of resources. While the space in the hotels has been almost entirely backfilled with expansion of the retail space for Elements Spa and the increased office space provided to a key client – Northern Tales – the cost of this move will be further reduced as vacancies created in Waterfront Station are fully backfilled.

Depreciation is up as the return to renovation, acquisition and development spending over the past few years now shows up fully in our amortization expenses. While this cost does not impact the calculation of AFFO upon which our yield is determined, it is our biggest expense and therefore the increase has material impact on reducing total comprehensive income. Of all our General Expenses, amortization by far the largest, being 70% more than Interest Expense and more than double wage expenses which are the other two material expense items. Alone, the increase in Amortization contributed 59% of the total increase in General Expenses.

**Review of Operations - Hotel Performance and Outlook**

Following is a high-level summary of divisional performance with additional information available in our Management Discussion and Analysis section of this report.

In the Overview and Highlights sections we have noted that the first six months of 2018 saw Hotel Division revenues up 15.2% and associated Income from operations up 17.8% - record levels for the first six months. It is safe now to predict full year record results in 2018, with the potential to exceed margin contribution from the Hotel Division of above $5.0 million for the first time. While the first six months have seen very strong growth, the months of July and August are also well ahead of expectations and past experience. Each property in the division set new room revenue records in June 2018, only to have those broken in July.

Demand is strong, but that has a downside as well. The performance of the hotel market in Whitehorse has attracted competition and a new hotel build is underway. NVD is considering its own new-built hotel, and if we move ahead we will likely be the first to put in a branded new-built product in the marketplace, providing a distinct advantage. The feasibility study we have commissioned gives us reason to believe that we would suffer limited cannibalization and protect our market share by moving ahead with an 80 to 100 room product on our Main Street lands. We will make a go no-go decision on this soon. If we do move ahead we will once again seek financing support through a Private Placement.

The growth in our Hotel Division is particularly satisfying this year in that all four of our properties are contributing. While the Edgewater Hotel emerged as a participant in division performance growth last year after our renovation of that property, the Downtown Hotel in Dawson was a challenge. With increased management oversight, this year the Downtown is leading overall division growth in percentage terms and is providing the type of results at the top and bottom line that we anticipated when we made the investment. The Edgewater has continued to grow in both occupancy and Average Daily Rate ("ADR") and is on track to meet the three-year investment objectives we had set for it post-renovation, a year earlier than expected. The Coast High Country Inn recorded a breakout year in 2017 and is on track to deliver similar results this year – with rooms division margins on the rise, offset by an investment in an events program that is driving revenue growth but not profit in 2018. We expect the investment in the events program to drive positive profit outcomes in future years at the bottom line as well. Finally, the consistent performance from our flagship Best Western Gold Rush Inn continues, and we appear to be on track to once again establish record top and bottom line performance for that property.

Growth has been significant in the division since 2014, but there is still some room for occupancy growth and improvements in ADR. Both the Edgewater and Downtown hotels have considerable capacity, particularly in the slower seasons, and so future organic growth is expected for these properties. New hotel product will have some short-term impact on performance to be sure but is unlikely to have a major impact in the longer term. Recent CBRE appraisals pushed the value of the properties up from the levels included in the December 2017 NAV estimates even though they considered the impact of future new build product in the marketplace. NVD expects to do very well in protecting its market share as new-built rooms emerge in the coming years.

**Rental Division Performance and Outlook**

Rental Division margin contribution for the period was up 9.8% year over year to $1.27 million. The chart below summarizes current vacancy in the portfolio as at June 30, 2018. Vacancy has dropped to 7.1% in the commercial portfolio and 7.0% overall. Adjusted by taking inventory for sale out of the equation and we are at 6.1%. There are Letters of Intent ("LOI") out as well on some of the vacant space, so we are currently on track to potentially reach the objective of vacancy below 5% before the end of the current year.

Vacancy at Waterfront Station increased due to the closure of the Wheelhouse Restaurant. We currently have a LOI out on that space to a party seeking to operate the space as a brew pub which we anticipate will have a better outcome in those premises.

| NVD Property Vacancy Rate ( Adjusted for JVs) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Property | % | Leaseable SF (Total) | Vacant Square Footage (Total) | NVD Ownership | Leaseable SF (Net) | Vacant Square Footage (Net) | 2018 Vacancy Rate |
| NVD Place | 26.2% | 46,893 | 3,847 | 100% | 46,893 | 3,847 | 8.2% |
| Yukon Centre Mall | 22.5% | 40,354 | - | 100% | 40,354 | - | 0.0% |
| Waterfront Station | 15.3% | 27,359 | 7,778 | 100% | 27,359 | 7,778 | 28.4% |
| MainSteele | 10.0% | 17,906 | - | 100% | 17,906 | - | 0.0% |
| Spook Creek Station | 5.6% | 10,107 | - | 100% | 10,107 | - | 0.0% |
| 166 Titanium Way | 4.2% | 7,606 | - | 33% | 2,485 | - | 0.0% |
| 170 Titanium Way | 0.7% | 1,268 | - | 67% | 845 | - | 0.0% |
| Nugget Beach | 2.1% | 3,680 | - | 100% | 3,680 | - | 0.0% |
| Pizza Hut/Marble Slab | 2.5% | 4,413 | - | 100% | 4,413 | - | 0.0% |
| Gold Rush Inn | 2.0% | 3,499 | 652 | 100% | 3,499 | 652 | 18.6% |
| Edgewater | 3.6% | 6,400 | - | 100% | 6,400 | - | 0.0% |
| Many River's Building | 2.8% | 5,000 | - | 100% | 5,000 | - | 0.0% |
| Carcross | 0.8% | 1,384 | - | 50% | 692 | - | 0.0% |
| Mighty Wash | 1.2% | 2,168 | - | 100% | 2,168 | - | 0.0% |
| Trade Centre 1 | 0.5% | 960 | - | 100% | 960 | - | 0.0% |
| **Subtotal Commercial** | **100%** | **178,997** | **12,277** | 97% | **172,761** | **12,277** | **7.1%** |
| River's Reach (2 units) | | 2,505 | - | 100% | 2,505 | - | 0.0% |
| **Total** | | **181,502** | **12,277** | | **175,266** | **12,277** | **7.0%** |
| **Net Out Sales Inventory** | | | | | | | |
| * Waterfront Station | | **1,686** | | | **173,580** | **10,591** | **6.1%** |

**NVDLP Rental Portfolio Vacancy** *NVD Place vacancies have been addressed during the past period, however the loss of the Wheelhouse Restaurant at Waterfront Station has increased vacancy in that project. The move of NVD Hotel Management into Main Steele also caused vacancy at Waterfront Station to increase and had the same impact at The Best Western Gold Rush Inn, although there it was mostly offset by expansion of the Elements Spa and the Northern Tales office space.*

The result of the NVD office space consolidation in our Main Steele and the loss of the Wheelhouse restaurant means that Waterfront Station is once again the main target of our leasing efforts. Signficant success occured during the period in addressing vacancies at NVD Place. There is a small residual vacancy at the Best Western Gold Rush Inn created by the consolidation of the Hotel Division management offices with NVD's head office at Main Steele, although most of the vacancy created there was covered off by the expansion of Elements Spa into a beautiful new space in the Best Western Gold Rush Inn as well as the expansion of the Northern Tales office at the hotel. A small retail space is still available and is likely to be leased shortly, as a number of discussions are underway.

A number of other projects are under consideration by NVD Board and management at the writing of this report that may see the Partnership acquire additional assets that would be accretive to NVD on a building for units basis, or through direct purchase. In addition, several development opportunities and joint ventures are being evaluated. We will report more on these in our 2018 Annual Report to Unitholders should they develop into solid opportunities.

**Outlook and Events in 2018**

There were a number of important events that were started in the first half of 2018. Our River's Reach Phase II development involves construction of 44 luxury condos in two buildings sitting atop inground parking on our waterfront lands. Styled after the successful River's Reach Phase I, these condos offer larger interior spaces and larger outdoor living spaces than the sister project. We launched to great excitement in the community on May 24th and early demand for units has exceeded our expectations. The project qualified for a $500,000 tax deferral from the City of Whitehorse which is payable to the developer (and therefore allows us to price the units appropriately) and comes with a matching grant program from Yukon Housing that is in the form of a direct grant to the project. Both of these grants assist with making the project possible given normal return on investment expectations.

The River's Reach Phase II project, and others lining up behind it, will mean an extended development cycle for NVD over the next five years. This is likely to boost distributions that have recently been based primarily on income from sustained sources. We look forward to commencing such enhanced yield payments in 2019. Other projects to follow include the Waterfront Station Phase II commercial project, River's Reach Phase III and our Whistle Bend project. A decision to advance on a new built hotel is also possible. Each of these will either contribute one-time yield enhancement from condo sales or organic growth in commercial or Hotel Division revenues and margins. We are delighted to have the economic backdrop and the balance sheet strength to be able to undertake these projects.

At our May board meeting a financing of between $5 and $7 million to be completed at a 5% discount to the prevailing Net Asset Value ("NAV") per unit or $2.4225 was approved. I am pleased to report that we raised the maximum amount, while making $2 million in liquidity available to those wishing to exit the partnership. Just under $1.9 million of the offered liquidity was taken up. We will continue to try to provide liquidity whenever we are in the market raising funds so that unitholders can utilize regular and well-organized opportunities to exit if required.

Our DRP has been a success with investors. Also offered at a 5% discount to prevailing estimated NAV per unit this program saw 23.3% of distributions reinvested in the inaugural opportunity in October 2017, rising to 23.9% in April 2018. With new elections that have come in subsequently, we now have 32.3% of distributions elected for reinvestment when our next distribution is paid.

With both the DRP and the private placement taking place at a 5% discount to NAV per unit we are bringing in funds at a reasonable price, while also allowing our new investors and upside associated with the very accretive projects their investment supports. We are delighted to have the equity support we have received and are now engaged in coupling that with both long term and construction financing. We have let our debt to market equity ratio creep down to very conservative levels and will use some of the debt headroom to put long term debt in place that will cycle through projects we are either engaged in or contemplating. This will increase our leverage going forward and put less pressure on the amount of equity required. Some construction financing will still be utilized for the project, but it will be limited and paid out easily from proceeds from initial sales. By taking this approach we will balance out our debt to equity ratio in a manner that is more comparable to our peers. Having said that, it was important to take a conservative stance in this area during times of economic recession in the Yukon and we believe we have the timing right to once again increase our leverage ratios.

**NAV Estimate**

Increase in estimated NAV to $2.67 per unit is based on updated appraisals of our hotel properties and estimates based on recent third party estimates of our commercial projects. As noted earlier, the hotel appraisals are up above our December 31, 2017 management estimates, but the values have been tempered by the appraiser to reflect expectations of new built hotels in the marketplace. This NAV per unit value represents an increase of 4.7% over December 31, 2017.

**The Economy**

Economic prospects in the Yukon are encouraging. Victoria Gold has raised and is deploying over $500 million on its Eagle Gold project and other mining projects are at various stages of review. Conference Board and Yukon Territorial Government projections both suggest that there is a good possibility of long term growth in the Yukon. Population in the Yukon continues to expand which also continues to GDP growth and economic demand. But it has also put pressure on housing which has a negative impact for NVD's Hotel Division as it makes it difficult to attract staff. We have responded with the purchase of staff housing and have evaluated other tactics to attract and retain employees, but with the long-term care facility in Whistle Bend hiring large number of employees at higher rates, we are seeing pressures from the more robust economy. As always, your Partnership is looking at ways to properly compete and succeed.

Unemployment rates are the lowest in the country which has made it important to attract strong people from outside the Territory. During the period we were delighted to welcome Taylor Zeeg who joined us from Prince Rupert, BC where he worked for Metlakatla Development Corporation. Taylor joins us as our Director, Real Estate and has already made a solid contribution to NVD. NVD continues to be a premier place of employment and our reputation allows us to continue to attract quality staff to our Hotel Division, at all levels. The excellent results of the efforts of that team are well documented in this report.

The board composition has changed at NVD as well. In late 2017 Lori Simcox joined the board as reported in our 2017 annual report. Lori has already made a solid contribution as a board member and as a member of the Board's Audit Committee. In June 2018 Myron Tetreault stepped down from the board after fourteen years of service. Myron was a co-founder of NVD and has made an enormous contribution during that time span and his contributions include ensuring that strong Governance is in place in the Partnership, and that audit standards are set at the highest of levels. He has also contributed in attracting an investment following for NVD right from the early stages of the Partnership. Myron has worked tirelessly as a thoroughly engaged and detail-oriented board member and his presence will be missed. The board and its governance committee are thoroughly engaged in a formal succession planning exercise aimed at looking at board composition and recruitment as well as senior management succession planning. This exercise is aimed at ensuring the long-term health and success of the Partnership.

**Summary**

NVD is an important contributor to the Yukon Territory. We are delighted to have developed a strong reputation and to undertake our work in a manner that rewards investors while having an important impact on the communities in which we operate. We have continued to offer strong support to charities and community organizations. We continue to expect that our senior team will all play lead roles on community organizations and NGOs in a manner that engages NVD while supporting the positive growth of industries and communities in which we operate.

Our River's Reach Phase II project will make a positive impact on the waterfront community that we are building at the north end of downtown Whitehorse and we look forward to having a similar impact when we commence developing our Whistle Bend commercial assets. Our hotels continue to live at the top of the Trip Advisor listings and we continue to receive strong endorsements from our guests.

I am proud to serve as CEO of such a reputable organization staffed with such committed individuals. This coming year will mark, for me, a decade in this position and fifteen years since co-founding the Partnership with Trevor Harding, Piers McDonald, and Myron Tetreault. I know that we could not have achieved what we have without the significant support of so many people. The list includes an incredibly dedicated group of board members, a staff that works tirelessly and focuses on continuous improvement, a community that includes a supportive Mayor and Council in Whitehorse and a strongly led Territorial Government. It also includes flexible and committed financial institutions, led by BDC, who provide the solutions we are looking for and need in Canada's north. Most importantly, the list includes a group of engaged investors that, along with financial support, offer the kind of input and encouragement that is greatly appreciated. It all adds up to a very successful formula and I am honoured to be part of it. I look forward to reporting to all of you again at the end of the year.

**On behalf of the Board of Directors,**

**Sincerely,**
**Northern Vision Development Limited Partnership**

**Richard S. Thompson**
**Co-founder and Chief Executive Officer**

## Management's Discussion and Analysis of the Financial Results

The financial statements of Northern Vision Development Limited Partnership, which are unaudited and prepared by management, as at and for the period ended June 30, 2018, are included with this semiannual 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 June 30, 2018 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 International Financial Reporting Standards ("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 June 30, 2018 long term debt was $33,018,584 a $788,539 (2.4%) increase during the period (December 31, 2017 - $32,230,045). This increase was the net result of the advance of a new $2.3 million mortgage on the Main Steele building less regular and one-time mortgage repayments in the period.

In the period NVD made principal repayments of $1,564,147. This total comprised regular repayments of $985,823 (2017 $843,508) and two non-regular payments totaling $578,324 (2017 - nil) related to sales of properties where some of the proceeds were applied to loan balances to maintain coverage ratios. The $142,315 or 16.9% increase in regular payments over the semi-annual reporting periods is a result of both the debt assumed in the last 12 months and the full assumption of the Hotel debt facility after the Edgewater renovations; namely an increase in principle payments from $52,405 per month to $73,875 in June 2017.

**Weighted Average Cost of Debt**: At June 30, 2018 the weighted average cost of long term debt increased to 4.34% (December 31, 2017 – 4.19%). This increase was a result of three factors; assumption of the $2.3 million Main Steele mortgage at a rate of 4.62%, non-regular principal payments as discussed above of which the majority ($503,324) from mortgages with rates that were under the Limited Partnership's average cost and the 0.25% increase in the cost of variable rate debt in the reporting period. After period end, there was a further 0.25% increase in the variable rate debt announced on July 11, 2018.

NVDLP's debt includes 75% fixed rate and 25% variable rate loans at June 30, 2018 (December 31, 2017 - 79% fixed and 21% variable). Fixed rate debt had an average cost of 4.18% (December 31, 2016 –4.20%). Variable rate debt was at 4.84% as at June 30, 2018 (December 31, 2017 – 4.62%).

The Total debt to equity ratio remained constant, 1.04:1 (December 31, 2017 - 1.04:1).

Currently, the Partnership is exposed to interest rate risk with each 1% rise in its variable interest rates responsible for an annual increase of $83,345 in interest expense. (December 31, 2017 - $64,995).

**Equity Fundraising:** In March 2018 the Partnership closed a building purchase ("Many Rivers") for a total of $1.12 million involving cash and units. A total of 144,206 units were issued at $2.33 per unit. In April 2018 a DRP saw 16 unitholders elect to reinvest, resulting in the issuance of 98,631 units valued at $238,934 and representing 23.8% of the distribution. Combined, during the period, a total of 242,837 units were issued for a total consideration of $574,930. Subsequent to the reporting period a Private Placement completed on July 27, 2018 wherein a total of $7,000,187 was raised through the issuance of 2,889,654 units at $2.4225 per unit with exiting unitholders electing to sell 780,810 units at $2.4225 per unit at a cost of $1,891,512. Accordingly, a total of $5,108,675 was raised by the Partnership through the issuance of a net 2,108,844 units.

**Retention Awards**

At period end, a total of 83,442 retention awards with a value of approximately $212,778 were granted to directors who elected to take the units in lieu of cash since 2014. (December 31, 2017 - 54,375 and $122,343). During the period 20,199 units were redeemed for consideration of $51,305 (2017- nil).

Senior employees, by the same program, are entitled to receive units over a three-year vesting period. At June 30th, 2018 this liability was 83,015 units with a value of $211,688 (2017 33,612 and $78,988). During the period 4,902 units were redeemed for $12,500 (2017 – 15,112 and $35,514).

In total a liability of $424,466 (December 2017 $302,222) has been accrued for vested retention awards not redeemed.

**Working Capital**

*Accounts receivable* at June 30, 2018 decreased to $1,460,101 from $1,802,700 at the end of 2017. The decrease incorporates the receipt of one-time lease termination payment of $735,000 in January 2018 and adds amounts currently due from the innovation center renovation of $286,000 which are nonregular in nature. Removing this latter unusual balance, accounts receivable for sustaining operations at June 30, 2018 of $1,174 million are comparable to the $1.247 million balance reported at June 30, 2017.

*Accounts payable and accrued liabilities* totaled $3,948,486 at period end (2017 - $1,588,281). This $2.36 million increase is primarily a result of the development activities at River's Reach Phase II of $1.58 million and the Innovation Centre $0.86 million. Payables related to the Innovation Hub are flow through in nature and billings to the Innovation Centre related to bills received at the end of June were not processed until the beginning of July. The River's Reach balances will be paid from cash flow, equity raised and eventually from debt drawn down against the project.

*Loans receivable* increased by $513,385 during 2018, following a reduction of $391,022 in 2017. The balance stood at $1,452,597 at period end (December 31, 2017 - $938,762). During the period two new loans were advanced: $450,000 as part of the sale of the Nugget beach property (total proceeds were $740,000) and a net $94,500 was advanced to the Dawson Downtown Limited Partnership to assist in the purchase of staff accommodation in Dawson. The Partnership utilizes vendor take back and tenant fit up loans from time to time to advance projects that are of interest to the Partnership, but generally looks to buyers to source commercial financing options.

**Development Activities**

The Limited Partnership commenced development of River's Reach Phase II in the period. During the period direct expenditures of $2,283,294 were incurred (2017 $249,630). The balances were also increased by capitalized property taxes on development properties of $33,134 and capitalized interest on the Whistle Bend lot of $34,384 during 2018 (2017 -$31,896 and $34,384).

**Capital Expenditures on Property and Equipment**

The partnership spent $2.82 million on property and improvements in the period (2017 - $2.88 million). A total of $638,000 was spent on regular hotel improvements (2017 - $615,000) The Partnership spent $1.13 million in cash and units to acquire the Many Rivers building, $455,000 was spent on acquiring a residential property to accommodate contractors with the Rivers Reach property in the short term and provide hotel staff accommodation over the long term, $117,574 was expensed on general and corporate assets (two vehicles, storage sea cans and fit out for a new office) and the balance of $479,673 that was spent on property renovations.

**Operating Activities**

Revenues: Revenues increased by 6.9% to $9.39 million in 2018 (2017 – $8.92 million). Hotel revenues were up 15.2% to $7.60 million in 2018 (2017 $6.60 million). Rental Revenues were up 13.5%, to $1.61 million (2017 - $1.42 million). $576,413 reported in 2017 related to revenues from the sale of the last three Titanium Way Business Park lots, with no revenues recorded in 2018 from this source. The Mighty Wash car wash and other operating activities experienced an 8.5% decrease in revenues from $195,720 to $179,141, primarily related to extraordinary weather events during this period versus a year ago as well as from some temporary closures related to maintenance and upgrade requirements.

Gross profit and Direct expenses: Direct Expenses were up by 7.1% to $6.02 million (2017 - $5.62 million). Expenses in the Hotel Division were up 14.3% to $5.56 million as would be expected given the increase in division revenues which increased at a faster pace and having the Edgewater hotel operational for the full six months as compared to 10 weeks in the comparable period in 2017. However, these expenses were also increased due to increased energy cost associated with significant periods of cold weather and commodity price increases.

Despite an increase in Rental Division revenues of only 13.5%, expenses increased by 30.3% due to higher than expected energy costs for vacant spaces and new leased undertaken on a gross lease basis as well as continued investment by the Partnership in property management services which it is growing as an operating division. Despite a decline in revenues, car wash expenses increased by 5.7% due to overlap in costs associated with management transition and higher maintenance and repair costs.

*Gross profit* improved 6.44% to $3.38 million as a consequence of the foregoing, which was 37.3% of revenue (2017 - $3.17 million and 36.0%).

Expenses: *Amortization expense* increased by 17.7% to $1.141 million in 2018 (2017 - $970,000) reflecting the property acquisitions in late 2017 and the period, and the impact of the new cost of the renovated Edgewater hotel.

*Interest expense* increased by 14% to $672,122 (2017 - $589,706 million). This increase is directly related to the assumption of new debt since the last reporting period and the 0.75% increase in the cost of the limited partnership's variable rate since June 30, 2017 as well as the decision by the Partnership to reduce risk and increase interest cost by moving to a fixed rate debt skew in June 2017, with associated higher interest cost on the fixed rate debt assumed at that time.

*Wages expense* represents staff not directly working in operational areas such as Hotels. The $536,447 expense incurred in 2018 (2017 - $543,229 represented a 1.2% decrease from the previous year. Bonuses of $30,000 associated with certain pre-defined performance objectives (2017 - $15,000 in management bonuses) are included in this amount.

The Partnership's *Office expenses* increased by 64.1% to $87,303 (2017 - $53,201). This $34,102 increase reflects the effects of the relocation and consolidation of the partnerships' offices in October 2017 to the single Main Street location and the associated increases in overheads ($10,427), telecommunications ($6,800) and $17,000 in general office expenses. Some of these costs were previously captured in Hotel direct costs.

*Governance costs* decreased 3.3% to $74,141 for the period (2017 - $76,655). Whilst salaries paid to board members increased slightly, there was a matching decrease in travel and other expenses.

*Professional fees* increased 24.7% to $36,683 in 2018 (2017 - $29,409). The increase results from the accrual of additional audit fees anticipated with the conversion to IFRS for the year ended December 31, 2018.

*Marketing expenses* decreased by 2.0% in 2018 to $20,740 from $21,165 in 2017. Expenses incurred relate to regular activities. Marketing related to the Partnership's development activities were $24,889 and were capitalized as part of those projects (2017 – Nil).

*Travel costs* are primarily associated with the regular charges to fly the CEO from Calgary to Whitehorse to maintain a strong presence in the local market. There was no material change in this activity between the reporting periods and the expense in 2018 of $20,197 was only $391 more than 2017's, a 2.0% increase.

Due to all the factors noted above, expenses increased by 12.6% to $2.59 million (2017 - $2.30 million).

Income from operations: Income from operations decreased by $84,336 or 9.6% to $789,956 (2017 - $874,292). 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 Partnership increased this loan portfolio in the period and as a consequence income from this source increased by 61.9% to $43,846 in the period (2017 - $27,086).

*Gains on sales* improved by 433.3% to $339,778 in 2018 (2017 - $63,707). In the period the Partnership sold a commercial condominium unit at Waterfront Station pursuant to an option given in a lease signed in 2013 and the 'Dominos' building at the Nugget Bach property was sold in April. The strong increase in gains from sales offset the fact that the Partnership had no margin contribution from Sale of properties held for sale in the current period. As both our one time "gains" the appropriate comparative is gains from disposal of property and equipment in 2018 of $339,778 in the current period, versus combined margin from Sale of properties held for sale and gains from disposal of property and equipment of $258,026 in the same period in 2017.

2018 *Total Comprehensive Income* improved by 21.6% to $1.17 million (2017 - $0.97 million). This resulted from the combination of all of the foregoing explanations.

**Units Outstanding**

With the Many Rivers acquisition, and the units issued in the DRP, the partnership ended the period with 24,208,552 units outstanding (December 31, 2017 – 23,965,715) which is a 1.0% increase in the number of units outstanding.

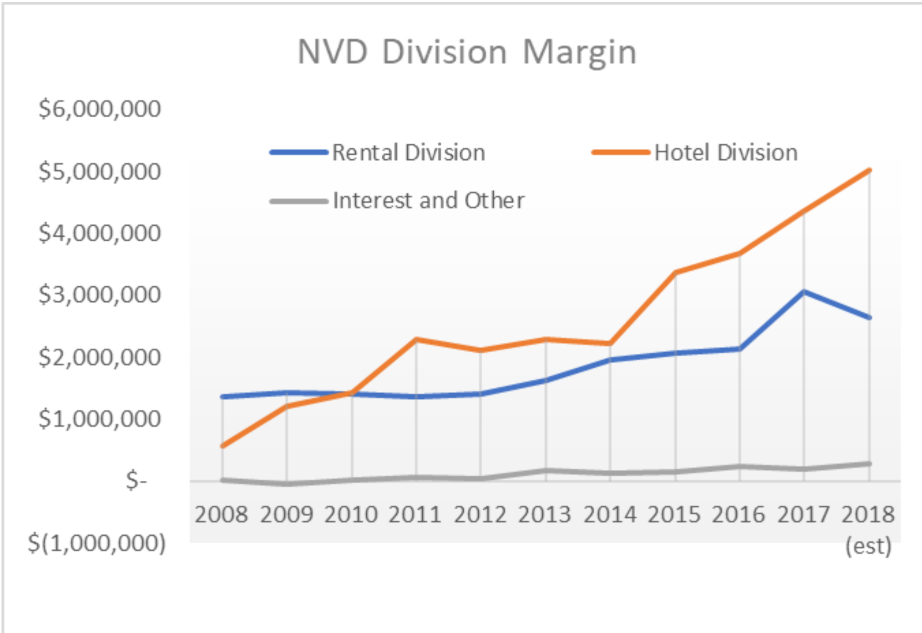
## Risk

As previously reported, NVD carried risk associated with amounts owed by restaurant tenants. Of the three restaurant tenants that were in this category, one has closed with debts associated with that enterprise being written off in previous periods. We do not anticipate any further material costs or gains associated with that enterprise. The remaining two restaurants are both making payments on the amounts outstanding to NVD and meeting regular rent payment requirements. A fourth restaurant is current, but has advised NVD it will not be renewing its lease at the end of the current term. Accordingly, we see this risk as having been reduced during the period.

The Partnership is always exposed to interest rate risk, wherein the Bank of Canada can move to change rates with the financial institutions that NVD deals with normally following these moves. This can change the rates charged on the Partnership's variable rate debt. As discussed earlier in this analysis, NVD has taken steps to reduce the risk associate with these fluctuations by increasing the skew to fixed rate debt in its mortgage portfolio. Management believes that its current weighing of fixed versus variable debt is a prudent mix.

Finally, Hotel Division performance is impacted by currency fluctuations, energy costs and other factors outside management control such as increased competition. Management is focused on managing the downside associated with such risks.

## Division Margin Performance




The graph illustrates margin contribution from each of NVD's key divisions for the past eleven years, with 2018 based on actual to date and estimate for the balance of the year.

The strong growth in Hotel Division contribution has been clearly evident over the last four years. The Real Estate Rental Division is skewed in 2017 by a material one-time lease termination payment of $700,000, otherwise it would also exhibit continuous growth over quite a number of years, albeit at a pace slower than the growth in the hotel division.

Other contributors including interest income and car wash margins remain somewhat material but have limited impact on the Partnership's overall results.

**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 ("ASPE"). 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 and approve the partnership's semiannual financial statements 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 as at and for the period ended June 30, 2018 have not been audited.

August 15, 2018

On behalf of the Board:

Lori Simcox

Lori Simcox, Director and Audit Committee member

Piers McDonald

Piers McDonald, Director and Chairman of the Board

## Northern Vision Development Limited Partnership
## Consolidated Statements of Financial Position

| ***As at*** | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| | ***(unaudited)*** | *(audited)* |
| **ASSETS** | | |
| Cash (note 2) | **$ 2,413,920** | $ 2,323,092 |
| Accounts receivable | **1,460,101** | 1,802,700 |
| Inventories | **205,778** | 234,781 |
| Loans receivable (note 8) | **1,425,597** | 938,762 |
| Property and equipment (note 3) | **55,639,278** | 54,425,035 |
| Property under development (note 4) | **6,877,680** | 4,625,090 |
| Other (note 5) | **865,502** | 629,526 |
| | **$ 68,914,856** | $ 64,979,986 |
| **LIABILITIES & PARTNERS' EQUITY** | | |
| Accounts payable and accrued liabilities | **$ 1,948,486** | $ 1,588,281 |
| Customer deposits | **228,861** | 191,244 |
| Long term debt (note 7) | **33,018,584** | 32,230,045 |
| | **37,195,931** | 34,009,570 |
| **Partners' equity** (note 14) | **31,718,926** | 30,970,436 |
| | **$ 68,914,856** | $ 64,979,986 |

On behalf of the Board:

Lori Simcox, Director and Audit Committee member

Piers McDonald, Director and Chairman of the Board

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

## Northern Vision Development Limited Partnership
## Consolidated Statements of Partners' Equity

| | Six Months Ended June 30 2018 | Year Ended December 31 2017 |
|---|---|---|
| **Partners' equity**, beginning of period | **$ 30,970,416** | $ 24,558,982 |
| Net income for the period | **1,173,580** | 3,137,889 |
| Units issued | **574,930** | 8,404,032 |
| Units redeemed | **-** | (2,547,112) |
| Issuance costs | **-** | (83,375) |
| **Partners' equity**, before distribution | **32,718,926** | 33,470,416 |
| Less distribution | **(1,000,000)** | (2,500,000) |
| **Partners' equity**, end of the period | **$ 31,718,926** | $ 30,970,416 |

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

## Northern Vision Development Limited Partnership
## Consolidated Statements of Comprehensive Income

| For the six months ended June 30, | | 2018 | | 2017 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Hotels | $ | **7,601,207** | $ | 6,598,079 |
| Rentals | | **1,613,833** | | 1,421,306 |
| Sale of properties held for sale | | **-** | | 576,413 |
| Other operations | | **179,141** | | 195,720 |
| | | **9,394,181** | | 8,791,518 |
| **Direct expenses** | | | | |
| Hotels | | **5,557,812** | | 4,863,342 |
| Rentals | | **342,286** | | 262,736 |
| Cost of properties held for sale | | **-** | | 382,094 |
| Other operations | | **115,175** | | 108,927 |
| | | **6,015,273** | | 5,617,099 |
| **Gross profit** | | **3.378,908** | | 3,174,419 |
| **Expenses** | | | | |
| Amortization | | **1,141,319** | | 970,031 |
| Interest | | **672,122** | | 589,706 |
| Wages | | **536,447** | | 543,229 |
| Office | | **87,303** | | 53,201 |
| Governance | | **74,141** | | 76,655 |
| Professional fees | | **36,683** | | 29,409 |
| Marketing | | **20,740** | | 21,165 |
| Travel | | **20,197** | | 19,806 |
| Bad debt expense | | **-** | | (3,076) |
| | | **2,588,952** | | 2,300,127 |
| **Income (loss) from operations** | | **780.956** | | 874,292 |
| **Other income** | | | | |
| Interest income | | **43,846** | | 27,086 |
| Gain on disposal of property and equipment | | **339,778** | | 63,707 |
| **Total Comprehensive Income** | **$** | **1,173,580** | $ | 965,085 |

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

## Northern Vision Development Limited Partnership
## Consolidated Statements of Cash Flows

| For the six months ended June 30, | 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income for the period | $ 1,173, 590 | $ 965,085 |
| Add back | | |
| Amortization of financing fees | 15,195 | 16,449 |
| Amortization of other assets | 7,297 | 7,297 |
| Amortization of property and equipment | 1,118,827 | 946,285 |
| Gain on disposal of property held for sale | - | (194,319) |
| Gain on disposal of property and equipment | (339,778) | (63,707) |
| | 1,975,121 | 1,667,091 |
| Changes in non-cash working capital balances | | |
| Accounts payable and accrued labilities | 2,360,205 | 135,167 |
| Accounts receivable | 342,599 | (519,498) |
| Other assets | (235,976) | (257,481) |
| Deferred revenues | 29,003 | 44,500 |
| Customer deposits | 37,617 | 16,778 |
| | 4,508,569 | 1,096,557 |
| **Cash flows from investing activities** | | |
| Loans receivable | (513,835) | 131,326 |
| Proceeds on sale of property | 834,745 | 788,463 |
| Purchase of property | (5,100,078) | (2,878,510) |
| | (4,779,168) | (1,958,721) |
| **Cash flows from financing activities** | | |
| Financing fees paid, net | 21,992 | 6,490 |
| Advances of long-term debt | 2,328,653 | 1,749,930 |
| Units issued | 574,4929 | |
| Distribution to unitholders | (1,000,000) | (900,000) |
| Repayment of long-term debt | (1,564,147) | (843,508) |
| | 361,427 | 12,912 |
| **Increase (decrease) in cash during period** | 90,830 | (849,252) |
| **Cash, beginning of period** | 2,323,092 | 947,204 |
| **Cash, end of period** | $ 2,413,922 | $ 97,952 |

*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, residential and hospitality real estate located in Whitehorse, Yukon.

The partnership consists of a general partner, Northern Vision Development Corp., and a number of limited partners holding partnership units.

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

### Basis of Accounting

These financial statements reflect only the assets, liabilities, revenue and expenses of the Partnership and therefore do not include any other assets, liabilities, revenues or expenses of the partners or the liability of the partners for income taxes on earnings of the Partnership. These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

### Basis of Consolidation

The consolidated financial statements include the financial statements of the Company its controlled subsidiaries and joint venture interests. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income for the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany transactions and balances are eliminated on consolidation. The financial statements of the Company’s subsidiaries are prepared using consistent accounting policies and the same reporting date as the Company. These consolidated financial statements include the accounts of the partnership and wholly owned subsidiaries Iditarod Landscaping Inc.44588 yukon Inc. and 45978 Yukon Inc., the partnerships 50% interest in the Dawson Downtown Partnership and its other joint venture interests.

### Partnership

The financial statements reflect the accounts of the partnership only and consequently, do not include all assets, liabilities, income and expenses of the partners. No provision has been made in these accounts for partners' remuneration, interest on invested capital or income taxes.

### Inventories

Inventories consist of residential properties held for sale and hotel supplies; which are valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis. A provision is raised when it is believed that the costs incurred will not be recovered on the ultimate sale of the inventory.

### Property and Equipment

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

| Category | Method | Rate |
|---|---|---|
| Automotive | Declining balance basis | 30% |
| Buildings | Declining balance basis | 4% |
| Computer equipment | Declining balance basis | 30% |
| Furniture and fixtures | Declining balance basis | 20% |
| Paving and landscaping | Declining balance basis | 8% |

## 1. Summary of Significant Accounting Policies (continued)

### Impairment of Long-Lived Assets

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

### Income Taxes

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

### Revenue Recognition

Properties are rented to tenants pursuant to rental agreements, which provide for various rental terms with nonrefundable rental payments. The rental agreements may be terminated at any time by the tenant without further obligation or cost upon sufficient notification. Revenue from rental agreements is recognized over the rental term as amounts become due.

Hotel revenue is recognized as services are provided.

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

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

### Use of Estimates

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

### Property 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 income for the partnership.

### Non-Monetary Transactions

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

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

## 1. Summary of Significant Accounting Policies (continued)

**Jointly Controlled Assets**

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

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

**Financial Instruments**

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

## 2. Cash

| As at June 30, | **2018** | 2017 |
|---|---|---|
| Restricted | **$ 389,343** | $ 130,244 |
| Unrestricted | **2,024,577** | 2,192,848 |
| | **$ 2,413,920** | **$ 2,323,092** |

Restricted cash consists of $251,940 (2017 nil) received for a financing that completed subsequent to period end, $55,000 of deposits for residential condominium units (2017 nil) and capital reserve contributions of $82,403 which are required as part of a loan agreement that will be refunded as capital expenditures are incurred (2017 $130,244).

## 3. Property and Equipment

| as at | **June 30, 2018 *(unaudited)*** | | | December 31, 2017 *(audited)* | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Amortization** | **NBV** | **Cost** | **Amortization** | **NBV** |
| Automotive | **$ 291,293** | **$ 187,127** | **$ 104,167** | $ 237,817 | $ 172,427 | $ 65,390 |
| Buildings | **54,060,924** | **10,972,383** | **43,088,541** | 52,134,251 | 10,298,385 | 41,835,866 |
| Computer and software | **903,929** | **596,325** | **307,604** | 858,685 | 553,757 | 304,928 |
| Furniture and fixtures | **4,805,339** | **3,236,561** | **1,568,778** | 4,756,207 | 3,052,597 | 1,703,610 |
| Land and improvements | **9,740,447** | **-** | **9,740,447** | 9,651,459 | - | 9,651,459 |
| Paving and landscaping | **1,826,363** | **996,623** | **829,740** | 1,826,363 | 962,581 | 863,781 |
| | **$71,628,295** | **$15,989,019** | **$56,639,277** | **$ 69,464,782** | **$ 15,039,747** | **$54,425,035** |

During the period, the partnership recorded a gain of $339,778 (2017 - $63,707) from the sale of Property and Equipment.

## 4. Property Under Development

Property under development consists of assets under active development or lands identified for development by the partnership for sale to third parties. During the period, these assets comprised 2 vacant land parcels with no active development and one land parcel where development of a residential condominium was underway. This project is expected to be completed in late 2019.

During period expenses of $2,494,879 (2017 - $33,567) were capitalized and interest of $43,030 (2017 – 44,982) were capitalized.

## 5. Other Assets

| As at | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| Prepaid expenses | **$ 537,577** | $ 301,601 |
| Goodwill | **308,719** | 308,719 |
| Other assets | **19,206** | 19,206 |
| | **$ 865,502** | $ 629,526 |

## 6. Bank Overdraft

The bank overdraft is secured by a mortgage on two (2017 four) residential condominiums for a maximum of $550,000 (2017 - $500,000). During the period $181,467 of this amount was pledged in the form of irrevocable standby letters of credit related to landscaping commitments in the Rivers Reach Phase II project.

## 7. Long Term Debt

As at June 30, 2018 there was $268,784 (2017 - $259,923) in deferred financing fees netted against long term debt.

During the period, amortization of deferred financing fees amounted to $15,058 (2017 - $16,449). $23,681 in new fees were incurred in the period (2017 - $6,490).

| | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| Loan payable to BDC -with fixed monthly repayments of $73,875 principal plus interest, fixed at 4.35% for seven years and due April 30, 2034 secured by a first mortgage over 3 hotel properties. | **$ 14,020,741** | $ 14,458,952 |
| Loan payable to First Nations Bank - interest at 3.95%, due October 31, 2020, monthly principal repayments of $25,997 plus interest, secured by: first mortgage and assignment of rents on Partnership's interest in the land and buildings at 4201 4th Avenue, Whitehorse. | **5,395,483** | 5,548,919 |
| Loan payable to BDC - interest at 4%, with fixed monthly repayments of $19,230 principal plus interest at 4%, due April 30, 2034 secured by a first mortgage and assignment of rents at 2180/2190 2nd Avenue Whitehorse | **3,612,173** | 3,725,031 |
| Loan payable to Scotiabank – interest at 4.22% with fixed monthly repayment of $4,825 of principal plus interest, due June 30, 2023 secured by a first mortgage and assignment of rents over 212 Main Street, Whitehorse, YT. | **2,282,114** | - |
| Loan payable to RBC - interest at RBC prime + 1%, due January 4, 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. | **1,914,169** | 2,487,679 |
| Loan payable to RBC - interest at 3.79%, due July 1, 2021, payable in equal installments of $7,481 principal and interest, secured by a first mortgage on the property of 9016 Quartz Road, Whitehorse. | **1,082,436** | 1,106,370 |

## 7. Long term Debt (continued)

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| 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 | **1,479,980** | 1,451,327 |
| Loan payable to Scotiabank - interest at 3.04%, with fixed monthly repayments of $4,453 of principal and interest, due April 30, 2021 secured by a first mortgage and assignment of rents over two commercial units at 2237 2nd Avenue, Whitehorse. | **725,383** | 739.806 |
| Loan payable to BDC - interest at BDC's floating base rate less 1%, due March 23, 2029, with monthly principal repayments of $5,000 secured by land and building Lot 2A, Block B 335, Plan 2007-0028. | **647,975** | 676,354 |
| Loan payable to First Nations Bank - interest at 3.95%, due October 1, 2018, with monthly payments 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. | **489,101** | 579,289 |
| Loan payable to BDC - interest at BDC's floating base rate less 1%, due May 23, 2031, with monthly principal repayments of $2,300 plus interest secured by the following: first mortgage on 121 Copper Road, general assignment over property and equipment | **355,031** | 368,733 |
| Loan payable to Tr'ondëk Hwëch'in Trust - interest at 5%, due October 31st, 2020, with annual principal payments of $35,709 plus interest due in July, August and September. Secured by a mortgage on property at 1026 Second Avenue, Dawson City. | **329,473** | 329,473 |
| Loan payable to BDC - interest at BDC's floating base rate less 1%, due June 23, 2032, with monthly principal repayments of $1,837 plus interest, secured by the following: first mortgage and assignment of rents on the partnership's interest in the land and buildings at 166 & 170 Titanium Way, Whitehorse | **308,700** | 319,725 |
| Loan payable to Scotia Bank - interest at 4.23%, with fixed monthly repayments of $1,389 of principal and interest, due July 31, 2022 secured by a first mortgage and assignment of rents over a commercial unit at 2237 2nd Avenue, Whitehorse | **237,026** | 241,330 |
| Promissory Note payable to a society at 4%, due no later than October 31, 2019 with monthly payments of $9,307; secured by a second charge on property at 2237 2nd Avenue, Whitehorse. | **138,800** | 190,379 |
| | **$ 33,018,584** | $ 32,236,045 |

The BDC floating base rate at June 30, 2017 was 5.55% (December 31, 2017 – 5.3%). RBC and First Nations bank prime rate at period end was 3.7% (December 31, 2017 – 3.2%).

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

| | |
|---|---|
| 2019 | 5,153,937 |
| 2020 | 3,082,916 |
| 2021 | 6,039,421 |
| 2022 | 1,281,982 |
| 2023 | 1,281,982 |
| Thereafter | 16,445,232 |

The partnership's debt agreements contain covenants which require minimum levels of tangible equity, debt service coverage, limitations on indebtedness, and limit the use of proceeds of asset sales, all of which were complied to as at June 30, 2018.

## 8. Financial Instruments and Risk Management

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

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

**Interest Rate Risk**
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The partnership is exposed to interest rate risk with respect to its short term financial instruments all of which are expected to be realized within one year. As described in note 5, a substantial portion of the partnership's long-term debt bears interest at floating rates. Fluctuations in these rates will impact the cost of financing incurred in the future. The partnership's various loans have rates between 3% an 7% and maturing between one and ten years.

**Liquidity Risk**
Liquidity risk is the risk that the partnership will not be able to meet its obligations as they fall due. In the period, the partnership met its third party obligations, including all debt service requirements.

**Currency Risk**
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The partnership is exposed to a small amount of currency risk because it does a small amount of transactions in US dollars.

## 9. Loans Receivable

| As at | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| | ***(unaudited)*** | *(audited)* |
| Mortgages receivable | **$ 600,842** | $ 272,515 |
| Loans receivable | **449,872** | 569,403 |
| Advances to joint ventures | **401,881** | 96,845 |
| | **$ 1,452,596** | $ 937,494 |

**(i) Mortgages receivable**
Mortgages receivable represent advances made to vendors of properties sold by the partnership. In all cases, security is provided by the underlying property. Interest is charged at rates between 5% and 7%. The total interest earned on the loans in the period was $17,426 (2017 - $7,447). The maximum exposure to the credit risk associated with the mortgages receivable occurs if the borrower defaults on repayment of the mortgages. Therefore, the carrying value of the mortgage receivable balance represents the Partnership's maximum exposure to the related credit risk without taking into account any collateral or any other credit enhancements. There were no impairments or impairment provisions recorded on the mortgages receivable as at June 30, 2018.

## 10. Loans Receivable (continued)

**(ii) Loans receivable**

Loans receivable are with third party borrowers. The terms of the loans do not exceed 5 years, with interest rates ranging from nil to 8%. The total interest earned on the loans in the period was $ 28,814 (2016 - $22,103). The maximum exposure to the credit risk associated with the loans receivable occurs if the borrower defaults on repayment of the mortgage. Therefore, the carrying value of the loans receivable balance represents the Partnership's maximum exposure to the related credit risk without taking into account any collateral or any other credit enhancements.

**(iii) Advances to Joint Ventures**

Advances to Joint Ventures are made to assist working capital requirements. Interest is charged at 5% when other joint venturers do not contribute their obligation. The total interest collected in the period was $10,206 (2017 - $5,091).

## 11. Subsequent Events

**(i) Equity changes**

Subsequent to period end, the Partnership closed a financing involving net proceeds to the Partnership of $5,108,675 through the issuance of 2,108,444 units of the partnership at a price of $2.4225 per unit. At the reporting date, $251,940 of the committed proceeds had been received and were held in trust subject to the closure of the financing round. As part of the transaction 780,810 units were redeemed by unitholders for cash proceeds of $1,891,512 which have been netted out before the net proceeds noted above are reported.

**(ii) Interest rate changes**

On July 11, the banks lenders increased their variable interest rates by 0.25%. 25% of the partnerships mortgages are variable.

## 12. Related Party Transactions and Balances

Amounts due to related parties are non-interest bearing, payable on demand and have arisen from the sales of product and provision of services and cash advances. Management has concluded that it is not practical to determine the fair value of related party loans as there is no comparable market data.

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

| **For the six months ended June 30,** | **2018** | 2017 |
|---|---|---|
| **Paid:** | | |
| Financing charges and interest - paid to various investors in which the partnership has proportionate interests. | **$ 7,374** | $ 8,725 |
| Fees Paid to Directors of the Partnership | **63,236** | 70,593 |
| Rents paid to Joint Ventures in which the partnership had an existing proportionate interest | **7,664** | 41,642 |
| Other fees - consists of miscellaneous and contractor payments paid to employees, partners, or companies controlled by employees of the partnership | **15,557** | 18,651 |
| | **$ 93,831** | $ 139,611 |

## 12. Related Party Transactions and Balances (continued)

| For the six months ended June 30, | | 2018 | | 2017 |
|---|---|---|---|---|
| **Received or recovered from:** | | | | |
| Rent - received from a company controlled by an employee of the partnership | | **39,755** | | 59,095 |
| Interest - received from a company controlled by an investor and loans to employees and Joint ventures | | **8,415** | | 9,483 |
| 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 | | **24,464** | | 37,292 |
| | **$** | **72,634** | $ | 105,870 |
| **Loans** | | | | |
| Loans - received from unitholders of the partnership | **$** | **336,110** | $ | 347,032 |

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

As at June 30, 2018, the Partnership had accounts receivable from related parties of $115,058 (2017 - $73,911).
As at June 30, 2018, the Partnership had amounts receivable from joint venture partners of $15,433 (2017 - $19,178).
As at June 30, 2018, the partnership had an amount due to its joint venture partners of $nil (2017 - $680).
As at June 30, 2018, the Partnership had accounts payable from related parties of $1,056 (2017 - $306).

## 13. Reporting Segments

| For the six months ended June 30, 2017 | Hotels | Rentals | Property Held for Sale | Property Under Development | Other | Total |
|---|---|---|---|---|---|---|
| **Revenue** | **$ 7,601,207** | **$ 1,900,711** | **$ -** | **$ -** | **$ 232,041** | **$ 9,733,959** |
| **Amortization** | **484,994** | **610,125** | **-** | **-** | **46,394** | **$1,141,513** |
| **Interest Income** | **-** | - | **-** | **-** | **43,846** | **$43,846** |
| **Interest expense** | **320,120** | **336,307** | **-** | **-** | **15,695** | **$672,122** |
| **Net income (loss)** | **1,238,281** | **632,428** | **-** | **-** | **(697,323)** | **1,173,386** |
| **Property and Equipment** | **18,924,994** | **35,491,562** | **-** | **6,877,680** | **1,222,722** | **62,516,958** |
| For the period ended June 30, 2016 | | | | | | |
| Revenue | $ 6,598,079 | $ 1,421,306 | $ 576,413 | $ - | $ 195,720 | $ 8,791,518 |
| Amortization | 389,721 | 543,874 | - | - | 36,919 | $970,514 |
| Interest Income | - | - | - | - | 27,086 | $27,086 |
| Interest expense | 249,044 | 306,887 | - | - | 33,775 | $589,706 |
| Net income (loss) | 1,095,972 | 307,809 | 194,319 | - | (685,437) | 912,663 |
| Property and Equipment | 18,473,251 | 32,335,548 | - | 4,235,072 | 1,020,919 | 55,260,070 |

As at June 30, 2018, the partnership had five reportable segments: hotels, rentals, property held for sale and property under development. Hotel operations consist of room rental and food and beverage services. Rental properties consist of commercial and residential properties held under long term lease. Property held for sale consists of residential properties and commercial lots publicly available for sale. Property under development consists of lands and buildings in construction.

## 14. Partners' Equity

At June 30, 2018, there are 24,208,552 units outstanding (December 31, 2017 – 23,965,715).

## 15. Jointly Controlled Assets

The financial statements include the partnership's proportionate interest in 3 (2017 - 3) joint ventures. All are located in the Whitehorse, Yukon area.

| Name | Interest | Activity | Year of inception |
|---|---|---|---|
| Titanium Way Joint Venture | 67% | Lease of commercial properties | 2008 |
| Dawson Downtown Hotel | 50% | Construction and sale of residential properties | 2013 |
| North Carcross Joint Venture | 50% | Lease of commercial properties | 2013 |

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Cash | **$ 121,100** | $ 163,967 |
| Accounts Receivable | **65,036** | 37,128 |
| Government Remittances receivable | **67,902** | 13,885 |
| Prepaid Expenses | **45,319** | 34,410 |
| | **$ 299,356** | $ 249,391 |
| Property and Equipment | **2,126,747** | 1,956,075 |
| Organization costs | **125** | 125 |
| | **$ 2,423,229** | $ 2,205,591 |
| Accounts Payable and accrued liabilities | **185,754** | 87,726 |
| Long term debt | **830.808** | 649,197 |
| | **1,036,779** | 736,923 |
| Equity | **1,406,669** | 1,468,668 |
| | **$ 2,423,229** | $ 2,205,591 |
| **Revenues** | | |
| Hotels | **$ 665,771** | $ 566,656 |
| Rentals | **57,766** | 116,537 |
| Gains | **-** | 63,707 |
| | **723,537** | 746,900 |
| **Expenses** | | |
| Hotels | **459,183** | 585,122 |
| Property | **28,656** | 50,898 |
| Amortization | **46,132** | 10,858 |
| Interest | **20,062** | 22,314 |
| Expenses | **554,033** | 669,192 |
| **Net income** | **$ 169,504** | $ 77,707 |
| Cash flows from operating activities | **$ 239,289** | $ (89,990) |
| Cash flows from investing activities | **$ (211,235)** | $ 202,805 |
| Cash flows from financing activities | **$ 36,809** | $ (219,773) |

## 16. Changes on presentation of comparative financial statements

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

## CORPORATE INFORMATION

### General Partner – Northern Vision Development Corp.

**Board of Directors**

Shirley Adamson**
Hannes Kovac**
Ian McAuley***
Hon. Piers McDonald, Chairman*,**,****
Robert Savin****
Lori Simcox*

* Member of the Audit Committee
** Member of the Development Committee
*** Member of the Hotel Committee
**** Member of the Governance & Financing Committee

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Philip Fitzgerald, President, Hotels and CFO
Denny Kobayashi, President, Real Estate
Dylan Soo, General Manager Hotels
Adam Gerle, Vice President Marketing
Kristine Hildebrand, Corporate Controller
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