BEAR MOUNTAIN
MASTER PARTNERSHIP

Consolidated Financial Statements

For the Year Ended December 31, 2005

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, 2005 and the consolidated statements of partners' capital (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, 2005 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.
July 21, 2006

*incorporated professional

Bear Mountain Master Partnership

Consolidated Balance Sheet

As at December 31, 2005

	2005	2004
	$	$
Assets		
Current Assets -		
Accounts receivable	**587,949**	472,262
Prepaid expenses	**17,346**	64,672
Funds held in trust	**-**	1,265,165
Inventory	**858,165**	166,650
Sales taxes receivable	**1,438,994**	445,345
	2,902,454	2,414,094
Property, Plant and Equipment (note 2)	**30,881,990**	25,698,735
Development Assets (note 3)	**99,287,845**	49,847,804
	133,072,289	77,960,633
Liabilities		
Current Liabilities -		
Bank overdraft (note 4)	**10,162,829**	2,701,047
Accounts payable and accrued liabilities	**11,863,608**	7,984,674
Current portion of long-term debt (note 5)	**201,303**	287,482
Current portion of capital lease obligations (note 6)	**357,883**	348,847
Land development service costs (note 7)	**-**	168,982
Mortgages payable (note 8)	**116,018,202**	61,321,885
Due to related parties (note 9)	**1,787,067**	6,065,628
	140,390,892	78,878,545
Long-term Debt (note 5)	**25,820**	223,716
Capital Lease Obligations (note 6)	**619,965**	960,216
	141,036,677	80,062,477
Partners' Capital (Deficit)	**(7,964,388)**	(2,101,844)
	133,072,289	77,960,633

Bear Mountain Master Partnership

Consolidated Statement of Partners' Capital (Deficit)

For the Year Ended December 31, 2005

	Opening Balance	Subscriptions	Redemptions	Premium paid on Unit Buyout	Drawings	Allocation of Income (Loss)	**Closing Balance**	Units End of Year
	$	$	$	$	$	$	**$**	
Preferred Units Holder (note 11)								
LGB9 Development Corporation	(559,999)	-	-	-	(480,000)	-	**(1,039,999)**	6,000,000
Common Unit Holders								
Barrie Family Trust	(8,853,388)	-	(300,000)	(734,409)	-	(2,363,159)	**(12,250,956)**	4,350
Vernon Family Trust	(333,314)	-	-	(320,376)	-	(1,086,509)	**(1,740,199)**	2,000
Vernon, Michael	(1,546,879)	-	-	1,546,879	-	-	**-**	-
Gronnestad Family Trust	(876,299)	-	-	(120,141)	-	(407,441)	**(1,403,881)**	750
Penney, Jackson	(29,166)	-	-	(4,005)	-	(13,581)	**(46,752)**	25
Vulpine Enterprises Ltd.	66,617	-	-	(8,009)	-	(27,163)	**31,445**	50
Wildhorse Management Inc.	167,515	-	-	(25,772)	-	(108,651)	**33,092**	200
AFRT Bear Mountain Investments Corporation	1,451,271	-	-	(48,057)	-	(162,976)	**1,240,238**	300
Grappler Development Ltd.	289,007	-	-	-	-	(27,163)	**261,844**	50
670513 B.C. Ltd.	241,617	-	-	(8,009)	-	(27,163)	**206,445**	50
Bear Mountain Realty Fund	7,881,174	350,000	-	(278,101)	-	(1,208,738)	**6,744,335**	2,225
	(1,541,845)	350,000	(300,000)	-	-	(5,432,544)	**(6,924,389)**	10,000
Total 2005	(2,101,844)	350,000	(300,000)	-	(480,000)	(5,432,544)	**(7,964,388)**	
Total 2004	656,674	1,350,000	(1,350,000)	-	(560,000)	(2,198,518)	(2,101,844)	

Bear Mountain Master Partnership

Consolidated Statement of Operations

For the Year Ended December 31, 2005

	Real Estate	Resort	**2005**	2004
	$	$	$	$
Revenue				
Sales	26,420,025	2,691,496	**29,111,521**	20,455,954
Cost of goods sold	19,348,142	1,308,855	**20,656,997**	13,582,072
Gross Profit	7,071,883	1,382,641	**8,454,524**	6,873,882
Other Income -				
Athletic club dues and fees	-	4,545	**4,545**	-
Construction fees	244,486	-	**244,486**	
Golf dues and fees	-	2,752,566	**2,752,566**	2,450,531
Hotel management fees	-	395,616	**395,616**	-
Other	310,367	-	**310,367**	
Net Revenue	7,626,736	4,535,368	**12,162,104**	9,324,413
Expenses				
Depreciation and amortization	619,359	1,146,272	**1,765,631**	1,440,521
Wages and benefits	1,405,264	3,651,559	**5,056,823**	2,160,964
Interest and financing charges	1,949,626	1,270,892	**3,220,518**	1,498,602
Interest on capital leases	-	101,305	**101,305**	119,902
Management fees (note 10)	360,000	-	**360,000**	360,000
Sales, administration and marketing	4,678,095	2,412,276	**7,090,371**	5,942,942
	9,012,344	8,582,304	**17,594,648**	11,522,931
Loss for the Year	(1,385,608)	(4,046,936)	**(5,432,544)**	(2,198,518)

Bear Mountain Master Partnership

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2005

	2005	2004
	$	$
Cash Provided from (Used for):		
Operating Activities		
Loss for the year	**(5,432,544)**	(2,198,518)
Items not affecting cash -		
Depreciation and amortization	**1,765,631**	1,440,521
	(3,666,913)	(757,997)
Changes in non-cash working capital balances related to operations -		
Accounts receivable	**(115,687)**	(326,302)
Prepaid expenses	**47,326**	(16,303)
Inventory	**(691,515)**	3,680
Sales taxes receivable	**(993,649)**	(159,683)
Accounts payable and accrued liabilities	**3,878,934**	1,372,212
Funds held in trust	**1,265,165**	(1,265,165)
Land development service costs	**(168,982)**	(164,561)
	(445,321)	(1,314,119)
Investing Activities		
Purchase of property, plant and equipment	**(6,948,886)**	(1,299,019)
Increase in development assets	**(49,440,041)**	(23,059,686)
	(56,388,927)	(24,358,705)
Financing Activities		
Mortgages payable advances	**54,696,317**	25,425,128
Repayment of capital leases	**(331,215)**	(333,813)
Decrease in loans from related parties	**(4,278,561)**	(1,829,497)
Advance (repayment) of long-term debt	**(284,075)**	14,951
Partnership capital subscriptions	**350,000**	1,350,000
Partnership capital redemptions	**(300,000)**	(1,350,000)
Preferred partnership drawings	**(480,000)**	(560,000)
	49,372,466	22,716,769
Decrease in Cash	**(7,461,782)**	(2,956,055)
Cash (Bank Overdraft) - Beginning of Year	**(2,701,047)**	255,008
Bank Overdraft - End of Year (note 12)	**(10,162,829)**	(2,701,047)

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").

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)

Beginning July 1, 2003 the partnership has expensed all interest, administrative and sales expenses that cannot 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 have been included as part of the development assets and will be allocated to the cost of future phases 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, 2005. Deposits for these pre-sale agreements have been received in the amount of $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, 2005.

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.

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 $	**2005 Net $**	2004 Net $
Land	1,401,358	-	**1,401,358**	1,401,358
Mountain Golf Course	18,102,187	993,178	**17,109,009**	17,547,031
Buildings	9,580,215	420,419	**9,159,796**	3,395,697
Resort property	29,083,760	1,413,597	**27,670,163**	22,344,086
Computer equipment and software	587,831	218,056	**369,775**	219,197
Contractors' moveable equipment	1,415,675	891,992	**523,683**	862,460
Equipment	1,077,609	295,701	**781,908**	429,515
Leasehold improvements	536,988	260,813	**276,175**	344,891
Office furniture and equipment	268,681	93,063	**175,618**	143,572
Vehicles	59,250	26,381	**32,869**	21,580
Equipment under capital leases	1,798,288	746,489	**1,051,799**	1,333,434
	34,828,082	3,946,092	**30,881,990**	25,698,735

Certain property, plant and equipment are security for indebtedness of the partnership (notes 5 "long-term debt" and 8 "mortgages payable").

3 Development Assets

	2005 **$**	2004 $
Clubhouse and hotel under construction	**35,242,808**	11,149,426
Fairway Villas	**-**	13,953,082
Phase Three	**-**	74,858
Phase Four	**99,876**	968,577
Phase Five	**1,124,331**	2,130,485
Phase Six	**2,605,846**	538,772
Phase Seven	**6,745,761**	1,412,340
Ponds Landing	**17,861,825**	1,984,328
St. Andrew's Walk and Finlayson Reach	**3,067,986**	-
Echo Valley and The Gates	**1,625,790**	-
Hedgestone Creek	**1,098,526**	795,914
Valley Golf Course	**1,640,796**	527,605
Bear Mountain parkway extension	**3,107,460**	-
Lands under development	**14,536,880**	5,887,933
Costs to be allocated to current and future phases	**10,529,960**	10,424,484
	99,287,845	49,847,804

Certain development assets are security for indebtedness of the partnership (notes 5 "long-term debt" and 8 "mortgages payable").

Interest in the amount of $3,515,220 (2004 - $1,838,170) has been capitalized during the year to development assets.

4 Bank Overdraft

The bank overdraft from HSBC bears interest at prime + 1.5% per annum, is due on demand, and is secured by the HSBC credit terms disclosed in note 8.

5 Long-term Debt

	2005 **$**	2004 $
Kubota Canada Ltd. -		
7.5% per annum interest loan due August 2006 with blended principal and interest payments of $929 due monthly. Secured by a registered charge over the equipment.	**8,184**	17,424
7.5% per annum interest loan due August 2006 with blended principal and interest payments of $1,052 due monthly. Secured by a registered charge over the equipment.	**7,652**	19,725
7.5% per annum interest loan due August 2006 with blended principal and interest payments of $792 due monthly. Secured by a registered charge over the equipment.	**7,230**	16,232
Western Canada Bank -		
5.75% per annum interest demand loan due January 2006 with monthly blended principal and interest payments of $4,530 due monthly. Secured by a registered charge over the equipment.	**10,293**	58,480
7.0% per annum interest demand loan with monthly blended principal and interest payments of $2,455 due monthly. Secured by partnership assets.	**-**	19,908
(carried forward)	**33,359**	131,769

5 Long-term Debt (continued)

	2005 **$**	2004 $
(brought forward)	**33,359**	131,769
Komatsu Financial -		
2.99% per annum interest demand loan due September 2006 with monthly blended principal and interest payments of $7,418 due monthly. Secured by a registered charge over the equipment.	**65,937**	151,605
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.	**127,827**	227,824
	227,123	511,198
Less: Current portion	**201,303**	287,482
	25,820	223,716

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

	$
Year ending December 31, 2006	201,303
2007	25,820
	227,123

6 Capital Lease Obligations

	2005 $	2004 $
Total minimum lease payments	**1,097,094**	1,555,064
Less: Amount representing interest	**119,246**	246,001
Capital lease obligations	**977,848**	1,309,063
Less: Current portion	**357,883**	348,847
	619,965	960,216

The future minimum lease payments under various capital leases of the company at December 31, 2005 are as follows:

	$
Year ending December 31, 2006	436,518
2007	475,229
2008	185,348

Interest on capital lease obligations for the year ending December 31, 2005 was $101,305 (2004 - $121,856).

7 Land Development Service Costs

Land development service costs consist of an estimate of the costs to complete projects for which the revenue has already been recognized in the financial statements.

8 Mortgages Payable

	2005 **$**	2004 $
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 to $1,947,000; • Michael Vernon - limited to $7,698,000.	**99,857,252**	46,680,885
Carevest Capital Inc. -		
Interest only payable and compounded monthly at 11.5% with principal due on November 1, 2006 or 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.	**14,690,950**	-
Interest charged at 12.5%, compounded monthly and repayable on demand.	**-**	770,000
(carried forward)	**114,548,202**	47,450,885

8 Mortgages Payable (continued)

	2005 **$**	2004 $
(brought forward)	**114,548,202**	47,450,885
Coast Capital -		
Interest only payable monthly at prime plus 1.5% with principal repayable on demand.	**-**	13,871,000
John and Helen Goudy -		
Interest only payable monthly at 12.5% with principal due on June 1, 2006. Secured by second mortgage over the Eastern 2/3 of Section 1, Range 4 West, Highland District	**1,470,000**	-
	116,018,202	61,321,885

9 Due to (from) Related Parties

Entity	Relationship	**2005** **$**	2004 $
Highlands Timber Partnership	Common control	**(12,000)**	(12,000)
665821 B.C. Ltd.	Common control	**(10,000)**	(10,000)
666136 B.C. Ltd.	Common control	**-**	3,376
Creekside Cottage Marketing	Significant influence	**(50,000)**	-
LGB9 Development Corporation	Common control	**180,000**	230,216
Barrie Family Trust	Controlling interest	**(615,825)**	746,964
Vernon, Michael	Significant influence	**1,895,892**	4,708,072
643557 B.C. Ltd.	Significant influence	**399,000**	399,000
		1,787,067	6,065,628

Of the amount due to Michael Vernon, $1,678,173 is repayable in blended monthly payments of $10,119 with interest at approximately the bank prime rate. The remainder of this debt and the amounts due to (from) the other related parties are unsecured, non-interest bearing, and without specific terms of repayment.

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.

	2005 **$**	2004 $
Sales of residential lots to management and related parties	**1,858,702**	1,456,750
Project management fees to LGB9 Development Corporation	**360,000**	360,000
Project management fees to Scansa Construction Ltd.	**159,000**	-
Drawings against preferred partnership units by LGB9 Development Corporation	**480,000**	560,000
Fees for services paid to David Steele	**8,716**	12,057
Fees for services paid to Turner Lane Development Corporation	**403,017**	252,972
Sales commissions paid to Mike Barrie	**25,426**	66,306
Fees for services paid to K & R Crushing Inc.	**255,321**	287,309
Fees for services paid to Scansa Construction Ltd.	**11,623,216**	2,587,684
Fees for services paid to BM Landscaping Corp.	**241,929**	77,959
Fees for services paid to Proform Construction Ltd.	**4,635,413**	1,911,274
Interest paid to Michael Vernon	**59,248**	93,760

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

	2005 **$**	2004 $
Cash received from (paid for):		
Interest	**(5,777,087)**	(3,823,020)
Bank indebtedness consists of:		
Bank overdraft	**(10,162,829)**	(2,701,047)
Bank Overdraft - End of Year	**(10,162,829)**	(2,701,047)

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, 2006	168,495
2007	101,926
2008	71,924
2009	25,655
2010	5,862

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 13 of the financial statements in the amount of $125,000.

13 Commitments (continued)

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 $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 Granted	**Closing Credits**	Maximum Value $
Barrie, L.	5	-	**5**	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
	36	1	**37**	

15 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 to 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.

16 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, 2005

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 July 21, 2006.

Schedule 1

Bear Mountain Master Partnership

Continuity of Partners' Capital (Deficit)

For the Year Ended December 31, 2005
(See Additional Comments of Auditors)

UNIT HOLDERS	Subscriptions	Redemptions And Drawings	Premium Paid Unit Buyout	Allocation of Income (Loss) 2002	2003	2004	**2005**	**Capital (Deficit) TOTAL**	**Units 2005**
	$	$	$	$	$	$	**$**	**$**	
Preferred Units Holder									
LGB9 Development Corporation	1	(1,040,000)		-	-	-	**-**	**(1,039,999)**	6,000,000
Common Unit Holders									
Barrie Family Trust	4,999	(3,900,000)	(734,409)	(25,885)	(4,265,155)	(967,347)	**(2,363,159)**	**(12,250,956)**	4,350
Vernon Family Trust	2,002,000	-	(320,376)	(10,459)	(1,885,151)	(439,704)	**(1,086,509)**	**(1,740,199)**	2,000
Vernon, Michael	250	(1,500,000)	1,546,879	-	(47,129)	-	**-**	**-**	-
Gronnestad Family Trust	750	-	(120,141)	(5,229)	(706,931)	(164,889)	**(407,441)**	**(1,403,881)**	750
Penney, Jackson	25	-	(4,005)	(131)	(23,564)	(5,496)	**(13,581)**	**(46,752)**	25
Vulpine Enterprises Ltd.	125,000	-	(8,009)	(261)	(47,129)	(10,993)	**(27,163)**	**31,445**	50
Wildhorse Management Inc.	400,000	-	(25,772)	-	(188,515)	(43,970)	**(108,651)**	**33,092**	200
AFRT Bear Mountain Investments Corporation	1,800,000	-	(48,057)	-	(282,773)	(65,956)	**(162,976)**	**1,240,238**	300
Grappler Development Ltd.	300,000	-	-	-	-	(10,993)	**(27,163)**	**261,844**	50
670513 B.C. Ltd.	300,000	-	(8,009)	(261)	(47,129)	(10,993)	**(27,163)**	**206,445**	50
Bear Mountain Realty Fund (Sched. 2)	10,650,000	-	(278,101)	(8,366)	(1,932,283)	(478,177)	**(1,208,738)**	**6,744,335**	2,225
	15,583,024	(5,400,000)	-	(50,592)	(9,425,759)	(2,198,518)	**(5,432,544)**	**(6,924,389)**	10,000
	15,583,025	(6,440,000)	-	(50,592)	(9,425,759)	(2,198,518)	**(5,432,544)**	**(7,964,388)**	

Schedule 2

Bear Mountain Master Partnership

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

For the Year Ended December 31, 2005
(See Additional Comments of Auditors)

UNIT HOLDERS	Subscriptions	Redemptions And Drawings	Premium Paid Unit Buyout	Allocation of Income (Loss) 2002	2003	2004	**2005**	**Capital (Deficit) TOTAL**	**Units 2005**
	$	$	$	$	$	$	**$**	**$**	
Whitney, Ray	3,000,000	-	(96,112)	(3,137)	(565,545)	(131,911)	**(325,953)**	**1,877,342**	600
Sillinger, Mike	1,400,000	-	(45,279)	(1,307)	(377,029)	(87,941)	**(217,302)**	**671,142**	400
Blake, Rob	600,000	-	(16,019)	(523)	(94,258)	(21,985)	**(54,325)**	**412,890**	100
Burke, Sean	600,000	-	(3,488)	-	(94,258)	(21,985)	**(54,325)**	**425,944**	100
Kidd, Trevor	600,000	-	(16,019)	(523)	(94,258)	(21,985)	**(54,325)**	**412,890**	100
Mellanby, Scott	600,000	-	(16,019)	(523)	(94,258)	(21,985)	**(54,325)**	**412,890**	100
Nieuwendyk, Joe	600,000	-	(3,488)	-	(94,258)	(21,985)	**(54,325)**	**425,944**	100
Roberts, Gary	600,000	-	(16,019)	(523)	(94,258)	(21,985)	**(54,325)**	**412,890**	100
Savage, Brian	600,000	-	(3,488)	-	(94,258)	(21,985)	**(54,325)**	**425,944**	100
Smyth, Ryan	600,000	-	(3,488)	-	-	(21,985)	**(54,325)**	**520,202**	100
Carlin, Brian	600,000	-	(16,019)	(523)	(94,258)	(21,985)	**(54,325)**	**412,890**	100
Finley, Jeff	300,000	-	(1,744)	-	-	(10,993)	**(27,163)**	**260,100**	50
Simpson, Todd	300,000	-	-	-	-	-	**(27,163)**	**272,837**	50
Pettinger, Matt	150,000	-	(872)	-	-	(5,496)	**(13,581)**	**130,051**	25
Walz, Wes	100,000	-	(16,019)	(523)	(94,258)	(10,993)	**(27,163)**	**(48,956)**	50
Adams, Greg	-	-	(8,009)	(261)	(47,129)	(10,993)	**(27,163)**	**(93,555)**	50
Niedermayer, Rob	-	-	(16,019)	(523)	(94,258)	(21,985)	**(54,325)**	**(187,110)**	100
	10,650,000	-	(278,101)	(8,366)	(1,932,283)	(478,177)	**(1,208,738)**	**6,744,335**	2,225