



Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021
Unaudited



minto
Apartment REIT

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Balance Sheets

Unaudited

(in thousands of Canadian dollars, except Unit and per Unit amounts)

	Note	June 30, 2022	December 31, 2021
Assets			
Investment properties	3	\$ 2,599,891	\$ 2,360,565
Loans receivable from related parties	11	75,607	63,312
Prepaid expenses and other assets	6	23,193	11,898
Resident and other receivables	7	2,968	2,088
Cash		4,433	2,851
		\$ 2,706,092	\$ 2,440,714
Liabilities and Unitholders' Equity			
Liabilities			
Class B LP Units	8	\$ 377,054	\$ 498,415
Class C LP Units	9	211,095	214,069
Mortgages and loans	10	747,514	626,120
Credit facility	10	110,816	51,754
Tenant rental deposits		10,823	10,136
Due to related parties	11	2,694	1,922
Accounts payable and accrued liabilities	12	27,434	28,297
		\$ 1,487,430	\$ 1,430,713
Unitholders' equity			
		1,218,662	1,010,001
Contingencies and commitments	17		
Subsequent events	22		
		\$ 2,706,092	\$ 2,440,714

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statements of Net Income and Comprehensive Income

For the three and six months ended June 30, 2022 and 2021

Unaudited

(in thousands of Canadian dollars, except Unit and per Unit amounts)

	Note	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Revenue from investment properties	15	\$ 35,510	\$ 29,885	\$ 68,036	\$ 59,884
Property operating expenses					
Property operating costs		7,260	5,792	13,740	11,563
Property taxes		3,709	2,870	7,374	6,378
Utilities		2,702	2,205	6,297	5,041
		13,671	10,867	27,411	22,982
Property operating income		21,839	19,018	40,625	36,902
Other expenses (income)					
General and administrative		2,514	1,964	4,495	3,866
Finance costs - operations	16	10,570	8,865	19,483	17,597
Finance income		(1,107)	(762)	(2,095)	(1,417)
Fair value loss (gain) on:					
Investment properties	3	2,325	(50,478)	(12,070)	(51,392)
Class B LP Units	8, 16	(172,772)	50,775	(182,335)	81,286
Interest rate swap	6, 16	(776)	3	(2,083)	(1,059)
Unit-based compensation	21	(1,867)	324	(1,967)	517
Fees and other income		(585)	(400)	(980)	(796)
		(161,698)	10,291	(177,552)	48,602
Net income (loss) and comprehensive income (loss)		\$ 183,537	\$ 8,727	\$ 218,177	\$ (11,700)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the six months ended June 30, 2022 and 2021

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(in thousands of Canadian dollars, except Unit and per Unit amounts)

	Note	Units	Distributions	Retained earnings	Total
Balance, December 31, 2020	\$	631,434	\$ (30,204)	\$ 248,994	\$ 850,224
Net loss and comprehensive loss		—	—	(11,700)	(11,700)
Distributions	13	—	(8,253)	—	(8,253)
Balance, June 30, 2021	\$	631,434	\$ (38,457)	\$ 237,294	\$ 830,271
Balance, December 31, 2021	\$	714,121	\$ (47,275)	\$ 343,155	\$ 1,010,001
Net income and comprehensive income		—	—	218,177	218,177
Distributions	13	—	(9,516)	—	(9,516)
Balance, June 30, 2022	\$	714,121	\$ (56,791)	\$ 561,332	\$ 1,218,662

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

Unaudited

(in thousands of Canadian dollars, except Unit and per Unit amounts)

	Note	June 30, 2022	June 30, 2021
Cash provided by (used in):			
Operating activities			
Net income (loss)		\$ 218,177	\$ (11,700)
Adjustments for:			
Finance costs - operations	16	19,483	17,597
Finance income		(2,095)	(1,417)
Fair value loss (gain) on:			
Investment properties	3	(12,070)	(51,392)
Class B LP Units	8, 16	(182,335)	81,286
Interest rate swap	6, 16	(2,083)	(1,059)
Unit-based compensation	21	(1,967)	517
Change in non-cash working capital	20	(5,008)	(6,889)
Cash provided by operating activities		32,102	26,943
Financing activities			
Proceeds from mortgage financing	10	34,623	—
CMHC premiums paid		(882)	—
Financing costs		(416)	(23)
Principal repayments on mortgages	10	(23,212)	(6,401)
Net proceeds from credit facility	10	59,062	42,443
Proceeds from construction loan	10	2,320	—
Distributions on Class B LP Units		(5,762)	(5,180)
Distributions on Class C LP Units, used to repay principal	9	(2,738)	(2,655)
Distribution on Units		(9,516)	(8,253)
Interest paid		(13,721)	(12,576)
Cash provided by financing activities		39,758	7,355
Investing activities			
Acquisition of investment properties	4	(28,761)	—
Capital additions to investment properties		(24,843)	(25,317)
Development of investment properties		(6,467)	(1,091)
Loans advanced to related parties	11	(11,100)	(9,080)
Interest received		893	900
Cash used in investing activities		(70,278)	(34,588)
Change in cash during the period		1,582	(290)
Cash, beginning of the period		2,851	2,607
Cash, end of the period		\$ 4,433	\$ 2,317

See accompanying notes to the unaudited condensed consolidated interim financial statements.

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Notes to the Condensed Consolidated Interim Financial Statements

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(in thousands of Canadian dollars, except Unit and per Unit amounts)

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, which was amended and restated on June 27, 2018, and is amended from time to time. The REIT owns, develops and operates a portfolio of income-producing multi-residential rental properties located in Canada.

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.

At June 30, 2022, the REIT's portfolio consists of interests in 32 multi-residential rental properties, including four mixed-use residential apartment and commercial buildings, all of which are held by Minto Apartment Limited Partnership (the "Partnership"), which is consolidated by the REIT.

2. Significant accounting policies

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

The unaudited 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, 2021 and 2020 (the "Annual 2021 Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These unaudited condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on August 9, 2022.

Basis of presentation and measurement

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

COVID-19 continues to have an effect on businesses globally though emergency measures have now predominantly been lifted. However, government agencies continue to monitor COVID-19 case counts and for the presence of variants which could pose significant risks to the public and require the imposition of new restrictions. The REIT's business also faces risk from economic factors that have recently grown in prominence, such as rising interest rates and inflation. The REIT continues to monitor and assess the impact that COVID-19 and other economic factors will have on its business activities and financial results, including: rental income, occupancy, turnover, cash collections from tenants, future demand, finance costs, capitalization rates, market rents, and property operating and administrative expenses, most of which impact the valuation of investment property.

The REIT has used all information available as at June 30, 2022 that it considers relevant in determining the potential impact of the COVID-19 pandemic and other economic factors on the carrying amounts of assets and liabilities, earnings for the period and risks disclosed in the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and 2021. The estimates and judgements that could be most significantly impacted by COVID-19 and economic factors include those underlying the valuation of investment properties. Actual results could differ from those estimates. Investment properties (Note 3) and risk management (Note 18) include disclosures of the potential impacts of COVID-19 and economic factors on the fair value of investment properties and liquidity risk.

The operating results for the six months ended June 30, 2022 are not necessarily indicative of results that may be expected for the year ending December 31, 2022 due to seasonal variations in property expenses and other factors, including the impacts of COVID-19 and other economic factors.

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The REIT's significant accounting policies were presented in Note 2 of the Annual 2021 Financial Statements and have been consistently applied in the preparation of these unaudited condensed consolidated interim financial statements, with the exception of the item described below.

Construction loans

Construction loans are classified as financial liabilities and measured at amortized cost. The REIT estimates the fair value of construction loans based on the rates that could be obtained for similar debt instruments with similar terms and maturities. Their fair value qualifies as level 2 in the fair value hierarchy.

3. Investment properties

The following table presents the change in investment properties by type:

		Residential properties	Commercial properties	Land under development	Total
Balance, December 31, 2020	\$	2,098,052	\$ 22,490	\$ 17,559	\$ 2,138,101
Additions					
Capital expenditures		15,466	3	—	15,469
Development expenditures		—	—	1,116	1,116
Fair value gain (loss)		51,685	(3,553)	3,260	51,392
Balance, June 30, 2021	\$	2,165,203	\$ 18,940	\$ 21,935	\$ 2,206,078
Balance, December 31, 2021					
		2,306,493	18,850	35,222	2,360,565
Additions					
Acquisitions (Note 4)		199,281	—	—	199,281
Capital expenditures		8,736	12,727	—	21,463
Development expenditures		—	—	6,512	6,512
Fair value gain (loss)		11,957	264	(151)	12,070
Balance, June 30, 2022	\$	2,526,467	\$ 31,841	\$ 41,583	\$ 2,599,891

For the six months ended June 30, 2022, the REIT capitalized \$284 (June 30, 2021 - \$nil) in interest costs associated with the REIT's general borrowings and construction loans to the respective developments. The REIT's weighted average borrowing rate on general borrowings was 2.92% (June 30, 2021 - n/a). Interest costs associated with construction loans were capitalized to the respective development using the actual borrowing rate associated with the loan.

The fair value methodology for the REIT's investment properties is considered level 3, as significant unobservable inputs are required to determine fair value. The fair value of investment properties is based on internal valuations and as at June 30, 2022, the entire portfolio was internally valued. The REIT's internal valuation team consists of qualified individuals who hold recognized relevant professional qualifications and have recent experience in the location and category of the respective properties.

The REIT conducts external appraisals of a third of its portfolio annually to ensure that every property is externally appraised at least once every three years. These external appraisals are used by Management to assist in the validation of the market assumptions and data used as part of the internal valuation model.

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The REIT continues to review market capitalization, discount and terminal capitalization rates, as well as its future cash flow projections and their impact on the valuation of its properties in light of the COVID-19 pandemic and other economic factors (Note 2). The carrying value of the REIT's investment properties reflects Management's best estimate of fair value in terms of the assessed highest and best use as at June 30, 2022. It is not possible to forecast with certainty the duration or full scope of the economic impact COVID-19 and other economic factors will have on the REIT's business and operations, both in the short and long term. Any long-term effects on market rents, occupancy, turnover and future demand would ultimately impact the underlying valuation of investment properties and such impact may be material.

Fair value for residential properties is predominantly determined using the direct capitalization approach and includes a deduction for estimated aggregate future capital expenditures. For the six months ended June 30, 2022, the aggregate five-year estimated future capital expenditures deducted was \$84,534 (December 31, 2021 - \$83,852) in determining the fair value of residential properties.

The following table summarizes the significant unobservable inputs in determining fair value of residential properties:

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Capitalization rates	There is an inverse relationship between the capitalization rates and the fair value; in other words, the higher the capitalization rates, the lower the estimated fair value.
Estimated 12 month stabilized forecasted net operating income ("NOI")	There is a direct relationship between the estimated 12 month stabilized forecasted NOI and the fair value; in other words, the higher the estimated 12 month stabilized forecasted NOI, the higher the estimated fair value.

The following table summarizes the capitalization rates used in determining the fair value of the REIT's residential properties:

	June 30, 2022			December 31, 2021		
	Min	Max	Weighted average	Min	Max	Weighted average
Capitalization rate	3.13%	4.50%	3.64%	3.13%	4.50%	3.60%

The following table summarizes the sensitivity of the fair value of residential properties to changes in capitalization rates and estimated 12 month stabilized forecasted NOI as at June 30, 2022:

June 30, 2022	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	\$ 2,851,159	\$ 2,911,689	\$ 2,941,953	\$ 2,972,218	\$ 3,032,748
-25 basis points	2,634,796	2,690,865	2,718,899	2,746,934	2,803,002
Base rate	2,448,137	2,500,357	2,526,467	2,552,577	2,604,797
+25 basis points	2,285,457	2,334,322	2,358,755	2,383,188	2,432,054
+50 basis points	2,142,414	2,188,330	2,211,288	2,234,247	2,280,163

The following table summarizes the sensitivity of the fair value of residential properties to changes in capitalization rates and estimated 12 month stabilized forecasted NOI as at December 31, 2021:

December 31, 2021	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	\$ 2,608,163	\$ 2,663,669	\$ 2,691,421	\$ 2,719,174	\$ 2,774,679
-25 basis points	2,407,561	2,458,930	2,484,615	2,510,300	2,561,669
Base rate	2,234,782	2,282,589	2,306,493	2,330,396	2,378,203
+25 basis points	2,084,414	2,129,120	2,151,474	2,173,827	2,218,533
+50 basis points	1,952,361	1,994,345	2,015,337	2,036,329	2,078,312

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4. Acquisition of investment properties

The REIT completed the acquisition of two investment properties for the six months ended June 30, 2022:

Property	Date of acquisition	Total acquisition cost	Mortgage financing	Interest rate and maturity	Ownership interest
39 Niagara Street, 29–33 Bathurst Street, Toronto, ON ("Niagara West")	April 22, 2022	\$ 112,667	\$ 46,158	Bankers' acceptance + 2% or Prime + 1% November 30, 2022	28.35%
220 4 Avenue SW, Calgary, AB ("The International")	May 6, 2022	86,614	62,220	Bankers' acceptance + 2.5% or Prime + 1% September 30, 2022	100%
		\$ 199,281	\$ 108,378		

Cash used in the acquisition of investment properties was as follows:

	June 30, 2022
Total acquisition cost	\$ (199,281)
Mortgage financing assumed	108,378
Issuance of Class B LP Units (Note 8)	60,974
Working capital assumed	1,168
Cash consideration paid on close	\$ (28,761)

5. Joint operations

The REIT jointly owns and operates four investment properties. The REIT has determined them to be joint operations. Accordingly, the unaudited condensed consolidated interim financial statements of the REIT include its share of revenues, expenses, assets and liabilities from the joint operations. The REIT's ownership interests in the joint operations are as follows:

Property	Date of acquisition	Location	Ownership interest
Leslie York Mills	May 1, 2019	Toronto, ON	50%
Rockhill	May 7, 2019	Montreal, QC	50%
High Park Village	August 1, 2019	Toronto, ON	40%
Niagara West	April 22, 2022	Toronto, ON	28.35%

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6. Prepaid expenses and other assets

	June 30, 2022	December 31, 2021
Prepaid expenses	\$ 8,165	\$ 2,305
Prepaid CMHC premiums	8,848	6,940
Restricted cash	2,657	1,218
Deposits and other prepayments	1,133	1,128
Interest rate swap	2,390	307
	\$ 23,193	\$ 11,898
Current	11,410	3,970
Non-current	11,783	7,928
	\$ 23,193	\$ 11,898

The following table is a summary of the REIT's interest rate swap and the respective fair value of the asset:

Instrument	Maturity	Fixed rate	Original notional amount	Notional amount	June 30, 2022	December 31, 2021
Interest rate swap ¹	April 2026	3.38%	\$42,360	\$36,764	\$ 2,390	\$ 307

¹ The REIT has a 40% ownership interest in this contract through the ownership of a joint operation.

The fair value of the interest rate swap is determined using widely accepted valuation techniques, including discounted cash flow analysis on expected cash flows of the derivatives, using observable market-based inputs including interest rate curves and implied volatilities, and is considered level 2 in the fair value hierarchy.

The following table summarizes the beginning and ending fair value of the swap:

	June 30, 2022	June 30, 2021
Opening balance	\$ 307	\$ (1,318)
<i>Non-cash movement</i>		
Fair value gain	2,083	1,059
Closing balance	\$ 2,390	\$ (259)

7. Resident and other receivables

	June 30, 2022	December 31, 2021
Current		
Resident receivables	\$ 1,865	\$ 1,388
Other receivables	1,939	1,294
Less: Allowance for credit losses	(836)	(594)
	\$ 2,968	\$ 2,088

There is no significant concentration of credit risk with respect to resident receivables as the REIT has a high volume of tenants with individually small monthly rent amounts.

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8. Class B LP Units

The following table reconciles the changes in cash flows and outstanding units for the Class B LP Units of the Partnership:

	Class B LP Units	\$
Balance, December 31, 2020	22,769,073	\$ 463,806
<i>Non-cash movement</i>		
Fair value loss	—	81,286
Balance, June 30, 2021	22,769,073	\$ 545,092
Balance, December 31, 2021	22,769,073	\$ 498,415
<i>Non-cash movement</i>		
Issued, April 22, 2022 (Note 4)	2,985,956	60,974
Fair value gain	—	(182,335)
	2,985,956	(121,361)
Balance, June 30, 2022	25,755,029	\$ 377,054

For the three and six months ended June 30, 2022, distributions of \$3,058 and \$5,762, respectively (June 30, 2021 - \$2,590 and \$5,180) to Class B LP Unitholders were declared.

The fair value methodology for the Class B LP Units is considered level 2 within the fair value hierarchy.

9. Class C LP Units

	June 30, 2022	December 31, 2021
Class C LP Units	\$ 209,445	\$ 212,183
Unamortized mark-to-market adjustments	1,650	1,886
	\$ 211,095	\$ 214,069
Current	6,058	5,982
Non-current	205,037	208,087
	\$ 211,095	\$ 214,069

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As at June 30, 2022 there were 22,978,700 (December 31, 2021 - 22,978,700) Class C LP Units of the Partnership outstanding. The following table reconciles the changes in cash flows for the Class C LP Units for the six months ending:

	June 30, 2022	June 30, 2021
Opening balance	\$ 214,069	\$ 219,885
<i>Cash flows</i>		
Distributions used to repay principal	(2,738)	(2,655)
<i>Non-cash movement</i>		
Amortization of mark-to-market adjustments	(236)	(237)
	(2,974)	(2,892)
Closing balance	\$ 211,095	\$ 216,993

For the three and six months ended June 30, 2022, the REIT also made distributions of \$1,647 and \$3,295, respectively (June 30, 2021 - \$1,689 and \$3,379) to the Class C LP Unitholder that were accounted for as finance costs.

The mortgages of investment properties to which the distributions on the Class C LP Units relate bear a weighted average contractual interest rate of 3.16% (December 31, 2021 - 3.16%) and mature at various dates between 2023 and 2030 (December 31, 2021 - 2023 and 2030).

Distributions on Class C LP Units as at June 30, 2022, excluding unamortized mark-to-market adjustments, are due as follows:

2022	\$ 2,772
2023	50,234
2024	50,499
2025	63,541
2026	1,283
2027 and thereafter	41,116

Fair value for the Class C LP Units is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at June 30, 2022, the current market rates plus risk-adjusted spreads ranged from 4.05% to 5.19% (December 31, 2021 - 1.65% to 3.26%) and the fair value of the Class C LP Units was \$203,413 (December 31, 2021 - \$218,599) and is considered level 2 within the fair value hierarchy.

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10. Secured Debt

	June 30, 2022	December 31, 2021
Mortgages - fixed rate ¹	\$ 638,945	\$ 627,534
Mortgages - variable rate ²	108,378	—
Unamortized mark-to-market adjustment	1,002	1,152
Unamortized deferred financing costs	(3,131)	(2,566)
Total mortgages	745,194	626,120
Construction loan ³	2,320	—
	747,514	626,120
Credit facility ⁴	110,816	51,754
	\$ 858,330	\$ 677,874
Current	201,639	140,862
Non-current	656,691	537,012
	\$ 858,330	\$ 677,874

¹ Fixed rate mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 2.82% (December 31, 2021 - 2.71%) and mature at various dates from 2022 through 2032 (December 31, 2021 - 2022 through 2030). The fixed rate mortgages include a \$36,764 (December 31, 2021 - \$37,262) variable interest mortgage fixed through an interest rate swap.

² Variable rate mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 4.48% and mature in 2022.

³ The REIT has a fixed rate non-revolving construction loan commitment of \$93,745 and as at June 30, 2022, \$2,320 (December 31, 2021 - \$nil) was drawn. The construction loan is used to finance the construction of a new 225-suite residential rental property on surplus land at its Richgrove property in Toronto, Ontario and is secured by a first priority mortgage on the project. The loan bears interest at 2.39% and matures on March 1, 2032. Payments are made monthly on an interest-only basis.

⁴ The REIT has a revolving credit facility of \$300,000 (December 31, 2021 - \$200,000) that is secured by several investment properties, matures on July 3, 2025 and is used to fund working capital requirements, acquisitions, letters of credit and for general corporate purposes. At June 30, 2022, \$111,258 (December 31, 2021 - \$52,196) was drawn and the remaining amount of \$188,742 (December 31, 2021 - \$147,804) of this facility was available in accordance with its terms and conditions. The credit facility bears interest at one month bankers' acceptance plus 175 bps or prime plus 75 bps and as at June 30, 2022, the weighted average variable interest rate was 3.97% (December 31, 2021 - 2.19%).

The secured debt balances at June 30, 2022, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2022	\$ 161,952
2023	84,233
2024	59,235
2025	161,909
2026	81,121
2027 and thereafter	312,009

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The following tables reconcile the changes in cash flows for secured debt:

	Fixed and variable rate mortgages	Unamortized mark-to-market adjustments	Unamortized deferred financing costs	Construction loan	Credit facility	Total
Balance, December 31, 2020	\$ 599,413	\$ 1,446	\$ (2,780)	\$ —	\$ 31,948	\$ 630,027
<i>Cash flows</i>						
Issued	—	—	(23)	—	42,443	42,420
Repayments	(6,401)	—	—	—	—	(6,401)
	(6,401)	—	(23)	—	42,443	36,019
<i>Non-cash movement</i>						
Deferred financing amortization	—	—	177	—	—	177
Amortization of mark-to-market adjustment	—	(147)	—	—	—	(147)
	—	(147)	177	—	—	30
Balance, June 30, 2021	\$ 593,012	\$ 1,299	\$ (2,626)	\$ —	\$ 74,391	\$ 666,076
Balance, December 31, 2021	\$ 627,534	\$ 1,152	\$ (2,566)	\$ —	\$ 51,754	\$ 677,874
<i>Cash flows</i>						
Issued	34,623	—	(775)	2,320	69,062	105,230
Repayments	(23,212)	—	—	—	(10,000)	(33,212)
	11,411	—	(775)	2,320	59,062	72,018
<i>Non-cash movement</i>						
Assumed on acquisition	108,378	—	—	—	—	108,378
Deferred financing amortization	—	—	210	—	—	210
Amortization of mark-to-market adjustment	—	(150)	—	—	—	(150)
	108,378	(150)	210	—	—	108,438
Balance, June 30, 2022	\$ 747,323	\$ 1,002	\$ (3,131)	\$ 2,320	\$ 110,816	\$ 858,330

As at June 30, 2022 and December 31, 2021, the REIT was in compliance with all financial covenants relating to its debt obligations.

Fair value of fixed rate mortgages and the construction loan is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at June 30, 2022, the current market rates plus risk-adjusted spreads ranged from 3.22% to 5.31% (December 31, 2021 - 1.03% to 3.46%) and the fair value of fixed rate mortgages was \$600,021 (December 31, 2021 - \$634,412) and is considered level 2 within the fair value hierarchy. Given the variable nature of the credit facility and variable rate mortgages, their carrying value approximates their fair value.

11. Related-party transactions

In the normal course of operations, the REIT enters into various transactions with related parties. In addition to the related party transactions disclosed elsewhere in these unaudited condensed consolidated interim financial statements, related party transactions include:

(a) Administrative Support Agreement

For the three and six months ended June 30, 2022, the REIT incurred \$565 and \$1,130, respectively (June 30, 2021 - \$565 and \$1,130) for services rendered by Minto Properties Inc. ("MPI") and its affiliates under the Administrative Support Agreement.

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(b) Loans receivable from related parties

Project	Related Parties	Commitment	Interest Rate and Maturity	June 30, 2022	December 31, 2021
99 Fifth Avenue, Ottawa, ON ("Fifth and Bank")	Affiliate of MPI	\$ 30,000	6% per annum December 31, 2022	\$ 30,000	\$ 30,000
Lonsdale Avenue, North Vancouver, BC ("Lonsdale Square")	Limited partnership jointly owned by MPI and a subsidiary of Darwin Properties	14,000	7% per annum May 30, 2024	13,308	12,855
Beechwood Avenue, Ottawa, ON ("Beechwood")	Affiliate of MPI	51,400	6% per annum December 31, 2025	13,550	10,094
810 Kingsway, Vancouver, BC ("810 Kingsway")	MPI	19,650	6% per annum August 1, 2024	10,675	10,363
3958 Shelbourne Street, Victoria, BC ("University Heights")	MPI	51,700	7% per annum December 31, 2026	7,374	—
		166,750		74,907	63,312
Loan receivable	Management	700	Variable per annum ¹ April 27, 2032	700	—
		\$ 167,450		\$ 75,607	\$ 63,312

¹ The interest rate per annum is equal to the greater of prime and the Canada Revenue Agency's prescribed interest rate.

All commitments pertaining to projects include a reserve to fund interest costs. In connection with these financings, the REIT will have the exclusive option to purchase the property at Fifth and Bank, Lonsdale Square and Beechwood, MPI's 85% ownership interest in 810 Kingsway and MPI's 45% ownership interest in University Heights, upon project stabilization at 95% of its then-appraised fair market value as determined by independent and qualified third-party appraisers.

The following table shows the movement of loans receivable from related parties:

	June 30, 2022	June 30, 2021
Opening balance	\$ 63,312	\$ 41,988
<i>Cash flows</i>		
Advances	11,100	9,080
Interest received	(893)	(893)
	10,207	8,187
<i>Non-cash movement</i>		
Interest earned	2,088	1,410
	12,295	9,597
Closing balance	\$ 75,607	\$ 51,585

The fair value of the loans receivable from related parties is determined by reference to current market rates that could be obtained for similar instruments with similar terms and maturities. As at June 30, 2022 and December 31, 2021, the carrying value of the loans approximates their fair value and is considered level 2 within the fair value hierarchy.

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(c) Due to related parties

Item	Related Parties	June 30, 2022	December 31, 2021
Current			
Class B LP Units distributions	Limited partnership wholly-owned by MPI and affiliates of MPI	\$ 1,019	\$ 901
Class C LP Units distributions	Limited partnership wholly-owned by MPI	545	561
Rental and service revenue receivable	MPI and its affiliates	(701)	(521)
Property operating costs payable	MPI and its affiliates	273	411
Development costs and fees	Affiliate of MPI	770	535
Costs incurred on behalf of the REIT	MPI	565	—
ASA payable	MPI and its affiliates	188	—
Unit distribution	MPI	35	35
		\$ 2,694	\$ 1,922

(d) Revenue, expenses, capital expenditures and distributions

Related Parties / Item	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
MPI, its affiliates, its wholly-owned and jointly-owned limited partnerships				
Rental and service revenue	\$ 161	\$ 119	\$ 257	\$ 206
Property operating expenses	189	152	391	349
Interest income on loans advanced	1,101	758	2,088	1,410
Development costs and fees	1,885	—	1,975	—
Distribution of Class B LP Units (finance costs)	3,058	2,590	5,762	5,180
Distribution of Class C LP Units (finance costs)	1,647	1,689	3,295	3,379
Distribution of Class C LP Units (principal)	1,365	1,324	2,738	2,655
Distributions on Units	106	102	212	204
Compensation of key management personnel				
Paid to executives	188	121	353	410
Unit-based compensation				
Executives	585	249	876	587
For the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees	126	135	318	279

Additional compensation to key management personnel for services provided to the REIT was paid by MPI and its affiliate.

(e) Property acquisitions

On April 22, 2022, the REIT acquired a 28.35% ownership interest in a 501-suite multi-residential rental property located in Toronto, Ontario from a limited partnership in which a subsidiary of MPI and certain current and former executives of MPI own a minority interest. The acquisition cost of \$112,667, including transaction costs of \$2,896, was settled by the REIT assuming a \$46,158 mortgage, the issuance of 2,985,956 Class B LP Units with a fair value of \$60,974, paying \$4,990 in cash, and assuming working capital liabilities of \$545.

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On May 6, 2022, the REIT acquired a 252-suite multi-residential rental property located in Calgary, Alberta from a limited partnership in which a subsidiary of MPI owns a minority interest. The acquisition cost of \$86,614, including transaction costs of \$99, was settled with the REIT assuming a mortgage of \$62,220, paying \$23,771 in cash, and assuming working capital liabilities of \$623.

12. Accounts payable and accrued liabilities

	June 30, 2022		December 31, 2021	
Accounts payable	\$	9,294	\$	9,154
Accrued liabilities		7,303		8,884
Distributions payable		1,550		1,550
Unit-based compensation		4,143		4,915
Forgivable loan		5,144		3,794
	\$	27,434	\$	28,297
Current		21,380		23,776
Non-current		6,054		4,521
	\$	27,434	\$	28,297

For the six months ended June 30, 2022, \$1,350 of funding was received in connection with the Richgrove development project and has been recorded as forgivable loan payable in connection with the terms of the contribution agreement (December 31, 2021 - \$3,794 of development charges and other fees were exempt or waived).

13. Units

The Declaration of Trust authorizes the issue of an unlimited number of Units. As of June 30, 2022 there were 40,069,839 (December 31, 2021 - 40,069,839) Units issued and outstanding, with a carrying value of \$714,121 (December 31, 2021 - \$714,121).

For the three and six months ended June 30, 2022, distributions to Unitholders of \$4,758 and \$9,516, respectively (June 30, 2021 - \$4,127 and \$8,253) were declared, representing monthly distributions of \$0.03958 per Unit for the months of January to June (June 30, 2021 - \$0.03792 per Unit for the months of January to June 2021).

14. Segment reporting

The REIT owns, manages and operates 32 multi-residential rental properties located in Canada, including four mixed-use residential apartment and commercial buildings. Management, when measuring the REIT's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

15. Revenue from investment properties

	Three months ended June 30,		Six months ended June 30,					
	2022	2021	2022	2021				
Rental revenue	\$	29,219	\$	24,775	\$	54,925	\$	48,956
Revenue from services		6,291		5,110		13,111		10,928
	\$	35,510	\$	29,885	\$	68,036	\$	59,884

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16. Finance costs

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Interest expense on mortgages & loans	\$ 5,300	\$ 4,141	\$ 9,568	\$ 8,294
Interest expense & standby fees on credit facility	773	445	1,211	777
Amortization of financing charges	170	191	317	351
Amortization of mark-to-market adjustments	(191)	(191)	(386)	(384)
Capitalized interest	(187)	—	(284)	—
Interest expense & other financing charges	5,865	4,586	10,426	9,038
Distributions on Class B LP Units (Note 8)	3,058	2,590	5,762	5,180
Distributions on Class C LP Units (Note 9)	1,647	1,689	3,295	3,379
Finance costs - operations	\$ 10,570	\$ 8,865	\$ 19,483	\$ 17,597
Fair value loss (gain) on Class B LP Units (Note 8)	(172,772)	50,775	(182,335)	81,286
Fair value loss (gain) on interest rate swap (Note 6)	(776)	3	(2,083)	(1,059)
Finance costs	\$ (162,978)	\$ 59,643	\$ (164,935)	\$ 97,824

17. Contingencies and commitments

The REIT is subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of Management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the unaudited condensed consolidated interim financial statements of the REIT.

The REIT has an off-balance sheet arrangement at one of its properties in the Toronto area which was acquired in 2018 pursuant to which the City of Toronto provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under this arrangement. As of June 30, 2022, the remaining unforgiven balance of the loan is \$13,464 (December 31, 2021 - \$14,688). To date, the REIT has met all conditions related to this forgivable loan and Management has assessed that throughout the remaining term of the loan the REIT is likely to continue to meet the conditions for forgiveness and that the outflow of economic resources to settle the loan is not probable. As such, no liability has been recorded by the REIT.

The REIT has an off-balance sheet arrangement at one of its properties in the Calgary area which was acquired in 2018 pursuant to which the Province of Alberta provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under the arrangement. As of June 30, 2022, the remaining unforgiven balance of the loan is \$3,360 (December 31, 2021 - \$3,696). To date, the REIT has met all conditions related to this forgivable loan and Management has assessed that throughout the remaining term of the loan the REIT is likely to continue to meet the conditions for forgiveness and that the outflow of economic resources to settle the loan is not probable. As such, no liability has been recorded by the REIT.

As at June 30, 2022, the REIT has committed to advance an additional \$71,027 to related parties in order to support the development of several projects and an additional \$20,816 to fund interest costs.

The REIT is a guarantor on a joint and several basis for mortgage debt held through one of its joint operations. As at June 30, 2022, the maximum potential obligation resulting from this guarantee is \$12,867 (December 31, 2021 - \$13,042).

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18. Risk management

The REIT's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk.

Market Risk

Market risk is the risk that the fair value or 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.

(a) Interest rate risk

As the REIT's interest-bearing assets mainly comprise fixed rate instruments, changes in market interest rates do not have any significant direct effect on the REIT's income.

The REIT's financial liabilities comprise both fixed rate and variable rate instruments.

The REIT faces interest rate risk on its fixed rate debt due to the expected requirement to refinance such debt in the year of maturity or shortly thereafter. The REIT manages interest rate risk by structuring its financings to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations.

For the portion of the REIT's financial liabilities that comprise variable rate instruments, from time to time the REIT may enter into interest rate swap contracts or other financial instruments to modify the interest rate profile of its outstanding debt without an exchange of the underlying principal amount.

As at June 30, 2022, the REIT has a committed variable rate credit facility of \$300,000 (December 31, 2021 - \$200,000) with an outstanding balance of \$110,816 (December 31, 2021 - \$51,754). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$1,108 (December 31, 2021 - \$518).

As at June 30, 2022, the REIT also has two variable rate mortgages with outstanding balance of \$108,378. A 1% change in prevailing interest rates would change annualized interest charges incurred by \$1,084. The REIT intends to refinance these mortgages as CMHC-insured fixed rate mortgages by December 31, 2022.

(b) Currency risk

The REIT's financial statement presentation currency is 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.

(c) Other price 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 Class B LP Units. A 1% change in the prevailing market price of the Units as at June 30, 2022 would have a \$3,771 (December 31, 2021 - \$4,984) change in the fair value of the Class B LP Units.

Credit Risk

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

The REIT's risk of credit loss from tenants experiencing financial difficulties is mitigated through diversification. The REIT's residential rental business is carried on in the Toronto, Montreal, Ottawa, Calgary and Edmonton regions. The nature of this business involves a high volume of tenants with individually small monthly rent amounts. The REIT monitors the collection of residential rent receivables on a regular basis with strictly followed procedures designed to minimize credit loss in cases of non-payment.

The REIT is also exposed to credit risk in relation to the loans advanced, in the event that the borrowers default on the repayment of amounts owing to the REIT. Management mitigates this risk by ensuring adequate security has been provided.

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Liquidity risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The REIT's liquidity is subject to macroeconomic, financial, competitive and other factors that are beyond the REIT's control including the ongoing effects of COVID-19 and other economic factors.

Liquidity risk is managed through cash flow forecasting. Management monitors forecasts of the REIT's liquidity requirements to ensure it has sufficient cash to meet operational needs through maintaining sufficient cash and/or availability on the undrawn credit facility and ensuring that it meets its financial covenants related to debt agreements. Such forecasting takes into consideration the current and projected macroeconomic conditions, the REIT's cash collection efforts, debt financing plans and covenant compliance required under the terms of debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing may no longer be available to the REIT at terms and conditions that are favorable to the REIT, or at all.

The REIT mitigates liquidity risk by staggering the maturity dates of its borrowing, maintaining borrowing relationships with various lenders, proactively renegotiating expiring credit agreements well in advance of the maturity date and by maintaining sufficient availability on its credit facility.

As of June 30, 2022, current liabilities of \$242,558 (December 31, 2021 - \$182,642) exceeded current assets of \$48,811 (December 31, 2021 - \$38,909), resulting in a net working capital deficit of \$193,747 (December 31, 2021 - \$143,733). Current liabilities as of June 30, 2022 include \$202,205 of mortgage financing which the REIT is actively in the process of refinancing. The REIT's immediate liquidity needs are met through cash-on-hand, cash flow from operations, refinancing of maturing mortgages and availability on its credit facility. As of June 30, 2022, liquidity was \$193,175 (December 31, 2021 - \$150,655) consisting of cash of \$4,433 (December 31, 2021 - \$2,851) and \$188,742 (December 31, 2021 - \$147,804) of available borrowing capacity under the credit facility. Management believes that there is sufficient liquidity to meet the REIT's financial obligations for the foreseeable future.

The REIT has a committed credit facility for working capital requirements, acquisitions, letters of credit and for general corporate purposes. The committed credit facility consists of the following:

		June 30, 2022		December 31, 2021
Committed	\$	300,000	\$	200,000
Utilized				
Amounts drawn		110,816		51,754
Letter of credit		442		442
		111,258		52,196
Amount available	\$	188,742	\$	147,804

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An analysis of the contractual cash flows associated with the REIT's financial liabilities is set out below:

	2022	2023	2024	2025	2026	2027 and thereafter	Total
Mortgages	\$ 161,952	\$ 84,233	\$ 59,235	\$ 51,093	\$ 81,121	\$ 309,689	\$ 747,323
Construction loan	—	—	—	—	—	2,320	2,320
Credit facility	—	—	—	110,816	—	—	110,816
	161,952	84,233	59,235	161,909	81,121	312,009	860,459
Class C LP Units	2,772	50,234	50,499	63,541	1,283	41,116	209,445
Interest obligation ¹	15,971	25,046	20,678	15,958	10,471	30,860	118,984
Tenant rental deposits	10,787	—	26	—	10	—	10,823
Due to related parties	2,694	—	—	—	—	—	2,694
Accounts payable and accrued liabilities	21,462	481	243	85	19	5,144	27,434
	\$ 215,638	\$ 159,994	\$ 130,681	\$ 241,493	\$ 92,904	\$ 389,129	\$ 1,229,839

¹ Interest obligation on mortgages, construction loan, credit facility and Class C LP Units.

The contractual cash flows do not include any unamortized mark-to-market adjustments or unamortized deferred financing costs.

19. Capital risk management

The REIT's capital consists of Class B LP Units, Class C LP Units, mortgages, a construction loan, a credit facility and Unitholders' equity. The REIT invests its capital to achieve its business objectives and to generate an acceptable long-term return to the REIT's Unitholders. Primary uses of capital include property acquisitions, development activities, capital improvements, debt principal repayments and construction development loans.

The REIT's principal objective with respect to debt financing is to minimize its overall borrowing costs while maintaining balance in its maturity schedule, diversity in its lender base and having sufficient liquidity and flexibility to meet current obligations and to pursue new projects.

The actual level and type of future financings to fund the REIT's capital obligations will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and Management's general view of the appropriate leverage in the business.

The REIT closely monitors its capital position. The REIT is also subject to certain financial covenants and is in compliance with these covenants. Management has performed stress testing on the REIT's covenants to ensure that the REIT continues to meet its covenant obligations in the long term.

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

	June 30, 2022	December 31, 2021
Liabilities (principal amounts outstanding):		
Class B LP Units	\$ 377,054	\$ 545,092
Class C LP Units	209,445	212,183
Mortgages	747,323	627,534
Construction loan	2,320	—
Credit facility	110,816	51,754
	1,446,958	1,436,563
Unitholders' equity	1,218,662	1,010,001
	\$ 2,665,620	\$ 2,446,564

20. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

Six months ended	June 30, 2022	June 30, 2021
Prepaid expenses and other assets	\$ (7,353)	\$ (5,136)
Resident and other receivables	(874)	(1,170)
Tenant rental deposits	175	206
Due to related parties	788	(8,544)
Accounts payable and accrued liabilities	2,256	7,755
	\$ (5,008)	\$ (6,889)

21. Unit-based compensation

Executives

The Deferred Unit plan activity and the value of Unit-based compensation expense for the executives are as follows:

	June 30, 2022	June 30, 2021
Opening balance	\$ 2,890	\$ 1,660
Unit-based compensation expense	876	587
Settlement	—	(121)
Fair value (gain) loss	(1,232)	260
Closing balance	\$ 2,534	\$ 2,386

For the three and six months ended June 30, 2022, the REIT recognized Unit-based compensation expense of \$585 and \$876 (June 30, 2021 - \$249 and \$587) and fair value gain of \$1,173 and \$1,232 (June 30, 2021 - fair value loss of \$158 and \$260), respectively.

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The details of movement in Deferred Units for the executives are as follows:

	June 30, 2022	June 30, 2021
Opening balance	210,152	161,091
Granted	80,910	52,000
Redeemed	—	(5,499)
Forfeited	—	(5,499)
Distribution equivalents	3,012	2,003
Closing balance	294,074	204,096

Trustees

The Deferred Units granted and the value of Unit-based compensation expense recorded for the Trustees are as follows:

	Deferred Units	\$
Balance, December 31, 2020	67,509	\$ 1,375
Granted and vested	11,541	263
Distribution equivalents	768	16
Fair value loss	—	257
Balance, June 30, 2021	79,818	\$ 1,911
Balance, December 31, 2021	92,538	\$ 2,025
Granted and vested	16,195	295
Distribution equivalents	1,184	23
Fair value gain	—	(735)
Balance, June 30, 2022	109,917	\$ 1,608

For the three and six months ended June 30, 2022, the REIT recognized Unit-based compensation expense of \$126 and \$318 (June 30, 2021 - \$135 and \$279) and fair value gain of \$694 and \$735 (June 30, 2021 - fair value loss of \$166 and \$257), respectively.

22. Subsequent events

On July, 15, 2022 the Toronto Stock Exchange accepted the REIT's notice to initiate a normal course issuer bid ("NCIB") for a portion of its Units. The NCIB is active from July 21, 2022 to July 20, 2023 and permits the REIT to acquire up to 3,847,284 Units including up to 33,965 Units on any given trading day.