

Consolidated Financial Statements of

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Marwest Apartment Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Marwest Apartment Real Estate Investment Trust (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of net income and comprehensive income for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the fair value of investment properties

Description of the matter

We draw attention to Note 2(c), Note 3(b) and Note 5 of the financial statements. The Entity uses the fair value method to account for investment properties, which includes properties held to earn rental income. The Entity has recorded investment properties for an amount of \$142,530,000 at December 31, 2025. The investment properties are measured at fair value using valuations prepared by either the Entity's internal valuations team or external appraisers. The valuations are based on the direct capitalization approach and significant assumptions, including capitalization rates and estimated 12-month stabilized net operating income.

Why the matter is a key audit matter

We identified the evaluation of the fair value of investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of investment properties and the high degree of estimation uncertainty in determining the fair value of investment properties. Additionally, significant auditor judgment and involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value of investment properties to minor changes in the significant assumptions above.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a selection of investment properties, we assessed the Entity's ability to accurately forecast by comparing the estimated 12-month stabilized net operating income used in the prior year's estimate of the fair value of investment properties to actual results.

For a selection of investment properties, we compared the estimated 12-month stabilized net operating income to the actual historical net operating income. We assessed the estimated 12-month stabilized net operating income by:

- Taking into account the changes in conditions and events affecting the investment properties;
- Considering the adjustments, or lack of adjustments, made by the Entity in arriving at the estimated 12-month stabilized net operating income.

We involved valuations professionals with specialized skills and knowledge who assisted in evaluating the capitalization rates of the overall portfolio of investment properties. These rates were evaluated by comparing them to published reports of real estate industry commentators and considering the various characteristics of the portfolio.

We evaluated the competence, capabilities and objectivity of the external appraisers by:

- Inspecting evidence that the appraisers are in good standing with the Appraisal Institute;
- Considering whether the appraisers have appropriate knowledge in relation to the specific type of investment properties;
- Reading the reports of the external appraisers which refers to their independence.



Other Information

Management is responsible for the other information. Other information comprises:

- the information included in the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.



- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Brian Kornelsen.

Winnipeg, Canada

March 24, 2026

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at December 31, 2025 and 2024

	Note	December 31, 2025	December 31, 2024
Assets			
Non-current assets:			
Investment properties	5	\$ 142,530,000	\$ 142,000,000
Prepaid expenses and other assets	6	3,412,700	3,514,572
		145,942,700	145,514,572
Current assets:			
Prepaid expenses and other assets	6	307,873	319,652
Accounts and other receivables		14,035	20,958
Cash		4,323,498	4,238,250
		4,645,406	4,578,860
		\$ 150,588,106	\$ 150,093,432

Liabilities and Unitholders' Equity

Non-current liabilities:			
Mortgages payable	8	\$ 98,987,979	\$ 100,358,345
Security deposits and prepaid rent		46,802	35,842
		99,034,781	100,394,187
Current liabilities:			
Accounts payable and accrued liabilities	9	798,075	869,797
Security deposits and prepaid rent		667,783	709,477
Exchangeable Units	7	7,519,133	6,788,338
Mortgages payable	8	1,370,370	1,320,256
Unit based compensation liability	11	158,711	110,245
		10,514,072	9,798,113
Total liabilities		109,548,853	110,192,300
Unitholders' equity	10	41,039,253	39,901,132
		\$ 150,588,106	\$ 150,093,432

The accompanying notes form an integral part of these consolidated 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

Consolidated Statements of Net Income and Comprehensive Income
(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

	Note	Year ended December 31, 2025	Year ended December 31, 2024
Revenue from investment properties	12	\$ 10,583,537	\$ 10,346,107
Expenses:			
Property operating expenses	9	2,827,697	2,533,484
Realty taxes		1,361,126	937,189
Total operating expenses		4,188,823	3,470,673
Net property operating income		6,394,714	6,875,434
Other expenses (income):			
General and administrative	9	872,853	842,226
Interest income		(123,780)	(171,165)
Finance costs	13	3,920,513	3,982,916
Fair value gain on investment properties	5	(310,619)	(7,226,479)
Fair value loss (gain) on unit-based compensation	11	13,728	(42,871)
Fair value loss (gain) on Exchangeable Units	7	1,154,295	(2,664,585)
		5,526,990	(5,279,958)
Net income and comprehensive income		\$ 867,724	\$ 12,155,392

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

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

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

Years ended December 31, 2025 and 2024

	Note	Trust Units	Unitholders' capital	Accumulated surplus	Total
Unitholders' equity, December 31, 2023		8,657,564	\$ 6,657,710	\$ 20,920,621	\$ 27,578,331
Trust Units issued	10	397,678	304,223	–	304,223
Distributions		–	–	(136,814)	(136,814)
Net income and comprehensive income		–	–	12,155,392	12,155,392
Unitholders' equity - December 31, 2024		9,055,242	\$ 6,961,933	\$ 32,939,199	\$ 39,901,132
Trust Units issued	10	550,000	423,500	–	423,500
Distributions		–	–	(153,103)	(153,103)
Net income and comprehensive income		–	–	867,724	867,724
Unitholders' equity - December 31, 2025		9,605,242	\$ 7,385,433	\$ 33,653,820	\$ 41,039,253

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

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

	Note	Year ended December 31, 2025	Year ended December 31, 2024
Cash provided by (used in):			
Operating activities:			
Net income and comprehensive income		\$ 867,724	\$ 12,155,392
Adjustments for:			
Unit-based compensation expense	11	58,518	2,577
Fair value gain on investment properties	5	(310,619)	(7,226,479)
Fair value loss (gain) on unit-based compensation	11	13,728	(42,871)
Fair value loss (gain) on Exchangeable Units	7	1,154,295	(2,664,585)
Finance costs	13	3,920,513	3,982,916
Interest paid		(3,149,024)	(3,204,056)
Distributions paid on Exchangeable Units	7	(165,936)	(165,175)
Change in non-cash working capital	14	(105,570)	107,364
		2,283,629	2,945,083
Investing activities:			
Capital expenditures	5	(219,381)	(377,718)
Direct leasing costs	5	—	(15,803)
		(219,381)	(393,521)
Financing activities:			
CMHC premiums paid		—	(347,700)
Distributions paid on Trust Units		(151,188)	(136,080)
Financing fees	8,13	(315)	(206,936)
Debt advanced	8	—	8,387,700
Debt principal payments	8	(1,827,497)	(7,775,911)
		(1,979,000)	(78,927)
Increase in cash		85,248	2,472,635
Cash, beginning of year		4,238,250	1,765,615
Cash, end of year		\$ 4,323,498	\$ 4,238,250

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

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

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 was a closed-ended real estate investment trust at December 31, 2020 and converted to an open-ended real estate investment trust on April 30, 2021 pursuant to a resolution passed by the Board of Trustees. 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 December 31, 2025, 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:

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS) and using the accounting policies described herein.

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

These consolidated financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on March 24, 2026.

(b) Basis of measurement:

These consolidated 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 Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

2. Basis of presentation (continued):

(c) Use of estimates and judgments:

The preparation of the consolidated 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 significant assumptions such as capitalization rates and estimated 12-month stabilized net operating income applicable to the investment properties. These estimates are based on local market conditions existing at the reporting date.

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

- 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 Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

3. Material accounting policies:

(a) Basis of consolidation:

The consolidated 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:

The REIT uses the fair value method to account for investment properties with any changes therein recognized in profit and loss for the year. Investment properties includes properties held to earn rental income.

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 12-month stabilized net operating income is based on the properties forecasted results.

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 appraisers. Gain or losses arising from changes in fair value are included in the consolidated statements of net income and comprehensive income during the period in which they arise.

Tenant incentives and leasing commissions are included in the carrying amount of investment properties.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

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

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(c) Financial instruments:

Financial instruments are generally measured at fair value on initial recognition. Classification and subsequent measurement consists of the following categories: (i) measured at amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVTOCI"). Financial assets classified at amortized cost are measured using the effective interest method. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statements of net income and comprehensive income.

The classification and measurement of financial liabilities consists of the following categories: (i) measured at amortized cost and (ii) FVTPL. Financial liabilities classified at amortized cost are measured using the effective interest method. Financial liabilities classified as FVTPL are measured at fair value with changes in fair value attributable to changes in the credit risk of the liability recognized in other comprehensive loss, and the remaining amount of change in fair value recognized in the statements of net income and comprehensive income.

The following summarizes the Trust's classification and measurement of financial assets and liabilities:

Financial instrument	Measurement
Cash	Amortized cost
Accounts and other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Security deposits	Amortized cost
Unit based compensation liability	FVTPL
Mortgages payable	Amortized cost
Exchangeable units	FVTPL

The REIT derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The REIT derecognizes a financial liability when, and only when, the REIT's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statements of net income and comprehensive income.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(c) Financial instruments (continued):

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include fees and commissions paid to agents, brokers and advisers.

(d) Trust Units:

Trust Units are redeemable at the holder's option and are therefore considered to be a puttable instrument in accordance with International Accounting Standard (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.

(e) Exchangeable 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 Unit 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 FVTPL. 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 consolidated statements of net income and comprehensive income.

Distributions on the Exchangeable Units are recorded as a finance cost in the consolidated statements of net income and comprehensive income in the period which the distributions become payable.

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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(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 years ended December 31, 2025 and 2024.

(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 consolidated statements of net income and comprehensive income.

(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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(h) Revenue recognition (continued):

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 qualifies as a real estate investment trust and mutual fund trust and has made distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(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 the consolidated statements of net income and comprehensive income in the period of the change. The grant date fair value is calculated using the greater of the market price of the Trust Units on the TSX Venture Exchange for the 5 trading days immediately preceding such date or the price per Trust Unit pursuant to the last public offering or private placement of Trust Units.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(j) Unit-based compensation (continued):

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.

(k) Finance costs:

Finance costs are comprised of interest expense, loan and financing charges, amortization of financing costs, mark-to-market adjustments and CMHC fees, and distributions on Exchangeable Units.

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

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

4. Future changes in accounting standards:

- i) 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.

- ii) 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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

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

Years ended December 31, 2025 and 2024

5. Investment properties:

The following table presents the change in investment properties for the year ended December 31, 2025 and December 31, 2024:

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ 142,000,000	\$ 134,380,000
Additions:		
Capital expenditures	219,381	377,718
Direct leasing costs	-	15,803
Fair value gain	310,619	7,226,479
Balance, end of year	\$ 142,530,000	\$ 142,000,000

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

An external appraisal was obtained for one property and internal valuations were performed to determine the fair value of the remaining three investment properties as at December 31, 2025 (2024 – an external appraisal was obtained on one property to support the internal valuation of all properties). Internal valuations are prepared by management. The internal valuations team consists of qualified individuals who are experienced in the location and category of the respective properties.

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 December 31, 2025 and 2024.

Management determined the fair value of investment properties based on the direct income capitalization approach using estimated 12-month stabilized net operating income and capitalization rates that reflect the characteristics, location and market of the investment properties. The capitalization rates were estimated using market surveys, available appraisals and market comparables.

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 increases. When capitalization rates expand, the estimated fair value of the investment properties decreases. The weighted-average capitalization rate utilized at December 31, 2025 was 5.00 percent (December 31, 2024 - 5.00 percent).

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

5. Investment properties (continued):

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 (December 31, 2025)	Change in fair value of investment property (December 31, 2024)
- 50 bps	\$ 15,824,000	\$ 15,757,000
-25 bps	7,496,000	7,464,000
+25 bps	(6,782,000)	(6,754,000)
+50 bps	(12,949,000)	(12,895,000)

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

6. Prepaid expenses and other assets:

	December 31, 2025	December 31, 2024
Prepaid expenses	\$ 206,000	\$ 217,780
Prepaid CMHC premiums	3,514,573	3,616,444
	\$ 3,720,573	\$ 3,834,224
Current	\$ 307,873	\$ 319,652
Non-current	3,412,700	3,514,572
	\$ 3,720,573	\$ 3,834,224

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

7. Exchangeable Units:

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

	Year ended December 31, 2025		Year ended December 31, 2024	
	Units	Amount	Units	Amount
Balance, beginning of period	10,443,596	\$ 6,788,338	10,841,274	\$ 9,757,146
Exchanged for Trust Units	(550,000)	(423,500)	(397,678)	(304,223)
Fair value change	–	1,154,295	–	(2,664,585)
Balance, end of period	9,893,596	\$ 7,519,133	10,443,596	\$ 6,788,338

For the year ended December 31, 2025, distributions of \$166,037 (2024 - \$164,929) were declared on the Exchangeable Units and are included in finance costs in the consolidated statements of net income and comprehensive income.

8. Mortgages payable:

	December 31, 2025	December 31, 2024
Mortgages	\$ 101,482,731	\$ 103,310,228
Unamortized mark-to-market adjustment	(652,711)	(1,084,065)
Unamortized deferred financing costs	(471,671)	(547,562)
Total mortgages	\$ 100,358,349	\$ 101,678,601

	December 31, 2025	December 31, 2024
Current	\$ 1,370,370	\$ 1,320,256
Non-current	98,987,979	100,358,345
	\$ 100,358,349	\$ 101,678,601

Mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 3.09 percent and mature at various dates from 2027-2034.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

8. Mortgages payable (continued):

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 December 31, 2025, the fair value of mortgages was \$99,116,760 (December 31, 2024 - \$99,230,174).

The mortgages payable balances at December 31, 2025, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2026	1,879,604
2027	35,960,948
2028	1,375,609
2029	1,412,420
2030	23,791,236
2031 and thereafter	37,062,914
	\$ 101,482,731

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

	Mortgages	Unamortized mark-to-market adjustments	Unamortized deferred financing costs	2023 Total
Balance, December 31, 2023	\$ 102,698,439	\$ (1,515,419)	\$ (415,180)	\$ 100,767,840
Repayments	(7,775,911)	–	–	(7,775,911)
Issuance	8,387,700	–	(203,421)	8,184,279
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	(1,827,497)	–	–	(1,827,497)
Deferred financing amortization	–	–	75,891	75,891
Amortization of mark-to market adjustment	–	431,354	–	431,354
Balance, December 31, 2025	\$ 101,482,731	\$ (652,711)	\$ (471,671)	\$ 100,358,349

During the year ended December 31, 2024, the REIT entered into a new CMHC insured mortgage for 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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

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.

The Manager 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.

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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

9. Related party transactions (continued):

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 11]). The asset management fee is included in general and administrative expenses in the consolidated statements of net income and comprehensive income.

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 per unit (“AFFO Per Unit”), as defined in the 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 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 11]). The Incentive Fee is included in general and administrative expenses in the consolidated statements of net income and comprehensive income.

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.

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

	Year ended, December 31, 2025	Year ended, December 31, 2024
Property management fees	\$ 450,060	\$ 447,583
Salary reimbursement	346,353	214,048
Capital expenditures – construction costs	1,721	285,557
Construction management fees	85	13,576
Base asset management fees	373,961	357,832
Incentive fees	-	13,785
	<u>\$ 1,172,180</u>	<u>\$ 1,332,381</u>

At December 31, 2025, included in accounts payable and accrued liabilities are amounts owing to the Manager of \$169,559 (December 31, 2024 - \$188,295) related to property management fees, asset management fees, incentive fees and salary reimbursements. Expense reimbursements for day-to-day operating expenses were \$158,560 for the year ended December 31, 2025 (2024 – \$152,105).

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

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

Years ended December 31, 2025 and 2024

9. Related party transactions (continued):

The Board of Trustees were issued \$2,817 in Deferred Units related to distributions on outstanding units, at a price of \$1.10 per unit on distributions paid until June 15, 2025, subsequent distributions on Deferred Units were issued at the 5 day VWAP during the year ended December 31, 2025. During the year ended December 31, 2024 the Trustees were issued \$2,577 in Deferred Units related to distributions on outstanding units, at a price of \$1.10 per unit (note 11). The Board of Trustees were also remunerated \$1,500 (2024 - \$1,500) per board meeting and paid the balance of their annual compensation of \$55,701 in Deferred Units and \$73,967 in cash (December 31, 2024 - \$134,470 in cash) for the year ended December 31, 2025.

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.

10. 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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

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

Years ended December 31, 2025 and 2024

10. Unitholders' equity (continued):

(ii) Issued:

Trust units

	Number of units	Amount
Issued and outstanding units, at December 31, 2023	8,657,564	\$ 6,657,710
Trust Units issued	397,678	304,223
Issued and outstanding units, at December 31, 2024	9,055,242	\$ 6,961,933
Trust Units issued	550,000	423,500
Issued and outstanding units, at December 31, 2025	9,605,242	\$ 7,385,433

Special voting units

	Number of units	Amount
Issued and outstanding units, at December 31, 2023	10,894,987	\$ –
Units cancelled May 28, 2024	(198,839)	–
Units cancelled Oct 1, 2024	(198,839)	–
Issued and outstanding units, at December 31, 2024	10,497,309	\$ –
Units cancelled June 16, 2025	(10,918)	–
Units cancelled August 15, 2025	(550,000)	–
Issued and outstanding units, at December 31, 2025	9,936,391	\$ –

11. 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 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 Consolidated Financial Statements (continued)
(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

11. Unit-based compensation (continued):

As at and for the year ended December 31, 2025 and December 31, 2024, no Restricted Units or unit options have been granted under the Plan.

The following table reconciles the changes in unit-based compensation liability for the Years ended December 31, 2025 and 2024:

	Year ended December 31, 2025		Year ended December 31, 2024	
	Units	Amount	Units	Amount
Balance, beginning of period	169,608	\$ 110,245	167,265	\$ 150,539
Issued	74,636	58,518	2,343	2,577
Redeemed	(30,204)	(23,780)	–	–
Fair value change	–	13,728	–	(42,871)
Balance, end of period	214,040	\$ 158,711	169,608	\$ 110,245

12. Revenue from investment properties:

The components of revenue from investment properties are as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
Basic rent	\$ 8,436,440	\$ 8,479,446
Revenue from services	2,147,097	1,866,661
	\$ 10,583,537	\$ 10,346,107

Future minimum rents receivable under non-cancellable operating leases as at December 31, 2025 are as follows:

Within 1 year	\$ 6,057,647
Year 2	136,595
	\$ 6,194,242

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

13. Finance costs:

Finance costs are comprised of the following:

	Note	Year ended December 31, 2025	Year ended December 31, 2024
Interest on mortgages		\$ 3,145,044	\$ 3,211,656
Mortgage and financing charges	8	315	3,515
Amortization of financing charges		75,891	71,039
Amortization of CMHC fees		101,872	100,423
Amortization of mark-to-market adjustments		431,354	431,354
Distribution on Exchangeable Units		166,037	164,929
Finance costs		\$ 3,920,513	\$ 3,982,916

14. Changes in non-cash working capital:

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

	Year ended December 31, 2025	Year ended December 31, 2024
Accounts receivable	\$ 6,923	\$ (3,403)
Prepaid expenses and other assets	11,780	20,346
Accounts payable and accrued liabilities	(93,539)	61,612
Security deposits and prepaid rent	(30,734)	28,809
	\$ (105,570)	\$ 107,364

15. 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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

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

Years ended December 31, 2025 and 2024

15. Capital management (continued):

The REIT's capital consists of Exchangeable Units, warrants, 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:

	December 31, 2025	December 31, 2024
Exchangeable Units	\$ 7,519,133	\$ 6,788,338
Unit based compensation liability	158,711	110,245
Mortgages payable	100,358,349	101,678,601
Unitholders' equity	41,039,253	39,901,132
	<u>\$ 149,075,446</u>	<u>\$ 148,478,316</u>

16. 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 6. 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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

16. Fair values (continued):

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 consolidated statements of financial position or disclosed in the REIT's consolidated financial statements, categorized by fair value hierarchy:

December 31, 2025	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Assets:					
Investment properties	6	\$ 142,530,000	\$ –	\$ –	\$ 142,530,000
Liabilities:					
Exchangeable Units	8	7,519,133	7,519,133	–	–
Unit-based compensation liability	13	158,711	158,711	–	–
Mortgages payable	9	100,358,349	–	99,116,760	–
Total liabilities		\$ 108,036,193	\$ 7,677,844	\$ 99,116,760	\$ –

December 31, 2024	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Assets:					
Investment properties	6	\$ 142,000,000	\$ –	\$ –	\$ 142,000,000
Liabilities:					
Exchangeable Units	8	6,788,338	6,788,338	–	–
Unit-based compensation liability	13	110,245	110,245	–	–
Mortgages payable	9	101,678,601	–	99,230,174	–
Total liabilities		\$ 108,577,184	\$ 6,898,583	\$ 99,230,174	\$ –

17. 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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

17. Financial risk management (continued):

(i) Market risk (continued):

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 December 31, 2025 and 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, unit based compensation liability and warrants. A one percent change in the prevailing market price of the Trust Units as at December 31, 2025 would have a \$75,191 impact on the change in the fair value of the Exchangeable Units. A one percent change in the prevailing market price of the Trust Units as at December 31, 2025 would have a nominal impact on the fair value of the unit based compensation liability.

(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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

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

Years ended December 31, 2025 and 2024

17. Financial risk management (continued):

(ii) Credit risk (continued):

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 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 December 31, 2025 associated with the REIT's material financial liabilities is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter	Total
Mortgages	\$ 1,879,604	\$ 35,960,948	\$ 1,375,609	\$ 1,412,420	\$ 60,854,150	\$ 101,482,731
Interest obligation	3,096,917	2,645,302	1,894,385	1,857,574	3,941,185	13,435,363
Accounts payable and accrued liabilities	798,075	—	—	—	—	798,075
Security deposits	560,975	46,802	—	—	—	607,777
	\$ 6,335,571	\$ 38,653,052	\$ 3,269,994	\$ 3,269,994	\$ 64,795,335	\$ 116,323,946

18. 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.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (continued)

(Expressed in Canadian Dollars)

Years ended December 31, 2025 and 2024

18. Income taxes (continued):

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 years ended December 31, 2025 and 2024, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes payable is required.

19. Subsequent events:

The following events occurred subsequent to December 31, 2025:

- i. On each of January 15, 2026, February 16, 2026 and March 16, 2026, 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 on the same dates.
- ii. On March 16, 2026, the REIT declared a distribution of \$0.001425 per Trust Unit, payable on April 15, 2026 to Unitholders and Exchangeable Unitholders of record as of the close of business on March 31, 2026.