

Condensed Consolidated Interim Financial Statements of

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

(Expressed in Canadian Dollars)

Three and six months ended June 30, 2025 and 2024

(Unaudited)

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

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

As at June 30, 2025 and December 31, 2024
(Unaudited)

	Note	June 30, 2025	December 31, 2024
Assets			
Non-current assets:			
Investment properties	4	\$ 142,550,000	\$ 142,000,000
Prepaid expenses and other assets	5	3,463,635	3,514,572
		146,013,635	145,514,572
Current assets:			
Prepaid expenses and other assets	5	220,675	319,652
Accounts and other receivables		18,429	20,958
Cash		4,352,115	4,238,250
		4,591,219	4,578,860
		\$ 150,604,854	\$ 150,093,432

Liabilities and Unitholders' Equity

Non-current liabilities:			
Mortgages payable	7	\$ 99,677,465	\$ 100,358,345
Security deposits and prepaid rent		91,609	35,842
		99,769,074	100,394,187
Current liabilities:			
Accounts payable and accrued liabilities	8	890,757	869,797
Security deposits and prepaid rent		625,279	709,477
Exchangeable Units	6	8,772,620	6,788,338
Mortgages payable	7	1,344,900	1,320,256
Unit based compensation liability	10	135,945	110,245
		11,769,501	9,798,113
Total liabilities		111,538,575	110,192,300
Unitholders' equity	9	39,066,279	39,901,132
		\$ 150,604,854	\$ 150,093,432

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) Income and Comprehensive (Loss) Income
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2025 and 2024
(Unaudited)

	Note	Three months ended		Six months ended	
		June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenue from investment properties	11	\$ 2,579,050	\$ 2,566,572	\$ 5,214,192	\$ 5,107,070
Expenses:					
Property operating expenses	8	679,926	574,288	1,374,218	1,227,845
Realty taxes		348,040	238,220	665,472	468,595
Total operating expenses		1,027,966	812,508	2,039,690	1,696,440
Net property operating income		1,551,084	1,754,064	3,174,502	3,410,630
Other expenses (income):					
General and administrative	8	238,582	211,840	463,242	400,931
Interest income		(31,176)	(49,482)	(65,096)	(80,657)
Finance costs	12	981,066	991,400	1,959,975	2,000,771
Fair value gain on investments properties	4	(472,047)	(1,334,416)	(433,262)	(1,463,046)
Fair value loss (gain) on unit-based compensation	10	9,998	(8,537)	28,452	(8,652)
Fair value loss (gain) on Exchangeable Units	6	835,487	(561,947)	1,984,282	(561,947)
		1,561,910	(751,142)	3,937,593	287,400
Net (loss) income and comprehensive (loss) income		\$ (10,826)	\$ 2,505,206	\$ (763,091)	\$ 3,123,230

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

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2025 and 2024
(Unaudited)

	Note	Trust units	Unitholders' capital	Retained earnings	Total
Unitholders' equity - December 31, 2023		8,657,564	\$ 6,657,710	\$ 20,920,621	\$ 27,578,331
Units Issued	6	198,839	149,129	—	149,129
Distributions	9	—	—	(66,959)	(66,959)
Net income and comprehensive income		—	—	3,123,230	3,123,230
Unitholders' equity - June 30, 2024		8,856,403	\$ 6,806,839	\$ 23,976,892	\$ 30,783,731
Unitholders' equity, December 31, 2024		9,055,242	\$ 6,961,933	\$ 32,939,199	\$ 39,901,132
Distributions	9	—	—	(71,762)	(71,762)
Net loss and comprehensive loss		—	—	(763,091)	(763,091)
Unitholders' equity - June 30, 2025		9,055,242	\$ 6,961,933	\$ 32,104,346	\$ 39,066,279

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

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

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

For the three and six months ended June 30, 2025 and 2024
(Unaudited)

	Note	Three months ended		Six months ended	
		June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cash provided by (used in):					
Operating activities:					
Net (loss) income and comprehensive (loss) income		\$ (10,826)	\$ 2,505,206	\$ (763,091)	\$ 3,123,230
Adjustments for:					
Unit-based compensation expense	10	20,371	637	21,028	1,270
Fair value gain on investment properties	4	(472,047)	(1,334,416)	(433,262)	(1,463,046)
Fair value loss (gain) on unit-based compensation	10	9,998	(8,537)	28,452	(8,652)
Fair value loss (gain) on Exchangeable Units	6	835,487	(561,947)	1,984,282	(561,947)
Finance costs	12	981,066	991,400	1,959,975	2,000,771
Interest paid		(792,881)	(811,337)	(1,578,652)	(1,610,159)
Distributions paid on Exchangeable Units	6	(40,731)	(41,214)	(81,461)	(82,681)
Change in non-cash working capital	13	44,485	233,439	73,885	59,735
		574,922	973,231	1,211,156	1,458,521
Investing activities:					
Capital expenditures	4	(77,953)	(239,704)	(116,738)	(254,052)
Direct leasing costs	4	—	(5,880)	—	(7,902)
		(77,953)	(245,584)	(116,738)	(261,954)
Financing activities:					
CMHC premiums paid		—	—	—	(347,700)
Distributions paid on Trust Units		(35,315)	(33,368)	(70,630)	(66,483)
Financing fees	7,12	—	—	(315)	(206,936)
Debt advanced	7	—	—	—	8,387,700
Debt principal payments	7	(451,974)	(440,333)	(909,608)	(6,881,547)
		(487,289)	(473,701)	(980,553)	885,034
Increase in cash		9,680	253,946	113,865	2,081,601
Cash, beginning of period		4,342,435	3,593,270	4,238,250	1,765,615
Cash, end of period		\$ 4,352,115	\$ 3,847,216	\$ 4,352,115	\$ 3,847,216

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, 2025 and 2024
(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 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, 2025 and December 31, 2024, the REIT's portfolio consisted of four multi-family investment properties, all of which are held by its subsidiary, MAR REIT L.P. (the "Partnership"). Three of the investment properties are held through Marwest Apartments I L.P. ("Kenwood Court"), Marwest Apartments VII L.P. ("Brio Brownstones") and Marwest (Element) Apartments L.P. ("Element") which are owned 100 percent by the Partnership and Prairie View Pointe which is owned directly by the Partnership.

2. Basis of presentation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the REIT's audited consolidated financial statements for the years ended December 31, 2024 and 2023 (the "Annual 2024 Financial Statements"), which have been prepared in accordance with IFRS Accounting Standards.

These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on August 19, 2025.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for investment properties, Exchangeable Limited Partnership Units (Exchangeable Units) and unit-based compensation, which have been measured at fair value.

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, 2025 and 2024
(Unaudited)

2. Basis of presentation (continued):

(b) Basis of measurement (continued):

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

The operating results for the three and six months ended June 30, 2025 are not necessarily indicative of results that may be expected for the year ending December 31, 2025 due to seasonal variations in property expenses and other factors, including the impacts of macroeconomic events, if any.

The accounting policies applied by the REIT in these condensed consolidated interim financial statements are consistent with those applied in the Annual 2024 Financial Statements.

3. Future changes in accounting standards:

IFRS 18, *Presentation and Disclosure in Financial Statements* will replace IAS 1, *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- (i) Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profits will not change;
- (ii) Management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements; and
- (iii) Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The REIT is currently assessing the impact of the new standard, particularly with respect to the structure of the REIT's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

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

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(Unaudited)

3. Future changes in accounting standards (continued):

The IASB issued amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures* in May 2024. These amendments relate to classification of financial assets and accounting for settlement by electronic payments in the context of the classification and measurement requirements in IFRS 9. The potential impact may include, but is not limited to, a change in timing of recognition and derecognition of financial instruments in situations where settlement of a financial instrument with another takes more than a day. Similarly, a change may be required for entities that derecognize both trade payable and cash on the payment initiation date even if the creditor has not yet received the cash. However, an accounting policy choice is available for derecognizing certain financial liabilities that are settled using an electronic payment system, subject to certain criteria being met. The amendments will be effective from January 1, 2026. The REIT is currently assessing the impact of the new standard, but it is not expected to have a material impact on the REIT's consolidated financial statements.

4. Investment properties:

The following table presents the change in investment properties for the three and six months ended June 30, 2025 and 2024:

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Balance beginning of period	\$ 142,000,000	\$ 134,525,000	\$ 142,000,000	\$ 134,380,000
Additions:				
Capital expenditures	77,953	239,704	116,738	254,052
Direct leasing costs	—	5,880	—	7,902
Fair value gain	472,047	1,334,416	433,262	1,463,046
Closing balance	\$ 142,550,000	\$ 136,105,000	\$ 142,550,000	\$ 136,105,000

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 at June 30, 2025 for each property in the REIT's portfolio by management (December 31, 2024 – internal valuations were performed for each property in the REIT's portfolio and an external appraisal was obtained for one property to support the internal valuation at December 31, 2024).

The internal valuations team consists of qualified individuals who are experienced in the location and category of the respective properties.

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4. Investment properties (continued):

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, 2025 and December 31, 2024.

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 weighted-average capitalization rate utilized at June 30, 2025 was 5.00 percent (December 31, 2024 - 5.00 percent).

The following table reconciles how a 25-basis point and 50-basis point expansion and compression in the weighted-average capitalization rate would decrease or increase the estimated fair value of investment properties:

Increase (decrease) in capitalization rate	Change in fair value of investment property (June 30, 2025)	Change in fair value of investment property (December 31, 2024)
-50 bps	\$ 15,829,000	\$ 15,756,000
-25 bps	7,498,000	7,464,000
+25 bps	(6,785,000)	(6,754,000)
+50 bps	(12,953,000)	(12,895,000)

At June 30, 2025 and December 31, 2024, the investment properties were pledged as security under mortgage agreements.

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(Expressed in Canadian Dollars)

For the three and six months ended June 30, 2025 and 2024
(Unaudited)

5. Prepaid expenses and other assets:

	June 30, 2025	December 31, 2024
Prepaid expenses	\$ 118,803	\$ 217,780
Prepaid CMHC premiums	3,565,507	3,616,444
	\$ 3,684,310	\$ 3,834,224
Current	\$ 220,675	\$ 319,652
Non-current	3,463,635	3,514,572
	\$ 3,684,310	\$ 3,834,224

6. Exchangeable Units:

The following table reconciles the change in Exchangeable Units for the three months ended June 30, 2025 and 2024:

	Three months ended June 30, 2025		Three months ended June 30, 2024	
	Units	Amount	Units	Amount
Balance beginning of period	10,443,596	\$ 7,937,133	10,841,274	\$ 9,757,146
Exchanged for Units	–	–	(198,839)	(149,129)
Fair value change	–	835,487	–	(561,947)
Balance, end of period	10,443,596	\$ 8,722,620	10,642,435	\$ 9,046,070

The following table reconciles the change in Exchangeable Units for the six months ended June 30, 2025 and 2024:

	Six months ended June 30, 2025		Six months ended June 30, 2024	
	Units	Amount	Units	Amount
Balance beginning of period	10,443,596	\$ 6,788,338	10,841,274	\$ 9,757,146
Exchanged for Units	–	–	(198,839)	(149,129)
Fair value change	–	1,984,282	–	(561,947)
Balance, end of period	10,443,596	\$ 8,772,620	10,642,435	\$ 9,046,070

For the three and six months ended June 30, 2025, distributions of \$42,035 and \$82,765 (June 30, 2024 - \$41,227 and \$82,694) were declared on the Exchangeable Units and are included in finance costs (note 12).

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, 2025 and 2024
(Unaudited)

7. Mortgages payable:

	June 30, 2025	December 31, 2024
Mortgages	\$ 102,400,620	\$ 103,310,228
Unamortized mark-to-market adjustment	(868,389)	(1,084,065)
Unamortized deferred financing costs	(509,866)	(547,562)
Total mortgages	\$ 101,022,365	\$ 101,678,601

	June 30, 2025	December 31, 2024
Current	\$ 1,344,900	\$ 1,320,256
Non-current	99,677,465	100,358,345
	\$ 101,022,365	\$ 101,678,601

At June 30, 2025, mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 3.09 percent (December 31, 2024 - 3.09 percent) and mature at various dates from 2027 - 2034 (December 31, 2024 - 2027 - 2034).

The fair value of the REIT's mortgages payable is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows and therefore is a Level 2 fair value measurement. At June 30, 2025, the fair value of mortgages was \$99,272,320 (December 31, 2024 - \$99,230,174).

The mortgages payable balances at June 30, 2025, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2025 (remainder of year)	\$ 917,888
2026	1,879,604
2027	35,960,948
2028	1,375,609
2029	1,412,420
2030 and thereafter	60,854,151
	\$ 102,400,620

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

For the three and six months ended June 30, 2025 and 2024
(Unaudited)

7. Mortgages payable (continued):

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

	Mortgages	Unamortized mark-to-market adjustments	Unamortized deferred financing costs	Total
Balance, December 31, 2023	\$ 102,698,439	\$ (1,515,419)	\$ (415,180)	\$ 100,767,840
Issuance	8,387,700	—	(203,421)	8,184,279
Repayments	(7,775,911)	—	—	(7,775,911)
Deferred financing amortization	—	—	71,039	71,039
Amortization of mark-to market adjustment	—	431,354	—	431,354
Balance, December 31, 2024	\$ 103,310,228	\$ (1,084,065)	\$ (547,562)	\$ 101,678,601
Repayments	(909,608)	—	—	(909,608)
Deferred financing amortization	—	—	37,696	37,696
Amortization of mark-to market adjustment	—	215,676	—	215,676
Balance, June 30, 2025	\$ 102,400,620	\$ (868,389)	\$ (509,866)	\$ 101,022,365

During the six months ended June 30, 2024, the REIT entered into a new CMHC insured mortgage on the Element Phase I property which matures in March 2034. The REIT utilized most of the proceeds from this mortgage to repay the original mortgage which was not CMHC insured.

8. 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.

The Manager has entered into sub management agreements with Marwest Management Canada Ltd., a company under common control, to perform the property management functions of the Agreement. In addition, the Manager has entered into a sub management agreement with Marwest Construction Ltd., a company under common control, to perform the construction management functions of the Agreement.

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

For the three and six months ended June 30, 2025 and 2024
(Unaudited)

8. Related party transactions (continued):

These transactions are incurred in the normal course of operations and measured at the exchange amount agreed upon.

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
Incentive fees ⁴	15 percent of growth in AFFO

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 statements 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 all hard construction costs above \$1 million on each capital project.

⁴ Incentive fees are 15 percent of the REIT's adjusted funds from operations per unit ("AFFO Per Unit") as defined in Agreement, 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 fee.

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 asset management fee is included in general and administrative expenses in the condensed consolidated interim statements of net income and comprehensive income.

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. No incentive fee amount was accrued as at June 30, 2025 and 2024.

The Agreement also provides for the Manager to be reimbursed by the REIT for actual out of pocket costs and expenses 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.

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8. Related party transactions (continued):

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

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Property management fees	\$ 108,970	\$ 114,292	\$ 220,917	\$ 223,628
Salary reimbursement	91,616	52,262	160,470	90,896
Capital expenditures – construction costs	–	214,925	–	214,925
Construction management fees	–	11,283	–	11,283
Base asset management fees	92,932	88,268	185,525	175,745
	\$ 293,518	\$ 481,030	\$ 566,912	\$ 716,477

During the three and six months ended June 30, 2024, \$214,925 of construction costs were incurred to a related party of the Manager.

At June 30, 2025, included in accounts payable and accrued liabilities are amounts owing to the Manager, and related parties of the Manager, of \$303,968 (December 31, 2024 - \$188,295) related to property management fees, asset management fees, and salary and expense reimbursements.

During the three and six months ended June 30, 2025, the board of trustees were issued \$20,371 and \$21,028 in deferred units (June 30, 2024 - \$634 and \$1,270), \$660 related to distributions on outstanding units (June 30, 2024 - \$634 and \$1,270) and \$19,710 related to quarterly compensation (June 30, 2024 - nil). The balance of quarterly compensation, \$12,226 and \$45,384 was paid in cash during the three and six months ended June 30, 2025 (June 30, 2024 - \$33,434 and \$66,868). The board of trustees were also remunerated \$1,500 (2024 - \$1,500) per board meeting.

During the three and six months ended June 30, 2025, \$23,780 of deferred units vested and were paid in cash to a retired trustee of the board.

Loan financing fees of nil (December 31, 2024 – \$37,745) were paid to a Company of which a member of the Board of Trustees provides services to.

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9. Unitholders' equity:

The Declaration of Trust authorizes the issue of an unlimited number the Trust Units and Special Voting Units. As of June 30, 2025 there were 9,055,242 Trust Units and 10,486,391 Special Voting Units (December 31, 2024 – 9,055,242 Trust Units and 10,497,309 Special Voting Units).

For the three and six months ended June 30, 2025, distributions to Unitholders of \$36,447 and \$71,762 (June 30, 2024 - \$33,844 and \$66,959) were declared. This represents monthly distributions of \$0.0013 per Trust Unit for the five months ended May 31, 2025 and \$0.001425 per Trust Unit for the month ended June 30, 2025 (\$0.001275 per Unit for the five months ended May 31, 2024 and \$0.0013 per Trust Unit for the month ended June 30, 2024).

10. Unit-based compensation:

As at and for the three and six months ended June 30, 2025 and 2024, no Restricted Units have been granted under the Plan.

The following table reconciles the change in the unit-based compensation liability for the three months ended June 30, 2025 and 2024:

	Three months ended June 30, 2025		Three months ended June 30, 2024	
	Units	Amount	Units	Amount
Balance, beginning of period	170,205	\$ 129,356	167,841	\$ 151,057
Issued	24,441	20,371	579	637
Redeemed	(30,204)	(23,780)	—	—
Fair value change	—	9,998	—	(8,537)
Balance, end of period	164,442	\$ 135,945	168,420	\$ 143,157

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10. Unit-based compensation (continued):

The following table reconciles the change in the unit-based compensation liability for the six months ended June 30, 2025 and 2024:

	Six months ended June 30, 2025		Six months ended June 30, 2024	
	Units	Amount	Units	Amount
Balance, beginning of period	169,608	\$ 110,245	167,265	\$ 150,539
Issued	25,038	21,028	1,155	1,270
Redeemed	(30,204)	(23,780)	—	—
Fair value change	—	28,452	—	(8,652)
Balance, end of period	164,442	\$ 135,945	168,420	\$ 143,157

11. Revenue from investment properties:

The components of revenue from investment properties for the three and six months ended June 30, 2025 and 2024 are as follows:

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Basic rent	\$ 2,083,451	\$ 2,137,787	\$ 4,255,678	\$ 4,226,408
Property operating expense recoveries	495,599	428,785	958,514	880,662
	\$ 2,579,050	\$ 2,566,572	\$ 5,214,192	\$ 5,107,070

Future minimum rents receivable under non-cancellable operating leases as at June 30, 2025 are as follows:

Within 1 year	\$ 7,346,944
Year 2	263,437
	\$ 7,610,381

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12. Finance costs:

Finance costs for the three and six months ended June 30, 2025 and 2024 are comprised of the following:

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30 2024
Interest on mortgages payable	\$ 786,816	\$ 798,445	\$ 1,572,587	\$ 1,615,566
Mortgage and financing charges	—	—	315	3,515
Amortization of financing charges	18,909	18,421	37,696	33,831
Amortization of CMHC fees	25,468	25,468	50,936	49,487
Amortization of mark-to-market adjustments	107,838	107,839	215,676	215,678
Distribution on Exchangeable Units	42,035	41,227	82,765	82,694
	\$ 981,066	\$ 991,400	\$ 1,959,975	\$ 2,000,771

13. Changes in non-cash working capital:

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

	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30 2024
Accounts receivable	\$ (9,625)	\$ 34,640	\$ 2,529	\$ (11,965)
Prepaid expenses and other assets	71,711	14,226	98,978	(13,065)
Accounts payable and accrued liabilities	(9,815)	124,933	809	15,654
Security deposits and prepaid rent	(7,786)	59,640	(28,431)	69,111
	\$ 44,485	\$ 233,439	\$ 73,885	\$ 59,735

14. 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. Management monitors compliance with the Declaration of Trust as part of the overall management of the operations of the REIT and it is reviewed periodically by the Board of Trustees.

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14. Capital management (continued):

The REIT's capital consists of Exchangeable Units, unit-based compensation, mortgages payable and unitholders equity. The REIT maintains or adjusts its capital structure by issuing Trust Units or debt, adjusting the amounts of distributions paid to Unitholders, returning capital to Unitholders, or reducing or increasing debt.

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 in this determination. The independent members of the Board of Trustees can elect to utilize the appraised value of assets and properties of the REIT in this determination instead of gross book value.

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 statements 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, 2025	December 31, 2024
Exchangeable Units	\$ 8,772,620	\$ 6,788,338
Unit based compensation liability	135,945	110,245
Mortgages payable	101,022,365	101,678,601
Unitholders' equity	39,066,279	39,901,132
	<u>\$ 148,997,209</u>	<u>\$ 148,478,316</u>

15. 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.

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15. Fair values (continued):

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.

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

June 30, 2025	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Assets:					
Investment properties	4	\$ 142,550,000	\$ —	\$ —	\$ 142,550,000
Liabilities:					
Exchangeable Units	6	8,772,620	8,772,620	—	—
Unit-based compensation liability	10	135,945	135,945	—	—
Mortgages payable	7	101,022,365	—	99,272,320	—
Total liabilities		\$ 109,930,930	\$ 8,908,565	\$ 99,272,320	\$ —

December 31, 2024	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Assets:					
Investment properties	4	\$ 142,000,000	\$ —	\$ —	\$ 142,000,000
Liabilities:					
Exchangeable Units	6	6,788,338	6,788,338	—	—
Unit-based compensation liability	10	110,245	110,245	—	—
Mortgages payable	7	101,678,601	—	99,230,174	—
Total liabilities		\$ 107,577,184	\$ 6,898,583	\$ 99,230,174	\$ —

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16. 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, 2025 and December 31, 2024, 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.

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 and unit based compensation liability. A one percent change in the prevailing market price of the Trust Units as at June 30, 2025 would have a \$87,726 impact on the change in the fair value of the Exchangeable Units (December 31, 2024 - \$67,883). A one percent change in the prevailing market price of the Trust Units as at June 30, 2025 would have a nominal impact on the fair value of the unit based compensation liability (December 31, 2024 - nominal).

(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.

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16. Financial risk management (continued):

(ii) Credit risk (continued):

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 condensed consolidated interim statements of net income and comprehensive income within investment properties operating expenses.

(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, 2025, for the following 12 month periods at June 30, 2025, associated with the REIT's financial liabilities is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter	Total
Mortgages and loans payable	\$ 1,853,134	\$ 1,906,434	\$ 35,682,110	\$ 1,394,820	\$ 61,564,122	\$ 102,400,620
Interest obligation	3,123,388	3,070,088	2,070,876	1,875,174	4,866,211	15,005,737
Accounts payable and accrued liabilities	890,757	—	—	—	—	890,757
Security deposits	520,806	91,609	—	—	—	612,415
	\$ 6,388,085	\$ 5,068,131	\$ 37,752,986	\$ 3,269,994	\$ 66,430,333	\$ 118,909,529

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17. Income taxes:

The Income Tax Act (Canada) (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.

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 three and six months ended June 30, 2025 and 2024, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes payable is required.

18. Subsequent events:

The following events occurred subsequent to June 30, 2025:

- i. On each of July 15, 2025 and August 15, 2025, the REIT paid monthly distributions of \$0.001425 per Trust Unit. Holders of the Exchangeable Units were also paid a distribution of \$0.001425 per Unit.
- ii. On August 15, 2025, the REIT declared a distribution of \$0.001425 per Trust Unit, payable on September 15, 2025 to Unitholders of record as of the close of business on August 31, 2025. Holders of the Exchangeable Units will also be paid a distribution of \$0.001425 per Unit.