

Interim Financial Statements of

**MINTO APARTMENT REAL ESTATE INVESTMENT
TRUST**
(Unaudited)

Period from April 24, 2018 (date of formation) to June 30, 2018

MINTO APARTMENT REAL ESTATE INVESTMENT TRUST

Balance Sheet (Unaudited)

(in Canadian dollars)

As at	Note	June 30, 2018
Assets		
Cash		\$ 20
		\$ 20
Unitholder's Equity		
Unitholder's equity		\$ 20
Subsequent events	4	
		\$ 20

See accompanying notes to the unaudited interim financial statements.

MINTO APARTMENT REAL ESTATE INVESTMENT TRUST

Statement of Changes in Unitholder's Equity

(Unaudited)

For the period from April 24, 2018 (date of formation) to June 30, 2018

(in Canadian dollars)

Unitholder's equity, beginning of period	\$	-
Issuance of units on formation		20
Unitholder's equity, end of period	\$	20

See accompanying notes to the unaudited interim financial statements.

MINTO APARTMENT REAL ESTATE INVESTMENT TRUST

Statement of Cash Flows

(Unaudited)

For the period from April 24, 2018 (date of formation) to June 30, 2018

(in Canadian dollars)

Cash provided by:

Financing activity

Issuance of units on formation	\$	20
Change in cash and cash end of period	\$	20

See accompanying notes to the unaudited interim financial statements.

MINTO APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Interim Financial Statements

(Unaudited)

For the period from April 24, 2018 (date of formation) to June 30, 2018

(in Canadian dollars)

1. Description of the entity

Minto Apartment Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated April 24, 2018 and amended and restated on June 27, 2018, where two units of the REIT were issued for \$20 in cash. The REIT was established under the laws of the Province of Ontario. The principal and registered office of the REIT is 200-180 Kent Street, Ottawa, Ontario.

The REIT was formed primarily to own income-producing residential rental properties. In connection with the completion of the initial public offering of units of the REIT (the "Offering" or "IPO"), the REIT indirectly acquired a portfolio of 22 multi-residential rental properties, referred to herein as the "Portfolio", which are located in the provinces of Ontario and Alberta (Note 4). Subsequent to the acquisition of the Portfolio, the REIT holds its interest in the Portfolio through Minto Apartment Limited Partnership (the "Partnership"), a newly created limited partnership which is consolidated by the REIT.

There have been no operations to date and going forward the REIT will have a December 31 year end.

2. Significant accounting policies

(a) Basis of presentation

These unaudited interim financial statements have been prepared on a going concern basis and have been presented in Canadian dollars unless otherwise indicated.

(b) Statement of compliance

These unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These unaudited interim financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on August 13, 2018.

(c) Unitholder's equity

Units of the REIT ("Units") are redeemable at the holder's option and therefore are considered to be a puttable instrument in accordance with International Accounting Standard 32, *Financial Instruments: Presentation* ("IAS 32"), subject to certain limitations and restrictions. As a result, the Units are required to be accounted for as financial liabilities, but qualify for presentation as equity under IAS 32.

(d) Cash and cash equivalents

Cash includes cash on hand, cash related to tenant deposits and short-term investments. Short-term investments consist of highly marketable investments with an original maturity of 90 days or less from the date of acquisition. At June 30, 2018 the REIT did not have any cash related to tenant deposits or short term investments.

(e) Income taxes

The REIT is a "mutual fund trust" and a "real estate investment trust" as defined in the Income Tax Act (Canada). Under current tax legislation, a "real estate investment trust" is 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 intends on making distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

MINTO APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Interim Financial Statements

(Unaudited)

For the period from April 24, 2018 (date of formation) to June 30, 2018

(in Canadian dollars)

3. Unitholder's equity

Unitholder's equity of the REIT is as follows:

	Quantity	June 30, 2018
Authorized	Unlimited	
Issued and outstanding Units	2	\$ 20

4. Subsequent events

Initial Public Offering

The REIT completed an IPO of Units, which closed on July 3, 2018. The REIT raised gross proceeds of \$200,013,000 through the issuance of 13,794,000 Units at a price of \$14.50 per Unit (excluding Units that were issued pursuant to an over-allotment option). Costs relating to the IPO were approximately \$16,200,000 and were applied against the gross proceeds and charged directly against unitholder's equity.

On July 10, 2018, pursuant to the over-allotment option granted to the underwriters in connection with the IPO, the REIT issued an additional 2,069,100 Units at a price of \$14.50 per Unit upon exercise of this option, resulting in proceeds of \$30,001,950 and payment of underwriters' fees of \$1,725,112 for net proceeds of \$28,276,838. The proceeds of the over-allotment option were paid to the parent of Minto Properties Inc. ("MPI"). Following the closing of the over-allotment option, there are 15,863,100 Units issued and outstanding.

Acquisition of the Portfolio

On July 3, 2018, the REIT completed the indirect acquisition of the Portfolio from MPI. The acquisition of the Portfolio was accounted for as a business combination using the purchase method of accounting with the preliminary allocation to the fair value of identifiable net assets acquired as follows:

<i>(in \$ thousands)</i>	
Investment properties	\$ 1,123,100
Cash and cash equivalents	5,855
Assumed secured debt, including mark-to-market adjustment of \$2,757	(239,145)
Tenant rental deposits	(5,855)
	883,955
Excess fair value of net assets acquired over consideration	(80,667)
Net assets acquired	\$ 803,288

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Notes to the Interim Financial Statements

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(in Canadian dollars)

Consideration given by the REIT consists of the following:

<i>(in \$ thousands)</i>	
Class B Units	\$ 332,463
Class C LP Units, including mark-to-market adjustment of \$3,495	233,282
Unsecured promissory note to MPI, including mark-to-market adjustment of \$105	25,797
Cash paid out by the REIT	211,746
Total consideration for the acquisition	\$ 803,288

Sources and uses of cash

The REIT's sources and use of cash after completion of the transactions, excluding the exercise of the over-allotment option, are as follows:

<i>(in \$ thousands)</i>	
Sources	
Proceeds from the Offering	\$ 200,013
Proceeds from revolving credit facility	28,458
	\$ 228,471
Uses	
Unit issue costs	\$ 16,200
Financing costs	525
Purchase of net assets	211,746
	\$ 228,471

Class B LP Units

The Class B LP Units of the Partnership were issued to MPI, are economically equivalent to Units, receive distributions equal to the distributions paid on Units and are exchangeable at the holder's option into Units. One Special Voting Unit in the REIT was also issued to the holder for each Class B LP Unit issued. However, the limited IAS 32 exception for presentation as equity does not extend to the Class B LP Units. As a result, the Class B LP Units are classified as financial liabilities and will subsequently be measured at fair value through profit or loss. The fair value of the Class B LP Units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in net income. Distributions on the Class B LP Units are recorded as an expense in the consolidated statements of net income and comprehensive income in the period in which they become payable.

Class C LP Units

The Class C LP Units provide for monthly distributions from the Partnership to the holder of such Class C LP Units to be paid in priority, subject to certain restrictions, to distributions to holders of the Units and Class B LP Units. Due to the nature of such distributions, the Class C LP Units are classified as financial liabilities and will subsequently be measured at amortized cost. Distributions on the Class C LP Units consist of principal repayments and interest expense, with principal repayments reducing the outstanding amount of Class C LP Units and interest expense recorded in finance costs in the consolidated statements of net income and comprehensive income in the period in which it becomes payable.

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Credit Facility

On July 3, 2018, the REIT obtained a \$150,000,000 revolving credit facility with an initial draw of \$28,458,000. The REIT expects to incur approximately \$525,000 in initial upfront financing costs to secure this facility. A standby fee equal to 35 bps will be charged on undrawn amounts. The credit facility bears interest at bankers' acceptance rates plus 175 bps or the prime rate plus 75 bps and matures on July 3, 2021.

Related Party Transactions

(a) Unsecured Promissory Note

The Partnership issued an unsecured promissory note to MPI with a principal amount of \$25,692,000 and a mark-to-market adjustment of \$105,000, bearing interest at 2.84%, with interest and principal payments due monthly in arrears. The unsecured promissory note will mature on July 1, 2019, at which time the Partnership has the option to refinance this promissory note.

(b) Administrative Support Agreement

On July 3, 2018, the REIT and MPI entered into a five year renewable Administrative Support Agreement ("ASA"). This agreement provides the REIT with certain advisory, transaction and support services, including clerical and administrative support, operational support for the administration of day-to-day activities of the REIT and office space. These services will be provided on a cost recovery basis under the ASA and during the first year of the term, MPI will be paid a fixed fee of \$500,000. For the period ended June 30, 2018, no amount was paid or payable.