Nexus Real Estate Investment Trust
(Formerly Edgefront Real Estate Investment Trust)

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2017

Nexus Real Estate Investment Trust

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

	September 30, 2017 $	December 31, 2016 $
Non-current Assets		
Investment properties (notes 3 and 4)	424,828,712	173,774,872
Equity investment in joint venture (note 5)	2,925,837	-
Restricted cash (note 3)	1,150,000	-
Other non-current assets	2,170,601	104,926
	431,075,150	173,879,798
Current Assets		
Cash	4,685,062	904,023
Tenant and other receivables	627,878	350,654
Prepaid expenses	2,217,634	137,409
Other current assets (note 7)	2,102,404	240,866
	9,632,978	1,632,952
Total Assets	440,708,128	175,512,750
Non-current Liabilities		
Mortgages payable (note 8)	164,879,468	29,777,179
Credit Facility (note 9)	58,499,425	54,194,137
Class B LP units (note 10)	12,130,775	10,672,992
Warrants (note 11)	27,342	-
Unit options (note 12)	303,000	163,000
	235,840,010	94,807,308
Current Liabilities		
Mortgages payable (note 8)	18,058,409	1,535,793
Distributions payable	1,174,578	476,930
Accounts payable and accrued liabilities (notes 13 and 19)	9,896,384	1,864,490
	29,129,371	3,877,213
Total Liabilities	264,969,381	98,684,521
Equity		
Unitholders’ equity (note 14)	169,154,154	66,076,700
Retained earnings	6,584,593	10,751,529
Total Unitholders’ Equity	175,738,747	76,828,229
Total Liabilities and Unitholders’ Equity	440,708,128	175,512,750

Commitments and contingencies (note 17)

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
(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2017 $	September 30, 2016 $	September 30, 2017 $	September 30, 2016 $
Net rental income				
Property revenue	12,996,361	3,882,500	23,863,397	11,417,969
Property expenses	(4,570,287)	(690,531)	(6,885,095)	(1,937,198)
Net rental income	8,426,074	3,191,969	16,978,302	9,480,771
General and administrative expense (note 19)	(701,443)	(433,986)	(1,853,033)	(1,359,791)
Transaction costs (notes 3 and 19)	-	-	(3,520,786)	-
Fair value adjustment of investment properties (note 4)	(2,625,518)	(321,249)	(2,640,084)	(477,146)
Fair value adjustment of Class B LP Units (note 10)	181,257	426,729	(1,322,463)	(86,502)
Fair value adjustment of warrants (note 11)	5,568	-	(3,608)	-
Fair value adjustment of unit options (note 12)	89,000	18,500	(112,710)	(34,000)
Income from equity accounted investment in joint venture (note 5)	237,101	-	276,414	-
Gain from bargain purchase (note 3)	-	-	548,907	-
Other income	125,752	-	125,752	256,528
	5,737,791	2,881,963	8,476,691	7,779,860
Finance expense				
Net interest expense (notes 8 and 9)	(2,129,545)	(778,957)	(4,348,506)	(2,333,838)
Distributions on Class B LP Units (note 10)	(242,717)	(225,113)	(722,808)	(652,187)
	(2,372,262)	(1,004,070)	(5,071,314)	(2,986,025)
Income before taxes	3,365,529	1,877,893	3,405,377	4,793,835
Income taxes	(6,500)	(13,439)	(19,500)	(9,823)
Net income and comprehensive income for the period	3,359,029	1,864,454	3,385,877	4,784,012

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
(Unaudited)

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2017	66,076,700	10,751,529	76,828,229
Net income for the period	-	3,385,877	3,385,877
Class B LP Units exchanged for REIT Units	97,945	-	97,945
Distributions	-	(7,552,813)	(7,552,813)
Units issued as acquisition consideration (note 3)	35,803,085	-	35,803,085
Units issued for cash (note 14)	70,035,000	-	70,035,000
Unit issue costs	(3,864,004)	-	(3,864,004)
Issue of units under distribution reinvestment plan (note 15)	321,953	-	321,953
Issue of units to Manager (note 19)	608,603	-	608,603
Issue of units to Trustees (note 19)	74,872	-	74,872
Balance – September 30, 2017	169,154,154	6,584,593	175,738,747

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2016	63,484,740	5,905,000	69,389,740
Net income for the period	-	4,784,012	4,784,012
Class B LP Units exchanged for REIT Units	978,815	-	978,815
Distributions	-	(4,201,899)	(4,201,899)
Issue of units under distribution reinvestment plan (note 15)	236,670	-	236,670
Issue of units to Manager (note 19)	864,965	-	864,965
Issue of units to Trustees (note 19)	81,315	-	81,315
Balance – September 30, 2016	65,646,505	6,487,113	72,133,618

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

(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2017 $	September 30, 2016 $	September 30, 2017 $	September 30, 2016 $
Operating activities				
Net income for the period	3,359,029	1,864,454	3,385,877	4,784,012
Adjustment for items not involving cash:				
Asset management fees settled in REIT units (note 19)	-	297,543	307,521	880,234
Trustee fees settled in REIT units (note 19)	29,122	25,386	81,117	79,596
Income from equity accounted investment in joint venture (note 5)	(237,101)	-	(276,414)	-
Gain from business combination bargain purchase (note 3)	-	-	(548,907)	-
Amortization of deferred financing costs (notes 8 and 9)	105,663	41,719	196,542	122,027
Amortization of mortgage fair value adjustments	(315,453)	-	(392,739)	-
Straight-line adjustments of ground lease and rent	(247,864)	(34,476)	(322,325)	(100,587)
Fair value adjustment of investment properties (note 4)	2,625,518	321,249	2,640,084	477,146
Fair value adjustment of Class B LP Units (note 10)	(181,257)	(426,729)	1,322,463	86,502
Fair value adjustment of warrants (note 11)	(5,568)	-	3,608	-
Fair value adjustment of unit options (note 12)	(89,000)	(18,500)	112,710	34,000
Deferred income taxes	3,500	349	10,500	23,274
Changes in non-cash working capital				
Tenant and other receivables	369,084	(153,678)	154,621	(125,843)
Prepaid expenses	(1,005,604)	(74,944)	(1,695,093)	103,665
Deposits	100,000	125,000	50,000	
Other current assets	298,820	349,501	(420,256)	200,683
Accounts payable and accrued liabilities	3,515,250	(332,605)	2,800,770	423,734
Income taxes payable	-	-	(1,019)	-
Changes in other non-current assets	1,431	-	8,772	(15,886)
Total cash generated by operating activities	8,325,570	1,984,269	7,417,832	6,972,557
Investing activities				
Additions to investment properties (note 4)	(72,554,813)	(6,793,599)	(72,569,379)	(6,793,599)
Cash acquired in a business combination financed through the issuance of REIT units	-	(47,650)	525,099	(203,547)
Capital expenditures	(294,995)	-	(294,995)	-
Total cash used in investing activities	(72,849,808)	(6,841,249)	(72,339,275)	(6,997,146)
Financing activities				
Proceeds from new financing	8,500,000	5,500,000	13,950,000	5,500,000
Financing costs	(384,982)	(45,038)	(454,692)	(45,038)
Mortgage principal repayments	(1,145,635)	(236,594)	(8,463,423)	(704,139)
Net borrowing on (repayments of) the Credit Facility	(451,491)	751,156	4,032,811	(990,401)
Issuance of units	-	-	70,035,000	-
Unit issuance costs	(22,122)	(11,025)	(3,864,004)	(11,025)
Distributions to unitholders	(3,373,729)	(1,320,229)	(6,533,210)	(3,948,296)
Total cash generated by (used in) financing activities	3,122,041	4,638,270	68,702,482	(198,899)
Change in cash during the period	(61,402,197)	(218,710)	3,781,039	(223,488)
Cash - beginning of period	66,087,259	1,147,390	904,023	1,152,168
Cash - end of period	4,685,062	928,680	4,685,062	928,680

Supplemental cash flow information (note 20)

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

1 Organization

Nexus Real Estate Investment Trust (formerly Edgefront 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. 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 Suite 4600, 400 3 Avenue S.W., Calgary, Alberta, T2P 4H2.

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, 2016.

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 November 28, 2017.

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, 2016, except for the following:

Business combinations

The REIT uses the acquisition method to account for business combinations. The consideration transferred for the acquisition is measured as the aggregate of the fair values of the assets transferred, liabilities incurred or assumed, and any equity instruments of the REIT issued in exchange for control of the acquiree. Acquisition costs are recorded as an expense in earnings as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business Combinations (IFRS 3), are recognized at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the REIT’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the REIT’s share of the net assets acquired, the difference is recognized directly in net income for the year as an acquisition gain.

Principles of consolidation

The condensed consolidated interim financial statements include the accounts of the REIT and its subsidiaries. Subsidiaries are all entities over which the REIT has control. The REIT controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All inter-entity transactions between the REIT and its subsidiaries have been eliminated in the condensed consolidated interim financial statements.

Joint arrangements

The REIT enters into joint arrangements via joint operations and joint ventures. Joint arrangements that involve the establishment of a separate entity in which each venture has rights to the net assets of the arrangements are referred to as joint ventures. The REIT reports its interests in joint ventures using the equity method of accounting. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities. In a co-ownership arrangement, the REIT owns jointly one or more investment properties with another party and has direct rights to the investment property, and obligations for the liabilities relating to the co-ownership. For co-ownerships, the REIT's condensed consolidated interim financial statements reflect only the REIT's proportionate share of the assets, its share of any liabilities incurred directly, its share of any revenues earned or expenses incurred by the joint operation and any expenses incurred directly.

Financial instruments

The REIT's financial instruments are initially recognized at fair value. Subsequent measurement depends on the nature and classification adopted for the financial instrument as follows:

Financial instrument	Classification	Measurement
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Tenant and other receivables	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	Other liabilities	Amortized cost
Warrants	Other liabilities	Amortized cost
Unit options	Other liabilities	Amortized cost
Credit facility	Other liabilities	Amortized cost
Mortgages payable	Other liabilities	Amortized cost

The REIT determines the fair value measurement based on the following hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Transaction costs relating to financial instruments measured at amortized cost are included in the carrying value of the financial instrument and amortized over the expected useful life of the instrument using the effective interest method. Financial assets are derecognized when contractual rights to the cash flow from the assets expire.

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, 2016, except for the following:

Unit options and warrants

The estimates used when determining the fair value of unit-based compensation and warrants are the average expected unit option or warrant holding period, the average expected volatility rate and the average risk-free interest rate. 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 average expected volatility rate 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 is based on Government of Canada bonds with terms consistent with the average expected unit option or warrant holding period.

Business combinations

Accounting for business combinations under IFRS 3 applies when it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lowering costs or providing other economic benefits directly and proportionately to the REIT. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. The REIT applies judgment in determining whether property acquisitions qualify as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, the REIT applies judgment when considering the following:

- whether the investment property or properties are capable of producing outputs;
- whether the market participant could produce outputs if missing elements exist;
- whether employees were assumed in the acquisition; and
- whether an operating platform has been acquired.

When the REIT acquires properties or a portfolio of properties and does not take on or assume employees or does not acquire an operating platform, it classifies the acquisition as an asset acquisition.

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 7, Financial Instruments: Disclosures, has been amended by the International Accounting Standards Board (IASB) to require additional disclosures on transition from International Accounting Standard (IAS) 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. The REIT does not expect this amendment to have a material impact on its consolidated financial statements.

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 analyzing the impact that IFRS 16 may have on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers, is a new standard providing accounting guidance on the recognition, measurement and disclosure of revenue from contracts with customers. IFRS 15 does not apply to rental revenue earned from leases. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. The REIT is currently reviewing contracts with tenants to assess the potential impact this standard may have on the timing and amount of revenues that are recognized in the REIT's condensed consolidated interim financial statements and will provide an update in the year end consolidated financial statements.

IFRS 9, Financial Instruments, is a new standard which will replace IAS 39, Financial Instruments: Recognition and Measurement, and addresses classification and measurement of financial assets, as well as providing guidance on financial liabilities and derecognition of financial instruments and a single forward-looking expected loss impairment model. IFRS 9 provides a single approach, based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. In November 2013, amendments were made to IFRS 9 which include new hedge accounting guidelines. In July 2014, further amendments were made to include an effective date for annual periods beginning on or after January 1, 2018. The REIT is currently assessing the potential impact of this standard but does not expect the application of IFRS 9 to have a material impact on the carrying value of its tenant and other receivables or the measurement of its other financial assets or liabilities; however, additional disclosures may be required to comply with IFRS 9.

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

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 $145,942,203. The acquisition has been accounted for as an asset acquisition. The impact of acquiring the property is as follows:

	$
Investment properties acquired	145,885,060
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
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 condensed consolidated interim 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.

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 preliminary 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	1,150,000
Other non-current assets	84,947
Cash	525,099
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	5,517,877
Total liabilities assumed	75,096,287
Net assets acquired	34,460,159
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	548,907

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.

For the three months ended September 30, 2017, $2,895,608 of revenue and $1,369,300 of net income of Nobel, the acquiree, is included in the condensed consolidated interim statements of income and comprehensive income. For the nine months ended September 30, 2017, the amounts included are $5,751,506 of revenue and $2,263,279 of net income. It is estimated that if the Nobel Acquisition had taken place on January 1, 2017, the revenue and net income of the combined entity for the nine months ended September 30, 2017 would have been approximately $26,732,000 and $3,764,000, respectively.

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.

On August 22, 2016, the REIT acquired an industrial property located in Cambridge, Ontario (the Cambridge Property) for a contractual purchase price of $8,400,000. The purchase price was satisfied through the issuance of 1,000,000 Class B LP Units at a deemed value of $1.90 per unit, with the balance, net of closing adjustments, satisfied in cash. The Cambridge Property was initially recorded at $8,380,000, the fair value of the consideration paid. The fair value of the Class B LP Units issued as purchase consideration was measured at the closing price of the REIT's units on August 22, 2016 of $1.88 per unit. The carrying amount of the Cambridge Property was subsequently adjusted to its fair value of $8,400,000. The impact of acquiring the property is as follows:

	$
Investment property acquired	8,380,000
Transaction costs	293,599
Net assets acquired	8,673,599
Consideration:	
Cash	1,338,637
Issuance of Class B LP Units to the vendor	1,880,000
Proceeds from new mortgage financing	5,500,000
Deferred financing costs – new financing	(45,038)
	8,673,599

During the three months ended March 31, 2016, all conditions relating to an escrow agreement in respect of certain investment properties acquired in 2014 were satisfied resulting in $256,528 being released to the REIT, and recorded in other income during that period.

4 Investment properties

	September 30, 2017 $	**December 31, 2016 $**
Balance, beginning of period	173,774,872	161,174,872
Investment properties acquired in a business combination (note 3)	104,280,000	-
Acquisition of investment properties, including acquisition costs of $3,219,304 (2016 – $293,599)	149,104,364	8,673,599
Additions – capital expenditures	63,357	208,830
Additions – tenant incentives and leasing costs	246,203	-
Fair value adjustment	(2,640,084)	3,717,571
Balance, end of period	424,828,712	173,774,872

The fair value of the investment properties as at September 30, 2017 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:

	September 30, 2017	December 31, 2016
Weighted average capitalization rate	7.14%	7.42%
Range of capitalization rates	6.00% - 10.00%	6.25% - 10.00%
Stabilized net operating income	$30,441,000	$ 12,906,000

The fair value of the investment properties is most sensitive to changes in capitalization rates. As at September 30, 2017, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately $14,441,000 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 $15,489,000 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 joint venture:

	September 30, 2017 $	December 31, 2016 $
Balance, beginning of period	-	-
Equity investment in joint venture acquired in a business combination	2,649,423	-
Share of net income from investment in joint venture	276,414	-
Balance, end of period	2,925,837	-

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

	September 30, 2017 $	December 31, 2016 $
Property under development	22,234,987	-
Other assets	1,213,484	-
Bank facility	(17,477,260)	-
Other liabilities	(119,537)	-
Net assets	5,851,674	-
50% investment in joint venture	2,925,837	-

	Period from April 3, 2017 to September 30, 2017 $	Nine months ended September 30, 2016 $
Joint venture revenue	38,459	-
Joint venture expenses	(293,056)	-
Net rental loss	(254,597)	-
General and administrative expense	(106,406)	-
Fair value adjustment of property under development	302,698	-
Fair value adjustment of financial instruments	611,133	-
Net income and comprehensive income for the period	552,828	-
Share of net income from 50% investment in joint venture	276,414	-

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:

	September 30, 2017 $
Remainder of 2017	8,371,427
2018 – 2021	110,583,774
2022 – Thereafter	89,901,393
	208,856,594

7 Other current assets

Other current assets are comprised as follows:

	September 30, 2017 $	December 31, 2016 $
Interest buy down escrow (note 3)	926,966	-
Reserves held by mortgage lenders with respect to property taxes and capital expenditures	392,770	-
Cumulative straight-line rent adjustments	732,417	229,072
Other	50,251	11,794
Total other current assets	2,102,404	240,866

The interest buy down escrow is held by the lawyers of the Sandalwood Properties' vendor pursuant to an escrow agreement and will be released to the REIT over time in accordance with the interest rate escrow agreement to partially offset interest costs of the assumed mortgages.

8 Mortgages payable

As at September 30, 2017, the mortgages payable are secured by charges against 47 of the REIT's investment properties. The weighted average interest rate, including deferred financing costs, of the mortgages payable is 3.93% and the weighted average term to maturity is 3.53 years. Interest expense recorded in the period includes the amortization of deferred financing costs relating to mortgages payable in the amount of $73,399 (2016 - $12,560) for the three months ended September 30, 2017 and $105,959 for the nine-month period then ended (2016 - $34,550).

Mortgages with an aggregate principal balance of $68,103,447 were recorded at a fair value of $69,160,145 on completion of the Nobel Acquisition. Mortgages with an aggregate principal balance of $75,712,788 were recorded at a fair value of $77,716,549 on completion of the Sandalwood Acquisition. Interest expense recorded in the period includes the amortization of mortgage fair value adjustments in the amount of $315,453 (2016 – $nil) for the three months ended September 30, 2017 and $392,739 for the nine months ended September 30, 2017.

	September 30, 2017 $	December 31, 2016 $
Mortgages payable	180,868,350	31,522,584
Plus: Fair value adjustments	2,667,719	-
Less: Deferred financing costs	(598,192)	(209,612)
	182,937,877	31,312,972
Less: Current portion	(18,058,409)	(1,535,793)
	164,879,468	29,777,179

	Scheduled Repayments $	Principal Maturities $	Total $
Remainder of 2017	1,226,799	-	1,226,799
2018	4,673,066	13,311,318	17,984,384
2019	4,374,648	48,749,795	53,124,443
2020	3,330,417	38,332,464	41,662,881
2021	2,393,471	16,992,943	19,386,414
Thereafter	4,457,815	43,025,614	47,483,429
Total	20,456,216	160,412,134	180,868,350

9 Credit facility

The REIT has a revolving credit facility of $52,500,000 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, and 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.

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 6 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 the September 30, 2017, $30,000 was drawn against this line of credit.

Funds drawn against the Credit Facility are as follows:

	September 30, 2017 $	December 31, 2016 $
Fixed rate and term borrowing	50,350,000	50,350,000
Bankers' acceptance borrowings	7,000,000	-
Prime rate borrowings	1,323,545	4,135,734
Total drawn against the Credit Facility	58,673,545	54,485,734
Less: deferred financing	(204,120)	(291,597)
	58,469,425	54,194,137
Funds drawn against the $500,000 revolving line of credit	30,000	-
	58,499,425	54,194,137

Amounts drawn on the Credit Facility as at September 30, 2017 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	7,000,000	3.60%	October 13, 2017
Prime rate borrowings	1,323,545	4.45%	Variable
	58,673,545		

Interest expense recorded in the period includes the amortization of deferred financing costs relating to the Credit Facility in the amount of $29,159 (2016 - $29,159) for the three months ended September 30, 2017 and $87,477 for the nine-month period then ended (2016 – $87,478).

10 Class B LP Units

The following table summarizes the changes in Class B LP Units for the period ended September 30, 2017:

	Class B LP Units	Amount $
Balance as at December 31, 2016	5,962,565	10,672,992
Class B LP Units assumed in business combination	72,000	233,265
Class B LP Units exchanged for REIT units	(28,500)	(97,945)
Fair value adjustment during the period	-	1,322,463
Balance as at September 30, 2017	6,006,065	12,130,775

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 September 30, 2017, 28,500 of these units had been exchanged for REIT units and 43,500 of these Class B LP Units remained outstanding.

Distributions in the amount of $241,481 (2016 - $225,113) were declared payable to holders of Class B LP Units for the three months ended September 30, 2017, and distributions in the amount of $722,808 were declared in the nine-month period then ended (2016 - $652,187). 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 $80,449 were accrued as at September 30, 2017 (December 31, 2016 - $79,481).

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 September 30, 2017:

	Number of warrants	Weighted average exercise price	Weighted average remaining contract life
Outstanding as at December 31, 2016	-	-	-
Warrants issued	1,057,666	2.99	2.45
Outstanding as at September 30, 2017	1,057,666	2.99	2.20

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 September 30, 2017 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:

	September 30, 2017	December 31, 2016
Weighted average expected unit option life (in years)	2.20	-
Weighted average volatility rate	25.0%	-
Weighted average risk-free interest rate	1.55%	-
Distribution yield	7.96%	-

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.

The following table presents the changes in unit options for the period ended September 30, 2017.

	Number of unit options	Weighted average exercise price	Weighted average remaining contract life	Number of vested unit options
Outstanding as at December 31, 2016	2,395,000	1.93	3.51	810,000
Unit options issued	484,636	2.77		
Unit options cancelled	(503,192)	2.73		
Outstanding as at September 30, 2017	2,376,444	2.06	2.68	1,726,444

The following table presents the details of unit options outstanding as at September 30, 2017.

Exercise price	Number of unit options	Weighted average remaining contract life	Number of vested unit options
$1.88	975,000	3.90	325,000
$2.00	943,750	1.39	943,750
$2.25	101,870	1.92	101,870
$2.54	342,350	2.91	342,350
$5.99	13,474	4.72	13,474
	2,376,444	2.68	1,726,444

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 September 30, 2017 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:

	September 30, 2017	December 31, 2016
Weighted average expected unit option life (in years)	1.80	2.24
Weighted average volatility rate	30.98%	31.5%
Weighted average risk-free interest rate	1.44%	0.75%
Distribution yield	7.96%	8.94%

13 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised as follows:

	September 30, 2017 $	December 31, 2016 $
Prepaid rent	1,573,665	578,817
Security deposits	1,335,289	161,930
Equity issuance costs related to the bought deal and private placement offering completed June 20, 2017	564,300	336,045
Accrued interest expense	544,903	159,739
Transaction costs related to acquisitions (note 3)	1,969,799	-
Accrued asset management fees	-	353,365
Trade accounts payable and other	3,908,428	274,594
Total accounts payable and accrued liabilities	9,896,384	1,864,490

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.

The following table presents the changes in unitholders' equity for the period ended September 30, 2017:

	Units	Amount $
Unitholders' equity as at December 31, 2016	35,778,636	66,076,700
Class B LP Units exchanged for REIT Units	47,595	97,945
Units issued for cash, net of $3,832,504 of issuance costs	33,350,000	66,202,496
Units issued in completion of the Arrangement, net of $31,500 of issuance costs	17,453,726	33,828,728
Units issued as purchase price consideration	952,381	1,942,857
Units issued as consideration for management services	327,684	608,603
Units issued as consideration for trustee services	38,831	74,872
Units issued under distribution reinvestment plan	166,502	321,953
Unitholders' equity as at September 30, 2017	88,115,355	169,154,154

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 September 30, 2017, 69,597 units (2016 - 55,297 units) were issued under the DRIP for a stated value of $134,795 (2016 - $96,747) and for the nine-month period then ended, 166,502 units (2016 – 143,325 units) with a stated value of $321,953 (2016 - $236,670) were issued under the DRIP.

16 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 September 30, 2017, the REIT had cash of $4,685,062 (December 31, 2016 - $904,023), mortgages payable of $180,868,350 (December 31, 2016 - $31,522,584), a Credit Facility balance of $58,703,545 (December 31, 2016 - $54,485,734) and accounts payable and accrued liabilities of $9,896,384 (December 31, 2016 - $1,864,490). The REIT had a working capital deficit of $19,496,393 as at September 30, 2017. The current portion of mortgages payable accounts for $18,058,409 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 subsequent to the quarter end, the Credit Facility was amended to increase the credit limit available by $5,000,000. The REIT 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 2017	9,896,384	-	481,098	1,226,799	1,214,453	12,818,734
2018	-	-	1,908,705	17,984,384	4,526,067	24,419,156
2019	-	58,703,545	423,500	53,124,443	4,003,338	116,254,826
2020	-	-	-	41,662,881	2,945,526	44,608,407
2021	-	-	-	19,386,414	2,199,682	21,586,096
Thereafter	-	-	-	47,483,429	3,851,880	51,335,309
Total	9,896,384	58,703,545	2,813,303	180,868,350	18,740,946	271,022,528

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 September 30, 2017, there was a total of $8,323,545 (December 31, 2016 - $4,135,734) 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 September 30, 2017, one tenant accounted for approximately 17% 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.

17 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 not be exercised earlier than 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 will commence on January 1, 2018.

As at September 30, 2017, annual future minimum lease payments on account of base rent are as follows:

	Remainder of 2017 $	2018 $	2019 $	2020 $	2021 $	Thereafter $
Minimum annual rent	21,916	248,013	248,013	248,013	248,013	6,764,763

18 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 September 30, 2017, the REIT was in compliance with all of the financial covenants contained within the Credit Facility.

19 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 12% economic and voting interest in the REIT as at September 30, 2017. A member of TriWest is a trustee of the REIT.

In performing its obligations under the Management Agreement, the Manager was entitled to receive the following fees from the REIT or its subsidiaries:

i) An annual asset management fee in the amount of:

0.75% of the gross book value, as defined in the Management Agreement, up to $150 million, to be paid in units;

0.65% of the gross book value, as defined in the Management Agreement, between $150 million and $300 million, to be paid 50% in units and 50% in cash; and

0.50% of the gross book value, as defined in the Management Agreement, over $300 million, to be paid 50% in units and 50% in cash.

ii) An acquisition fee in the amount of 0.50% of the purchase price of any property acquired by the REIT payable in cash on completion of each acquisition.

iii) A construction management fee payable on capital projects in an amount equal to 5% of all hard construction costs incurred on a project, excluding any maintenance capital expenditures. The construction management fee will be paid in cash upon substantial completion of each capital project.

iv) A property management fee, being the fee payable in respect of such services provided by the Manager that is deemed recoverable and recovered from the tenants, payable in cash on a cost recovery basis.

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 September 30, 2017, asset management fees in the amount of $nil were expensed (2016 - $311,524) and for the nine-month period then ended $330,800 was expensed (2016 - $915,946).

During the nine months ended September 30, 2017, 327,684 units (2016 - 512,638 units) at an average price per unit of $1.86 (2016 - $1.69) were issued to the Manager in respect of asset management fees.

During the three-month and nine-month periods ended September 30, 2017, acquisition fees in the amount of $nil (2016 - $42,000) were paid to the manager. During the three-month period ended September 30, 2017, property management fees in the amount of $nil (2016 - $15,482) were recovered from tenants and expensed as property management fees to the Manager, and for the nine-month period then ended, property management fees in the amount of $15,644 (2016 - $46,446) were expensed as property management fees payable to the Manager.

During the three-month period ended September 30, 2017, trustee retainer fees in the amount of $34,375 were expensed (2016 - $30,068), and 14,250 units (2016 - 15,107 units) at an average price per unit of $2.04 (2016 - $1.79) were issued to trustees as payment of retainer fees, net of associated withholding taxes. For the nine-month period then ended, trustee retainer fees in the amount of $95,625 were expensed (2016 - $96,318) and 38,831 units (2016 – 48,499) at an average price per unit of $1.93 (2016 - $1.68) were issued to trustees as payment of retainer fees.

Trustee retainer fees in the amount of $34,375 were accrued as at September 30, 2017 (December 31, 2016 - $48,032).

Trustee meeting fees in the amount of $6,500 were expensed (2016 - $5,500) for the three-month period ended September 30, 2017 and for the nine-month period then ended, meeting fees in the amount of $19,000 were expensed (2016 - $16,500).

Trustee meeting fees in the amount of $36,900 were accrued as at September 30, 2017 (December 31, 2016 - $41,400).

The REIT received lease payments from companies controlled by funds associated with TriWest Capital Partners totalling $2,641,450 during the nine months ended September 30, 2017 (2016 - $2,575,951).

During the three-month period ended September 30, 2017, salaries and other short-term employee benefits of key management in the amount of $187,250 were expensed (2016 - $nil) and for the nine-month period then ended $374,500 was expensed (2016 - $nil).

Included in the net assets acquired in the Nobel Acquisition is an amount of $1,485,874, plus applicable taxes, payable to Nobel's former external manager (the Nobel Manager). The amount is 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 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.

20 Supplemental cash flow information

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

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Cash interest paid	2,269,142	925,036	4,025,859	2,815,453
Cash interest received	-	-	-	8,698
Cash income taxes paid	1,019	20,930	1,019	26,118
Cash income taxes received	-	-	-	9,367

21 Subsequent event

On November 14, 2017, the REIT's Credit Facility was amended to add a $5,000,000 operating facility, increasing the total borrowings available under the Credit Facility from $60,000,000 to $65,000,000. A property was added to the Credit Facility asset pool, and effective November 14, 2017, the Credit Facility is secured against 14 of the REIT's properties. The July 15, 2019 maturity date of the Credit Facility was unchanged. Borrowings against the operating facility are available in the form of prime advances and bankers' acceptance advances, at the same interest rate spreads as the $52,500,000 revolving credit facility.