Nexus Real Estate Investment Trust

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the six months ended June 30, 2018

Nexus Real Estate Investment Trust

Condensed Consolidated Interim Statements of Financial Position

	June 30, 2018 $	December 31, 2017 $
Non-current Assets		
Investment properties (notes 3 and 4)	495,798,006	431,807,144
Equity investment in joint venture (note 5)	4,757,144	4,624,388
Restricted cash	2,225,766	2,175,831
Other non-current assets	2,150,819	2,177,329
	504,931,735	440,784,692
Current Assets		
Cash	5,557,140	4,253,771
Tenant and other receivables (note 6)	2,556,064	1,700,559
Prepaid expenses	2,773,355	467,029
Other current assets (note 7)	3,691,650	2,225,521
	14,578,209	8,646,880
Total Assets	519,509,944	449,431,572
Non-current Liabilities		
Mortgages payable (notes 3 and 8)	161,502,940	163,420,261
Credit Facility (note 9)	62,749,943	61,456,450
Class B LP Units (note 10)	35,019,357	11,048,232
Warrants (note 11)	13,973	24,818
Unit options (note 12)	345,000	259,000
	259,631,213	236,208,761
Current Liabilities		
Mortgages payable (notes 3 and 8)	57,596,273	17,934,023
Distributions payable	1,201,150	1,183,702
Accounts payable and accrued liabilities (notes 13 and 20)	8,813,372	8,224,907
	67,610,795	27,342,632
Total Liabilities	327,242,008	263,551,393
Equity		
Unitholders' equity (note 14)	173,119,448	170,527,290
Retained earnings	19,148,488	15,352,889
Total Unitholders' Equity	192,267,936	185,880,179
Total Liabilities and Unitholders' Equity	519,509,944	449,431,572

Commitments and contingencies (note 18)

On behalf of the Board:

"Lorne Jacobson" Trustee

"Brad Cutsey" Trustee

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

Nexus Real Estate Investment Trust

Condensed Consolidated Interim Statements of Income and Comprehensive Income

	For the three months ended		For the six months ended	
	June 30, 2018 $	June 30, 2017 $	June 30, 2018 $	June 30, 2017 $
Net rental income				
Property revenues (note 16)	13,121,925	6,856,900	26,425,486	10,867,036
Property expenses	(4,886,255)	(1,623,658)	(10,259,889)	(2,314,808)
Net rental income	8,235,670	5,233,242	16,165,597	8,552,228
General and administrative expense (note 20)	(724,397)	(660,164)	(1,476,376)	(1,164,590)
Transaction costs (note 3)	-	(2,742,631)	-	(3,520,786)
Fair value adjustment of investment properties (note 4)	(97,991)	(14,566)	1,395,509	(14,566)
Fair value adjustment of Class B LP Units (note 10)	159,997	(609,334)	269,386	(1,503,720)
Fair value adjustment of warrants (note 11)	5,208	(9,176)	10,845	(9,176)
Fair value adjustment of unit options (note 12)	(40,000)	(108,710)	(86,000)	(201,710)
Income from equity accounted investment in joint venture (note 5)	67,954	39,313	132,756	39,313
Loss on disposal of investment properties (note 3)	(48,721)	-	(48,721)	-
Gain from bargain purchase (note 3)	-	548,907	-	548,907
	7,557,720	1,676,881	16,362,996	2,725,900
Finance expense				
Net interest expense (notes 8 and 9)	(2,419,693)	(1,421,674)	(4,581,293)	(2,218,961)
Distributions on Class B LP Units (note 10)	(639,154)	(241,648)	(857,876)	(480,091)
	(3,058,847)	(1,663,322)	(5,439,169)	(2,699,052)
Net income and comprehensive income for the period	4,498,873	13,559	10,923,827	26,848

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

Nexus Real Estate Investment Trust

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2018	170,527,290	15,352,889	185,880,179
Net income for the period	-	10,923,827	10,923,827
Class B LP Units exchanged for REIT Units	20,441	-	20,441
Distributions	-	(7,128,228)	(7,128,228)
Units issued as acquisition consideration (note 3)	2,084,762	-	2,084,762
Issue of units under distribution reinvestment plan (note 15)	414,963	-	414,963
Issue of units to Trustees (note 20)	71,992	-	71,992
Balance – June 30, 2018	173,119,448	19,148,488	192,267,936

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2017	66,076,700	10,751,529	76,828,229
Net income for the period	-	26,848	26,848
Class B LP Units exchanged for REIT Units	57,264	-	57,264
Distributions	-	(4,030,208)	(4,030,208)
Units issued as acquisition consideration (note 3)	33,860,228	-	33,860,228
Units issued for cash (note 14)	70,035,000	-	70,035,000
Unit issue costs	(3,841,882)	-	(3,841,882)
Issue of units under distribution reinvestment plan (note 15)	187,158	-	187,158
Issue of units to Manager (note 20)	608,603	-	608,603
Issue of units to Trustees (note 20)	45,748	-	45,748
Balance – June 30, 2017	167,028,819	6,748,169	173,776,988

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

Nexus Real Estate Investment Trust
Condensed Consolidated Interim Statements of Cash Flows

	For the three months ended		For the six months ended	
	June 30, 2018 $	June 30, 2017 $	June 30, 2018 $	June 30, 2017 $
Operating activities				
Net income for the period	4,498,873	13,559	10,923,827	26,848
Adjustment for items not involving cash:				
Asset management fees settled in REIT units (note 20)	-	-	-	307,521
Trustee fees settled in REIT units (note 20)	42,809	29,122	85,619	51,995
Share of income from equity accounted investment in joint venture (note 5)	(67,954)	(39,313)	(132,756)	(39,313)
Gain from business combination bargain purchase (note 3)	-	(548,907)	-	(548,907)
Amortization of deferred financing costs (notes 8 and 9)	142,387	47,692	269,765	90,879
Amortization of mortgage fair value adjustments	(280,416)	(77,286)	(568,750)	(77,286)
Amortization of tenant incentives and leasing costs	16,944	-	20,826	-
Straight-line adjustments of ground lease and rent	(83,571)	(49,942)	(141,931)	(74,461)
Fair value adjustment of investment properties (note 4)	97,991	14,566	(1,395,509)	14,566
Fair value adjustment of Class B LP Units (note 10)	(159,997)	609,334	(269,386)	1,503,720
Fair value adjustment of warrants (note 11)	(5,208)	9,176	(10,845)	9,176
Fair value adjustment of unit options (note 12)	40,000	108,710	86,000	201,710
Deferred income taxes	-	3,500	-	7,000
Changes in non-cash working capital				
Tenant and other receivables	475,640	(258,841)	319,715	(214,463)
Prepaid expenses	(1,652,203)	(663,290)	(2,306,326)	(689,489)
Deposits	100,000	(50,000)	-	(50,000)
Other current assets	954,262	(162,989)	1,081,870	(719,076)
Accounts payable and accrued liabilities	1,468,115	(2,055,516)	568,770	(714,480)
Income taxes payable	-	(1,019)	-	(1,019)
Changes in other non-current assets	8,586	7,341	26,510	7,341
Changes in restricted cash	(24,968)	-	(49,935)	-
Total cash generated by (used in) operating activities	5,571,290	(3,064,103)	8,507,464	(907,738)
Investing activities				
Acquisition of investment properties	(49,654,495)	-	(49,654,495)	-
Net proceeds on disposal of investment properties	6,915,894	-	6,915,894	-
Capital expenditures, tenant incentives and leasing costs	(1,056,776)	(14,566)	(1,491,190)	(14,566)
Cash acquired in a business combination financed through the issuance of REIT units	-	525,099	-	525,099
Total cash generated by (used in) investing activities	(43,795,377)	510,533	(44,229,791)	510,533
Financing activities				
Proceeds from new financings	45,550,000	5,450,000	45,550,000	5,450,000
Financing costs	(201,548)	(69,710)	(248,941)	(69,710)
Mortgage principal repayments	(1,426,261)	(7,039,408)	(2,806,338)	(7,317,788)
Net borrowing on the Credit Facility	143,468	5,120,036	1,226,792	4,484,302
Issuance of units	-	70,035,000	-	70,035,000
Unit issuance costs	-	(3,841,882)	-	(3,841,882)
Distributions to unitholders	(3,341,058)	(1,806,626)	(6,695,817)	(3,159,481)
Total cash generated by financing activities	40,724,601	67,847,410	37,025,696	65,580,441
Change in cash during the period	2,500,514	65,293,840	1,303,369	65,183,236
Cash - beginning of period	3,056,626	793,419	4,253,771	904,023
Cash - end of period	5,557,140	66,087,259	5,557,140	66,087,259

Supplemental cash flow information (note 21)

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

1 Organization

Nexus Real Estate Investment Trust is an open-ended real estate investment trust established under the laws of Ontario pursuant to its declaration of trust, as amended and restated effective April 28, 2014 and November 28, 2017. Nexus Real Estate Investment Trust and its subsidiaries, (together, the REIT) own and operate commercial real estate properties in Western Canada, Ontario, Quebec and Atlantic Canada. The registered office of the REIT is located at 855-2nd Street S.W., Suite 3500, Calgary, AB, T2P 4J8.

2 Summary of significant accounting policies

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2017.

The condensed consolidated interim financial statements have been prepared on a going concern basis and under the historical cost convention, except for the revaluation of investment properties, Class B LP Units, warrants and unit options, which are presented at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the REIT. The condensed consolidated interim financial statements were authorized for issue by the board of trustees of the REIT on August 21, 2018.

The accounting policies applied by the REIT in the preparation of these condensed consolidated interim financial statements are consistent with those applied for the year ended December 31, 2017, except for the following accounting policies adopted by the REIT on January 1, 2018:

IFRS 9, Financial Instruments
In July 2014, the International Accounting Standards Board (IASB) issued its final version of IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement and modifications to IFRS 7, Financial Instruments: Disclosures, in order to add disclosure requirements regarding the transition to IFRS 9. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. The REIT has applied the new classification and valuation requirements retrospectively without restating the comparative periods. The adoption of this new accounting standard had no significant impact on the REITs condensed interim consolidated financial statements.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: amortized costs or FVTPL.

The following table summarizes the classification impacts upon adoption of IFRS 9:

Financial instrument	**Classification under IAS 39**	**Classification under IFRS 9**
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Interest buy down escrow	Loans and receivables	Amortized cost
Reserves held by mortgage lenders	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Class B LP Units	Fair value through profit or loss	Fair value through profit or loss
Warrants	Fair value through profit or loss	Fair value through profit or loss
Unit options	Other liabilities	Amortized cost
Credit Facility	Other liabilities	Amortized cost
Mortgages payable	Other liabilities	Amortized cost

Financial assets are not reclassified subsequent to their initial recognition, unless the REIT identifies changes in its business model in managing financial assets and would reassess the classification of financial assets.

Impairment of financial assets
The new impairment model results in a single impairment model being applied to all financial instruments, which requires more timely recognition of expected credit losses.

For amounts receivable, the REIT applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized upon initial recognition of the receivables. To measure the expected credit losses, the REIT has established a provision matrix that is based on its historical credit loss experience based on days past due, adjusted for forward-looking factors specific to the tenant and the economic environment. The REIT may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full.

A provision for impairment is recorded through an allowance account, and the amount of the loss is recognized in the consolidated statements of net income and comprehensive income within property expenses. Bad debt write-offs occur when the REIT determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against property expenses in the consolidated statements of net income and comprehensive income.

The adoption had no impact on the valuation of the impairment allowance.

IFRS 15, Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue and requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations. Following the adoption of this new accounting standard, the REIT added a note to its financial statements detailing the main components of the operating revenues according to their nature (note 16). The REIT has applied this standard on a modified retrospective basis. Under this approach, the 2017 comparative period was not restated. The adoption of this new accounting standard had no other impact on the REIT's condensed interim consolidated financial statements.

The REIT earns revenue from its tenants from various sources consisting of base rent for the use of space leased, recoveries of property taxes and insurance, and service revenue from utilities, cleaning and property maintenance costs.

Revenue from lease components is recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance. Revenue related to the service component of the REIT's leases is accounted for in accordance with IFRS 15. These services consist primarily of utilities, cleaning and property maintenance costs for which the revenue is recognized over time, typically as the costs are incurred, which is when the services are provided.

IAS 40, Investment Property
The REIT adopted the amendments to IAS 40 Investment Property on January 1, 2018. The adoption of the amendments by the REIT resulted in no change to the presentation to the REIT's condensed consolidated interim financial statements.

Significant accounting judgments, estimates and assumptions
The estimates and assumptions applied by the REIT in the preparation of these condensed consolidated interim financial statements are consistent with those applied for the year ended December 31, 2017.

Standards issued but not yet effective
There are pending changes to IFRS which are not yet effective for the current period and have not been applied in the preparation of the REIT's condensed consolidated interim financial statements:

IFRS 16, Leases
IFRS 16, Leases, was published on January 13, 2016 and replaces IAS 17, Leases, IFRIC 4, Determining Whether an Arrangement Contains a Lease, SIC 15, Operating Leases – Incentives, and SIC 27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 applies to all leases, except those specifically exempted in the standard and specifies how leases will be recognized, measured and disclosed. IFRS 16 requires lessees to recognize right of use assets and lease liabilities for all leases, with the exception of leases with a term of less than 12 months where no purchase option exists and leases where the leased asset, when new, has a low value. Lessors are required to classify leases as operating or finance. A lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. Other leases are classified as operating leases. Lessor accounting for operating and finance leases will remain substantially unchanged under IFRS 16. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively. The REIT is currently assessing the impact of IFRS 16, and to date has identified that it is a lessee with respect to two ground leases, which will require recognition as right of use assets and lease liabilities under IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the REIT.

3 Acquisitions and disposals

1) Acquisitions

On April 30, 2018, the REIT acquired a property located in Richmond, British Columbia (the Richmond Property) for a contractual purchase price of $57,380,000. The purchase price was partially satisfied through the issuance of 9,666,667 Class B LP Units of a subsidiary limited partnership of the REIT at a deemed value of $2.10 per unit and convertible to REIT units on a 1 to 1 basis, with the balance, net of closing adjustments, satisfied in cash. The Richmond Property was initially recorded at $55,560,645, which is the fair value of the consideration paid less $659,356 of rent obligation received from the vendor at closing. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on April 30, 2018 of $1.98. The vendor is obligated to complete certain improvements to the property with an estimated cost of $2,400,000. This portion of the purchase price paid has been classified as prepaid development costs. The carrying amount of the Richmond Property was subsequently adjusted to its fair value of $57,380,000, with $54,980,000 recorded as investment properties and $2,400,000 of the prepaid development charges recorded as other current assets.

On June 7, 2018, the REIT acquired two industrial properties located in Nisku, Alberta (the Nisku Properties) for a contractual purchase price of $12,345,000. The purchase price was partially satisfied through the issuance of 1,533,219 Class B LP Units of a subsidiary limited partnership of the REIT convertible on a 1.67 to 1 basis to 2,540,476 REIT units at a deemed value of $2.10 per REIT unit, and with the balance, net of closing adjustments, satisfied in cash. The Nisku Properties were initially recorded at $12,088,951, the fair value of the consideration paid. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on June 7, 2018 of $2.00. The carrying amount of the Nisku Properties was subsequently adjusted to the fair value of $12,345,000.

On June 27, 2018, the REIT acquired an industrial property located in Regina, Saskatchewan (the Regina Property) for a contractual purchase price of $6,300,000. The purchase price was partially satisfied through the issuance of 1,047,619 REIT Units at a deemed value of $2.10 per unit with the balance, net of closing adjustments, satisfied in cash. The Regina Property was initially recorded at $6,184,762, the fair value of the consideration paid, with the 1,047,619 REIT units issued as purchase price consideration measured at the closing price of the REIT's units on June 27, 2018 of $1.99 per unit. The carrying amount of the Regina Property was subsequently adjusted to its fair value of $6,300,000.

The impact of acquiring the properties is as follows:

	Richmond **$**	**Nisku** **$**	**Regina** **$**	**Total** **$**
Investment properties acquired	51,985,425	12,088,951	6,184,762	70,259,138
Prepaid development charges	2,400,000	-	-	2,400,000
Transaction costs	1,940,313	133,766	91,771	2,165,850
Working capital acquired	1,016,462	(96,860)	(75,348)	844,254
Net assets acquired	57,342,200	12,125,857	6,201,185	75,669,242
Consideration:				
Cash	4,354,842	(400,051)	40,884	3,995,675
Proceeds of new mortgages financing	34,000,000	7,450,000	4,100,000	45,550,000
Deferred financing costs - new financing	(152,642)	(45,043)	(24,461)	(222,146)
Issuance of REIT units to the vendors	-	-	2,084,762	2,084,762
Issuance of Class B LP Units to the vendors	19,140,000	5,120,951	-	24,260,951
	57,342,200	12,125,857	6,201,185	75,669,242

Sandalwood Properties

On July 7, 2017, the REIT acquired a 100% interest in two properties located in St. John, New Brunswick and Victoriaville, Quebec, and a 50% interest in 24 properties located in the province of Quebec (together, the Sandalwood Properties), for a contractual purchase price of $147,048,297 (the Sandalwood Acquisition). The purchase price was satisfied through the assumption of debt with a principal balance of $75,712,788 (at the REIT's proportionate interest) and the issuance of 952,381 REIT units to certain of the vendors at a deemed value of $2.10 per unit, with the balance, net of closing adjustments, satisfied in cash. The Sandalwood Properties were initially recorded at the fair value of consideration paid, with the 952,381 REIT units issued as purchase consideration measured at the closing price of the REIT's units on July 7, 2017 of $2.04 per unit, and the mortgages assumed measured at their fair value of $77,716,549 (at the REIT's interest). The carrying amount of the Sandalwood Properties was subsequently adjusted to its fair value of $145,240,950. The acquisition has been accounted for as an asset acquisition.

The impact of acquiring the Sandalwood Properties is as follows:

	$
Investment properties acquired	145,183,807
Transaction costs	3,219,304
Assumed mortgages	(77,716,549)
Capital expenditures escrow	2,000,000
Interest buy down escrow (note 7)	1,109,855
Restricted cash acquired	701,253
Working capital acquired	161,670
Net assets acquired	74,659,340
Consideration:	
Cash	64,642,978
Proceeds of new mortgage financing	8,500,000
Issuance of REIT Units to the vendor	1,942,857
Deferred financing costs	(426,495)
	74,659,340

The capital expenditure escrow of $2,000,000 is held in escrow by the vendors' lawyers pursuant to an escrow agreement and will be used to fund the REIT's proportionate cost of capital expenditures at the 24 properties that the REIT acquired a 50% interest in. The capital expenditure escrow is recorded within other non-current assets in the consolidated statements of financial position. As capital expenditures are made and funded from the capital expenditure escrow, the carrying amount of the capital expenditure escrow will be reduced, and the amount of the capital expenditure will be capitalized to the investment property to which it relates.

Restricted cash acquired of $701,253 represents funds on holdback with a lender with respect a mortgage assumed in the Sandalwood Acquisition. The restricted cash will be released upon completion of repairs and capital improvements required by the lender.

Nobel Real Estate Investment Trust

On February 14, 2017, the REIT entered into an arrangement agreement (the Arrangement Agreement) with Nobel Real Estate Investment Trust (Nobel), pursuant to which the REIT acquired all of the assets and liabilities of Nobel in exchange for the issuance of units of the REIT to Nobel (the Arrangement). The Arrangement closed on April 3, 2017. The REIT issued 1.67 Nexus REIT units for each of the 10,451,333 outstanding units of Nobel, or 17,453,726 Nexus REIT units. The unit consideration issued was measured at $1.94 per unit, the trading price of the REIT units on the close of business March 31, 2017, the last trading day prior to the completion of the Arrangement.

Holders of 72,000 Class B LP Units of a subsidiary limited partnership of Nobel were granted the right to convert these Class B LP Units for 1.67 REIT Units for each such Class B LP Unit converted, and to receive distribution payments equivalent to 1.67 times the distribution per REIT unit. The Class B LP Unit liability assumed was measured at $1.94 per unit, the trading price of the REIT units on the close of business March 31, 2017, the last trading day prior to the completion of the Arrangement, multiplied by 1.67.

Holders of 633,333 warrants and 290,200 options to purchase Nobel units received 1.67 equivalent securities of the REIT for each warrant or option held. The weighted average exercise prices of the warrants and options issued are $2.99 and $2.77, respectively. The fair values of these warrants and options as at the acquisition were determined through the application of the Black-Scholes method.

As a result of the Arrangement, the REIT acquired all of the assets and liabilities of Nobel and 100% of the voting interest in Nobel (the Nobel Acquisition). As the REIT acquired an operating platform and the employees of Nobel were offered employment with the REIT, the acquisition was determined to be a business combination, and transaction costs of $3,520,786 were expensed. As required by the Arrangement Agreement, the management contract with the REIT's external manager was terminated concurrently with the close of the Nobel Acquisition, and an amount of $1,515,000 was expensed, and is included in the $3,520,786 of transaction costs.

The purchase price equation for the Nobel Acquisition is as follows:

	$
Investment properties	104,280,000
Equity investment in joint venture	2,649,423
Restricted cash	1,399,675
Other non-current assets	84,947
Cash	275,424
Tenant and other receivables	431,845
Deposits	50,000
Prepaid expenses	385,132
Total assets acquired	109,556,446
Class B LP Units	233,265
Mortgages	69,160,145
Line of credit	185,000
Accounts payable and accrued liabilities	5,059,059
Total liabilities assumed	74,637,469
Net assets acquired	34,918,977
Consideration:	
Issuance of REIT units	33,860,228
Issuance of replacement warrants	23,734
Issuance of replacement options	27,290
	33,911,252
Excess of net assets acquired over consideration paid – bargain purchase	1,007,725

The number of Nexus units issued to the former Nobel unitholders was derived by reference to the net asset values per unit of each REIT at a point in time. The fair value of the Edgefront units issued to the former Nobel unitholders was determined by reference to the trading price of the Edgefront units at the time the Nobel Transaction closed, which was less than the net asset value per Edgefront unit arrived at during negotiations with Nobel, resulting in the bargain purchase.

The purchase price equation was adjusted as compared to the amount initially reported in previous interim periods of the year ended December 31, 2017. Accounts payable was revised from $5,517,877 to $5,059,059 and bargain purchase was revised from $548,907 to $1,007,725.

Restricted cash relates to a mortgage holdback in the original principal amount of $1,150,000, which funds are being held to be used to finance the acquisition of land at a REIT property that is subject to a land lease. The REIT has an option to purchase the land which becomes exercisable in 2022. The restricted cash also relates to funds withheld by lenders with respect to the mortgages assumed in the Nobel Acquisition in an amount of $249,675. The funds will be released upon completion of repairs and capital improvements required by the lender.

2) Disposals

On April 6, 2018, the REIT sold a property located in Yellowknife, Northwest Territories for a selling price of $1,300,000. Net of selling costs of $21,971, the REIT received cash proceeds of $1,270,479 on the sale. The sale of the property generated a loss on sale of $21,971.

On April 30, 2018, the REIT sold a property located in Kelowna, British Columbia for a selling price of $10,000,000. Net of selling costs of $26,750 and related mortgage debt with a principal amount of $4,384,106, the REIT received cash proceeds of $5,542,143 on the sale. The sale of the property generated a loss on sale of $26,750.

4 Investment properties

	June 30, 2018 $	December 31, 2017 $
Balance, beginning of period	431,807,144	173,774,872
Investment properties acquired in a business combination (note 3)	-	104,280,000
Acquisition of investment properties, including acquisition costs of $2,165,850 (2017 – $3,219,304)	72,424,988	148,403,111
Additions – capital expenditures	963,056	853,010
Additions – tenant incentives and leasing costs, net of amortization	507,309	338,206
Disposal of investment properties	(11,300,000)	-
Fair value adjustment	1,395,509	4,157,945
Balance, end of period	495,798,006	431,807,144

The fair value of the investment properties as at June 30, 2018 was determined primarily through the application of the direct capitalization method, with certain adjustments for the present value of rents determined to be above or below market rents.

The key valuation metrics used in determining the fair value of the investment properties are as detailed below:

	June 30, 2018	December 31, 2017
Weighted average capitalization rate	6.95%	6.98%
Range of capitalization rates	5.75% - 9.50%	5.75% - 10.00%
Stabilized net operating income	$ 35,066,000	$ 30,416,000

The fair value of the investment properties is most sensitive to changes in capitalization rates. As at June 30, 2018, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately $17,509,000 in the determination of the fair value of the investment properties. A 0.25% decrease in the weighted average capitalization rate would result in an increase of approximately $18,815,000 in the determination of the fair value of the investment properties.

The calculation of the fair value of investment properties using the direct income capitalization method results in the measurement being classified as Level 3 in the fair value hierarchy. Significant unobservable inputs used in the Level 3 valuation of the investment properties are the capitalization rate and the stabilized net operating income applied in the valuations. Generally, an increase in stabilized net operating income or a decrease in capitalization rates will result in an increase in the fair value of investment properties. Conversely, a decrease in stabilized net operating income or an increase in capitalization rates will generally result in a decrease in the fair value of investment properties.

5 Equity investment in joint venture

On completion of the Arrangement, the REIT indirectly acquired 50% of the units of Société en Commandite 2045 Stanley, the limited partnership that owns the office building located at 2039-2047 rue Stanley (2045 rue Stanley) in Montréal, as well as 50% of the shares of 9301-6897 Québec Inc., the general partner of Société en Commandite 2045 Stanley.

The following table summarizes the equity investment in the joint venture:

	June 30, 2018 $	December 31, 2017 $
Balance, beginning of period	4,624,388	-
Equity investment in joint venture acquired in a business combination (note 4)	-	2,649,423
Capital contribution	-	1,750,000
Share of net income from investment in joint venture	132,756	224,965
Balance, end of period	4,757,144	4,624,388

The following table summarizes the cumulative financial information of the joint venture:

	June 30, 2018 $	December 31, 2017 $
Property under development	26,930,025	25,000,000
Other non-current assets	235,720	117,457
Cash	466,936	2,309,404
Tenant and other receivables	190,519	175,968
Other current assets	865,883	238,259
Bank facility	(17,990,904)	(17,981,808)
Accounts payable and accrued liabilities	(1,183,891)	(610,504)
Net assets	9,514,288	9,248,776
50% investment in joint venture	4,757,144	4,624,388

	For the six months ended June 30, 2018 $	June 30, 2017 $
Property revenues	998,658	28,612
Property expenses	(618,295)	(151,632)
Net rental income	380,363	(123,020)
General and administrative expense	(172,099)	(68,468)
Interest expense	(156,109)	-
Fair value adjustment of financial instruments	213,357	270,114
Net income and comprehensive income for the period	265,512	78,626
Share of net income from 50% investment in joint venture	132,756	39,313

6 Tenant and other receivables

The REIT leases industrial, office and retail properties to tenants under operating leases. Minimum rental commitments on non-cancellable tenant operating leases over their remaining terms are as follows:

	June 30, 2018 $
Remainder of 2018	22,270,530
2019 – 2022	117,807,986
2023 – Thereafter	86,017,660
	226,096,176

7 Other current assets

Other current assets are comprised as follows:

	June 30, 2018 $	December 31, 2017 $
Prepaid development charges (note 3)	2,400,000	-
Interest buy down escrow (note 3)	-	848,802
Reserves held by mortgage lenders with respect to property taxes and capital expenditures	285,612	541,778
Cumulative straight-line rent adjustments	991,864	834,941
Other	14,174	-
Total other current assets	3,691,650	2,225,521

The interest buy down escrow was held by the lawyers of the Sandalwood Properties' vendor pursuant to an escrow agreement and was released to the REIT on June 20, 2018.

8 Mortgages payable

As at June 30, 2018, the mortgages payable are secured by charges against 50 of the REIT's investment properties. The weighted average interest rate, including deferred financing costs, of the mortgages payable is 4.14% and the weighted average term to maturity is 3.25 years (2017 – 4.41 years). The breakdown of future principal repayments, including mortgage maturity, is presented in the following table:

	Scheduled Repayments $	Principal Maturities $	Total $
Remainder of 2018	3,008,342	13,282,473	16,290,815
2019	5,600,301	47,946,461	53,546,762
2020	4,674,314	34,284,577	38,958,891
2021	3,795,485	16,989,177	20,784,662
2022	3,292,691	15,972,007	19,264,698
Thereafter	3,299,291	65,758,318	69,057,609
Total	23,670,424	194,233,013	217,903,437

The following table summarizes the changes in mortgages payable for the period ended June 30, 2018 and year ended December 31, 2017:

	June 30, 2018 $	December 31, 2017 $
Mortgages payable, beginning of period	179,543,881	31,522,584
New mortgage financing	41,165,894	13,950,000
Mortgages assumed in the Nobel Acquisition	-	68,103,447
Mortgages assumed in the Sandalwood Acquisition	-	75,712,788
Principal repayments	(2,806,338)	(9,744,938)
Mortgages payable, end of period	217,903,437	179,543,881
Less: deferred financing, beginning of period	(544,273)	(209,612)
Less: Additions to deferred financing	(222,146)	(522,318)
Plus: Amortization of deferred financing	176,269	187,657
Plus: Fair value adjustment of mortgages assumed	2,354,676	3,060,459
Less: Amortization of fair value adjustments	(568,750)	(705,783)
Balance, end of period	219,099,213	181,354,284
Less: Current portion	(57,596,273)	(17,934,023)
	161,502,940	163,420,261

9 Credit Facility

The REIT has a revolving credit facility of $57,500,000, and a $7,500,000 term facility (together the Credit Facility). The Credit Facility matures on July 15, 2019, is secured against 13 of the REIT's investment properties, and allows the REIT to draw against the facility in the form of prime advances, bankers' acceptance advances, or fixed rate and term advances. Prime rate advances bear interest at 125 basis points per annum over the Canadian prime borrowing rate. Bankers' acceptance advances bear interest at 225 basis points per annum over the floating bankers' acceptance rate. Total financing costs in the amount of $497,666 were incurred in connection with the establishment of the Credit Facility, financing costs in the amount of $135,288 were incurred in connection with the addition of the $7,500,000 term facility to the Credit Facility and financing costs in the amount of $132,513 were incurred in connection with increasing the revolving credit facility by $5,000,000 on November 14, 2017.

As part of the Nobel Acquisition, the REIT assumed a $500,000 revolving line of credit bearing interest at 100 basis points per annum over the Canadian prime borrowing rate. The line of credit is secured against six of the REIT's investment properties and allows the REIT to draw down a yearly average maximum of 75% of the $500,000 credit limit. As at June 30, 2018, this line of credit was undrawn (December 31, 2017 – undrawn).

Funds drawn against the Credit Facility are as follows:

	June 30, 2018 $	December 31, 2017 $
Fixed rate and term borrowing	50,350,000	50,350,000
Bankers' acceptance borrowings	12,500,000	9,500,000
Prime rate borrowings	86,939	1,860,147
Total drawn against the Credit Facility	62,936,939	61,710,147
Less: deferred financing	(186,996)	(253,697)
	62,749,943	61,456,450

Amounts drawn on the Credit Facility as at June 30, 2018 are as follows:

	Principal Amount $	Interest Rate	Repricing Date
Fixed rate and term borrowing	30,000,000	3.90%	January 10, 2019
Fixed rate and term borrowing	20,350,000	3.63%	July 15, 2019
Bankers' acceptance borrowings	9,000,000	3.89%	July 16, 2018
Bankers' acceptance borrowings	3,500,000	3.89%	July 16, 2018
Prime rate borrowings	86,939	4.70%	Variable
	62,936,939		

The following table summarizes the changes in the Credit Facility for the period ended June 30, 2018 and year ended December 31, 2017:

	June 30, 2018 $	December 31, 2017 $
Drawn against credit facility, beginning of period	61,710,147	54,485,734
Net borrowings during the period	1,226,792	7,039,413
Balance assumed in the Nobel Acquisition	-	185,000
Drawn against credit facility, end of period	62,936,939	61,710,147
Less: Deferred financing costs, beginning of period	(253,697)	(291,597)
Less: Deferred financing costs incurred	(26,795)	(85,120)
Plus: Amortization of deferred financing costs	93,496	123,020
Balance, end of period	62,749,943	61,456,450

10 Class B LP Units

The following table summarizes the changes in Class B LP Units for the period ended June 30, 2018:

	Class B LP Units	Amount $
Balance as at December 31, 2017	5,440,275	11,048,232
Class B LP Units issued for purchase price consideration	11,199,886	24,260,952
Class B LP Units exchanges for REIT units	(6,000)	(20,441)
Fair value adjustment during the period	-	(269,386)
Balance as at June 30, 2018	16,634,161	35,019,357

On April 3, 2017, on the completion of the Nobel Acquisition, the REIT acquired Nobel REIT Limited Partnership which had 72,000 Class B LP Units outstanding. Holders of these Class B LP Units were granted the right to convert the units for 1.67 REIT Units for each such Class B LP Unit converted, and to receive distribution payments equivalent to 1.67 times the distribution per REIT unit. As at June 30, 2018, 34,500 of these units had been exchanged for REIT units and 37,500 of these Class B LP Units remained outstanding.

Distributions in the amount of $639,154 (2017 - $241,648) were declared payable to holders of Class B LP Units for the three months ended June 30, 2018, and distributions in the amount of $857,876 (2017 - $480,091) were declared in the six-month period then ended. These amounts have been recognized as finance expense in the condensed consolidated interim statement of income and comprehensive income. Distributions payable in the amount of $235,760 were accrued as at June 30, 2018 (December 31, 2017 - $72,907).

11 Warrants

Pursuant to the Arrangement Agreement, 1,057,666 warrants were issued to replace Nobel REIT warrants which were outstanding on the date of the Nobel Acquisition.

The following table presents the changes in warrants for the period ended June 30, 2018:

	Number of warrants	Weighted average exercise price	Weighted average remaining contract life
Outstanding as at December 31, 2017	1,057,666	2.99	1.95
Outstanding as at June 30, 2018	1,057,666	2.99	1.45

Awards of warrants are fair valued applying the Black-Scholes warrant valuation method. The average expected volatility rate used in the valuation is estimated based on the historical volatility of comparable companies over a period of time approximating the average expected warrant holding period. The average risk-free interest rate used is based on Government of Canada bonds with terms consistent with the average expected warrant holding period.

The fair value of the warrants as at June 30, 2018 was determined through the application of the Black-Scholes method. The key assumptions used in determining the fair value of the warrants are detailed below:

	June 30, 2018	December 31, 2017
Weighted average expected warrant life (in years)	1.45	1.95
Weighted average volatility rate	25.00 %	25.00 %
Weighted average risk-free interest rate	1.80 %	1.56 %
Distribution yield	8.08 %	7.92 %

12 Unit options

The REIT has adopted a unit-based compensation plan (the Plan) effective January 13, 2014. Under the terms of the Plan, the Board of Trustees may from time to time, at its discretion, grant options to purchase units of the REIT to trustees, officers and employees of the REIT and its affiliates, agents in connection with equity offerings and other consultants. The maximum number of options that may be reserved under the Plan is 10% of the outstanding units of the REIT.

Pursuant to the Arrangement Agreement, 484,636 unit options were issued to replace Nobel REIT unit options which were outstanding on the date of the Nobel Acquisition. On the date of completion of the Nobel Acquisition, several trustees of Nobel REIT and Nexus REIT resigned. Any unvested options these former trustees held expired upon their resignation, and vested options expire 90 days from the date these individuals ceased to be trustees of the REIT.

On December 27, 2017, 2,515,000 unit options were issued to trustees, officers and employees of the REIT at an exercise price of $2.10 per unit. These options vest one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries of the grant date and expire on the fifth anniversary of the grant date. Each option allows its holder to subscribe to one unit of the REIT.

The following table presents the changes in unit options for the period ended June 30, 2018:

	Number of unit options	Weighted average exercise price $	Weighted average remaining contract life	Number of vested unit options
Outstanding as at December 31, 2017	4,535,744	2.07	3.97	1,370,744
Unit options expired	(20,000)	2.00		
Outstanding as at June 30, 2018	4,515,744	2.07	2.97	1,350,744

The following table presents the details of unit options outstanding as at June 30, 2018:

Exercise price	Number of unit options	Weighted average remaining contract life	Number of vested unit options
$ 1.88	975,000	3.15	325,000
$ 2.00	710,000	1.04	710,000
$ 2.10	2,515,000	3.73	-
$ 2.25	60,120	0.25	60,120
$ 2.54	242,150	0.83	242,150
$ 5.99	13,474	0.22	13,474
	4,515,744	2.97	1,350,744

Awards of options are fair valued applying the Black-Scholes option valuation method. The average expected volatility rate used in the valuation is estimated based on the historical volatility of comparable companies over a period of time approximating the average expected unit option holding period. The average risk-free interest rate used is based on Government of Canada bonds with terms consistent with the average expected unit option holding period. For vested options, the average expected unit option holding period used is estimated to be half of the life of the option. For unvested options, the average expected unit option holding period is estimated to be the period until the options vest plus half of the period from vesting to expiry.

The fair value of the unit options as at June 30, 2018 was determined through the application of the Black-Scholes method. The key assumptions used in determining the fair value of the unit options are as detailed below:

	June 30, 2018	December 31, 2017
Weighted average expected unit option life (in years)	2.28	2.71
Weighted average volatility rate	25.00%	25.00%
Weighted average risk-free interest rate	1.86%	1.73%
Distribution yield	8.08%	7.92%

13 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised as follows:

	June 30, 2018 $	December 31, 2017 $
Prepaid rent	1,241,408	1,150,653
Security deposits	1,344,030	1,289,221
Accrued interest expense	910,965	601,489
Transaction costs related to acquisitions (note 3)	493,524	833,639
Sales and other taxes payable	451,127	562,913
Trade accounts payable and other	4,372,318	3,786,992
Total accounts payable and accrued liabilities	8,813,372	8,224,907

14 Unitholders' equity

The REIT is authorized to issue an unlimited number of units and special voting units. Each unit entitles the holder to a single vote at any meeting of unitholders and entitles the holder to receive a pro rata share of all distributions and in the event of termination or winding up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. The units are redeemable at any time at the demand of the holders to receive a price per unit as determined by the REIT's declaration of trust. Among other conditions for redemption, the total amount payable by the REIT in respect of units surrendered for redemption shall not exceed $50,000 in any one calendar month.

The declaration of trust provides for the issuance of special voting units which have no economic entitlement in the REIT or in the distribution of assets of the REIT, but are used to provide voting rights proportionate to the votes of the units to holders of securities exchangeable into units, including Class B LP Units.

On June 30, 2017, 33,350,000 REIT units were issued at $2.10 per unit in a prospectus offering and private placement. Gross proceeds of the offering and private placement were $70,035,000, and net proceeds were $66,202,496.

The following table presents the changes in unitholders' equity for the period ended June 30, 2018:

	Units	Amount $
Unitholders' equity as at December 31, 2017	88,799,851	170,527,290
Class B LP Units exchanged for REIT Units (note 10)	10,020	20,441
Units issued as purchase price consideration (note 3)	1,047,619	2,084,762
Units issued under distribution reinvestment plan (note 15)	215,207	414,963
Units issued as consideration for trustee services (note 20)	36,096	71,992
Unitholders' equity as at June 30, 2018	90,108,793	173,119,448

15 Distribution reinvestment plan

The REIT adopted a distribution reinvestment plan (DRIP) on February 20, 2014, pursuant to which resident Canadian holders of not less than 1,000 units are entitled to elect to have all or some of the cash distributions of the REIT automatically reinvested in additional units at a price per unit calculated by reference to the weighted average of the trading price for the units for the five trading days immediately preceding the relevant distribution date. Eligible unitholders who so elect will receive a bonus distribution of units equal to 4% of each distribution that was reinvested by them under the DRIP. During the three-month period ended June 30, 2018, 112,767 units (2017 - 51,201 units) were issued under the DRIP for a stated value of $216,888 (2017 - $103,840) and for the six-month period then ended, 215,207 units (2017 - 96,905 units) were issued under the DRIP for a stated value of $414,963 (2017 - $187,158).

16 Property revenues

The following table presents the main components of property revenues according to their nature:

	For the three months ended		For the six months ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	**$**	**$**	**$**
Rental income	11,177,568	6,501,769	22,205,186	10,511,905
Revenue from services	1,691,668	248,054	3,755,471	248,054
Other revenue	252,689	107,077	464,829	107,077
	13,121,925	6,856,900	26,425,486	10,867,036

17 Financial instruments

Liquidity risk

Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they come due. The REIT manages this risk by ensuring it has sufficient cash on hand or borrowing capacity to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. As at June 30, 2018, the REIT had cash of $5,557,140 (December 31, 2017 - $4,253,771), mortgages payable of $217,903,437 (December 31, 2017 - $179,543,881), a Credit Facility balance of $62,936,939 (December 31, 2017 - $61,710,147) and accounts payable and accrued liabilities of $8,813,372 (December 31, 2017 - $8,224,907). The REIT had a working capital deficit of $53,032,586 as at June 30, 2018 (December 31, 2017 - $18,695,752). The current portion of mortgages payable accounts for $57,596,273 of the working capital deficit, and the REIT expects that it will be able to refinance these mortgages on their maturity. The REIT has access to undrawn funds under the Credit Facility and expects to generate sufficient cash from operations to satisfy its financial liabilities as they come due.

The contractual maturities and repayment obligations of the REIT's financial liabilities are as follows:

	Accounts payable and accrued liabilities $	Credit Facility principal repayment $	Interest on fixed portion of Credit Facility $	Mortgages payable $	Mortgage interest $	Total $
Remainder of 2018	8,813,372	-	962,196	16,290,815	4,203,391	30,269,774
2019	-	62,936,939	423,500	53,546,762	6,529,970	123,437,171
2020	-	-	-	38,958,891	5,044,903	44,003,794
2021	-	-	-	20,784,662	4,229,805	25,014,467
2022	-	-	-	19,264,698	3,253,645	22,518,343
Thereafter	-	-	-	69,057,609	3,107,055	72,164,664
Total	8,813,372	62,936,939	1,385,696	217,903,437	26,368,769	317,408,213

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. There is a risk that the REIT may not be able to renegotiate its mortgages and Credit Facility at maturity on terms as favourable as the existing mortgages payable and Credit Facility. As at June 30, 2018, there was a total of $12,586,939 (December 31, 2017 - $11,360,147) drawn against the Credit Facility, which bears interest at floating bankers' acceptance or Canadian prime rates plus a fixed spread. There is a risk that prevailing interest rates could increase, and those increases could be significant. The REIT mitigates interest rate risk by maintaining reasonable levels of debt to investment property value and aims to structure new debt to stagger the maturities to ensure that the majority of debt does not come due for repayment in any one particular year. The REIT may also convert borrowings under the Credit Facility from floating rate to fixed rate borrowings as part of its interest rate risk management strategy.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a loss to another party by failing to pay for its obligations. The REIT is subject to credit risk with respect to its cash and tenant and other receivables. The REIT mitigates credit risk by monitoring the credit ratings of the institutions holding the REIT's deposits.

As at June 30, 2018, one tenant accounted for approximately 13% of the REIT's base rental income, resulting in concentration of credit risk. The REIT monitors the creditworthiness of its tenants on an ongoing basis.

18 Commitments and contingencies

The REIT has a leasehold interest in a property subject to a 66-year land lease, which commenced on May 1, 2006, and has two ten-year options to renew. The land lease provides for annual base rent and additional rent comprised of the property's proportionate share of common area maintenance and property tax expense. The full annual ground lease payment is due in advance in May of each year.

Following the Nobel Acquisition, the REIT indirectly acquired a leasehold interest in a property subject to a 25-year land lease, which commenced on May 25, 2012, and has two five-year options to renew. The land lease provides for annual base rent. The REIT has the option to purchase the land subject to the land lease, and such option may first exercised May 25, 2022.

Following the Nobel Acquisition, the REIT indirectly acquired the rights and obligations of a 20-year term offer to lease 7,170 square feet of office space in a property owned at 50% by the REIT through investments in a joint venture. The lease commenced on January 1, 2018.

As at June 30, 2018, annual future minimum lease payments on account of base rent are as follows:

	Remainder of 2018 $	2019 $	2020 $	2021 $	2022 $	Thereafter $
Minimum annual rent	97,607	248,013	248,013	248,013	248,013	6,516,750

19 Capital management

The REIT defines its capital as its total unitholders' equity net of retained earnings or deficit, mortgages payable, Class B LP Units, and the Credit Facility. The REIT manages its capital to ensure that sufficient funds are available to fund operations, including the identification and acquisition of businesses or assets. The REIT ensures that it has sufficient capital to fund its operations as a going concern, and to identify, analyze, and finance further potential acquisitions. As part of the REIT's strategy for managing its capital, it may adjust the amount of distributions paid to unitholders, issue new units or debt, borrow against the Credit Facility, or repay debt.

The REIT's Credit Facility contains interest coverage, distribution and loan to value covenants, for which non-compliance would result in an event of default, allowing the lender to demand repayment of amounts outstanding under the Credit Facility. As at June 30, 2018, the REIT was in compliance with all of the financial covenants contained within the Credit Facility.

20 Related party transactions

Pursuant to an asset management agreement (the Management Agreement) dated January 14, 2014 entered into between the REIT and Edgefront Realty Advisors (the Manager), the REIT engaged the Manager to provide management services to the REIT, including providing the services of a chief executive officer and a chief financial officer to the REIT. The Manager is owned by a group including the chief executive officer and chief financial officer of the REIT, who collectively own 50% of the Manager, as well as a group including TriWest Capital Partners (TriWest), which owns 50% of the manager. TriWest controls RTL-Westcan LP, which holds an approximately 10% economic and voting interest in the REIT as at June 30, 2018. A member of TriWest is a trustee of the REIT. On April 3, 2017, the Management Agreement was terminated and the Manager received a termination fee of $1,500,000 plus applicable sales taxes. Other than the termination fee, no fees were paid to the Manager in connection with the Nobel Acquisition.

During the three-month period ended June 30, 2018, asset management fees in the amount of $nil were expensed (2017 - $nil) and for the six-month period then ended $nil was expensed (2017 - $330,800). During the six months ended June 30, 2018, no units were issued to the Manager in respect of asset management fees (2017 - 327,684 units at an average price per unit of $1.86).

During the three-month and six-month periods ended June 30, 2018, property management fees in the amount of $nil (2017 - $15,644) were recovered from tenants and expensed as property management fees to the Manager.

During the three-month period ended June 30, 2018, trustee retainer fees in the amount of $53,125 were expensed (2017 - $34,375), and 21,657 units (2017 - 11,742 units) at an average price per unit of $1.98 (2017 - $1.95) were issued to trustees as payment of retainer fees, net of associated withholding taxes. For the six-month period then ended, trustee retainer fees in the amount of $106,250 were expensed (2017 - $61,250), and 36,096 units (2017 - 24,581 units) at an average price per unit of $1.99 (2017 - $1.86) were issued to trustees as payment of retainer fees. Trustee retainer fees in the amount of $53,125 were accrued as at June 30, 2018 (December 31, 2017 - $34,375).

Trustee meeting fees in the amount of $5,500 were expensed for the three-month period ended June 30, 2018 (2017 - $11,500) and for the six-month period then ended, meeting fees in the amount of $24,500 were expensed (2017 - $12,500). Trustee meeting fees in the amount of $5,500 were accrued as at June 30, 2018 (December 31, 2017 - $11,000).

During the three-month period ended June 30, 2018, salaries and other short-term employee benefits of key management in the amount of $127,094 were paid in respect of the quarter (2017 - $187,250) and for the six-month period then ended, $324,649 was paid in respect of the period (2017 - $187,250).

Included in the net assets acquired in the Nobel Acquisition is an amount of $1,485,874, plus applicable taxes, paid to Nobel's former external manager (the Nobel Manager). The amount was payable in respect of a fee for termination, effective April 3, 2017, of the management contract between Nobel and the Nobel Manager. The beneficiaries of this termination fee were two entities, one of which a former trustee of the REIT has an ownership in, and another of which two other trustees have ownership interests in, control over, or are senior officers of.

The REIT received lease payments from companies controlled by funds associated with TriWest Capital Partners totalling $886,683 for the three-month period ended June 30, 2018 (2017 - $870,150) and $1,773,366 during the six months ended June 30, 2018 (2017 - $1,740,300).

21 Supplemental cash flow information

Cash interest and income taxes paid and received are as follows:

	For the three months ended		For the six months ended	
	June 30, 2018 $	June 30, 2017 $	June 30, 2018 $	June 30, 2017 $
Cash interest paid	2,260,934	1,756,717	4,362,516	2,661,386
Cash income taxes paid	-	1,019	-	1,019

22 Subsequent event

On August 1, 2018, the REIT acquired a property in Beamsville, Ontario for a contractual purchase price of $6,600,000. The purchase price was satisfied through the issuance of 1,880,524 Class B LP units of a subsidiary limited partnership of the REIT at a deemed value of $2.10 per REIT unit and convertible to REIT Units on a 1.67 to 1 basis, with closing adjustments satisfied in cash.