VIOCITY REAL ESTATE INVESTMENT TRUST

Financial Statements

(Expressed in Canadian dollars)

For the period from the Date of Inception (January 3, 2017) to September 30, 2017

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trusteess of Viocity Real Estate Investment Trust

We have audited the accompanying financial statements of Viocity Real Estate Investment Trust, which comprise the statement of financial position as at September 30, 2017 and the statements of loss and comprehensive loss, changes in unitholders' equity and cash flow for the period from inception on January 3, 2017 to September 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Viocity Real Estate Investment Trust as at September 30, 2017 and its financial performance and its cash flow for the period from inception on January 3, 2017 to September 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Viocity Real Estate Investment Trust's ability to continue as a going concern.

DMCL

Vancouver, BC
November 30, 2017

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

VIOCITY REAL ESTATE INVESTMENT TRUST

Statement of Financial Position

(Expressed in Canadian dollars)

September 30, 2017

ASSETS		
CURRENT ASSETS		
Cash	**$**	**3**
MORTGAGE INVESTMENTS *(Note 3)*		**540,000**
	$	**540,003**
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$**	**41,223**
Deferred income		**900**
Due to related parties *(Note 4)*		**56,809**
		98,932
UNITHOLDERS' EQUITY *(Note 5)*		
Common units		**541,028**
Deficit		**(99,957)**
		441,071
	$	**540,003**

ON BEHALF OF THE BOARD OF TRUSTEES

"Derek Fairbrother" *Trustee*

"Marc Loustau" *Trustee*

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

VIOCITY REAL ESTATE INVESTMENT TRUST

Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

For the Period from the Date of Inception (January 3, 2017) to September 30, 2017

REVENUE	**$**	**26,681**
EXPENSES		
Advertising and promotion	**$**	**180**
Interest and bank charges		**248**
Office and administration		**1,589**
Professional fees		**110,892**
		112,909
NET AND COMPREHENSIVE LOSS	**$**	**(86,228)**
BASIC AND DILUTED LOSS PER UNIT	**$**	**(2.88)**
WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING - BASIC AND DILUTED		**29,897**

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

VIOCITY REAL ESTATE INVESTMENT TRUST

Statement of Changes in Unitholders' Equity

(Expressed in Canadian dollars)

Period Ended September 30, 2017

	Number of units		Amount		Deficit		Total
BALANCE AT JANUARY 3, 2017 (inception)	-	$	-	$	-	$	-
Issuance of units	52,730		527,299		-		527,299
Reinvested distributions	1,373		13,729		-		13,729
Comprehensive loss	-		-		(86,228)		(86,228)
Distributions paid	-		-		(13,729)		(13,729)
BALANCE AT SEPTEMBER 30, 2017	**54,103**	**$**	**541,028**	**$**	**(99,957)**	**$**	**441,071**

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

VIOCITY REAL ESTATE INVESTMENT TRUST

Statement of Cash Flow

(Expressed in Canadian dollars)

For the Period from the Date of Inception (January 3, 2017) to September 30, 2017

OPERATING ACTIVITIES	
Net loss for the period	**$ (86,228)**
Non-cash items:	
Changes in non-cash working capital:	
Mortgages advanced	**(540,000)**
Deferred income	**900**
Due to related parties	**56,809**
Accounts payable and accrued liabilities	**41,223**
	(441,068)
Cash flow used by operating activities	**(527,296)**
FINANCING ACTIVITIES	
Distributions declared and paid	**(13,729)**
Issuance of units	**541,028**
Cash flow from financing activities	**527,299**
INCREASE IN CASH FLOW	**3**
Cash - beginning of period	**-**
CASH - END OF PERIOD	**$ 3**
CASH FLOW SUPPLEMENTARY INFORMATION	
Distributions paid in units	**$ 13,729**

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

1. NATURE OF BUSINESS

Viocity Real Estate Investment Trust ("Viocity" or the "Trust") is an unincorporated real estate investment trust created under, and governed by, the laws of the Province of Alberta. Viocity was created pursuant to the Declaration of Trust dated January 3, 2017 (the "Declaration of Trust"), as most recently amended and restated on January 24, 2017. The purpose of Viocity is to directly, or indirectly, own, manage, lease and (where appropriate) develop primarily residential, apartment buildings, mixed commercial, and industrial properties in Canada. The registered office of Viocity is 1440 - 540 - 5 Avenue SW, Calgary, Alberta, T2P 0M2.

The Declaration of Trust provides that Viocity may make cash distributions to unitholders of the Trust. The amount distributed is set by the Board of Trustees.

These financial statements have been prepared on the assumption that the Trust will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Trust is not expected to continue operations for the foreseeable future. As at September 30, 2017, the Trust has a working capital deficit and is not able to finance day to day activities through operations. These uncertainties cast significant doubt about the Trust's ability to continue as a going concern. The Trust's continuation as a going concern is dependent upon additional revenue generating investments and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Trustees intend to finance operating costs over the next twelve months through unit offerings and/or loans from trustees and companies controlled by trustees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Statement of compliance with International Financial Reporting Standards</u>

The financial statements of Viocity comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue on November xx, 2017 by the trustees of Viocity.

<u>Basis of presentation</u>

The financial statements of Viocity have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

<u>Significant judgments</u>

The preparation of financial statements in accordance with IFRS requires Viocity to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in preparing Viocity's financial statements include the assessment of Viocity's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty and the classification of financial instruments.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Viocity classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables consist of cash and cash equivalents and mortgage investments.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is Viocity's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. Viocity has no financial assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. Viocity has no financial assets classified as available-for-sale.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Viocity's non-derivative financial liabilities consist of amounts due to related parties.

Regular purchases and sales of financial assets are recognized on the trade date - the date on which Viocity commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and Viocity has transferred substantially all risks and rewards of ownership.

At each reporting date, Viocity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Viocity does not have any derivative financial assets or liabilities.

Revenue recognition

Interest income is recognized as earned at the stated rate in accordance with the terms of the instrument.

Lender fees collected at the beginning of the term of the mortgage are recognized upon collection.

Income taxes

Viocity qualifies as a mutual fund trust under the Income Tax Act (Canada) (the "Act") and as such the Trust itself will not be subject to income taxes provided it continues to qualify as a Real Estate Investment Trust ("REIT") for purposes of the Act. A REIT is not taxable and not considered to be a Specified Investment Flow-through Trust provided it complies with certain tests and it distributes all of its taxable income in a taxation year to its unitholders.

The Trust's qualification as a REIT results in no current or deferred income tax being recognized.

Canadian REIT status and monitoring

Viocity currently qualifies as a REIT for the purposes of the Income Tax Act (Canada). Accordingly, Viocity continues to be able to flow taxable income through to unitholders on a tax effective basis. Generally, to qualify as a REIT, Viocity's Canadian assets must be comprised primarily of real estate or other qualified investments and substantially all of Viocity’s Canadian source revenues must be derived from those properties in which Viocity has an interest.

Viocity monitors its Canadian REIT status to ensure that it continues to qualify as a Canadian REIT. Accordingly, no net current Canadian income tax expense or deferred income tax assets or liabilities have been recorded in these financial statements.

Earnings (loss) per unit

Basic earnings (loss) per unit is computed by dividing net earnings (loss) available to unitholders by the weighted average number of units outstanding during the reporting period. Diluted earnings (loss) per unit is computed similar to basic earnings (loss) per unit except that the weighted average units outstanding are increased to include additional units for the assumed exercise of stock options and warrants, if dilutive. The number of additional units is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire units at the average market price during the reporting periods. If these computations prove to be anti-dilutive, diluted loss per unit is the same as basic loss per unit.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounting standards issued by not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 31, 2018 with early adoption permitted.

New standard IFRS 15 "Revenue from Contracts with Customers"

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or ending after January 1, 2018 with early adoption permitted.

New standard IFRS 16 "Leases"

The new standard replaces IAS 17 "Leases: and the related interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and services contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

Viocity has not early adopted these new standards and is currently assessing the impact that these standards will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on Viocity's financial statements.

3. MORTGAGE INVESTMENTS

Mortgages are secured by real property and bear interest at the weighted average rate of 10.0% and all mature subsequent to the next twelve month period, as such they have been classified as non-current assets. Payments are interest only payments. As at September 30, 2017 there were no defaults or anticipated defaults by the borrowers for the mortgages receivable.

(Expressed in Canadian dollars)

4. DUE TO RELATED PARTIES

As at September 30, 2017, Viocity owes $6,824 to a Trustee of the Trust for advances made. The balances owing are non-interest bearing, unsecured and have no set repayment terms.

As at September 30, 2017, Viocity owes $49,985 to a related party, Viocity Management Inc., for expenses paid on behalf of Viocity Real Estate Investment Trust. The balances payable are non-interest bearing, unsecured and due on demand.

5. UNITHOLDERS' EQUITY

Viocity is authorized to issue an unlimited number of Trust Units ("Units"). The Units, which have no par value, are entitles to distributions as and when declared by the Board of Trustees and on liquidation to a pro rata share of the residual net assets remaining after the preferential claims thereon of debtholders.

	Units	Amount
Units outstanding at January 3, 2017 (inception)	**-**	**$ -**
Issued for cash	**52,730**	**527,299**
Issued for reinvested distributions	**1,373**	**13,729**
Units outstanding at September 30, 2017	**54,103**	**$ 541,028**

6. DISTRIBUTIONS

Viocity intends to make distribution payments to unitholders on a monthly basis. The operating policies of Viocity set out that management of the Trust will determine the amount of the distribution which becomes payable proportionately to persons who are unitholders on the distribution record date selected by the trustees in respect of such distributions. Trustees may in their sole discretion establish a distribution reinvestment plan at any time providing for the voluntary reinvestment by unitholders of distributions. For the period ended September 30, 2017, distributions of $0.0583 per unit were made monthly and reinvested resulting in 1,373 additional units being issued and $13,729 in total distributions in the period.

7. CAPITAL MANAGEMENT

Viocity defines capital as being the funds raised through the issuance of units of the Trust. Viocity's objective when managing capital/equity are to safeguard Viocity's ability to continue as a going concern, so that it can continue to provide returns to unitholders.

Viocity manages the capital/equity structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, Viocity may issue new units.

Viocity's investment guidelines incorporate various guideline restrictions and investment operating policies. Viocity's guideline states that Viocity (i) may invest in interests (including fee ownership and leasehold interests) in income producing Real Estate properties and mortgages in Canada, (ii) may invest in mortgages if the Trust intends to use the acquisition of the mortgages as a method of acquiring control of an income-producing real property, (iii) may invest in interests (including fee ownership and leasehold interests) in income producing office, retail or residential properties and Properties Under Development in the United States, (iv) shall not make any investment, take any action or omit to take any action that would result in units not being units of a "mutual fund trust" within the meaning of the Income Tax Act (Canada), that would result in the units being disqualified for investment by registered plans, (v) may invest in joint venture or co-ownership arrangements, (vi) shall not purchase, sell market or trade in any currency or interest rate futures contracts other than for hedging purposes, (vii) shall not invest in rights to or interest in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property, (viii) shall not acquire interests in general partnerships or limited partnerships, (ix) shall not invest in raw land, and (x) shall not invest in or acquire securities of a Canadian real estate investment trust. Certain investment guidelines allow for exceptions as outlined in the Declaration of Trust.

8. FINANCIAL INSTRUMENTS

The Trust is exposed to various risks through its financial instruments. The following analysis provides a measure of the Trust’s risk exposure and concentrations:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust provides credit to its clients in the normal course of its operations. Management believes that credit risk related to these amounts is moderate.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. To manage liquidity, the Trust reviews additional sources or capital to continue its operation and discharge its commitments as they become due. Management believes that liquidity risk is high.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Trust is mainly exposed to interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Trust's exposure to interest rate risk relates to mortgage investments. While interest rates on the investments are set at a fixed rate, the Trust is subject to interest rate changes on these interests as a 1% change in interest rates would impact the Trusts interest income by approximately $5,400. Management believes that interest rate risk is moderate.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Trust is exposed to price risk through its investment in the real estate section as any adverse change in economic conditions could result in declines in the value of real property securing the Trust's mortgage investments. The Trust mitigates this risk by adhering to its investment and operating policies. Management believes that price risk is moderate.