BEAR MOUNTAIN
MASTER PARTNERSHIP

Consolidated Financial Statements

For the Year Ended December 31, 2006

Bear Mountain Master Partnership

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AUDITORS' REPORT

To the Partners of the
Bear Mountain Master Partnership

We have audited the consolidated balance sheet of Bear Mountain Master Partnership as at December 31, 2006 and the consolidated statements of partners' deficit, operations, and cash flows for the year then ended. These financial statements are the responsibility of the partnership's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the partnership as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Norgaard Neale Camden Ltd.

CHARTERED ACCOUNTANTS

Victoria, B.C.
March 23, 2007

*incorporated professional

Bear Mountain Master Partnership

Consolidated Balance Sheet

As at December 31, 2006

	2006	2005
	$	$
Assets		
Current Assets -		
Cash	**5,999,956**	-
Accounts receivable	**2,950,925**	587,949
Prepaid expenses	**262,567**	17,346
Inventory	**997,554**	858,165
Sales taxes receivable	**684,153**	1,438,994
Due from related parties (note 9)	**346,594**	-
	11,241,749	2,902,454
Property, Plant and Equipment (note 2)	**50,652,315**	30,881,990
Development Assets and Real Estate Inventory (note 3)	**110,588,576**	99,287,845
Investment (note 4)	**160,000**	-
	172,642,640	133,072,289
Liabilities		
Current Liabilities -		
Bank overdraft (note 5)	**18,303,692**	10,162,829
Accounts payable and accrued liabilities	**13,534,128**	10,191,005
Current portion of long-term debt (note 6)	**249,437**	201,303
Current portion of capital lease obligations (note 7)	**425,973**	357,883
Mortgages payable (note 8)	**160,490,598**	116,018,202
Due to related parties (note 9)	**-**	1,787,067
	193,003,828	138,718,289
Long-term Debt (note 6)	**9,776,388**	25,820
Capital Lease Obligations (note 7)	**176,565**	619,965
	202,956,781	139,364,074
Partners' Deficit	**(30,314,141)**	(6,291,785)
	172,642,640	133,072,289

Bear Mountain Master Partnership

Consolidated Statement of Partners' Deficit

For the Year Ended December 31, 2006

	Opening as Previously Reported	Prior Period Adjustment (note 15)	Opening Balance as Restated	Subscriptions (Drawings)	Allocation of Income (Loss)	**Closing Balance**	**Units End of Year**
	$	$	$	$	$	**$**	
Preferred Units Holder (note 11)							
LGB9 Development Corporation	(1,039,999)	-	(1,039,999)	(960,000)	-	**(1,999,999)**	**6,000,000**
Common Unit Holders							
Barrie Family Trust	(12,250,956)	734,662	(11,516,294)	(500,000)	(9,521,000)	**(21,537,294)**	**4,350**
Vernon Family Trust	(1,740,199)	334,521	(1,405,678)	-	(4,377,471)	**(5,783,149)**	**2,000**
Gronnestad Family Trust	(1,403,881)	125,445	(1,278,436)	(375,000)	(1,641,552)	**(3,294,988)**	**750**
Penney, Jackson	(46,752)	4,181	(42,571)	-	(54,718)	**(97,289)**	**25**
Vulpine Enterprises Ltd.	31,445	8,363	39,808	-	(109,437)	**(69,629)**	**50**
Wildhorse Management Inc.	33,092	33,452	66,544	-	(437,747)	**(371,203)**	**200**
AFRT Bear Mountain Investments Corporation	1,240,238	50,178	1,290,416	-	(656,620)	**633,796**	**300**
Grappler Development Ltd.	261,844	8,363	270,207	(150,000)	(109,437)	**10,770**	**50**
670513 B.C. Ltd.	206,445	8,363	214,808	(150,000)	(109,437)	**(44,629)**	**50**
Bear Mountain Realty Fund	6,744,335	365,075	7,109,410	-	(4,869,937)	**2,239,473**	**2,225**
	(6,924,389)	1,672,603	(5,251,786)	(1,175,000)	(21,887,356)	**(28,314,142)**	**10,000**
Total 2006	(7,964,388)	1,672,603	(6,291,785)	(2,135,000)	(21,887,356)	**(30,314,141)**	
Total 2005	(2,101,844)	1,415,790	(686,054)	(430,000)	(5,175,731)	(6,291,785)	

Bear Mountain Master Partnership

Consolidated Statement of Operations

For the Year Ended December 31, 2006

	Real Estate	Resort	**2006**	2005
	$	$	**$**	$
Revenue				
Sales	55,282,096	5,349,377	**60,631,473**	29,111,521
Cost of goods sold	51,257,092	2,244,809	**53,501,901**	20,656,997
Gross Profit	4,025,004	3,104,568	**7,129,572**	8,454,524
Other Income -				
Golf and athletics dues and initiation	-	4,047,078	**4,047,078**	3,013,924
Management fees	108,310	1,279,699	**1,388,009**	395,616
Construction fees and other	922,960	-	**922,960**	554,853
Lease and rental	242,059	-	**242,059**	-
Net Revenue	5,298,333	8,431,345	**13,729,678**	12,418,917
Expenses				
Depreciation and amortization	883,068	2,301,665	**3,184,733**	1,765,631
Wages and benefits	3,063,254	6,613,278	**9,676,532**	5,056,823
Interest and financing charges	7,235,729	1,487,462	**8,723,191**	3,220,518
Interest on capital leases	-	76,057	**76,057**	101,305
Management fees (note 10)	528,000	-	**528,000**	360,000
Sales, administration and marketing	9,317,726	4,110,795	**13,428,521**	7,090,371
	21,027,777	14,589,257	**35,617,034**	17,594,648
Loss for the Year	(15,729,444)	(6,157,912)	**(21,887,356)**	(5,175,731)

Bear Mountain Master Partnership

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2006

	2006	2005
	$	$
Cash Provided from (Used for):		
Operating Activities		
Loss for the year	**(21,887,356)**	(5,175,731)
Items not affecting cash -		
Depreciation and amortization	**3,184,733**	1,765,631
	(18,702,623)	(3,410,100)
Changes in non-cash working capital balances related to operations -		
Accounts receivable	**(2,362,976)**	(115,687)
Prepaid expenses	**(245,221)**	47,326
Inventory	**(139,389)**	(691,515)
Sales taxes repayable (receivable)	**754,841**	(993,649)
Accounts payable and accrued liabilities	**3,343,123**	3,622,121
Funds held in trust	**-**	1,265,165
Land development service costs	**-**	(168,982)
	(17,352,245)	(445,321)
Investing Activities		
Purchase of property, plant and equipment	**(23,005,958)**	(6,948,886)
Purchase of investment	**(160,000)**	-
Increase in development assets	**(11,300,731)**	(49,440,041)
	(34,466,689)	(56,388,927)
Financing Activities		
Proceeds on disposal of property, plant and equipment	**50,900**	-
Mortgages payable advances	**44,472,396**	54,696,317
Repayment of capital leases	**(375,310)**	(331,215)
Decrease in loans from related parties	**(2,133,661)**	(4,278,561)
Advance (repayment) of long-term debt	**9,798,702**	(284,075)
Partnership capital subscriptions	**-**	350,000
Partnership capital redemptions	**-**	(300,000)
Partner drawings	**(1,175,000)**	-
Preferred partnership drawings	**(960,000)**	(480,000)
	49,678,027	49,372,466
Decrease in Cash	**(2,140,907)**	(7,461,782)
Cash (Bank Overdraft) - Beginning of Year	**(10,162,829)**	(2,701,047)
Bank Overdraft - End of Year (note 12)	**(12,303,736)**	(10,162,829)

1 Significant Accounting Policies

Purpose of Bear Mountain Master Partnership

Bear Mountain Master Partnership ("the partnership"), a general partnership, was formed on July 15, 2002 for the purpose of developing, constructing and managing a world class residential golf course community and associated commercial facilities located near Victoria, British Columbia.

Method of Presentation

The consolidated financial statements of the partnership have been prepared in accordance with accounting principles generally accepted in Canada. These consolidated financial statements present the financial position and results from operations of the partnership and do not include all of the assets, liabilities, income and expenses of the individual partners, but only those of the partnership and its wholly owned subsidiaries.

The partnership owns 100% of the outstanding common shares of Bear Mountain Golf & Country Club Ltd. ("BMGCC").

The partnership owns 100% of the outstanding common shares of Bear Mountain Resort Management Corp. ("BMRM").

The partnership owns 100% of the outstanding common shares of Bear Mountain Projects Ltd. ("BMP").

The partnership owns 100% the outstanding common shares of Home Team Realty Ltd. ("HTR").

These consolidated financial statements include the accounts of the partnership and these wholly owned subsidiaries.

Income Taxes

The partnership is not subject to income taxes and accordingly, no provision for income taxes is reflected in the financial statements.

Inventory

Inventory is stated at the lower of cost and net realizable value. Inventories consist of food, beverages and merchandise with costs determined on a first-in, first-out basis.

Development Assets

Development assets under construction, under development, or held for future development are recorded at the lower of cost and net realizable value. The partnership capitalizes all direct costs relating to the acquisition, development, and construction of these properties. The partnership also capitalizes interest, administrative, and sales expenses that can be directly attributed to a specific project.

1 Significant Accounting Policies (continued)

Prior to July 1, 2003 the partnership had expensed all interest, administrative and sales expenses that could not be directly attributed to a specific project. July 1, 2003 was selected because the partnership's first lot sales occurred in July 2003, marking the transition from an entity holding real estate assets to one actively engaging in the development and sale of such assets. All interest, administrative and sales expenses incurred prior to July 1, 2003 were included as part of the development assets and have been allocated to the cost of real estate projects based on the net yield method.

Pre-Sale Agreements

The partnership has entered into pre-sale agreements on properties that have not been completed at December 31, 2006. Deposits for these pre-sale agreements have been received in the amount of $13,719,663 (2005 - $8,180,035). These deposits will form part of the proceeds on real estate sales when title to the property transfers to the purchaser.

As these funds are held in trust with legal counsel, the partnership has no legal claim against them. Therefore these funds have been excluded from the accounts of the partnership as at December 31, 2006.

Revenue Recognition

Revenue for residential and commercial lot sales is recognized when title to the lot transfers to the purchaser.

Revenue for retail sales is recognized when the goods and services are delivered to the customer.

Revenue for conference and hotel management services is recognized upon provision of the service.

Revenue for golf and athletic club initiation fees is recognized when the payments are due. Refunds are recognized as a reduction of revenue in the year that they are repaid.

Use of Estimates

Financial statements are based on representations that often require estimates to be made in anticipation of future transactions and events and include measurements that may, by their nature, be approximations.

1 Significant Accounting Policies (continued)

Property, Plant and Equipment, Depreciation and Amortization

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is charged against income using the straight-line method in amounts sufficient to amortize the cost of property, plant and equipment over their estimated useful lives at the following annual rates:

Buildings	4% - 10%
Computer equipment and software	20% - 50%
Contractors' moveable equipment	25%
Equipment	20%
Equipment under capital leases	5% - 20%
Golf Course equipment	10% - 30%
Mountain Golf Course improvements	4% - 20%
Office furniture and equipment	20%
Vehicles	20%

Property, plant and equipment not in use, under development or under construction are not amortized until they are put into productive use.

Leasehold improvements are amortized over the term of the lease.

2 Property, Plant and Equipment

	Cost $	Accumulated depreciation & amortization $	**2006 Net** **$**	2005 Net $
Land	1,401,358	-	**1,401,358**	1,401,358
Mountain Golf Course	18,102,187	1,411,573	**16,690,614**	17,109,009
Buildings	27,196,037	1,211,608	**25,984,429**	9,159,796
Resort property	46,699,582	2,623,181	**44,076,401**	27,670,163
Computer equipment and software	1,070,880	450,538	**620,342**	369,775
Contractors' moveable equipment	1,657,912	1,266,701	**391,211**	523,683
Equipment	3,649,447	799,901	**2,849,546**	781,908
Equipment under capital leases	1,798,288	1,026,605	**771,683**	1,051,799
Leasehold improvements	2,573,363	793,563	**1,779,800**	276,175
Office furniture and equipment	274,412	132,099	**142,313**	175,618
Vehicles	59,249	38,230	**21,019**	32,869
	57,783,133	7,130,818	**50,652,315**	30,881,990

Certain property, plant and equipment are security for indebtedness of the partnership (notes 6 "long-term debt" and 8 "mortgages payable").

3 Development Assets and Real Estate Inventory

	2006 **$**	2005 $
Quarter share units	**10,445,981**	-
Clubhouse and hotel under construction	**-**	35,242,808
Phase Four	**-**	99,876
Phase Five	**857,206**	1,124,331
Phase Six	**5,529,083**	2,605,846
Phase Seven	**821,128**	6,745,761
Ponds Landing	**24,910,119**	17,861,825
St. Andrew's Walk	**16,242,092**	2,544,591
Finlayson Reach	**8,832,740**	523,591
Echo Valley and The Gates	**6,715,679**	1,625,790
Hedgestone Creek	**1,158,342**	1,098,526
The Falls	**3,061,173**	379,508
Valley Golf Course	**7,089,876**	1,640,796
Skirt Mountain road and reservoir	**2,154,715**	426,731
Bear Mountain parkway extension	**5,899,924**	3,107,460
Lands under development	**14,026,079**	13,730,545
Costs to be allocated to current and future phases	**2,844,439**	10,529,960
	110,588,576	99,287,845

Certain development assets are security for indebtedness of the partnership (notes 6 "long-term debt" and 8 "mortgages payable").

Interest in the amount of $4,984,860 (2005 - $3,515,220) has been capitalized during the year to development assets.

4 Investment

The investment in BM Jet Corp. represents a 10% interest in the company and is carried at cost.

5 Bank Overdraft

The bank overdraft from HSBC bears interest at prime + 1.5% per annum up to the authorized limit of $7,000,000. Balances above this limit bear interest at 21%. The bank overdraft is due on demand, and is secured by the HSBC credit terms disclosed in note 8.

6 Long-term Debt

	2006 $	2005 $
Komatsu Financial -		
1.99% per annum interest loan due March 2007 with monthly blended principal and interest payments of $8,635 due monthly. Secured by a registered charge over the equipment.	**25,825**	127,827
2.99% per annum interest demand loan with monthly blended principal and interest payments of $7,418 due monthly. Secured by a registered charge over the equipment.	**-**	65,937
Textron Financial Canada Limited -		
Mortgage due January 1, 2012 is repayable in blended monthly payments including interest at prime plus 1.25%. Payments vary seasonally and average $18,634 per month. Secured by mortgage over Mountain and Valley course lands and improvements, a first ranking general security agreement in respect of all currently owned and after-acquired property, and assignment of all agreements and leases.	**10,000,000**	-
(carried forward)	**10,025,825**	193,764

6 Long-term Debt (continued)

	2006 **$**	2005 $
(brought forward)	**10,025,825**	193,764
Kubota Canada Ltd. -		
7.5% per annum interest loan with blended principal and interest payments of $929 due monthly. Secured by a registered charge over the equipment.	-	8,184
7.5% per annum interest loan with blended principal and interest payments of $1,052 due monthly. Secured by a registered charge over the equipment.	-	7,652
7.5% per annum interest loan with blended principal and interest payments of $792 due monthly. Secured by a registered charge over the equipment.	-	7,230
Western Canada Bank -		
5.75% per annum interest demand loan with monthly blended principal and interest payments of $4,530 due monthly. Secured by a registered charge over the equipment.	-	10,293
7.0% per annum interest demand loan with monthly blended principal and interest payments of $2,455 due monthly. Secured by partnership assets.	-	-
	10,025,825	227,123
Less: Current portion	**249,437**	201,303
	9,776,388	25,820

The aggregate amounts of payments required in each of the next five years to meet retirement provisions are as follows:

		$
Year ending December 31,	2007	249,437
	2008	99,574
	2009	109,244
	2010	117,551
	2011	126,489

7 Capital Lease Obligations

	2006 **$**	2005 $
Total minimum lease payments	**660,993**	1,097,094
Less: Amount representing interest	**58,455**	119,246
Capital lease obligations	**602,538**	977,848
Less: Current portion	**425,973**	357,883
	176,565	619,965

The future minimum lease payments under various capital leases of the company at December 31, 2006 are as follows:

		$
Year ending December 31,	2007	425,973
	2008	176,564

Interest on capital lease obligations for the year ending December 31, 2006 was $76,057 (2005 - $101,305).

8 Mortgages Payable

	2006 **$**	2005 $
HSBC -		
Interest charged at interest rates varying from prime + ½% to prime plus 1 ½% per annum compounded monthly and repayable on demand. Secured by mortgage over the project lands, general security agreement, assignment of rents, leases, insurance policies, construction and servicing contracts and all purchase and sales contracts. Guarantees of the following parties: • LGB9 Development Corporation - unlimited, joint and several; • Len Barrie - unlimited, joint and several; • Kory Gronnestad - limited guarantee; • Michael Vernon - limited guarantee.	**115,394,104**	99,857,252
Carevest Capital Inc. -		
Interest only payable and compounded monthly at 11.5% with principal due on demand. Secured by: first mortgage over 165 acres situated in the city of Langford, second mortgage over 20 acres situated in the District of Highlands, guarantees, postponement of claim and general security agreement from Len Barrie and Michael Vernon, general security agreement from assignment of rents, leases, insurance policies, and all purchase and sales contracts including deposits.	**28,101,895**	14,690,950
(carried forward)	**143,495,999**	114,548,202

8 Mortgages Payable (continued)

	2006 $	2005 $
(brought forward)	**143,495,999**	114,548,202
John and Helen Goudy -		
Interest only payable monthly at 12.5%. Secured by second mortgage over the Eastern 2/3 of Section 1, Range 4 West, Highland District.	**-**	1,470,000
Canadian Western Bank-		
Interest charged at prime rate plus 1%, calculated and paid monthly. The debt is due on September 1, 2008 or on demand. Security is by way of: • $19,820,000 debenture, including the assignment of rents, registered as a first fixed charge on the lands and a floating charge and security interest against all other present and after-acquired projects assets; • Unconditional, unlimited personal guarantee from Len Barrie.	**3,237,955**	-
TD Bank -		
Interest charged at prime rate, computed daily and paid monthly. The debt is repayable on demand. Security is by way of: • $35,000,000 all purpose collateral first mortgage with assignment of rents from LGB9 Development Corporation; • General Security Agreement from the partnership; • Unlimited personal guarantee from Len Barrie; • Assignment of insurance.	**13,756,644**	-
	160,490,598	116,018,202

9 Due from (to) Related Parties

Entity	Relationship	**2006 $**	2005 $
Highlands Timber Partnership	Common control	**12,000**	12,000
665821 B.C. Ltd.	Common control	**10,000**	10,000
0719752 B.C. Ltd.	Common control	**271,197**	271,197
Creekside Cottage Marketing	Significant influence	**50,000**	50,000
LGB9 Development Corporation	Common control	**23,328**	(180,000)
Barrie Family Trust	Controlling interest	**379,863**	344,628
Vernon, Michael	Significant influence	**-**	(1,895,892)
643557 B.C. Ltd.	Significant influence	**(400,000)**	(399,000)
BM Security Corporation	Common control	**206**	-
		346,594	(1,787,067)

10 Related Party Transactions

The partnership engaged in the following transactions with related parties in the year. These related parties include investors, management, and related individuals and companies.

	2006 $	2005 $
Sales of residential lots to management and related parties	**8,186,425**	1,858,702
Project management fees to LGB9 Development Corporation	**360,000**	360,000
Project management fees to Scansa Construction Ltd.	**168,000**	159,000
Drawings against preferred partnership units by LGB9 Development Corporation	**960,000**	480,000
Fees for services paid to Kema Management Ltd. (note 13)	**17,349**	8,716
Fees for services paid to Turner Lane Development Corporation (note 13)	**309,503**	403,017
Sales commissions paid to Mike Barrie	**218,125**	25,426
Fees for services paid to K & R Crushing Inc.	**-**	255,321
Fees for services paid to Scansa Construction Ltd.	**25,484,619**	11,623,216
Fees for services paid to BM Landscaping Corp.	**1,688,197**	241,929
Fees for services paid to Proform Construction Ltd.	**2,130,340**	4,635,413
Interest paid to Michael Vernon	**65,008**	59,248
Fees for services paid to Investor Plus Ltd. (note 13)	**450,000**	-
Fees for services paid to BM Jet Corp.	**219,485**	-

Scansa Construction Ltd. and Proform Construction Ltd. are controlled by Kory Gronnestad.

BM Landscaping Corp. is controlled by Len Barrie.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11 Partners' Capital

Preferred Partnership Units

In 2002, the partnership acquired certain real property and development assets from LGB9 Development Corporation ("LGB9"), a corporation whose shareholders also have a controlling interest in the partnership. This transaction was effected under the provisions of Subsection 97(2) of the Income Tax Act of Canada, under which LGB9 and all the members of the partnership jointly elected to transfer the property to the partnership at an agreed amount equal to its adjusted cost base to LGB9. As consideration for this acquisition, the partnership assumed debt liabilities equal to the agreed amount and issued preferred partnership units to LGB9 with a capital account balance in the amount of $1.

The Preferred partnership units shall be entitled to receive, in priority to the Common units, a distribution of profits up to $6,000,000. The Executive Committee has approved monthly drawings in the amount of $40,000 by the holder of these units in anticipation of the expected realization of future profits.

The holders of the Preferred partnership units are not entitled to vote at any meeting of the Common unit holders of the partnership and they are not entitled to receive notice or attend any meetings of the Common unit holders of the partnership. Upon dissolution of the partnership, the holders of Preferred partnership units shall be entitled to receive, from funds remaining after the settlement of the partnership's debt and liabilities, amounts in priority to the Common unit holders.

12 Supplementary Note to Statement of Cash Flows

	2006 **$**	2005 $
Cash paid for:		
Interest	**(11,582,251)**	(5,777,087)
Bank indebtedness consists of:		
Cash	**5,999,956**	-
Bank overdraft	**(18,303,692)**	(10,162,829)
Bank Overdraft - End of Year	**(12,303,736)**	(10,162,829)

13 Commitments

Operating Leases

The partnership has committed to the following future operating lease payments for vehicles, office equipment and office space:

	$
Year ending December 31, 2007	170,348
2008	116,656
2009	61,037
2010	20,090
2011	7,396

Consulting Services - Turner Lane Development Corporation

The partnership has entered into an agreement with Turner Lane Development Corporation ("Turner Lane") for consulting services commencing in August 2002 and continuing until December 31, 2011. Under the terms of this agreement, the partnership has agreed to pay consulting fees to Turner Lane in the amount of $10,000 per month plus 0.6% of the partnership's revenue related to the development, construction, and sale of real estate (with certain defined exclusions).

In addition to the fees set out above, the partnership has also agreed to provide the following allowances and benefits to Turner Lane:

- Monthly allowances for automobile and reimbursement of direct expenses;
- A family membership to Mr. Les Bjola, the principal shareholder of Turner Lane, in the Bear Mountain Golf & Country Club including reimbursement of all related monthly dues;
- A lot credit as described in note 14 of the financial statements in the amount of $125,000.

Management Services - Kema Management Ltd.

The partnership has entered into an agreement with Kema Management Ltd. ("Kema") for management services to be rendered by Mr. David Steele in connection with the marketing and sales of certain buildings to be constructed by the partnership. The partnership has agreed to pay fees of between $100,000 and $250,000 per building.

The partnership has also agreed to pay a monthly vehicle allowance to Kema in the amount of $700 for such period as Kema is engaged in providing these services.

Management Services - InvestorPlus Ltd.

The partnership has entered into an agreement with InvestorPlus Ltd. ("IPL") for management services to be rendered by Mr. David Steele in connection with the marketing and sales of certain buildings, other than those covered by the agreement with Kema Management Ltd., to be constructed by the partnership. The partnership has agreed to pay fees of between $100,000 and $350,000 per building.

14 Contingent Liabilities

Letters of Credit

The partnership's bank has issued 15 letters of credit totaling $3,183,844 (2005 - $1,096,050) to trade suppliers and governing municipalities.

Investment Incentives

Investment incentives provided to common unit holders include future entitlement to residential lots (lot credit) at the discretion of the executive committee. When exercised, the fair value of the residential lot will be recorded as revenue. The difference between this fair value and the cash paid will be charged to the lot credit holder's partnership capital account.

Holder of Lot Credit	Opening Credits	Credits Exercised	**Closing Credits**	Maximum Value $
Barrie, L.	5	1	**4**	Unrestricted
Vernon, M.	3	-	**3**	Unrestricted
Whitney, R.	2	-	**2**	Unrestricted
Gronnestad, K.	1	-	**1**	Unrestricted
Gronnestad, K.	1	1	**-**	400,000
Ash, D.	1	-	**1**	900,000
Steele, D.	1	-	**1**	850,000
Sillinger, M.	1	-	**1**	800,000
Blake, R.	1	-	**1**	300,000
Burke, S.	1	-	**1**	300,000
Carlin, B.	1	-	**1**	300,000
Kidd, T.	1	1	**-**	300,000
Mellanby, S.	1	-	**1**	300,000
Niedermayer, R.	1	-	**1**	300,000
Nieuwendyk, J.	1	-	**1**	300,000
Roberts, G.	1	-	**1**	300,000
Savage, B.	1	-	**1**	300,000
Smyth, R.	1	-	**1**	300,000
Walz, W.	1	-	**1**	250,000
Adams, G.	1	-	**1**	150,000
Cuckovick, G.	1	1	**-**	150,000
Dean, M.	1	1	**-**	150,000
Finley, J.	1	-	**1**	150,000
Simpson, T.	1	-	**1**	150,000
Aviazoff, M.	1	-	**1**	125,000
Pettinger, M.	1	-	**1**	75,000
Barrie, Mark	1	-	**1**	32,500
Barrie, Mike	1	-	**1**	32,500
Penney, J.	1	-	**1**	32,500
Young, C.	1	-	**1**	32,500
	37	5	**32**	

15 Prior Period Adjustment

The partnership's golf course operation provides opportunities for players to subscribe for lifetime memberships in the course. Prospective members are required to pay an initiation fee to the partnership and to make an additional commitment to pay annual fees. The partnership had adopted a policy to refund the initiation fee paid by a member (less an administrative fee) under circumstances where a member had moved, died, or otherwise decided to leave the course. Consequently, in its prior financial statements up to and including the financial statements for the year ended December 31, 2005, the partnership had recorded these initiation fees as a current liability owing to its members.

During the current year, the partnership's management has reviewed its related legal documentation and concluded that its liability to refund initiation fees to members is not unconditional. It has therefore made a determination that it would be more appropriate to record the receipt of the initiation fees as revenue to the partnership in the year that it is received and to record any refunds of these fees as a charge against its income in the year in which the refund is made.

From the formation of the partnership in 2002 to the end of December 31, 2005, the partnership had received total initiation fees net of refunds in the amount of $1,672,603, of which $256,813 was received during 2005. To correct the partnership's financial statements for its prior periods, management has restated its revenue for 2005 to include an additional $256,813 in initiation fees. It has also reduced the opening partners' deficit as at January 1, 2005 by $1,415,790 to reflect the initiation fees received prior to 2005.

16 Financial Instruments

The partnership's financial instruments consist of accounts receivable, sales taxes receivable, bank overdraft, accounts payable and accrued liabilities, long-term debt, capital lease obligations, mortgages payable, and due from related parties.

Interest, Currency and Credit Risk

Unless otherwise noted it is management's opinion that, under normal circumstances, the partnership is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair Value

Fair value approximates amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Potential expenses that would be incurred on the disposition of these financial instruments have not been reflected in their fair values. Therefore, due to the use of subjective judgment and uncertainties, the aggregate fair value amount should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying value of all financial instruments approximates fair value.

17 Comparative Figures

The comparative financial statements have been restated to conform with current year financial statement format.

Bear Mountain Master Partnership

Additional Comments of Auditors

For the Year Ended December 31, 2006

The accompanying schedules are presented as supplementary information only. In this respect, they do not form part of the financial statements of Bear Mountain Master Partnership. The information in these schedules has been subject to audit procedures only to the extent necessary to report on the consolidated financial statements, and hence they are excluded from our report dated March 23, 2007.

Schedule 1

Bear Mountain Master Partnership

Continuity of Partners' Capital (Deficit)

For the Year Ended December 31, 2006
(See Additional Comments of Auditors)

	Subscriptions	Redemptions and Drawings	Premium Paid Unit Buyout	Cumulative Losses to Date (Schedule 3)	Closing	Units
	$	$	$	$	$	
Preferred Units Holder						
LGB9 Development Corporation	1	(2,000,000)	-	-	(1,999,999)	6,000,000
Common Unit Holders						
Barrie Family Trust	4,999	(4,400,000)	(734,409)	(16,407,884)	(21,537,294)	4,350
Vernon Family Trust	2,002,000	-	(320,376)	(7,464,773)	(5,783,149)	2,000
Vernon, Michael	250	(1,500,000)	1,546,879	(47,129)	-	-
Gronnestad Family Trust	750	(375,000)	(120,141)	(2,800,597)	(3,294,988)	750
Penney, Jackson	25	-	(4,005)	(93,309)	(97,289)	25
Vulpine Enterprises Ltd.	125,000	-	(8,009)	(186,620)	(69,629)	50
Wildhorse Management Inc.	400,000	-	(25,772)	(745,431)	(371,203)	200
AFRT Bear Mountain Investments Corporation	1,800,000	-	(48,057)	(1,118,147)	633,796	300
Grappler Development Ltd.	300,000	(150,000)	-	(139,230)	10,770	50
670513 B.C. Ltd.	300,000	(150,000)	(8,009)	(186,620)	(44,629)	50
Bear Mountain Realty Fund (Sched. 2)	10,650,000	-	(278,101)	(8,132,426)	2,239,473	2,225
	15,583,024	(6,575,000)	-	(37,322,166)	(28,314,142)	10,000
Total 2006	**15,583,025**	**(8,575,000)**	**-**	**(37,322,166)**	**(30,314,141)**	

Schedule 2

Bear Mountain Master Partnership

Continuity of Partners' Capital (Deficit) – Bear Mountain Realty Fund

For the Year Ended December 31, 2006
(See Additional Comments of Auditors)

	Subscriptions	Redemptions and Drawings	Premium Paid Unit Buyout	Cumulative Losses to Date (Schedule 4)	Closing	Units
	$	$	$	$	$	
Whitney, Ray	3,000,000	-	(96,112)	(2,239,432)	664,456	600
Sillinger, Mike	1,400,000	-	(45,279)	(1,492,169)	(137,448)	400
Blake, Rob	600,000	-	(16,019)	(373,238)	210,743	100
Burke, Sean	600,000	-	(3,488)	(372,715)	223,797	100
Kidd, Trevor	600,000	-	(16,019)	(373,238)	210,743	100
Mellanby, Scott	600,000	-	(16,019)	(373,238)	210,743	100
Nieuwendyk, Joe	600,000	-	(3,488)	(372,715)	223,797	100
Roberts, Gary	600,000	-	(16,019)	(373,238)	210,743	100
Savage, Brian	600,000	-	(3,488)	(372,715)	223,797	100
Smyth, Ryan	600,000	-	(3,488)	(278,457)	318,055	100
Carlin, Brian	600,000	-	(16,019)	(373,238)	210,743	100
Finley, Jeff	300,000	-	(1,744)	(139,230)	159,026	50
Simpson, Todd	300,000	-	-	(135,316)	164,684	50
Pettinger, Matt	150,000	-	(872)	(69,614)	79,514	25
Walz, Wes	100,000	-	(16,019)	(234,012)	(150,031)	50
Adams, Greg	-	-	(8,009)	(186,621)	(194,630)	50
Niedermayer, Rob	-	-	(16,019)	(373,240)	(389,259)	100
Total 2006	**10,650,000**	**-**	**(278,101)**	**(8,132,426)**	**2,239,473**	**2,225**

Schedule 3

Bear Mountain Master Partnership

Cumulative Partners' Income (Losses)

For the Year Ended December 31, 2006
(See Additional Comments of Auditors)

	2002	2003	* 2004	* 2005	**2006**	**Income (Losses) To Date**
	$	$	$	$	**$**	**$**
Preferred Units Holder						
LGB9 Development Corporation	-	-	-	-	**-**	**-**
Common Unit Holders						
Barrie Family Trust	(25,885)	(4,265,155)	(344,399)	(2,251,445)	**(9,521,000)**	**(16,407,884)**
Vernon Family Trust	(10,459)	(1,885,151)	(156,547)	(1,035,145)	**(4,377,471)**	**(7,464,773)**
Vernon, Michael	-	(47,129)	-	-	**-**	**(47,129)**
Gronnestad Family Trust	(5,229)	(706,931)	(58,705)	(388,180)	**(1,641,552)**	**(2,800,597)**
Penney, Jackson	(131)	(23,564)	(1,957)	(12,939)	**(54,718)**	**(93,309)**
Vulpine Enterprises Ltd.	(261)	(47,129)	(3,914)	(25,879)	**(109,437)**	**(186,620)**
Wildhorse Management Inc.	-	(188,515)	(15,654)	(103,515)	**(437,747)**	**(745,431)**
AFRT Bear Mountain Investments Corporation	-	(282,773)	(23,482)	(155,272)	**(656,620)**	**(1,118,147)**
Grappler Development Ltd.	-	-	(3,914)	(25,879)	**(109,437)**	**(139,230)**
670513 B.C. Ltd.	(261)	(47,129)	(3,914)	(25,879)	**(109,437)**	**(186,620)**
Bear Mountain Realty Fund	(8,366)	(1,932,283)	(170,242)	(1,151,598)	**(4,869,937)**	**(8,132,426)**
	(50,592)	(9,425,759)	(782,728)	(5,175,731)	**(21,887,356)**	**(37,322,166)**
Total 2006	**(50,592)**	**(9,425,759)**	**(782,728)**	**(5,175,731)**	**(21,887,356)**	**(37,322,166)**

* Allocations for 2004 and 2005 have been adjusted to reflect prior period adjustment (note 15)

Bear Mountain Master Partnership

Cumulative Partners' Income (Losses) – Bear Mountain Realty Fund

For the Year Ended December 31, 2006
(See Additional Comments of Auditors)

	2002	2003	* 2004	* 2005	**2006**	**Income (Losses) To Date**
	$	$	$	$	**$**	**$**
Whitney, Ray	(3,137)	(565,545)	(46,964)	(310,544)	**(1,313,242)**	**(2,239,432)**
Sillinger, Mike	(1,307)	(377,029)	(31,309)	(207,029)	**(875,495)**	**(1,492,169)**
Blake, Rob	(523)	(94,258)	(7,827)	(51,757)	**(218,873)**	**(373,238)**
Burke, Sean	-	(94,258)	(7,827)	(51,757)	**(218,873)**	**(372,715)**
Kidd, Trevor	(523)	(94,258)	(7,827)	(51,757)	**(218,873)**	**(373,238)**
Mellanby, Scott	(523)	(94,258)	(7,827)	(51,757)	**(218,873)**	**(373,238)**
Nieuwendyk, Joe	-	(94,258)	(7,827)	(51,757)	**(218,873)**	**(372,715)**
Roberts, Gary	(523)	(94,258)	(7,827)	(51,757)	**(218,873)**	**(373,238)**
Savage, Brian	-	(94,258)	(7,827)	(51,757)	**(218,873)**	**(372,715)**
Smyth, Ryan	-	-	(7,827)	(51,757)	**(218,873)**	**(278,457)**
Carlin, Brian	(523)	(94,258)	(7,827)	(51,757)	**(218,873)**	**(373,238)**
Finley, Jeff	-	-	(3,914)	(25,879)	**(109,437)**	**(139,230)**
Simpson, Todd	-	-		(25,879)	**(109,437)**	**(135,316)**
Pettinger, Matt	-	-	(1,957)	(12,939)	**(54,718)**	**(69,614)**
Walz, Wes	(523)	(94,258)	(3,914)	(25,879)	**(109,438)**	**(234,012)**
Adams, Greg	(261)	(47,129)	(3,914)	(25,879)	**(109,438)**	**(186,621)**
Niedermayer, Rob	(523)	(94,258)	(7,827)	(51,757)	**(218,875)**	**(373,240)**
Total 2006	**(8,366)**	**(1,932,283)**	**(170,242)**	**(1,151,598)**	**(4,869,937)**	**(8,132,426)**

* Allocations for 2004 and 2005 have been adjusted to reflect prior period adjustment (note 15)