

Condensed Consolidated Interim Financial Statements of

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Three and six months ended June 30, 2021

(Unaudited)

(Expressed in Canadian Dollars)

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

(Unaudited)

As at	Note	June 30, 2021	December 31, 2020
Assets			
Non-current assets:			
Investment properties	4	\$ 54,200,000	\$ –
Prepaid expenses and other assets	6	973,728	–
		<u>55,173,728</u>	<u>–</u>
Current assets:			
Prepaid expenses and other assets	6	136,361	–
Accounts and other receivables		9,289	–
Cash		1,254,079	471,975
		<u>1,399,729</u>	<u>471,975</u>
		<u>\$ 56,573,457</u>	<u>\$ 471,975</u>

Liabilities and Unitholders' Equity

Non-current liabilities:			
Mortgages payable	8	\$ 41,532,950	\$ –
Current liabilities:			
Accounts payable and accrued liabilities	10	260,426	15,383
Security deposits and prepaid rent		349,994	–
Exchangeable units	7	10,793,269	–
Current portion of mortgages payable	8	1,118,127	–
		<u>12,521,816</u>	<u>15,383</u>
Total liabilities		54,054,766	15,383
Unitholders' equity	11	2,518,691	456,592
		<u>\$ 56,573,457</u>	<u>\$ 471,975</u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the Trustees:

(signed) "*Jason Pellaers*" _____ Jason Pellaers, Trustee

(signed) "*Luke Cain*" _____ Luke Cain, Trustee

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the three months and six months ended June 30, 2021
(Unaudited)

	Note	Three months ended, June 30, 2021	Six months ended, June 30, 2021
Revenue from investment properties	13	\$ 778,955	\$ 778,955
Expenses:			
Property operating expenses	9	203,542	203,542
Realty taxes		82,536	82,536
Total operating expenses		286,078	286,078
Net property operating income		492,877	492,877
Other expenses (income):			
General and administrative		90,562	105,109
Finance costs	14	175,561	175,213
Fair value gain on investment properties	4	(257,780)	(257,780)
Fair value loss on exchangeable units	7	981,206	981,206
		989,549	1,003,748
Net loss and comprehensive loss		\$ (496,672)	\$ (510,871)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statement of Unitholder's Equity
(Expressed in Canadian Dollars)

For the six months ended June 30, 2021
(Unaudited)

	Note	Trust units	Unitholders' capital	Accumulated deficit	2021 Total
Unitholders' equity, beginning of period		1,800,000	\$ 558,793	\$ (102,201)	\$ 456,592
Changes for the period:					
Issuance of units on qualifying transaction - April 30, 2021, net of issue costs	11	2,759,673	2,572,970	–	2,572,970
Net loss and comprehensive loss		–	–	(510,871)	(510,871)
Unitholders' equity - June 30, 2021		4,559,673	\$ 3,131,763	\$ (613,072)	\$ 2,518,691

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statement of Cash Flows
(Expressed in Canadian Dollars)

For the six months ended June 30, 2021
(Unaudited)

	Note	2021
Cash provided by (used in):		
Operating activities:		
Net loss and comprehensive loss		\$ (510,871)
Adjustments for:		
Fair value gain on investment properties	4	(257,780)
Fair value loss on exchangeable units	7	981,206
Finance costs	14	175,213
Interest paid		(100,677)
Interest received		1,200
Change in non-cash working capital	15	(225,543)
		62,748
Investing activities:		
Acquisition of investment properties, net of transaction costs and cash acquired	5	161,204
Capital expenditures	4	(28,281)
Direct leasing costs	4	(15,144)
		117,779
Financing activities:		
Proceeds from issuance of Trust Units	11	1,000,000
Unit issuance costs	11	(186,703)
Financing fees	8	(55,706)
Debt principal payments	8	(156,014)
		601,577
Net increase in cash		782,104
Cash, beginning of period		471,975
Cash, end of period		\$ 1,254,079

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

1. Description of the entity:

Marwest Apartment Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated July 2, 2020, which was amended and restated on April 30, 2021. The REIT owns and operates a portfolio of income-producing multi-family investment properties located in Western Canada.

The REIT was established under the laws of the Province of Manitoba. The principal and registered office of the REIT is Suite 500-220 Portage Avenue, Winnipeg, Manitoba.

At June 30, 2021, the REIT's portfolio consisted of 2 multi-family investment properties, all of which are held by its wholly owned subsidiary, MAR REIT L.P. (the "Partnership"), through Marwest Apartments I L.P. ("Kenwood Court") and Marwest Apartments VII L.P. ("Brio Brownstones") which are owned 100 percent by the Partnership.

2. Basis of presentation:

(a) Statement of compliance:

The condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these condensed consolidated financial statements should be read in conjunction with the REIT's audited financial statements as at and for the year ended December 31, 2020.

These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on August 24, 2021.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for investment properties, Exchangeable Units and unit-based compensation, which have been measured at fair value. The condensed consolidated interim financial statements have been presented in Canadian dollars which is the REIT's functional currency.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

2. Basis of presentation (continued):

(c) Functional currency:

The condensed consolidated interim financial statements have been presented in Canadian dollars which is the REIT's functional currency.

3. Significant accounting policies:

The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods disclosed in the REIT's audited annual financial statements for the year ended December 31, 2020 except for the following accounting policies adopted in the six months ended June 30, 2021.

(a) Basis of consolidation:

The condensed consolidated interim financial statements include the financial statements of the REIT and its subsidiaries, including the Partnership. Subsidiaries are consolidated from the date of acquisition, being the date that the REIT achieves control and continues to be consolidated until the date that control ceases.

Control is achieved when the REIT is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability of use its power to affect those returns.

All intercompany assets and liabilities, revenue, expenses and cash flows relating to transactions between entities within the REIT are eliminated in full on consolidation.

(b) Investment properties:

Investment properties includes properties held to earn rental income. Investment properties are measured at fair value with any changes therein recognized in profit or loss for the year.

The acquisition of investment properties is initially measured at cost including directly attributable acquisition costs, except when acquired through a business combination, where such costs are expensed as incurred. Directly attributable acquisition costs include professional fees, land transfer taxes and other transaction costs.

After initial recognition, investment properties are measured at fair value, which is determined based on available market evidence at each reporting date. Fair value is determined using the direct capitalization approach. Estimated stabilized net operating income is based on the properties forecasted results.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

3. Significant accounting policies (continued):

Capitalization rates reflect the characteristics, location and market of the properties. Fair value is determined based on internal valuation models incorporating market data and valuations performed by external appraisals. Gain or losses arising from changes in fair value are included in the condensed consolidated interim statements of net loss and comprehensive loss during the period in which they arise.

Tenant incentives, leasing commissions and straight-line rent receivables are included in the carrying amount of investment properties.

(c) Trust Units:

Trust Units are redeemable at the holder's option and are therefore considered to be a puttable instrument in accordance with *IAS 32, Financial Instruments: Presentation* (IAS 32). Puttable instruments are required to be accounted for as a financial liability, except where certain conditions are met; in which case the puttable instruments are classified as equity. The REIT has determined that it has met the conditions set out in IAS 32 that permit instruments that otherwise meet the definition of a financial liability to be classified as equity. Accordingly, the REIT's Trust Units are classified and accounted for as equity instruments.

Distributions on Trust Units are recorded in Unitholders' equity in the period they are approved.

(d) Exchangeable Units:

Exchangeable limited partnership units (Exchangeable Units) of Marwest REIT L.P. are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Units and are exchangeable at the holder's option into Trust Units. One Special Voting Unit is issued to the holder of every Exchangeable Units held, which entitles the holder to one vote per Special Voting Unit at any meeting of Unitholders. The limited IAS 32 exception for presentation as equity does not extend to the Exchangeable Units. The Exchangeable Units are designated as measured at fair value through profit or loss. The fair value of the Exchangeable Units are measured every period by reference to the traded value of the Trust Units, with changes in measurement recorded in the condensed consolidated interim statements of net loss and comprehensive loss. Distributions on the Exchangeable Units are recorded as a finance cost in the condensed consolidated interim statements of net loss and comprehensive loss in the period which the distributions become payable.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

3. Significant accounting policies (continued):

Upon exchange into Trust Units of the Trust, the carrying amount of the liability representing the fair value of the Exchangeable units on exchange date is reclassified to unitholders' equity.

(e) Expenses:

Property operating expenses are recognized in net income in the period in which they are incurred.

(f) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The REIT uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The REIT uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements and disclosures of its financial instruments and its investment properties.

The REIT determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the time of transfer. There were no transfer of assets or liabilities between hierarchy levels during the three and six months ended June 30, 2021 or the period ended December 31, 2020.

(g) CMHC premiums:

Insurance premiums and fees paid to the Canada Mortgage and Housing Corporation ("CMHC") are presented within prepaid expenses and other assets. The insurance premiums and fees are amortized over the loan amortization period, and the amortization expense is included in finance costs in the condensed consolidated interim statements of net loss and comprehensive loss.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

3. Significant accounting policies (continued):

(h) Revenue recognition:

The REIT retains substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Revenue from investment properties includes base rents earned from tenants related to lease agreements which is allocated to lease components based on relative stand-alone selling prices. The stand-alone selling prices of the rental component are determined using an adjusted market assessment approach and the stand-alone selling prices of the service components are determined using an expected cost plus a margin approach.

The REIT uses the straight-line method of rental revenue recognition whereby any contractual free-rent periods or rent increases over the term of a lease are recognized as earning evenly over the lease term. Lease incentives provided to tenants are recognized over the lease term, on a straight-line basis, as a reduction of revenue.

Revenue from services represents the service component of the REIT's leases. These services consist primarily of the recovery of utility, property maintenance and amenity costs where the REIT has determined it is acting as a principal and is recognized over time when the services are provided.

(i) Income taxes:

The REIT is a mutual fund trust and a real estate investment trust as defined in the Income Tax Act (Canada) (the "Act"). Under current tax legislation, a real estate investment trust and a mutual fund trust are entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders. The REIT expects to qualify as a real estate investment trust and mutual fund trust and intends on making distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

3. Significant accounting policies (continued):

(j) Unit-based compensation:

The REIT may issue unit-based awards to trustees, officers and employees of the REIT according to the REIT's Equity Incentive Plan (the "Plan"). Pursuant to the Plan, trustees, officers and employees may receive Deferred Units, Restricted Units or unit options to purchase trust units.

Deferred Units and Restricted Units awarded under the Plan may be settled by Trust Units issued from treasury or cash payable on settlement as elected by the participant. Deferred Units vest on the date of grant unless otherwise determined by the Board of Trustees. Restricted Units will vest as determined by the Board of Trustees at the time of grant. Each Deferred Unit and Restricted Unit is equivalent in value to a Trust Unit and accumulate additional Deferred or Restricted Units at the same rate that distributions are paid on Trust Units.

Deferred Units and Restricted Units have been classified as liabilities and measured at fair value. Changes in fair value is recorded as a gain or loss in net income and comprehensive income in the period of the change. The grant date fair value is calculated using the market price of the Trust Units on the TSX Venture Exchange for the 20 trading days immediately preceding such date.

Unit options granted under the equity incentive plan will include an option exercise price determined by the Board of Trustees and will not be less than the fair value of a trust unit on the date of the grant. The term of each unit option will be fixed by the Board of Trustees, provided, that no unit option will be exercisable more than five years after the date the unit option is granted.

The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

The grant date fair value of unit-based payment awards granted to employees is recognized as an expense, with a corresponding increase or decrease in liabilities, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

3. Significant accounting policies (continued):

(k) Finance costs:

Finance costs are comprised of interest expense, amortization of mark-to-market adjustments and financing charges, distributions on Exchangeable Units and fair value loss on Exchangeable Units.

Finance costs associated with financial liabilities presented at amortized cost are presented in the condensed consolidated interim statements of net loss and comprehensive loss using the effective interest method. Finance costs also includes interest income which is recognized when earned.

(l) Use of estimates and judgments:

The preparation of the condensed consolidated interim financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses during the period. Actual results may vary from these estimates.

Information about assumptions and estimation uncertainties that are critical to the determination of the amounts reported in the financial statements are as follows:

- Valuation of investment properties:

The fair value of the investment properties is determined by management using recognized valuation techniques. The determination of the fair value of the investment properties requires the use of estimates such as capitalization rates and stabilized net operating income applicable to the properties. These estimates are based on local market conditions existing at the reporting date.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

3. Significant accounting policies (continued):

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the condensed consolidated financial statements are as follows:

- Business combinations:

The Trust acquires real estate properties. At the time of the acquisition, the Trust considers whether or not the acquisition represents the acquisition of a business. The Trust accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Consideration is made to the extent to which significant processes are acquired and the extent of ancillary services provided by the property, for example, maintenance, cleaning, security, bookkeeping, etc.

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill is recognized. The purchase of Marwest Apartments I L.P. and Marwest Apartments VII L.P. are considered asset purchases and not business combinations (note 5).

- Income taxes:

The REIT is a mutual fund trust and a real estate investment trust as defined in the Act. Under current tax legislation, the REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the Act relating to the nature of its assets and revenue. The REIT uses judgment in reviewing the real estate investment trust conditions and assessing their interpretation and application to the REIT's assets and revenue, and it has determined that it qualifies as a real estate investment trust for the current period.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

3. Significant accounting policies (continued):

Impact of COVID-19:

The COVID-19 outbreak has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the REIT is unknown. The REIT continues to monitor and assess the impact that COVID-19 will have on business activities and financial results that could potentially be impacted, including: cash collections from tenants, rental income, occupancy, turnover, future demand and market rents, all of which impact the valuation of investment properties.

The estimates that could be most significantly impacted by COVID-19 include those underlying the valuation of investment properties. Actual results could differ from those estimates.

(m) Future changes in accounting standards:

On January 23, 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, providing a more general approach to the classification of liabilities based on the contractual agreements in place at the reporting date. The amendments apply to annual reporting periods beginning on or after January 1, 2023, earlier adoption is permitted.

The amendments to IAS 1 affect only the presentation of liabilities in the balance sheet and seek to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period. Further, the amendments make clear that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and that the settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The REIT intends to adopt the amendments in its condensed consolidated financial statements beginning on January 1, 2023 when the amendments become effective. The REIT is assessing the potential impact of the amendments, however, does not expect them to have a material impact on the REIT's condensed consolidated financial statements.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

4. Investment properties:

The following table presents the change in investment properties for the six month period ended June 30, 2021 and the period ended December 31, 2020:

	June 30, 2021	December 31, 2020
Balance, beginning of period	\$ –	\$ –
Additions:		
Acquisitions of investment property (note 5)	53,898,795	–
Capital expenditures	28,281	–
Direct leasing costs	15,144	–
Fair value gain	257,780	–
Balance, end of period	\$ 54,200,000	\$ –

The fair value methodology for the REIT's investment properties is considered level 3, as significant unobservable inputs are required to determine fair value.

Internal valuations were prepared by management at June 30, 2021.

The internal valuations team consists of qualified individuals who hold recognized relevant professional qualifications and have recent experience in the location and category of the respective properties.

Management determined the fair value of investment properties based on the direct income capitalization approach using stabilized net operating income and capitalized at a rate that reflects the characteristics, location and market of the investment properties. The capitalization rate was estimated using market surveys, available appraisals and market comparables.

The carrying value of the investment properties reflects management's best estimate of fair value in terms of the assessed highest and best use at June 30, 2021. It is not possible to forecast with certainty the duration or full scope of the economic impact COVID-19 will have on the investment properties, both in the short and long-term. Any long-term effects on market rents, occupancy, turnover and other factors could impact the underlying valuation of the investment properties and such impact could be material.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

4. Investment properties (continued):

A change in the capitalization rate used could have a material impact on the fair value of the investment properties. When capitalization rates compress, the estimated fair value of the investment properties increase. When capitalization rates expand, the estimated fair value of the investment properties decrease. The capitalization rate utilized at June 30, 2021 was 5.22 percent.

At June 30, 2021, a 25-basis point increase in the capitalization rate would decrease the estimated fair value of investment properties by approximately \$2,473,993. A 25-basis point decrease in the capitalization rate would increase the estimated fair value of investment properties by approximately \$2,733,517.

At June 30, 2021, the investment properties were pledged as security under mortgage and loan agreements.

5. Acquisition of investment properties:

On April 30, 2021, the REIT completed the acquisition of the partnership units of Marwest Apartments I L.P. (operating as Kenwood Court) and Marwest Apartments VII L.P. (operating as Brio Brownstones) which includes land, buildings, existing tenant leases and all working capital balances of these limited partnerships and assumption of the mortgages payable.

The acquisition of Kenwood Court and Brio Brownstones served as the REIT's Qualifying Transaction pursuant to Policy 2.4 of the TSX Venture Exchange.

The purchase price of the partnership units of Marwest Apartments I L.P. and Marwest Apartments VII L.P. is \$8,192,147 and \$3,379,588 respectively, whereby some of the previous unitholders of Marwest Apartments I L.P. and Marwest Apartments VII L.P. elected to receive Exchangeable Units in Marwest Apartments REIT L.P. at a price of \$1 per Exchangeable Unit. Marwest Apartments I L.P. partnership units were purchased for 6,601,441 Exchangeable Units and 1,590,708 Trust Units as satisfaction of the purchase price. Marwest Apartments VII L.P. partnership units were purchased for 3,210,622 Exchangeable Units and 168,965 Trust Units as satisfaction of the purchase price. The mortgage principal balances of \$12,455,279 and \$29,997,473 of Marwest Apartments I L.P. and Marwest Apartments VII L.P. respectively, were assumed by the REIT, with a mark to market adjustment of (\$466,900) and \$903,438 respectively, aggregating \$436,538.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

5. Acquisition of investment properties (continued):

The allocation of the purchase price to each of the limited partnerships acquired is as follows:

	Kenwood Court	Brio Brownstones	Total
Cash	\$ 178,510	\$ 397,043	\$ 575,553
Investment properties	19,936,064	33,495,586	53,431,650
Working capital	65,952	387,870	453,822
Debt	(11,988,379)	(30,900,911)	(42,889,290)
Total consideration	\$ 8,192,147	\$ 3,379,588	\$ 11,571,735

The REIT incurred transaction costs related to the acquisitions of \$467,145 which are included in investment properties resulting in a total of \$53,898,795 recognized on acquisition.

6. Prepaid expenses and other assets:

	June 30, 2021	December 31, 2020
Prepaid expenses	\$ 89,951	\$ –
Prepaid CMHC premiums	1,003,553	–
Deposits and other prepayments	16,585	–
	\$ 1,110,089	\$ –
Current	136,361	–
Non-current	973,728	–
	\$ 1,110,089	\$ –

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

7. Exchangeable Units:

The following table reconciles the changes in cash flows and outstanding units for the Exchangeable Units.

	Units	Amount
Balance, beginning of period	–	\$ –
Issued - April 30, 2021 (note 5)	9,812,063	9,812,063
Fair value change	–	981,206
Balance, end of period	9,812,063	\$ 10,793,269

For the period ended June 30, 2021, distributions of nil were declared on the Exchangeable Units.

8. Mortgages payable:

	June 30, 2021	December 31, 2020
Mortgages	\$ 42,296,738	\$ –
Unamortized mark-to-market adjustment	405,522	–
Unamortized deferred financing costs	(51,183)	–
Total mortgages	\$ 42,651,077	\$ –
Current	1,118,127	–
Non-current	41,532,950	–
	\$ 42,651,077	\$ –

Mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 2.78 percent and mature at various dates from 2023-2030. The mortgages are guaranteed, on a joint and several basis, by certain unitholders, as well as personal guarantees by individuals who control certain unitholder's.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

8. Mortgages payable (continued):

The mortgages payable balances at June 30, 2021, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2021 (remainder of year)	\$ 472,089
2022	962,693
2023	13,146,924
2024	721,137
2025	736,093
2026 and thereafter	26,257,802
	\$ 42,296,738

The following table reconciles the changes in cash flows for the mortgages payable:

	Mortgages	Unamortized mark-to-market adjustments	Unamortized deferred financing costs	2021 Total
Balance, beginning of period	\$ –	\$ –	\$ –	\$ –
Assumed on acquisition (note 5)	42,452,752	436,538	–	42,889,290
Deferred financing costs	–	–	(55,706)	(55,706)
Repayments	(156,014)	–	–	(156,014)
Deferred financing amortization	–	–	4,523	4,523
Amortization of mark-to-market adjustment	–	(31,016)	–	(31,016)
Balance, end of period	\$ 42,296,738	\$ 405,522	\$ (51,183)	\$ 42,651,077

9. Related party transactions:

In the normal course of operations, the REIT enters into various transactions with related parties.

On April 30, 2021, the REIT and Marwest Asset Management Inc. (“MAM” or the “Manager”) entered into an Asset Management and Property Management Agreement (the “Agreement”) with a term of ten years, with automatic renewal periods for further five-year terms unless terminated in accordance with the Agreement. Under the terms of the Agreement, MAM as the REIT’s manager provides the REIT with the strategic, administrative, property management, leasing, acquisition, financing, development and construction management services necessary to manage the strategy, day-to-day operations and assets of the REIT.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

9. Related party transactions (continued):

On April 30, 2021, the Manager entered into a sub management agreement with Marwest Management Canada Ltd., a company under common control, to perform the property management functions of the Agreement.

The Agreement provides for the following fees:

Type	Basis
Base asset management ¹	0.25 percent of gross book value
Property management	4 percent of gross receipts
Acquisition ²	variable
Construction management ³	variable

¹ Gross book value is defined as the greater of (a) the value of the assets of the REIT as shown on its then most recent consolidated statement of financial position; and (b) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents; (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.

² Acquisition fees are 1 percent on the first \$100 million of acquisitions; 0.75 percent on the next \$100 million of acquisition and 0.50 percent for acquisitions in excess of \$200 million in a fiscal year.

³ Construction management fees are 5 percent on the first \$1 million of all hard construction costs incurred on each capital project and 4 percent on the all hard construction costs above \$1 million on each capital project.

The asset management fee is payable in cash or, at the election of the Manager, up to 50 percent of each payment in Trust Units based upon the 20-day period ending on the trading day prior to the payment date (the "Management Fee Units" [note 12]). The Manager has waived the asset management fee until January 1, 2022.

Commencing for the Fiscal Year ended December 31, 2023, the Manager can earn an Incentive Fee equal to 15 percent of the REIT's adjusted funds from operations as defined in the Agreement per unit ("AFFO Per Unit") in excess of the AFFO Per Unit determined as at December 31 of the prior fiscal year, provided that the maximum Incentive Fee that may be paid in any fiscal year is 100 percent of the base asset management described above. The Incentive Fee is payable in cash or, at the election of the Manager, up to 50 percent of each payment in Trust Units based upon the 20-day period ending on the trading day prior to the payment date (the "Management Fee Units" [note 12]).

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

9. Related party transactions (continued):

The Agreement also provides for the Manager to be reimbursed by the REIT for actual out of pocket costs and expense incurred by the Manager in connection with performance of the services described in the Agreement including caretakers, janitors and other personnel devoted to specific investment properties.

In addition to the related party transactions disclosed elsewhere in these condensed consolidated interim financial statements, related party transactions include:

	Three months ended, June 30, 2021	Six months ended, June 30, 2021
Property management fees	\$ 33,723	\$ 33,723
Salary reimbursement	30,169	30,169
	<u>\$ 63,892</u>	<u>\$ 63,892</u>

As at July 2, 2020, the REIT issued 800,000 Trust Units to certain seed unitholders, including Trustees, Officers and related parties of the REIT, at \$0.25 per Trust Unit for gross proceeds of \$200,000.

On April 30, 2021, in conjunction with the acquisition described in note 5, the REIT issued 4,006,308 Exchangeable Units and 168,965 Trust Units to related parties of the Manager.

Board of Trustees annual fees were accrued to June 30, 2021 of \$13,202. The Trustees were also remunerated \$1,000 per board meeting subsequent to the completion of the qualifying transaction on April 30, 2021, for a total of \$3,014.

10. Accounts payable and accrued liabilities:

	June 30, 2021	December 31, 2020
Accounts payable	\$ 62,596	\$ –
Accrued liabilities	197,830	15,383
	<u>\$ 260,426</u>	<u>\$ 15,383</u>
Current	260,426	15,383
Non-current	–	–
	<u>\$ 260,426</u>	<u>\$ 15,383</u>

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

11. Unitholders' equity:

(i) Authorized:

In accordance with the declaration of trust, the REIT may issue an unlimited number of Trust Units and Special Voting Units.

Each Trust Unit represents an equal undivided beneficial interest and voting right in the REIT and an equal interest in any distributions of the REIT. All Trust Units are of the same class with equal rights and restrictions.

Each Special Voting Unit has no economic entitlement in the Trust or in the distributions or assets of the Trust, but shall entitle the holder to one vote at any meeting of the Unitholders. Special Voting Units shall attach to exchangeable securities (if any) or deferred Trust Units (if any) and are not transferrable from the exchangeable securities to which they are attached. Upon exchange or surrender of an exchangeable security for a Trust Unit, the Special Voting Unit attached to such exchangeable security will automatically be redeemed and cancelled for no consideration.

(ii) Unitholders' equity of the Trust is as follows:

Trust units		
	Number of units	Amount
Authorized	Unlimited	
Issued and outstanding Units, at December 31, 2020	1,800,000	\$ 558,793
Issued, April 30, 2021, net of issue costs	1,000,000	813,297
Issued, April 30, 2021 (note 5)	1,759,673	1,759,673
Issued and outstanding units, at June 30, 2021	4,559,673	\$ 3,131,763
Special voting units		
	Number of units	Amount
Authorized	Unlimited	
Issued and outstanding units, at December 31, 2020	–	\$ –
Issued on April 30, 2021 (note 5)	9,812,063	–
Issued and outstanding units, at June 30, 2021	9,812,063	\$ –

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

11. Unitholders' equity (continued):

On July 2, 2020 (date of formation) the REIT issued 800,000 Trust Units at a price of \$0.25 per Trust Unit for gross proceeds of \$200,000 in cash.

On September 22, 2020, the Trust issued 1,000,000 Trust Units at a price of \$0.50 per Trust Unit, for gross proceeds of \$500,000, by way of an initial public offering pursuant to the policies of the TSX-V. The REIT paid the offering agent, Canaccord Genuity Corp. a commission of 10 percent of the gross proceeds of the offering. The Agent was reimbursed for certain Agent's expenses, including legal fees.

The REIT incurred unit issue costs of \$141,207 for the period ended December 31, 2020, which are included in Unitholders' equity.

On April 30, 2021, the REIT issued 1,000,000 Trust Units at a price of \$1.00 per Trust Unit, for gross proceeds of \$1,000,000, by way of brokered private placement. The REIT paid the offering agent, Canaccord Genuity Corp. a commission of 7 percent of the gross proceeds of the offering. The Agent was reimbursed for certain Agent's expenses including legal fees.

Additionally, 1,590,708 and 168,965 Trust units were issued at a price of \$1.00 per Trust Unit, in exchange for the Marwest Apartments I L.P. and Marwest Apartments VII L.P. partnership units respectively (note 5).

The REIT incurred unit issue costs of \$186,703 for the six months ended June 30, 2021, which are included in Unitholders' equity.

12. Unit-based compensation:

Under the REIT's Equity Incentive Plan, there may be grants of unit options, Restricted Units and Deferred Units, which are subject to certain restrictions. Under the Plan, the maximum number of Trust Units reserved for issuance of Restricted Units and Deferred Units may not exceed 10 percent of the issued and outstanding Trust Units and Exchangeable Units as at the effective date. The maximum number of Trust Units underlying unit options may not exceed 10 percent of the issued and outstanding Trust Units and Exchangeable Units on the grant date less (i) the numbers of Trust Units reserved for issuance of Restricted Units and Deferred Units; and ii) the remaining fixed number of Management Fee Units (note 9) reserved for issuance to the Manager. No unit options may be granted if on the grant date the total number of Trust Units reserved for issuance of Deferred Units, Restricted Units and Management Fee Units exceeds 20 percent of the issued and outstanding Trust Units on the grant date.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

12. Unit-based compensation (continued):

As at and for the six months ended June 30, 2021, no Restricted Units, Deferred Units or unit options have been granted under the Plan.

13. Revenue from investment properties:

The components of revenue from investment properties are as follows:

	Three months ended, June 30, 2021	Six months ended, June 30, 2021
Basic rent	\$ 624,252	\$ 624,252
Property operating expense recoveries	154,703	154,703
	<u>\$ 778,955</u>	<u>\$ 778,955</u>

Future minimum rents receivable under non-cancellable operating leases as at June 30, 2021 are as follows:

Within 1 year	\$ 2,986,586
Year 2	110,447
	<u>\$ 3,097,033</u>

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

14. Finance costs:

Finance costs are comprised of the following:

	Three months ended, June 30, 2021	Six months ended, June 30, 2021
Interest expense on mortgages	\$ 197,935	\$ 197,935
Amortization of financing charges	9,494	9,494
Amortization of mark-to-market adjustments	(31,016)	(31,016)
Interest income	(852)	(1,200)
Finance costs	\$ 175,561	\$ 175,213

15. Changes in non-cash working capital:

Changes in non-cash balances included in the statement of cash flows are comprised as follows:

	Six months ended, June 30, 2021
Accounts receivable	\$ 31,731
Prepaid expenses and other assets	(82,674)
Accounts payable and accrued liabilities	(224,178)
Security deposits and prepaid rent	49,578
	\$ (225,543)

16. Capital management:

The REIT's objective when managing capital is to safeguard the ability to continue as a going concern, to ensure compliance with the REIT's Declaration of Trust and to generate sufficient capital to be able to identify, evaluate and then acquire a direct or indirect interest in future properties and to provide unitholders with a stable distribution. The REIT's capital consists of Exchangeable Units, mortgages payable and unitholders equity.

The REIT's declaration of trust permits the REIT to incur indebtedness of not more than 75 percent of the gross book value of the REIT once the gross book value reaches \$300,000,000, Trust Units and Exchangeable Units will not constitute Indebtedness for this purpose.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

16. Capital management (continued):

Gross book value as defined in the declaration of trust means, at any time, the greater of (a) the value of the assets of the REIT as shown on its then most recent statement of financial position; and (b) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents; (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.

The components of the REIT's capital are set out in the table below:

	June 30, 2021	December 31, 2020
Exchangeable Units	\$ 10,793,269	\$ –
Mortgages payable	42,296,738	–
Unitholders' equity	2,518,691	456,592
	<u>\$ 55,608,698</u>	<u>\$ 456,592</u>

17. Fair values:

The fair value of the REIT's accounts and other receivables, cash, accounts payable and accrued liabilities and security deposits approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value measurement of investment properties is categorized as a Level 3 fair value based on the inputs to the valuation techniques used. The valuation methods used, and the key inputs are described in note 4. The fair value measurement of mortgages and loans payable are categorized as level 2 on the fair value hierarchy and is estimated at fair value based on the rates that could be obtained for similar debt instruments with similar terms and maturities.

The fair value of Exchangeable Units and unit-based compensation is measured every period by reference to the traded value of units and is considered Level 1 in the fair value hierarchy.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

17. Fair values (continued):

The following tables summarize the fair value measurements recognized on the condensed consolidated statements of financial position or disclosed in the REIT's condensed consolidated financial statements, categorized by fair value hierarchy:

June 30, 2021	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Assets:					
Investment properties	4	\$54,200,000	\$ –	\$ –	\$ 54,200,000
Liabilities:					
Exchangeable Units	7	10,793,269	10,793,269	–	–
Mortgages payable	8	42,651,077	–	42,651,077	–
Total liabilities		\$107,644,346	\$10,793,269	\$ 42,651,077	\$ 54,200,000

18. Financial risk management:

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates will affect the REIT's financial instruments. As of June 30, 2021, the REIT's mortgages bore interest at fixed rates.

Management monitors anticipated interest rate changes and mitigates the negative impact of interest rate increases by locking in interest rates early where applicable.

The REIT's financial statement presentation currency is in Canadian dollars. Operations are located in Canada and the REIT has limited operational transactions in foreign-denominated currencies. As such, the REIT has no significant exposure to currency risk.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

18. Financial risk management (continued):

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The REIT is exposed to other price risk on its Exchangeable Units. A 1 percent change in the prevailing market price of the Exchangeable Units as at June 30, 2021 would have a \$107,933 change in the fair value of the Exchangeable Units.

(ii) Credit risk:

Credit risk is the risk that tenants may experience financial difficulty and be unable to fulfill their lease commitments. An allowance for impairment is taken for all expected credit losses.

Management mitigates this risk by carrying out appropriate due diligence on the prospective tenant and obtaining security deposits. Management monitors the collection of residential rent receivables on a regular basis with strict procedures that fall within the provincial regulations designed to minimize credit loss in the case of non-payment. The risk of exposure to credit risk is generally limited to the carrying amount of the financial statements.

The REIT's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash and accounts and other receivables.

Management assesses the impairment of tenant receivables on an individual basis and uses the simplified approach measure expected credit losses; this will be at the lifetime expected credit losses associated with the arrangement.

Management determines that an amount receivable is credit impaired based upon previous collection history, as well as forward looking information where available regarding economic trends in the tenant's industry and the region the tenant is in. Impairment losses are recognized in the consolidated interim statement of loss and comprehensive loss within investment properties operating expenses.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

18. Financial risk management (continued):

(iii) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they become due. The REIT manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities.

An analysis of the contractual cash flows at June 30, 2021 associated with the REIT's material financial liabilities is set out below:

	2021	2022	2023	2024	2025 and thereafter	Total
Mortgages and loans payable	\$ 472,089	\$ 962,693	\$ 13,146,924	\$ 721,137	\$ 26,993,895	\$ 42,296,738
Interest obligation	580,922	1,143,471	1,037,267	613,403	3,085,649	6,460,712
Accounts payable and accrued liabilities	260,426	–	–	–	–	260,426
Security deposits	282,700	–	–	–	–	282,700
	\$ 1,596,137	\$ 2,106,164	\$ 14,184,191	\$ 1,334,540	\$ 30,079,544	\$ 49,300,576

19. Income taxes:

The Act contains legislation affecting the tax treatment of specified investment flow-through (“SIFT”) trusts which include publicly-listed income trusts (the “SIFT Rules”). Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital are generally not subject to tax. The SIFT Rules do not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Conditions”). Instead, a real estate investment trust that meets the REIT Conditions is not liable to pay Canadian Income taxes provided that its taxable income is fully distributed to unitholders during the period.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2021
(Unaudited)

19. Income taxes (continued):

The REIT has reviewed the SIFT Rules and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the six months ended June 30, 2021, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes payable is required.

20. Subsequent event:

On August 10, 2021 the REIT issued 4,271,891 Trust Units in connection with a short-form prospectus dated August 3, 2021. Total gross cash proceeds from the issuance was \$4,699,080. Each Trust Unit was issued with a warrant attached, whereby the warrant holder may purchase one Trust Unit for each warrant held at price of \$1.20 per Trust Unit. The warrant is exercisable for 12 months from the date of initial issuance.