CAPITAL DIRECT I INCOME TRUST

Financial Statements

Nine Month Period Ended December 31, 2007

JA CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

NOTE: All investments carry risk and past performance is not an indication of future returns.

CAPITAL DIRECT I INCOME TRUST

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Nine Month Period Ended December 31, 2007

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CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

AUDITORS' REPORT

To the Unitholders of Capital Direct I Income Trust :

We have audited the statement of net assets of Capital Direct I Income Trust as at December 31, 2007 and the statements changes in net assets, operations and cash flow for the nine month period then ended. These financial statements are the responsibility of the Trust'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 financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2007 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Johnsen Archer LLP

Vancouver, B.C.
February 13, 2008

CHARTERED ACCOUNTANTS

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CAPITAL DIRECT I INCOME TRUST
Statement of Net Assets
December 31, 2007

ASSETS		
Current assets		
Cash and cash equivalents	$	**75,327**
Investments *(Notes 2, 4, 6)*		**1,704,378**
	$	**1,779,705**
LIABILITIES		
Current liabilities		
Accounts payable	$	**86,241**
Loan payable to related party *(Note 5)*		**1,000,000**
Deferred mortgage discount income		**25,454**
		1,111,695
UNITHOLDERS' EQUITY		
Net assets		**668,010**
	$	**1,779,705**

APPROVED ON BEHALF OF THE MANAGER

______________ *Director*

______________ *Director*

CHARTERED ACCOUNTANTS
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See notes to financial statements

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CAPITAL DIRECT I INCOME TRUST
Statement of Changes in Net Assets
Nine Month Period Ended December 31, 2007

Net assets - beginning of period	**$**	**-**
Net income from operations		**21,201**
		21,201
Distributions to unitholders		**(16,961)**
Distribution to the Manager		**(4,240)**
Capital unit transactions		
Subscriptions *(Notes 7, 8)*		**668,010**
Net assets - end of period	**$**	**668,010**

CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

See notes to financial statements

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CAPITAL DIRECT I INCOME TRUST
Statement of Operations
Nine Month Period Ended December 31, 2007

INCOME		
Mortgage interest	$	49,080
Mortgage discount		10,238
Other income		2,908
		62,226
EXPENSES		
Accounting fees		2,240
Bank charges		826
Interest on loan payable		27,739
Management fees		2,257
Provision for loan losses		7,963
		41,025
Net income from operations	$	21,201

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See notes to financial statements

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CAPITAL DIRECT I INCOME TRUST
Statement of Cash Flow
Nine Month Period Ended December 31, 2007

Operating activities		
Net income from operations	$	21,201
Items not affecting cash:		
Distributions to unitholders and Manager		(21,201)
Reinvested distributions		16,961
		16,961
Changes in non-cash working capital:		
Accounts payable		86,241
Deferred mortgage discount income		25,454
		111,695
Cash flow from operating activities		128,656
Investing activity		
Purchase of investments, net		(1,704,378)
Cash flow used by investing activity		(1,704,378)
Financing activities		
Advances from related parties		1,000,000
Cash subscriptions		651,049
Cash flow from financing activities		1,651,049
Net change in cash and cash equivalents during the period		75,327
Cash and cash equivalents - beginning of period		-
Cash and cash equivalents - end of period	$	75,327
Cash flow supplementary information		
Interest paid	$	27,739
Income taxes paid	$	-

CHARTERED ACCOUNTANTS
JOHNSEN ARCHER LLP

See notes to financial statements

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1. ORGANIZATION OF THE TRUST

The Capital Direct I Income Trust (the "Trust") is an open-ended investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 23, 2006 by Capital Direct Management Ltd. (the "Manager") and Computershare Trust Company of Canada (the "Trustee").

The Trust is not a reporting issuer under securities legislation and therefore is relying on Part 2.11 of National Instrument 81-106 for exemption from the requirements to file financial statements with the applicable securities regulatory authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Trust considers all cash and highly liquid investments purchased with an initial maturity of one year or less to be cash and cash equivalents.

Investments

Investments consist primarily of residential mortgages and are valued at the outstanding principal balance which approximates the fair market value. The Manager, based on reasonable discretion, may determine a value which more accurately reflects the fair market value of the investment.

Income Recognition

Income from cash equivalents and investments are recognized on an accrual basis. Gain or loss on investments are recognized in the period when sold or when the Manager determines that a permanent impairment in value has occurred. Mortgage discount income is deferred and recognized over the term of the underlying mortgages.

Loss Reserve

On a monthly basis, the Manager reviews, estimates and accrues a loan loss provision based on the historical outcomes of mortgages originated by Capital Direct Lending Corp., the parent company of the Manager.

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3. FINANCIAL INSTRUMENTS

The Trust's financial instruments consist of cash and cash equivalents, investments, accounts payable and payable to a related party.

Credit Risk

It is the Manager's opinion that the Trust is exposed credit risks on all investments. The credit risk is minimized as all investments are collateralized, there is no geographical concentration of investments, and the Manager regularly reviews and monitors the fair value of each investment. Accordingly, it is the Manager's opinion that the Trust is not exposed to significant credit risk.

Fair Value

The Trust's carrying value of cash and cash equivalents, accounts payable and payable to a related party approximates its fair value due to the immediate or short term maturity of these instruments.

Liquidity Risk

The Trust's investments are subject to liquidity risk due to the fact that the investments are collateralized by real estate. As a result, the Trust may not be able to realize the full fair value of the investments in the event that these financial assets need to be sold quickly.

The Canadian Institute of Chartered Accountants has issued new standards for Financial Instruments – Recognition and Measurement (Section 3855) and Comprehensive Income (Section 1530), which must be adopted by private reporting entities for fiscal years beginning after October 1, 2007. The Trust will adopt these new standards for its fiscal year ending December 31, 2008. The impact of the application of these new generally accepted accounting policies on the Trust's financial statements is unknown and can not be reasonably estimated at this time.

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4. INVESTMENTS

Investments consist primarily of residential mortgages acquired from Capital Direct Lending Corp. The mortgages have a maturity ranging from 12 to 24 months and range in position of collateral from first to third. Interest rates on the mortgages vary as noted below:

Rate	Number of Loans	Fair Value
5.001 to 5.500	1	$ 29,898
8.501 to 9.000	1	210,356
9.501 to 10.000	1	56,774
10.501 to 11.000	6	265,570
11.001 to 11.500	4	306,814
12.501 to 13.000	2	88,553
13.001 to 13.500	2	87,982
13.501 to 14.000	4	324,633
14.001 to 14.500	1	68,663
16.001 to 16.500	1	97,943
19.501 to 20.000	1	30,626
22.501 to 23.000	1	144,529
	25	1,712,341
Loan loss provision		(7,963)
		$ 1,704,378

5. LOAN PAYABLE TO RELATED PARTY

The loan payable to Giroday Sawmills Ltd., a company controlled by a Director of the Manager, bears interest at the greater of 7% per annum or at the Royal Bank of Canada's prime rate of interest plus 1.5% per annum and matures on March 31, 2009. The loan is secured by a general security agreement on all present and future Trust property. Payments against the principal are not required, but may be made at any time without penalty at the discretion of the Trust.

6. RELATED PARTY TRANSACTIONS

The Trust purchased 100% of its mortgages from Capital Direct Lending Corp., the parent company of the Manager. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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7. TAXATION

The Trust qualifies as a "Unit Trust" within the meaning of the Canadian Income Tax Act ("The Act"). The Trust is subject to applicable federal and provincial taxes on the amounts of the its net income for tax purposes for the year, including net realizable taxable capital gains, except to the extent such amounts are distributed to unitholders. Losses incurred by the Trust cannot be allocated to unitholders, but may be deducted by the Trust in future years in accordance with The Act.

8. UNITHOLDERS' EQUITY

Pursuant to the Declaration of Trust, the Trust is authorized to issue an unlimited number of retractable, redeemable and transferable trust units, each of which represents an equal, undivided interest in any distributions made by the Trust and in the net assets of the Trust in the event of termination or windup. Each unitholder is entitled to one vote for each whole unit held by such unitholder.

Units are permitted to be retracted on June 30 or December 31 in any year by giving written notice to the Manager. The retraction proceeds payable for each unit is determined by a formula based on a percentage of net asset value per unit and the length of time since the unit was acquired.

For the nine month period ending December 31, 2007, 66,801 units were issued for a total subscription price of $668,010.

Units outstanding, beginning of period	-
Units issued	66,801
Units issued on reinvestment	-
Units redeemed	-
Units outstanding, end of period	66,801

9. DISTRIBUTIONS TO UNITHOLDERS

The Trust distributes 80% of the net income from operations to the Unitholders on a quarterly basis from investments held by the Trust. The quarterly distributions are paid in arrears on the 15th day following the first three calendar quarters and on March 31 following the fourth calendar quarter to which the distribution relates. Distributions by the Trust will be paid in cash unless the Unitholder elects to receive distributions in the form of units.

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10. MANAGEMENT FEES AND EXPENSES

Management fees

Pursuant to the management agreement between the Trust and the Manager, the Manager is to provide management, administration and investment advisory services to the Trust. For these services, the Manager will be entitled to receive a monthly fee ("Manager's Fee") calculated and payable monthly in arrears based on an annual rate of 2% of the net asset value.

In addition, 20% of the net income from operations will be paid to the Manager on a quarterly basis.

All organizational expenses and sales commissions or fees paid to registered dealers in connection with the Offering will be paid by the Manager.

Expenses

All expenses or outlays relating to the Trust from inception including, but not limited to, the Manager's Fee, the Trustee's Fee, offering expenses (other than organizational expenses and sales commissions on fees paid to registered dealers in connection with the offer and sale of units), taxes payable by the Trust, expenses related to Unitholder's meetings, brokerage, legal and other fees and disbursements relating to the implementation of transactions for Trust investments, if any, will be paid by the Trust.

11. ANNUALIZED RATE OF RETURN

Subscription Month	Net Asset Value $	Weighted Average Net Asset Value Per Month $	Net Income allocated to Unitholders $	Annualized return %
Initial subscription on settlement	$ 10	$ -	$ -	-
August 31, 2007	90,000	90,000	4,229	14.097
September 30, 2007	183,000	137,250	6,448	14.094
October 31, 2007	140,000	70,000	3,289	14.096
November 30, 2007	255,000	63,750	2,995	14.094
	$ 668,010	$ 361,000	$ 16,961	14.095

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