

Condensed Consolidated Interim Financial Statements  
(Expressed in U.S. dollars)

## **INVESQUE INC.**

For the three and nine months ended September 30, 2023  
(Unaudited)

# INVESQUE INC.

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

(Expressed in thousands of U.S. dollars)

As at

	September 30, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 19,772	\$ 27,579
Tenant and other receivables (note 2)	5,344	6,311
Property tax receivables	6,780	11,834
Derivative instruments (note 10)	2,456	5,645
Loans receivable (note 3)	402	—
Assets held for sale (notes 5, 6 and 15)	39,765	20,224
Other (note 4)	11,847	10,171
	<u>86,366</u>	<u>81,764</u>
Non-current assets:		
Loans receivable (note 3)	15,344	19,654
Derivative instruments (note 10)	3,598	10,412
Investment in joint ventures (note 7)	49,089	49,077
Investment properties (note 5)	377,345	538,591
Property, plant and equipment, net (note 6)	357,410	396,266
Other non-current assets (note 4)	1,251	1,576
	<u>804,037</u>	<u>1,015,576</u>
Total assets	\$ 890,403	\$ 1,097,340
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,885	\$ 13,085
Accrued real estate taxes	8,417	17,891
Credit facilities (note 8)	336,339	337,474
Mortgages payable (note 9)	80,842	58,949
Convertible debentures (note 11)	4,828	47,869
Other current liabilities (note 13)	3,906	6,972
Liabilities related to assets held for sale (note 15)	959	894
	<u>451,176</u>	<u>483,134</u>
Non-current liabilities:		
Credit facilities (note 8)	—	176,527
Mortgages payable (note 9)	161,073	127,999
Convertible debentures (note 11)	33,631	16,639
Commonwealth preferred unit liability (note 12)	58,238	57,906
Derivative instruments (note 10)	34	—
Other non-current liabilities (note 13)	2,568	3,277
Non-controlling interest liability	405	211
	<u>255,949</u>	<u>382,559</u>
Total liabilities	707,125	865,693
Shareholders' equity:		
Common share capital (note 16)	517,890	508,961
Equity settled deferred shares	—	862
Preferred share capital (note 16)	85,389	85,389
Contributed surplus	400	400
Equity component of convertible instruments	9,826	5,243
Exchangeable units	2,049	2,049
Cumulative deficit	(431,009)	(370,077)
Accumulated other comprehensive loss	(1,267)	(1,180)
Total shareholders' equity	<u>183,278</u>	<u>231,647</u>
Total liabilities and shareholders' equity	\$ 890,403	\$ 1,097,340

See accompanying notes to these condensed consolidated interim financial statements.

# INVESQUE INC.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) (Unaudited)  
(Expressed in thousands of U.S. dollars, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue:				
Tenant rental (note 18)	\$ 8,482	\$ 14,501	\$ 35,522	\$ 44,144
Resident rental and related revenue (note 18)	36,312	33,482	105,383	98,805
Lease revenue from joint ventures (note 7)	883	876	2,641	2,676
Other revenue	1,064	806	2,993	2,366
	46,741	49,665	146,539	147,991
Other income	—	393	1,745	584
Interest income from loans receivable	587	378	1,647	1,097
Expenses (income) and fair value adjustments:				
Direct property operating expenses (note 19)	27,542	25,481	79,644	76,195
Depreciation and amortization expense (note 6)	3,854	3,873	11,332	11,397
Net finance costs from operations (note 20)	16,019	11,037	40,055	32,947
Real estate property tax expense	50	—	10,136	11,417
General and administrative expenses (note 21)	4,146	4,679	15,065	16,005
Transaction costs	673	1,828	1,328	1,828
Allowance for expected credit losses (note 20)	465	6,752	14,635	7,222
Change in non-controlling interest liability	95	72	231	448
Change in fair value of investment properties - IFRIC 21	1,423	2,827	(2,264)	(2,824)
Change in fair value of investment properties (note 5)	140	9,350	53,474	36,468
Impairment of property, plant and equipment (note 6)	3,636	—	3,636	—
Change in fair value of financial instruments (note 20)	(11,962)	(6,463)	(18,500)	(23,150)
Gain (loss) on sale of property, plant and equipment (note 6)	—	3,670	(12)	3,009
	46,081	63,106	208,760	170,962
Share of income (loss) from joint ventures (note 7)	(1,454)	221	394	4,146
Income (loss) before income taxes	(207)	(12,449)	(58,435)	(17,144)
Income tax recovery:				
Deferred income tax recovery (note 24)	958	—	1,917	1,127
Net income (loss) from continuing operations	\$ 751	\$ (12,449)	\$ (56,518)	\$ (16,017)
Net loss from discontinued operations, net of tax (note 15)	(159)	(1,054)	(4,414)	(1,828)
Net income (loss)	592	(13,503)	(60,932)	(17,845)
Other comprehensive income (loss):				
Items to be reclassified to net income (loss) in subsequent periods				
Unrealized loss on translation of foreign operations	(1,069)	(3,150)	(87)	(4,066)
	(1,069)	(3,150)	(87)	(4,066)
Total comprehensive income (loss)	\$ (477)	\$ (16,653)	\$ (61,019)	\$ (21,911)
Income (loss) from continuing operations per share (note 17):				
Basic and diluted	\$ 0.01	\$ (0.22)	\$ (1.00)	\$ (0.28)
Income (loss) per share (note 17):				
Basic and diluted	\$ 0.01	\$ (0.24)	\$ (1.07)	\$ (0.31)

See accompanying notes to these condensed consolidated interim financial statements.

# INVESQUE INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Unaudited)

(Expressed in thousands of U.S. dollars)

Nine months ended September 30, 2023 and 2022

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Exchangeable units	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2023	\$ 508,961	\$ 862	\$ 85,389	\$ 400	\$ 5,243	\$ 2,049	\$ (370,077)	\$ (1,180)	\$ 231,647
Net loss	—	—	—	—	—	—	(60,932)	—	(60,932)
Other comprehensive loss	—	—	—	—	—	—	—	(87)	(87)
Common shares purchased and cancelled under NCIB (note 16)	(160)	—	—	—	—	—	—	—	(160)
Common shares issued on settlement of deferred share incentive plan (note 16)	117	—	—	—	—	—	—	—	117
Amortization of equity settled deferred shares	—	197	—	—	—	—	—	—	197
Obligation for purchase of units under automatic share purchase plan	3,557	—	—	—	—	—	—	—	3,557
Common shares issued for equity settled deferred shares (notes 16 and 22)	1,059	(1,059)	—	—	—	—	—	—	—
Equity component of convertible debentures (note 11)	4,356	—	—	—	4,583	—	—	—	8,939
<b>Balance, September 30, 2023</b>	<b>\$ 517,890</b>	<b>\$ —</b>	<b>\$ 85,389</b>	<b>\$ 400</b>	<b>\$ 9,826</b>	<b>\$ 2,049</b>	<b>\$ (431,009)</b>	<b>\$ (1,267)</b>	<b>\$ 183,278</b>

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Exchangeable units	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2022	\$ 512,004	\$ 1,781	\$ 85,389	\$ 400	\$ 6,370	\$ —	\$ (321,267)	\$ 1,580	\$ 286,257
Net loss	—	—	—	—	—	—	(17,845)	—	(17,845)
Other comprehensive loss	—	—	—	—	—	—	—	(4,066)	(4,066)
Equity component of Commonwealth preferred units	—	—	—	—	(1,127)	—	—	—	(1,127)
Common shares purchased and cancelled under NCIB (note 16)	(683)	—	—	—	—	—	—	—	(683)
Common shares issued on settlement of deferred share incentive plan (note 16)	383	—	—	—	—	—	—	—	383
Amortization of equity settled deferred shares	—	458	—	—	—	—	—	—	458
Common shares issued for equity settled deferred shares (notes 16 and 22)	1,270	(1,270)	—	—	—	—	—	—	—
Common shares issued through conversion of convertible debentures (notes 11 and 16)	125	—	—	—	—	—	—	—	125
<b>Balance, September 30, 2022</b>	<b>\$ 513,099</b>	<b>\$ 969</b>	<b>\$ 85,389</b>	<b>\$ 400</b>	<b>\$ 5,243</b>	<b>\$ —</b>	<b>\$ (339,112)</b>	<b>\$ (2,486)</b>	<b>\$ 263,502</b>

See accompanying notes to these condensed consolidated interim financial statements.

# INVESQUE INC.

## Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

(Expressed in thousands of U.S. dollars)

Nine Months ended September 30, 2023 and 2022

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Cash flows from operating activities:</b>		
Net loss	\$ (60,932)	\$ (17,845)
Items not involving cash:		
Fair value adjustment of investment properties (notes 5 and 15)	56,315	42,145
Fair value adjustment of financial instruments (notes 10 and 11)	(18,500)	(24,727)
Impairment of property, plant and equipment (note 6)	3,636	—
Transaction costs arising from dispositions and debt modifications	1,535	—
Depreciation and amortization expense (note 6)	11,332	11,397
Allowance for expected credit losses (note 20)	14,635	7,222
Straight-line rent	(2,358)	(3,058)
Amortization of tenant inducements	196	263
Net finance costs from operations (notes 15 and 20)	40,772	35,530
Interest income on loans receivable	(1,647)	(1,097)
Change in non-controlling interest liability	231	448
Gain on sale of property, plant and equipment (note 6)	(12)	3,009
Share of loss from joint ventures (note 7)	(394)	(4,146)
Deferred income tax recovery (note 24)	(1,917)	(1,127)
Interest paid	(28,840)	(31,483)
Interest income received	275	414
Debt extinguishment costs paid	(212)	(584)
Change in non-cash operating working capital:		
Tenant and other receivables	(7,274)	(5,773)
Accounts payable and accrued liabilities	1,463	(828)
Deferred revenue	322	(345)
Other assets	(771)	(1,440)
Other liabilities	225	16
Accrued real estate taxes	144	6,296
<b>Net cash provided by operating activities</b>	<b>\$ 8,224</b>	<b>\$ 14,287</b>
<b>Cash flows (used in) from financing activities:</b>		
Proceeds from credit facilities (note 14)	\$ 2,660	\$ 107,245
Payments on credit facilities (note 14)	(181,271)	(182,171)
Debt issuance costs paid	(2,056)	(836)
Proceeds from mortgages (note 14)	97,546	2,252
Payments of mortgages (note 14)	(41,446)	(40,611)
Repayment of lease liabilities (note 21)	(322)	—
Redemption of convertible debentures	—	(20,000)
Repayment of preferred shares	—	(9,818)
Payment for interest rate swap contract	(4,747)	697
Proceeds from settlement of interest rate swap contract	8,001	—
Payment for repurchase of common shares (note 16)	(160)	(683)
Payment for repurchase of convertible debentures (note 14)	(100)	(223)
<b>Cash used in financing activities</b>	<b>\$ (121,895)</b>	<b>\$ (144,148)</b>
<b>Cash flows from investing activities:</b>		
Additions to investment properties (notes 5 and 15)	\$ (7,636)	\$ (12,862)
Proceeds from dispositions of investment properties (note 5)	92,300	22,081
Additions to property, plant and equipment (note 6)	(4,707)	(4,691)
Proceeds from dispositions of property, plant and equipment	23	13,239
Proceeds from dispositions of assets held for sale	23,915	101,957
Proceeds from sale of joint venture (note 7)	—	7,734
Distributions from joint ventures (note 7)	2,968	12,108
Contributions to joint ventures (note 7)	(2,589)	(286)
Distributions to non-controlling interest partners	(372)	(469)
Contributions from non-controlling interest partners	336	79
Issuance of loans receivable	(7,157)	—
Receipts from loans receivable	8,783	1,023
Earnout payment pursuant to Commonwealth purchase agreement	—	(953)
<b>Cash provided by (used in) investing activities</b>	<b>\$ 105,864</b>	<b>\$ 138,960</b>
Increase (decrease) in cash and cash equivalents	(7,807)	9,099
Cash and cash equivalents, beginning period	27,579	19,369
<b>Cash and cash equivalents, end of period</b>	<b>\$ 19,772</b>	<b>\$ 28,468</b>

See accompanying notes to these condensed consolidated interim financial statements.

# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

Nine and six months ended September 30, 2023 and 2022

Invesque Inc. (the "Company") was incorporated on May 31, 2007 under the Business Corporations Act (Ontario). The Company's registered office is 2500 - 700 W Georgia Street, Vancouver, British Columbia V7Y 1B3.

The Company currently owns a portfolio of North American income generating properties across the health care spectrum. The Company's investment property portfolio includes investments in independent living, assisted living, memory care, skilled nursing, transitional care and medical office properties, which are operated primarily under long-term leases or joint venture arrangements with operating partners. The Company's portfolio also includes investments in owner occupied seniors housing properties in which Invesque owns the real estate and provides management services exclusively through its subsidiary management company, Commonwealth Senior Living LLC ("Commonwealth").

At September 30, 2023, the Company owns interests in a portfolio of 72 health care and senior living properties of the type noted above comprised of 30 consolidated investment properties, 28 consolidated owner-occupied properties, partial interests in 7 properties held through joint arrangements, 2 investment properties presented as assets held for sale and 5 owner-occupied properties accounted as property, plant and equipment presented as assets held for sale.

## 1. Basis of preparation:

### (a) Liquidity Assessment

The COVID-19 pandemic resulted in a significant economic downturn in the United States, Canada and globally, and also led to disruptions and volatility in capital markets. Certain trends and impacts have continued throughout 2023. The economic downturn has had an impact on results and operations of the Company, including decreased occupancy, delays in collections from tenants, increased operating expenses and increased interest rates.

The negative impacts of the pandemic have been partially offset to date by certain government stimulus programs which have helped to offset increased expenses and compensate for lost revenues, but the Company is not able to provide assurance that such programs may continue to be available in the future. For the three and nine months ended September 30, 2023, the Company recognized \$nil and \$34, respectively, of other income related to government grants funded through programs designed to assist seniors housing operators who have experienced both lost revenue and increased expenses during the COVID-19 pandemic (three and nine months ended September 30, 2022 - \$393 and \$584, respectively). For the three and nine months ended September 30, 2023, the Company recognized \$0 and \$1,742, respectively, of income from joint ventures related to the Company's share of government grants recognized by certain of the Company's joint venture properties in respect of COVID-19 pandemic relief (three and nine months ended September 30, 2022 - \$— and \$289, respectively).

Liquidity risk is the risk that an entity is unable to fund its assets or meet its obligations as they come due. Liquidity risk is managed in part through cash forecasting. While there are uncertainties in assessing future liquidity requirements under normal operating conditions, the stressed conditions caused by COVID-19, interest rates and cost inflation have introduced increased uncertainty. The Company monitors forecasts of liquidity requirements to ensure it has the ability to meet operational needs by maintaining sufficient availability of the combination of cash and debt capacity, and to ensure the Company will meet its financial covenants related to various debt agreements. Such forecasting involves a significant degree of judgment which takes into consideration current and projected macroeconomic conditions, the Company's cash collection efforts, debt financing and refinancing plans, and covenant compliance required under the terms of various debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing that matures in the next 12 months may no longer be available to the Company at terms and conditions that are forecasted, or at all.

The Company believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants required under its credit facilities for a period of at least 12 months from September 30, 2023. Further, the Company has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. In making this significant judgment, the Company has prepared a cash flow forecast with the most significant assumptions in the preparation of such forecast being the ability of its tenants to meet projected rental obligations to the Company and the continued availability of financing.

# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

Nine and six months ended September 30, 2023 and 2022

In response to a downside scenario, the Company has the ability to take the following mitigating actions to reduce costs, optimize the Company's cash flows and preserve liquidity:

- (i) utilize available cash to pay down debts in excess of the cash sweep requirements,
- (ii) continue with sales activity to dispose of certain properties and use the net proceeds to pay down and reduce debts,
- (iii) exercise the Company's right to convert its convertible debentures into common shares,
- (iv) reduce non-essential capital expenditures, and
- (v) continue to extend or refinance debt with near-term maturities.

## *Credit Facility Requirements*

On November 8, 2023, the Company executed an amended credit agreement replacing the existing credit facility and revolver with the same lending syndicate, which resulted in the maturity date being extended to March 31, 2025. Material terms of the new credit agreement are as follows:

- (i) The interest rate on the new credit facility is initially SOFR + 250 basis points and will increase to SOFR + 280 basis points during the term.
- (ii) The Company is prohibited from repaying subordinated debt or making common distributions.
- (iii) The Company is permitted to make all required interest payments on both senior and subordinated debt.
- (iv) The new credit agreement has a declining maximum commitment balance. In addition to a \$15,000 revolving commitment, the term commitment must be reduced over the term of the loan. However, missing a required curtailment does not result in an event of default. Maximum term commitment amounts are as follows:
  - (1) \$125,000 by March 31, 2024
  - (2) \$115,000 by June 30, 2024
  - (3) \$110,000 by September 30, 2024
  - (4) \$105,000 by December 31, 2024, and
  - (5) \$20,000 by March 31, 2025.
- (v) The new credit agreement requires the Company to maintain a debt service coverage ratio of 1.45, which can be reduced to 1.35 upon achieving specific targets.
- (vi) The new credit agreement requires the Company to maintain a consolidated leverage ratio not to exceed 62.5% through March 31, 2024, which will be reduced to 60.0% for the quarter ending June 30, 2024, and as of each quarter end thereafter.

The Company believes it will be able to satisfy all conditions of the new credit facility over its term to maturity, which is contingent on executing the following:

- (i) Selling certain properties, at their estimated fair value, and using the net sale proceeds to meet the loan paydown requirements.
- (ii) Refinancing certain properties, at a reasonable loan-to-value based on the underlying value of the property, and using the net refinancing proceeds to meet the loan paydown requirements.
- (iii) Entering into fixed interest rate swaps, at market terms, in order to reduce the exposure to variable interest rate fluctuations and manage debt service costs to meet the debt service coverage ratio requirements.

# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

Nine and six months ended September 30, 2023 and 2022

## *Working Capital Requirements and Near-Term Debt Maturities*

The Company expects to meet its working capital requirements with respect to accounts payable and accrued liabilities through cash on hand and operating cash flows. As at September 30, 2023, current liabilities totaled \$451,176, and current assets totaled \$86,366, resulting in a working capital deficit of \$364,810 (December 31, 2022 - \$483,134, \$81,764 and \$401,370, respectively). The Company expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash on hand at period end of \$4,772 in excess of lender requirements of \$15,000, (ii) cash flows generated from operations, (iii) property-specific mortgages and refinancings and (iv) strategic sale of assets. The Company also has the ability to raise additional liquidity through issuance of common shares, subject to market conditions, and alternative financing sources. With respect to near term debt maturities, the Company believes it will be successful in either refinancing each of the near term debt instruments or settling the debt instruments through sales of the underlying assets securing such debts.

### (b) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). All of the Company's subsidiaries adhere to the same accounting policies. The condensed consolidated interim financial statements do not include all of the information required for a set of annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2022, which were issued on March 15, 2023.

These condensed consolidated financial statements were approved by the Board of Directors of the Company and authorized for issuance on November 9, 2023.

Certain comparative information for the 2022 fiscal year has been reclassified to conform with the financial statement presentation adopted in the current year. \$1,789 of change in fair value of investment properties was reclassified to transaction costs for the three and nine months periods ended September 30, 2022.

### (c) Discontinued operations:

The results of operations of the Company's medical office building segment are classified as discontinued operations in these financial statements (note 15). A discontinued operation is a component of the Company's business that either has been disposed of, or is classified as held for sale, and either 1) represents a separate major line of business or geographic area of operations, 2) is part of a coordinated single plan to dispose of a separate major line of business or geographic area of operations or 3) is a subsidiary acquired exclusively with a view to resale. Based on the Company's assessment, the segment has been classified as a discontinued operation. Accordingly, the comparative consolidated statement of net income (loss) and comprehensive income (loss) is presented as if the operations had been discontinued from the start of the comparative period. As of September 30, 2023, all but two properties have been sold and the remaining are expected to be disposed of in the next twelve months.

## 2. Tenant and other receivables:

Tenant and other receivables and corresponding allowance balances are as follows:

		September 30, 2023	December 31, 2022
Tenant and other receivables, gross	\$	9,656	\$ 10,527
Allowance for uncollectible receivables		(4,312)	(4,216)
Tenant and other receivables, net	\$	5,344	\$ 6,311



# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

Nine and six months ended September 30, 2023 and 2022

The movement in the allowance in respect of tenant and other receivables during the nine months ended September 30, 2023 was as follows.

Balance, December 31, 2022	\$	4,216
Allowance		883
Collections — recoveries		(787)
Balance September 30, 2023	\$	4,312

The Company determines estimated allowances on a tenant-by-tenant basis and considers tenant payment history, past default experiences, actual and expected insolvency filings, tenant abandonment and certain tenant disputes. The change in allowance for the period ended September 30, 2023 is primarily due to individual tenant recoveries at owner-occupied properties, partially offset by the addition of new tenants balances arising from considerations noted above.

# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

Nine and six months ended September 30, 2023 and 2022

### 3. Loans receivable:

Loans receivable issued and outstanding as at September 30, 2023 and December 31, 2022 are detailed in the table below:

Debtor	Loan Type	September 30, 2023	December 31, 2022	Issued Date	Maturity Date	Current Annual Interest Rate	Payment -in-kind Annual Interest Rate
Autumnwood Lifestyles Inc.	Revolving credit facility	\$ 671	\$ 1,107	November 1, 2016	December 31, 2024	8.6% <sup>(1)</sup>	— %
Ellipsis Real Estate Partners	Loan receivable	1,036	1,040	September 14, 2018	September 14, 2028	— %	7.5 %
Hillcrest Millard, LLC	Loan receivable	384	459	January 1, 2019	January 1, 2028	— %	5.0 %
Hillcrest Firethorn, LLC	Loan receivable	359	456	January 1, 2019	November 1, 2027	— %	5.0 %
HML-RE LLC	Loan receivable	1,364	1,439	August 30, 2022	August 29, 2025	8.0 %	— %
HFT-RE LLC	Loan receivable	1,292	1,364	August 30, 2022	August 29, 2025	8.0 %	— %
Winyan Investment Ltd (Brantford)	Loan receivable	3,289	3,151	November 28, 2022	November 28, 2025	4.0 %	— %
RHS Propco Mooresville, LLC	Loan receivable	—	5,000	June 28, 2019	July 1, 2024	8.5 %	— %
Blue Bell Senior Holdings, LLC	Loan receivable	601	490	February 21, 2020	March 1, 2025 <sup>(2)</sup>	5.9 %	— %
PSL Care GP, LLC	Loan receivable	450	450	May 6, 2020	<sup>(3)</sup>	3.5 %	— %
Symcare ML, LLC	Loan receivable	8,367	7,940	June 1, 2021	December 31, 2035	— %	1.0 %
Symcare ML, LLC	Loan receivable	3,770	—	June 1, 2023	February 29, 2024	— %	10.0 %
Memory Care America, LLC	Loan receivable	3,019	—	March 31, 2023	July 31, 2025	10.0 %	— %
4 Pack Master Tenant, LLC	Loan receivable	404	—	June 1, 2023	May 31, 2038	— %	10.0 %
	Accrued current and non-current interest	352	228				
	Allowance for expected credit losses on loans receivable	(12,066)	(8,111)				
Carrying value of loans recorded at amortized cost		\$ 13,292	\$ 15,013				
Carrollton Autumn Leaves LP	Loan receivable - FVTPL	—	2,277	December 6, 2022	January 1, 2049	4.4 %	— %
Javelina Ventures, LLC	Loan receivable - FVTPL	2,454	2,364	December 31, 2018	<sup>(4)</sup>	— %	5.0 %
Carrying value of loans receivable		\$ 15,746	\$ 19,654				
Less current portion		402	—				
Non-current portion		\$ 15,344	\$ 19,654				

(1) This loan will bear interest rates of 8.6% and 8.9% on the outstanding balance as of January 1, 2023 and January 1, 2024, respectively. As of December 31, 2022 there is no longer any additional drawing capacity on this loan.

(2) Maturity date is the earlier of March 1, 2025, the date at which the existing debt secured by the property is refinanced, or upon termination of the management agreement.

(3) No stated maturity date for loan receivable. Principal of loan is repaid when distributions are made from the joint venture operated by Phoenix Senior Living.

(4) The repayment of this loan is pursuant to the Javelina Ventures Operating Agreement in which net available cash from operations and proceeds from property recapitalization will be used to repay the principal and accrued interest on this loan with no fixed maturity date.

\$404 of the loans outstanding and \$3 of the accrued current and non-current interest as at September 30, 2023 included in the table above are due from current third party tenant operators (\$7,940 and \$15, respectively as at December 31, 2022). Of these amounts, \$4 has been reserved as uncollectible since issuance of these loans and included as part of the allowance for the loan losses (\$7,955 - December 31, 2022).

Loans receivable and associated allowance for losses on loans receivable accounted for at amortized cost as at September 30, 2023 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	\$ 13,206	\$ 3,770	\$ 8,382	\$ 25,358
Allowance for losses on loans receivable	(133)	(3,551)	(8,382)	(12,066)
Loans receivable, net of allowances	\$ 13,073	\$ 219	\$ —	\$ 13,292

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The changes in the gross loans receivable balance during the nine months ended September 30, 2023 are shown in the following table:

		Stage 1		Stage 2		Stage 3		Total
Total loans receivable as at December 31, 2022	\$	15,169	\$	—	\$	7,955	\$	23,124
Loans receivable								
Transfer to/(from)								
Stage 1		—		—		—		—
Stage 2		—		—		—		—
Stage 3		—		—		—		—
	\$	15,169	\$	—	\$	7,955	\$	23,124
Issuances		4,319		3,770		131		8,220
Repayments		(6,421)		—		—		(6,421)
Currency translation		(7)		—		—		(7)
Amortization of mark-to-market adjustment		146		—		296		442
Total loans receivable as at September 30, 2023	\$	13,206	\$	3,770	\$	8,382	\$	25,358

The changes in the allowance for credit losses during the nine months ended September 30, 2023 are shown in the following table:

		Stage 1		Stage 2		Stage 3		Total
Total allowance for credit losses as at December 31, 2022	\$	156	\$	—	\$	7,955	\$	8,111
Allowance for credit losses								
Remeasurement		(23)		3,551		427		3,955
Transfer to/(from)								
Stage 1		—		—		—		—
Stage 2		—		—		—		—
Stage 3		—		—		—		—
	\$	133	\$	3,551	\$	8,382	\$	12,066
Issuances		—		—		—		—
Repayments		—		—		—		—
Currency translation		—		—		—		—
Write off of loans receivable and allowances		—		—		—		—
Total allowance for credit losses as at September 30, 2023	\$	133	\$	3,551	\$	8,382	\$	12,066

For the three and nine months ended September 30, 2023, a loss of \$465 and a loss of \$3,979, respectively (three and nine months ended September 30, 2022 - \$6,752 recovery and \$7,222 recovery, respectively) was recorded as part of the remeasurement in the allowance for credit losses on loans and interest receivable in the consolidated statements of income (loss) and comprehensive income (loss). The increase in allowance for credit losses is primarily due to the allowance

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against the Symcare loans, which have a carrying value of \$219 as of September 30, 2023 driven by increased risk associated with the collection of the loans, including the counterparty performance and assessment of its credit worthiness.

On November 21, 2022, the Company received notice that it was the winning bidder and was bound into a Loan Sale Agreement with the U.S. Department of Housing and Urban Development ("HUD") for the purchase of a note encumbering a memory care facility located in Carrollton, Texas ("Carrollton Autumn Leaves LP"). On April 10, 2023, the Company acquired ownership of the memory care facility as part of a deed in lieu of foreclosure agreement with the debtor or borrower under the note. The Company's assumption of ownership of the memory care facility was exchanged for forgiveness of the note receivable. In conjunction with the acquisition of the facility, the Company, as landlord, entered into a triple-net lease with a third party operator, being an affiliate of Constant Care Management Company.

In the first quarter of 2023, the Company entered into a lease transition agreement with the previous tenant, Memory Care America ("MCA"), which provides for the dissolving of the rental agreement. The parties agreed to transition the three memory care communities operated by MCA to a replacement operator, and MCA agreed to pay the Company for past due rent and real estate tax obligations, a portion of the rent differential between the MCA leases and the replacement operator rent for the first year of their new lease, and other transition related costs that the Company is required to incur in order to effectuate a smooth transition of the portfolio. On March 31, 2023, a promissory note totaling \$2,995 was signed by MCA in favor of the Company. The parties agreed that this note will be revised and replaced by the end of 2023, to capture costs incurred by the Company that were not yet identified as of September 30, 2023. The note will earn interest at an annual rate of 10% and matures on July 31, 2025. As of September 30, 2023, the loan consisted of \$24 of net loan fees. The promissory note is guaranteed individually by executives and related parties of MCA, and a corporate guaranty from MCA's parent company was also provided.

On June 1, 2023, the Company sold seven skilled nursing buildings in Chicago Illinois. As part of the sale, the Company issued a loan receivable of \$3,647 in settlement of obligations due from Symcare ML, LLC, the prior tenant of the buildings. In addition, the Company issued an operating capital line of credit for a total amount of \$2,200 to the buyer, of which \$400 was drawn and \$4 of interest was accrued and paid in kind as of September 30, 2023.

#### 4. Other assets:

Other assets are as follows:

	September 30, 2023		December 31, 2022	
Prepaid expenses	\$	3,281	\$	2,259
Security deposits and costs related to pending transactions		101		36
Escrow deposits held by lenders		7,127		6,255
Right-of-use assets		752		941
Bond assets		499		635
Other		1,338		1,621
	\$	13,098	\$	11,747
Current	\$	11,847	\$	10,171
Non-current		1,251		1,576
	\$	13,098	\$	11,747

Escrow deposits held by lenders includes amounts held for use in payment of real estate taxes, property insurance and replacement reserves.

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## 5. Investment properties:

(a) *Investment properties:*

	Number of Properties	Amount
Balance, December 31, 2022	37	\$ 538,591
Capital expenditures		6,819
Acquisition of income property	1	4,351
Sale of income properties	(8)	(121,000)
Increase attributable to straight-line rents		2,379
Fair value adjustment		(53,474)
Amortization of tenant inducements		(182)
Foreign currency translation		(139)
Balance, September 30, 2023	30	\$ 377,345
Property tax liability under IFRIC 21		(2,264)
Fair value adjustment to investment properties - IFRIC 21		2,264
		\$ 377,345

At September 30, 2023, the Company used an internal valuation process to value its investment properties. Third party appraisers are engaged to prepare valuations on a portion of the portfolio annually such that one third of the portfolio is valued externally each year, and every property in the portfolio is valued externally at least once every five years. Management considers the external valuations for a cross-section of investment properties that represent different geographical locations across the Company's portfolio and updates, as deemed necessary, the Company's internal valuation models to reflect current market data.

Acquired investment properties are initially measured at cost, including directly attributable acquisition costs, when the transactions are deemed to be asset acquisitions. Acquisition costs related to business combinations are expensed in the period incurred. Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence. The Company uses alternative valuation methods such as the direct capitalized income approach or discounted cash flow projections (Level 3 inputs). The estimated fair value of investment properties reflects rental income from current leases and assumptions about rental income from future leases in light of current market conditions. When a loan is arranged with a tenant at a below market rate, the estimated fair value of the discount is recognized as a tenant inducement at the time the loan commitment is made.

Capital expenditures include costs related to expansion projects at two buildings in Canada that are jointly owned, and therefore proportionately consolidated.

The Company continues to review market capitalization, discount and terminal capitalization rates as well as its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic and interest rate and general economic environments. The carrying value for the Company's investment properties reflects its best estimate for the highest and best use as at September 30, 2023. In a non-current scenario, certain aspects of the Company's business and operations that could potentially be impacted include rental income, occupancy, turnover, future demand, interest rates and market rents, which all ultimately impact the underlying valuation of investment properties.

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

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Capitalization rates	There is an inverse relationship between the capitalization rates and the fair value; in other words, the higher the capitalization rate, the lower the estimated fair value.
Stabilized future cash flows	There is a direct relationship between the stabilized future cash flows and the fair value; in other words, the higher the stabilized future cash flows, the higher the estimated fair value.

The capitalization rates used in determining fair value of investment properties valued using the direct capitalization income approach as at September 30, 2023 and December 31, 2022 are set out in the following table:

	September 30, 2023	December 31, 2022
Capitalization rate - range	7.50% - 12.50%	6.05% - 9.00%
Capitalization rate - weighted average	8.57%	7.48%

The estimated fair value of investment properties is most sensitive to changes in capitalization rates and stabilized future cash flows for those assets valued using the direct capitalization income approach. Changes in the capitalization rates and stabilized future cash flows would result in the following changes in the fair value of the Company's investment properties:

	September 30, 2023	December 31, 2022
Investment properties valued using direct capitalization income approach	\$ 194,115	\$ 353,836
Capitalization rate:		
25-basis point increase	\$ (5,645)	\$ (11,233)
25-basis point decrease	\$ 6,002	\$ 12,037
As at September 30, 2023, a 1% increase (decrease) in stabilized future cash flows would result in a portfolio fair value increase (decrease) of \$1,941. A 1% increase in stabilized future cash flows coupled with a 0.25% decrease in capitalization rates would result in a portfolio fair value increase of \$8,003. A 1% decrease in stabilized future cash flows coupled with a 0.25% increase in capitalization rates would result in a portfolio fair value decrease of \$7,530.		
Investment properties valued using discounted cash flow projection	\$ 176,130	\$ 184,755
Investment properties valued using other methods	\$ 7,100	\$ —

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*(b) Asset acquisitions - nine months ended September 30, 2023*

	Carrollton, TX
Number of consolidated properties acquired:	1
Net assets acquired:	
Investment properties	\$ 4,351
Working capital balances	(40)
	<u>\$ 4,311</u>
Consideration paid/funded:	
Cash	621
Forgiveness of note receivable	3,690
	<u>\$ 4,311</u>

On April 10, 2023, the Company acquired ownership of the memory care facility in Carrollton, Texas as part of a deed in lieu of foreclosure agreement with the debtor or borrower under the Carrollton Autumn Leaves LP note. The Company's assumption of ownership of the memory care facility was exchanged for forgiveness of the note receivable. In conjunction with the acquisition of the property, the Company, as landlord, entered into a triple-net lease with an affiliate of Constant Care Management Company ("Constant Care"). On August 7, 2023, the Company entered into a limited partnership agreement with Constant Care, selling a 20% interest in the property.

*(c) Assets dispositions - nine months ended September 30, 2023*

	Illinois	Illinois
Properties sold:	7	1
Net assets disposed:		
Investment properties	\$ 101,317	\$ 19,683
Closing costs	(655)	(89)
Working capital	2,981	—
	<u>\$ 103,643</u>	<u>\$ 19,594</u>
Consideration received/funded:		
Cash	\$ 92,300	\$ 17,785
Issuance of loan receivable	3,648	—
Settlement of real estate taxes	7,695	1,809
	<u>\$ 103,643</u>	<u>\$ 19,594</u>

On June, 1, 2023, the Company sold seven properties in Illinois for total consideration of \$101,317. Cash in excess of closing costs was used to partially pay down the Company's corporate credit facility. On July 1, 2023, the Company sold a skilled nursing facility in Chicago, Illinois for \$19,683. Cash in excess of closing costs was used to partially pay down the Company's corporate credit facility.

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*(d) Assets held for sale*

The following table summarizes the investment properties held for sale as at September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Assets:		
Investment properties <sup>(1)</sup>	\$ 9,141	\$ 18,184
	\$ 9,141	\$ 18,184

(1) As of September 30, 2023 total assets held for sale reflect the two remaining medical office buildings, whereby the activities are accounted for as discontinued operations (note 15). As of December 31, 2022, total assets held for sale reflect three medical office buildings accounted for as discontinued operations.



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## 6. Property, plant and equipment, net:

(a) *Property, plant and equipment, net:*

Property, plant and equipment consists of the following as at September 30, 2023:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Total
<b>Cost</b>					
Balance, December 31, 2022	\$ 25,037	\$ 456,730	\$ 15,146	\$ 338	\$ 497,251
Additions	—	2,456	2,051	200	4,707
De-recognition	—	—	(31)	—	(31)
Assets transferred to held for sale	(2,008)	(33,766)	(1,930)	(36)	(37,740)
Transfers	—	119	—	(119)	—
Balance, September 30, 2023	\$ 23,029	\$ 425,539	\$ 15,236	\$ 383	\$ 464,187
<b>Accumulated depreciation</b>					
Balance, December 31, 2022	\$ —	\$ 97,186	\$ 3,799	\$ —	\$ 100,985
Depreciation and amortization	—	8,971	2,361	—	11,332
De-recognition	—	—	(20)	—	(20)
Impairment	—	3,636	—	—	3,636
Assets transferred to held for sale	—	(8,077)	(1,079)	—	(9,156)
Balance, September 30, 2023	\$ —	\$ 101,716	\$ 5,061	\$ —	\$ 106,777
Property, plant and equipment, net balance, December 31, 2022	\$ 25,037	\$ 359,544	\$ 11,347	\$ 338	\$ 396,266
Property, plant and equipment, net balance, September 30, 2023	\$ 23,029	\$ 323,823	\$ 10,175	\$ 383	\$ 357,410

(b) *Assets held for sale*

The following table summarizes the property, plant and equipment held for sale on September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Assets:		
Property, plant and equipment, net	\$ 28,584	\$ —
	\$ 28,584	\$ —

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## 7. Joint arrangements:

As at September 30, 2023, the following are the Company's joint arrangements:

Joint arrangement	Number of properties	Location	Company ownership	Investment
Invesque-Autumnwood Landlord	4	Canada	29 %	Joint operation <sup>(1)(2)</sup>
Invesque-Autumnwood Operator	—	Canada	29 %	Joint venture <sup>(2)(3)</sup>
Heritage JV	3	United States	80 %	Joint venture <sup>(4)</sup>
Heritage Newtown	1	United States	80 %	Joint venture <sup>(4)</sup>
Heritage Harleysville	1	United States	90 %	Joint venture <sup>(4)</sup>
Heritage Glassboro	1	United States	90 %	Joint venture <sup>(4)</sup>
Heritage Lansdale	1	United States	90 %	Joint venture <sup>(4)</sup>
Jaguarundi	—	United States	66 %	Joint venture <sup>(5)</sup>
Terra Bluffs	1	United States	80 %	Joint venture <sup>(4)</sup>

(1) The Company directly holds its interest in the assets and liabilities of the real estate joint operation and therefore is proportionately consolidated.

(2) The Company has contractual preferred interest in the buildings based on the equity contributed to the buildings.

(3) These joint venture arrangements have been structured through separate legal entities and the operators lease the properties from the joint operation landlord, being Invesque-Autumnwood Landlord.

(4) These joint venture arrangements have been structured through separate legal entities. The joint venture owns an interest in separate legal entities which own the real estate and operations.

(5) The joint venture has sold all if its interests in investment properties. Remaining assets include cash, escrows and receivables resulting from the sale of Bridgemoor properties.

The Company has entered into a number of joint arrangements for the purpose of jointly owning and operating certain of its seniors housing investments as detailed in the table above.

The Company and Autumnwood each own a 50% direct beneficial interest in the investment properties of the Invesque-Autumnwood Landlord entities ("landlords") and are jointly obligated for the related mortgages for a portfolio of four properties, which are classified as joint controlled operations and are accounted for under the proportionate consolidation method. The Company's 50% interest in the operations of these properties is held through separate legal entities (collectively referred to as "Invesque-Autumnwood Operators"), which under IFRS 11, Joint arrangements, are classified as joint ventures and are accounted for using the equity method. Invesque-Autumnwood Operators have leased the real estate from the landlords under their respective lease agreements. These leases are for three-year periods, with six automatic renewals every third anniversary for a total of 21 years. The Company's proportionate share of the landlords' lease receipts totaling, \$883 and \$2,641, respectively, for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 - \$876 and \$2,676, respectively), were reported as lease revenue from joint ventures in the statements of loss) and comprehensive income (loss). Invesque-Autumnwood Operators lease expense in connection with these properties is included in the share of loss from joint ventures in the consolidated statements of income (loss) and comprehensive income (loss).

The Company has an interest in seven seniors housing and care properties in the United States in which it also owns an interest in the operations at those properties through joint arrangements. In these joint arrangements, the Company owns an interest in the real estate and operations through separate legal entities at each of the properties and has management agreements in place to provide for the day to day operations resulting in joint control of the interests in both the real estate and operations. Each of these joint arrangements are accounted for as joint ventures using the equity method and the Company's share of net income (loss) is included in income (loss) from joint ventures in the consolidated statements of income (loss) and comprehensive income (loss).

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The following tables summarize the information about the Company's investment in joint ventures, which have been accounted for under the equity method:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash contributions to joint ventures	\$ 1,358	\$ —	\$ 2,589	\$ 286
Distributions received from joint ventures	\$ 1,027	\$ 10,256	\$ 2,968	\$ 10,361

	September 30, 2023		December 31, 2022	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash and cash equivalents	\$ 1,807	\$ 1,571	\$ 3,726	\$ 3,116
Tenant and other receivables	1,896	1,352	2,629	1,854
Other	5,366	4,875	4,921	3,981
Current assets	9,069	7,798	11,276	8,951
Investment properties	192,376	151,822	185,177	146,578
Property, plant and equipment, net	1,376	688	1,436	718
Derivative instruments	1,827	1,508	3,057	2,522
Other non-current assets	9	8	9	8
Total assets	\$ 204,657	\$ 161,824	\$ 200,955	\$ 158,777
Accounts payable and accrued liabilities	\$ 10,401	\$ 8,258	\$ 10,438	\$ 8,558
Deferred revenue	788	648	754	635
Mortgages payable - current	9,228	7,410	9,876	7,928
Current liabilities	20,417	16,316	21,068	17,121
Mortgages payable - non-current	90,288	75,597	92,693	77,659
Construction loans	24,242	19,452	16,912	13,570
Other non-current liabilities	1,916	1,370	1,892	1,350
Total liabilities	\$ 136,863	\$ 112,735	\$ 132,565	\$ 109,700
Net assets	\$ 67,794	\$ 49,089	\$ 68,390	\$ 49,077

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	Three months ended September 30, 2023		Three months ended September 30, 2022	
	Net loss at 100%	Company share of net loss	Net income at 100%	Company share of net income
Revenue	\$ 15,267	\$ 9,308	\$ 12,667	\$ 8,126
Other income	—	—	(10)	—
Property operating expense	14,083	7,843	11,178	6,965
Depreciation expense	—	—	—	—
Net finance costs	1,244	1,041	1,067	894
Real estate tax expense	8	7	—	—
General and administrative expenses	42	29	500	328
Change in fair value of financial instruments	594	490	—	—
Change in fair value of investment properties	1,133	1,352	(1,504)	(1,240)
Gain on sale of interest in joint venture	—	—	1,356	958
Net income (loss) prior to distributions to owners	\$ (1,837)	\$ (1,454)	\$ 60	\$ 221

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Net income at 100%	Company share of net income	Net income at 100%	Company share of net income
Revenue	\$ 45,089	\$ 27,338	\$ 39,330	\$ 23,998
Other income	2,086	1,742	322	289
Property operating expense	40,919	22,936	32,705	19,219
Depreciation expense	2	1	332	249
Net finance costs	3,637	3,046	4,447	3,524
Real estate tax expense	8	7	300	197
General and administrative expenses	47	32	2,924	1,923
Change in fair value of financial instruments	1,229	1,013	(3,996)	(3,534)
Change in fair value of investment properties	1,327	1,651	3,497	2,857
Gain on sale of interest in joint venture	—	—	(4,294)	(4,294)
Net income prior to distributions to owners	\$ 6	\$ 394	\$ 3,737	\$ 4,146

Related party transactions occur between the Company and its interests in joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the parties. Except as disclosed elsewhere in these consolidated financial statements, the related party balances are included in other assets and lease revenue from joint ventures.

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The following table summarizes information about the 100% balance of mortgages payable accounted for by the Company's joint ventures:

	September 30, 2023		December 31, 2022	
Mortgages at fixed rates:				
Mortgages (principal) <sup>(1)</sup>	\$	83,075	\$	94,955
Interest rates (inclusive of swap impact)		3.99% to 4.25%		3.99% to 5.23%
Weighted average interest rate		4.01 %		4.13 %
Mortgages at variable rates:				
Mortgages (principal)	\$	17,559	\$	8,763
Interest rates		SOFR plus 2.75% to SOFR plus 3.50% with a 4.50% floor		LIBOR plus 2.75% with a 3.75%-floor; transition to SOFR plus 3.50% with a 4.50% floor
Weighted average interest rate		8.43 %		7.76 %
Blended weighted average rate		4.78 %		4.43 %

(1) Includes \$76,687 of variable rate mortgages that are fixed with interest rate swaps (December 31, 2022 - \$87,264). The interest rate swap of 3.99% on the \$76,687 mortgage matures on May 31, 2024 while the underlying mortgage matures on May 31, 2026.

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## 8. Credit facilities:

The credit facilities are recorded net of loan fees, which are capitalized as incurred, and amortized into finance cost over the terms of the related loans using the effective interest rate method.

	September 30, 2023	Borrowing rate at September 30, 2023	December 31, 2022	Borrowing rate at December 31, 2022
Credit Facility Term <sup>(1)</sup>	\$ 158,559	7.58 %	\$ 200,000	4.26 %
Credit Facility Revolver <sup>(1)</sup>	465	8.08 %	135,836	5.42 %
Commonwealth Facility <sup>(2)</sup>	177,878	5.76 %	179,677	3.91 %
Finance costs, net	(563)	—	(1,512)	—
Carrying value	\$ 336,339	6.62 %	\$ 514,001	4.44 %
Less current portion	336,339		337,474	
Non-current portion	\$ —		\$ 176,527	

(1) On September 29, 2023, the interest rate swaps on these credit facilities were settled and closed out, resulting in the variable rates noted as of September 30, 2023. The interest rate swaps were re-contracted on October 5, 2023, resulting in fixed interest rate swaps.

(2) The interest rate on this facility is fixed with an interest rate swap, which is included in the borrowing rate noted (note 10) and matures on March 1, 2024 while the underlying mortgage matures on August 1, 2024.

Future principal repayments of the credit facilities are as follows:

	Aggregate principal payments
2023	\$ 159,650
2024	177,252
2025 and thereafter	—
Total	\$ 336,902

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## 9. Mortgages payable:

Mortgages payable consist of the following as at:

	September 30, 2023		December 31, 2022	
Mortgages payable	\$	239,437	\$	183,440
Mark-to-market adjustment, net		4,826		4,753
Finance costs, net		(2,348)		(1,245)
Carrying value	\$	241,915	\$	186,948
Less current portion		80,842		58,949
Non-current portion	\$	161,073	\$	127,999

Mortgages payable are collateralized by investment properties and property, plant and equipment with a carrying value of \$341,869 at September 30, 2023. Maturity dates on mortgages payable range from 2023 to 2054, and the weighted average years to maturity is 4.92 years at September 30, 2023.

Future principal payments on the mortgages payable as at September 30, 2023 are as follows:

	Regular principal payments		Principal due on maturity		Total principal payments		% of total principal payments	
2023	\$	634	\$	48,102	\$	48,736		20 %
2024		1,794		38,969		40,763		17 %
2025		1,345		87,970		89,315		37 %
2026		1,398		—		1,398		1 %
2027		1,005		17,161		18,166		8 %
Thereafter		25,928		15,131		41,059		17 %
	\$	32,104	\$	207,333	\$	239,437		100 %

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	September 30, 2023	December 31, 2022
Mortgages at fixed rates:		
Mortgages (principal) <sup>(1)</sup>	\$ 142,327	\$ 104,003
Interest rates (inclusive of interest rate swap impact)	2.55% to 8.12%	2.55% to 6.15%
Weighted average interest rate	4.74 %	3.98 %
Mortgages at variable rates:		
Mortgages (principal)	\$ 97,110	\$ 79,437
Interest rates	SOFR plus 2.45% with a 2% SOFR Ceiling to SOFR plus 3.50% with a 1% SOFR Floor	LIBOR plus 2.45% with a 2% LIBOR Ceiling to AMERIBOR plus 2.925%
Weighted average interest rate	8.01 %	6.97 %
Blended weighted average rate	6.01 %	5.28 %

(1) Includes \$3,506 variable rate mortgage with a fixed interest rate swap of 5.86% with a January 18, 2028 maturity; \$16,933 variable rate mortgage with a fixed interest rate swap of 2.96% with a March 31, 2024 maturity; and \$3,000 variable rate mortgage with a fixed interest rate swap of 8.12% with an August 5, 2026 maturity. (December, 2022 - \$3,585 variable rate mortgage with a fixed interest rate swap of 5.86% with a January 18, 2023 maturity and \$17,135 variable rate mortgage with a fixed interest rate swap of 2.96% with a March 31, 2024 maturity).



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## 10. Derivative financial instruments:

(a) *Derivative swaps and interest rate caps:*

Derivative swaps and interest rate caps as at September 30, 2023, and fair value adjustments during the three and nine month periods, are detailed in the table below:

Swap	Maturity date	Fixed rate	Notional amount	Asset (liability) balance		Income (loss) for the three months ended		Income (loss) for the nine month period ended	
				September 30, 2023	December 31, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Credit Facility Term <sup>(1)</sup>	December 19, 2023	SOFR fixed at 2.05%	\$ —	\$ —	\$ 5,645	\$ (2,128)	\$ 2,668	\$ (4,198)	\$ 10,908
Credit Facility Revolver <sup>(1)</sup>	January 2, 2024	SOFR fixed at 2.50%	—	—	602	(228)	371	(427)	1,472
Credit Facility Revolver	December 1, 2022	LIBOR fixed at 2.11%	—	—	—	—	81	—	992
Red Oak Swap <sup>(2)</sup>	July 31, 2024	Canadian BA fixed at 2.17%	3,619	20	7	(7)	(18)	14	12
MOB Facility Swap	May 1, 2023	Banker's acceptance fixed at 2.12%	—	—	—	—	59	—	1,580
Commonwealth Swap	Terminated June 29, 2023	SOFR fixed at 1.62%	—	—	7,936	—	3,268	(1,554)	11,337
Commonwealth Swap	March 1, 2024	SOFR fixed at 3.50%	177,878	1,677	—	(95)	—	(95)	—
Oak Ridge Swap	April 1, 2022	LIBOR fixed at 0.66%	—	—	—	—	—	—	25
Charlottesville Swap	March 31, 2024	SOFR fixed at 2.96%	17,135	473	934	(193)	221	(461)	843
Christiansburg Rate Cap <sup>(3)</sup>	July 1, 2024	SOFR at 2.00%	10,197	286	—	(73)	—	286	—
Merchants Bank of Indiana Rate Cap <sup>(4)</sup>	June 10, 2025	SOFR capped at 2.00%	57,500	3,032	—	(153)	—	57	—
Carrollton Swap	August 5, 2026	SOFR fixed at 5.02%	3,000	(34)	—	(34)	—	(34)	—
Net carrying value				\$ 5,454	\$ 15,124	\$ (2,911)	\$ 6,650	\$ (6,412)	\$ 27,169
Less current portion				2,456	5,645				
Non-current portion				\$ 2,998	\$ 9,479				
Derivative instruments Asset				\$ 5,488	\$ 15,124				
Derivative instruments (Liability)				(34)	—				
				\$ 5,454	\$ 15,124				

(1) The swap was terminated September 29, 2023 and re-entered October 5, 2023.

(2) The swap has a notional amount of CAD\$4,760

(3) The interest cap consists of an interest rate spread ceiling of 2.00%.

(4) The interest cap was purchased in conjunction with a mortgage refinance and consists of an interest rate spread ceiling of 2.00%.

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## *(b) Prepayment embedded derivatives:*

Certain mortgages payable contain prepayment options that represent embedded derivatives that require bifurcation from the host contract. The prepayment options are measured at fair value, with changes in the fair value being recognized as change in fair value of financial instruments in the consolidated statements of income (loss) and comprehensive income (loss).

The fair value of the prepayment embedded derivatives has been determined using a LIBOR based interest rate swap options ("swaptions") as a proxy. Upon the transition from LIBOR in 2023, this interest rate swap agreement will migrate to an elective alternative benchmark of either Term SOFR and a related benchmark adjustment, Daily Simple SOFR and a related benchmark adjustment or an alternative benchmark based on future legislative or then-market benchmark replacement determinations. The rate utilized in the interest rate swap will match the corresponding benchmark rate in the debt instrument to which the swap relates. The swaptions were structured to mirror the financial conventions of the respective loans, including payment periods, accrual basis, principal amortization, prepayment dates and prepayment premiums. The swaptions were structured as fixed receiver with a strike rate set on market as of the date of the loan agreement with exercise premiums to match the underlying loans plus a cost of refinancing upon exercise. The resulting swaption price would represent a proxy for the value of the prepayment rights embedded in the underlying loans. The fair values determined are based on significant other observable inputs (Level 2). As at September 30, 2023, the prepayment embedded derivative assets have a fair value of \$566 (December 31, 2022 - \$933). For the three and nine months ended September 30, 2023, a fair value loss of \$327 and \$367, respectively (three and nine months ended September 30, 2022 - \$131 loss and \$2,442 loss, respectively), was recorded in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

## **11. Convertible debentures:**

### *(a) 2016 Convertible Debentures*

On December 16, 2016, the Company issued \$45,000 aggregate principal amount of convertible unsecured subordinated debentures (the "2016 Convertible Debentures"). The 2016 Convertible Debentures are due on January 31, 2022 and bear interest at an annual rate of 5.00% payable semi-annually in arrears on July 31 and January 31 of each year.

The 2016 Convertible Debentures were convertible into common shares of the Company at the option of the holder at a conversion price of \$11.00 per common share at any time prior to the earlier of January 31, 2022 and the last business day immediately preceding the date specified by the Company for redemption. On or after January 31, 2020 and prior to January 31, 2021, the 2016 Convertible Debentures were redeemable by the Company in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after January 31, 2021, and prior to the maturity date, the 2016 Convertible Debentures were redeemable by the Company in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued interest.

On November 15, 2021, a meeting of holders of the 2016 Convertible Debentures was held whereby the holders of 2016 Convertible Debentures ("2016 Debentureholders") approved proposed amendments to the 2016 Convertible Debentures. The approved amendments include the following changes to the 2016 Convertible Debentures:

1. Increase the interest rate from 5.00% to 7.00%, effective January 31, 2022.
2. Decrease the conversion price from \$11.00 to \$5.00 per share.
3. Extension of the maturity date from January 31, 2022 to January 31, 2025.
4. Approval of the redemption of \$20,000 of the principal amount of the 2016 Convertible Debentures as of the close of business on January 31, 2022.

As a result of the substantive modification of the terms of the 2016 Convertible Debentures, on the date of modification the amortized cost of the previously recorded liability was derecognized and extinguished for accounting purposes for an

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amount equal to its fair value, resulting in a gain of \$7,200. The previously recorded equity component of the 2016 Convertible Debentures was transferred to share capital, and the fair value of the liability and equity components of the modified convertible debentures were recorded.

On January 31, 2022 (the "Redemption Date"), the Company redeemed \$20,000 of the principal amount of the 2016 Convertible Debentures outstanding plus accrued and unpaid interest (at 5.00%) thereon. In accordance with the Debenture Amendments, the interest rate on the remaining 2016 Convertible Debentures was increased to 7.00% effective January 31, 2022.

Upon redemption or maturity, the Company may satisfy its obligations with respect to the convertible debentures in cash or the issuance of common shares based on 95% of the Current Market Price on the Redemption Date or Maturity Date, respectively.

The 2016 Convertible Debentures are comprised of the following as at:

	September 30, 2023	December 31, 2022
Issued	\$ 24,850	\$ 24,850
Issue costs, net of amortization and accretion of equity component	1,805	745
Mark to market adjustment, net	(3,300)	(4,702)
Equity component, excluding issue costs and taxes	(4,254)	(4,254)
<b>2016 Convertible Debentures</b>	<b>\$ 19,101</b>	<b>\$ 16,639</b>
Current	\$ —	\$ —
Non-current	19,101	16,639
<b>2016 Convertible Debentures</b>	<b>\$ 19,101</b>	<b>\$ 16,639</b>

Interest costs of \$1,305 related to the 2016 Convertible Debentures are recorded in financing costs for the nine months ended September 30, 2023 using the effective interest rate method.

In January 2022, \$125 of 2016 Convertible Debentures were converted into 25,000 common shares.

On January 31, 2022 (the "Redemption Date"), the Company redeemed \$20,000 of the principal amount of the 2016 Convertible Debentures outstanding plus accrued and unpaid interest (at 5.00%) thereon. In accordance with the Debenture Amendments, the interest rate on the remaining 2016 Convertible Debentures was increased to 7.00% effective January 31, 2022.

## *(b) 2018 Convertible Debentures*

On August 24, 2018, the Company issued \$50,000 aggregate principal amount of convertible unsecured subordinated debentures (the "2018 Convertible Debentures"). The 2018 Convertible Debentures are due on September 30, 2023 and bear interest at an annual rate of 6.00% payable semi-annually in arrears on March 31 and September 30 of each year commencing on March 31, 2019.

The 2018 Convertible Debentures were convertible into common shares of the Company at the option of the holder at a conversion price of \$10.70 per common share. The debentures were not redeemable prior to September 30, 2021. On or after September 30, 2021, and prior to September 30, 2022, the 2018 Convertible Debentures were redeemable in whole or in part from time to time at the Company's option, at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after September 30, 2022, and prior to the maturity date, the 2018 Convertible

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Debentures were redeemable by the Company, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest.

On May 23, 2023, a meeting of holders of the 2018 Convertible Debentures was held whereby the holders of 2018 Convertible Debentures ("2018 Debentureholders") approved proposed amendments to the 2018 Convertible Debentures. The approved amendments include the following changes to the 2018 Convertible Debentures:

1. Increase the interest rate from 6.00% to 8.75%, effective September 30, 2023.
2. Decrease the conversion price from \$10.70 to \$2.75 per share.
3. Extension of the maturity date from September 30, 2023 to September 30, 2026.
4. Approval of the redemption of \$22,000 of the principal amount of the 2018 Convertible Debentures as of the close of business on September 30, 2023.

On September 26, 2023, a meeting of holders of the 2018 Convertible Debentures was held whereby the 2018 Debentureholders approved proposed amendments to the 2018 Convertible Debentures. The approved amendments include the following changes to the 2018 Convertible Debentures:

1. Decrease the amount to be redeemed in 2023 to \$4,828.
2. Decrease the conversion price from \$2.75 to \$1.10 per share.
3. Add a covenant that the Corporation shall not make any cash repayment or redemption of principal on the Corporation's outstanding 2016 Convertible Debentures whether before, on or after the maturity date of the 2016 Convertible Debentures unless, prior to or contemporaneously with the repayment or redemption of 2016 Convertible Debentures, it redeems or repays for cash an equal principal amount of the amended debentures of the maturity date from September 30, 2023 to September 30, 2026.
4. Adding a covenant that the Corporation shall not issue (i) a new class or series of unsecured convertible debentures unless the maturity date for such debentures is at least 18 months after September 30, 2026 or (ii) senior notes in exchange for, or to fund the cash repayment of, all or a portion of the 2016 Convertible Debentures.

As a result of the substantive modification of the terms of the 2018 Convertible Debentures, on the date of modification the amortized cost of the previously recorded liability was derecognized for an amount equal to its fair value, resulting in a gain of \$15,200 recorded within the "Change in fair value of financial instruments" financial statement caption. The previously recorded equity component of the 2018 Convertible Debentures was transferred to share capital, and the fair value of the liability and equity components of the modified convertible debentures were recorded.

Upon redemption or maturity, the Company may satisfy its obligations with respect to the convertible debentures in cash or the issuance of common shares based on 95% of the Current Market Price on the Redemption Date or Maturity Date, respectively.

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The 2018 Convertible Debentures are comprised of the following as at:

	September 30, 2023	December 31, 2022
Issued	\$ 50,000	\$ 50,000
NCIB purchases	(1,757)	(1,657)
Issue costs, net of amortization and accretion of equity component	17	262
Mark to market adjustment, net	(21,666)	—
Equity component, excluding issue costs and taxes	(7,236)	(736)
<b>2018 Convertible Debentures</b>	<b>\$ 19,358</b>	<b>\$ 47,869</b>
Current	\$ 4,828	\$ 47,869
Non-current portion	14,530	—
<b>2018 Convertible Debentures</b>	<b>\$ 19,358</b>	<b>\$ 47,869</b>

Interest costs of \$2,155 related to the 2018 Convertible Debentures are recorded in financing costs for the nine months ended September 30, 2023 using the effective interest rate method.

## 12. Commonwealth preferred unit liability:

The Commonwealth preferred unit liability is comprised of the following as at:

	September 30, 2023	December 31, 2022
Issued	\$ 68,424	\$ 68,424
Cumulative redemptions	(9,818)	(9,818)
Equity component, net of accretion	(368)	(700)
<b>Commonwealth preferred unit liability</b>	<b>\$ 58,238</b>	<b>\$ 57,906</b>

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## 13. Other liabilities:

Other liabilities are as follows:

	September 30, 2023		December 31, 2022	
Deferred shares liability (note 22)	\$	189	\$	363
Security deposits received from tenants		741		1,080
Escrows collected from tenant		504		829
Deferred revenue		2,347		2,025
Lease liability		1,231		1,612
Obligation for purchase of units under automatic share purchase plan (note 16)		480		4,038
Other		982		302
	\$	6,474	\$	10,249
Current	\$	3,906	\$	6,972
Non-current		2,568		3,277
	\$	6,474	\$	10,249

## 14. Reconciliation of changes in liabilities arising from financing activities:

	Credit facilities	Mortgages payable	Convertible debentures	Commonwealth preferred unit liability	Total
Balance December, 31, 2022	\$ 514,001	\$ 186,948	\$ 64,508	\$ 57,906	\$ 823,363
Proceeds from financing activities	2,660	97,546	—	—	100,206
Repayments and refinancings	(179,472)	(39,025)	(100)	—	(218,597)
Scheduled principal payments	(1,799)	(2,421)	—	—	(4,220)
Financing costs paid	(5)	(1,432)	—	—	(1,437)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components as applicable	954	403	(18,725)	332	(17,036)
Equity component of convertible debentures	—	—	(7,236)	—	(7,236)
Changes in foreign currency rates	—	(104)	12	—	(92)
Balance, September 30, 2023	\$ 336,339	\$ 241,915	\$ 38,459	\$ 58,238	\$ 674,951

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## 15. Discontinued operations:

A strategic decision has been made to exit the medical office building segment, and the sale of the remaining two buildings is expected to be completed in the next twelve months. On July 26, 2022, the Company sold a medical office building in Orlando, Florida, and on July 28, 2022, it sold ten medical office buildings in Canada. On November 28, 2022, the Company sold a medical office building in Brantford, Ontario. On April 7, 2023, the Company sold a medical office Building in Orlando, Florida. As of September 30, 2023, the Company owns two remaining medical office buildings in the United States.

The medical office building segment has been classified as discontinued operations for a period greater than one year from the date of classification, however the Company remains committed to selling the buildings. The Company has sold 12 of the original 14 buildings and multiple buyers have approached the Company with offers on the remaining two buildings. Due to circumstances beyond the Company's control, such as the inability to obtain financings and the economic environment within the medical office building industry, no deals have closed on the remaining two buildings to date. The Company remains steadfast in commitment to sell the assets at a reasonable fair market value, which is reflected in change in fair value of investment properties.

The assets and liabilities of the discontinued operations as at September 30, 2023 are as follows:

	September 30, 2023
Investment properties	\$ 9,141
Other assets	2,040
<b>Total assets of discontinued operations classified as held for sale</b>	<b>\$ 11,181</b>
Other liabilities	\$ 959
<b>Total liabilities related to assets held for sale</b>	<b>\$ 959</b>

The following is a summary of the results of discontinued operations:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Rental revenue	\$ 565	\$ 1,543	\$ 1,880	\$ 7,875
Other revenue	18	115	35	726
Direct property operating expense	396	1,054	1,160	4,211
Net finance costs from operations	216	673	717	2,583
Real estate tax expense	—	(149)	535	1,432
General and administrative expense	40	74	167	78
Transaction costs	—	—	172	—
Change in fair value of investment properties - IFRIC 21	110	148	(182)	(185)
Change in fair value of investment properties	24	971	2,841	3,887
Change in fair value of financial instruments	—	(59)	—	(1,577)
Foreign exchange loss reclassified from other comprehensive income	22	—	(7)	—
Current income tax expense	(66)	—	926	—
<b>Net loss from discontinued operations</b>	<b>\$ (159)</b>	<b>\$ (1,054)</b>	<b>\$ (4,414)</b>	<b>\$ (1,828)</b>

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Cash flows from discontinued operations, as included in the applicable activities reported in the consolidated statement of cash flows:

	Nine months ended September 30,	
	2023	2022
Net cash provided by (used in) provided by operating activities	\$ (2,252)	\$ 3,885
Net cash (used in) financing activities	(4,830)	(87,299)
Net cash provided by provided by investing activities	5,934	81,078

Asset dispositions for the nine months ended September 30, 2023:

	Orlando, FL
Properties sold:	1
Investment properties	\$ 6,375
Closing costs	(172)
Working capital balances	(74)
	\$ 6,129
Consideration received (paid):	
Repayment of mortgage principal and interest	4,851
Cash proceeds	1,278
	\$ 6,129

On April 7, 2023, the Company sold a medical office building in Orlando, Florida for cash consideration of \$6,375 before closing costs, \$4,830 of which was used to pay off and settle the related mortgage debt.



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## 16. Share capital:

### (a) Common shares:

The following number and value of common shares were issued and outstanding as at September 30, 2023:

	Common shares	Carrying value
Balance, December 31, 2022	56,111,348	\$ 508,961
Issued on settlement of Deferred Share Incentive Plan	134,221	117
Issued on settlement of equity settled Deferred Shares	160,025	1,059
Shares acquired under NCIB	(194,300)	(160)
Obligation for purchase of units under automatic share purchase plan	—	3,557
Equity component of convertible debentures	—	4,356
Balance, September 30, 2023	56,211,294	\$ 517,890

- (i) On December 15, 2021 the Toronto Stock Exchange ("TSX") approved the Company's notice of intention to make a normal course issuer bid ("NCIB") for a portion of its common shares. Pursuant to the notice, the Company is authorized to acquire up to a maximum of 2,811,814 of its common shares, or approximately 5% of the Company's 56,236,292 outstanding common shares as of December 15, 2021, for cancellation over the following 12 months. Purchases under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per share equal to the market at the time of acquisition. The number of shares that can be purchased pursuant to the NCIB is subject to a daily maximum of 6,584 shares, subject to the Company's ability to make one block purchase of shares per calendar week that exceeds such limits. Any shares purchased under the NCIB will be canceled upon purchase.
- (ii) Effective December 20, 2022, the Company renewed the NCIB. Pursuant to the notices filed with the TSX, The Company is authorized to acquire up to a maximum of 2,806,947 of its Shares, or approximately 5% of The Company's 56,138,948 outstanding Shares as of December 9, 2022, and up to a maximum of \$4,867 aggregate principal amount of Debentures, or approximately 10% of the public float of \$48,672 aggregate principal amount of Debentures outstanding as of December 9, 2022, in each case for cancellation over a twelve- month period. The number of Shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 3,944 Shares (which is equal to 25% of 15,779 Shares, being the average daily trading volume during the six months ended November 30, 2022), and the aggregate principal amount of Debentures that can be purchased pursuant to the NCIB is subject to a current daily maximum of \$8,187 aggregate principal amount of Debentures (which is equal to 25% of \$32,750 aggregate principal amount of Debentures, being the average daily trading volume during the six months ended November 30, 2022), in each case subject to the Company's ability to make one block purchase of the Shares or 2023 Convertible Debentures, as applicable, per calendar week that exceeds such limits. An automatic share purchase plan exists in conjunction with the NCIB, and as of September 30, 2023, the Company recorded a liability of \$480 for the maximum redemption amount of common shares and convertible debentures where the Company's broker has the ability to unilaterally purchase these securities on behalf of the Company under the related arrangement.

### (b) Preferred shares:

The following number and value of preferred shares were issued and outstanding as at September 30, 2023:

	Preferred shares	Carrying value
Balance, December 31, 2022 and September 30, 2023	9,098,598	\$ 85,389

As at September 30, 2023, the preferred shares are convertible into 12,790,409 (December 31, 2022 - 12,154,453) common shares of the Company.

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## 17. Earnings (loss) per share:

Basic income per share is calculated using the weighted average number of shares outstanding during the period. The calculation of diluted income per share, is calculated using the "if-converted" method and to the extent the conversion is dilutive, assumes all convertible securities have been converted at the beginning of the period, or at the time of issuance, if later, and any charges or returns on the convertible securities, on an after-tax basis, are removed from net earnings. The outstanding convertible debentures, unvested deferred shares and Commonwealth preferred units, if exercised, would be anti-dilutive to net income per share. Accordingly, their potential exercise has been ignored in calculating the diluted net income per share.

The following table reconciles the numerator and denominator of the basic and diluted earnings per share computation:

### Net income (loss):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) from continuing operations for basic and diluted net loss per share	\$ 751	\$ (12,449)	\$ (56,518)	\$ (16,017)
Net income (loss) for basic and diluted net loss per share	\$ 592	\$ (13,503)	\$ (60,932)	\$ (17,845)

### Denominator for basic and diluted net income (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Weighted average number of shares, including fully vested deferred shares: Basic and diluted	56,674,097	56,626,021	56,718,681	56,684,212
Weighted average shares issued if all preferred shares were converted	12,576,666	11,752,596	12,367,578	11,544,532
Weighted average shares issued if all exchangeable units were converted	327,869	327,869	327,869	327,869
Weighted average number of shares: Diluted	69,578,632	68,706,486	69,414,128	68,556,613

### Net income (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) per share from continuing operations:				
Basic	\$ 0.01	\$ (0.22)	\$ (1.00)	\$ (0.28)
Diluted	\$ 0.01	\$ (0.22)	\$ (1.00)	\$ (0.28)
Net income (loss) per share:				
Basic	\$ 0.01	\$ (0.24)	\$ (1.07)	\$ (0.31)
Diluted	\$ 0.01	\$ (0.24)	\$ (1.07)	\$ (0.31)

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## 18. Revenue:

### (a) Rental Revenue:

Rental revenue consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Contractual rental revenue	\$ 6,286	\$ 10,793	\$ 25,473	\$ 32,699
Straight-line rent adjustments	789	946	2,375	3,050
Amortization of tenant inducements	(61)	(61)	(183)	(182)
Amortization of leasing commission	(5)	(4)	(15)	(14)
Property tax recoveries	1,473	2,827	7,872	8,591
	\$ 8,482	\$ 14,501	\$ 35,522	\$ 44,144

The Company is scheduled to receive rental income from operators of its seniors housing and care properties under the provisions of non-cancellable operating leases, generally with lease terms of 10 to 15 years, with provisions for lease extensions at the option of the tenants. These leases are triple-net and include renewal options and rent escalation clauses.

A prior tenant Symcare previously operated a portfolio of 15 properties and paid rent to the Company pursuant to a master lease. During 2021, three properties were sold and four were transitioned to a new operator. The remaining eight properties were sold in 2023 and proceeds were used to settle an outstanding loan from Symcare and retire debt on the Company's corporate credit facilities, being term and revolving debt arrangements (note 8). For the three and nine months ended September 30, 2023, contractual revenue from this tenant comprised approximately 0% and 25%, respectively (three and nine months ended September 30, 2022 - 32% and 30%, respectively), of the Company's consolidated contractual rental revenue for the period.

Future minimum rental revenues, excluding renewals and exercise of options, to be received subsequent to September 30, 2023 are as follows:

	Assessed as of September 30,
Less than 1 year	\$ 26,618
Between 1 and 5 years	111,202
More than 5 years	174,202
	\$ 312,022

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*(b) Resident rental and related revenue:*

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Resident revenue	\$ 30,143	\$ 27,779	\$ 87,513	\$ 81,703
Service revenue <sup>(1)</sup>	6,169	5,703	17,870	17,102
	\$ 36,312	\$ 33,482	\$ 105,383	\$ 98,805

(1) Represents property services element of revenue, which are accounted for as services are performed in accordance with IFRS 15.

## 19. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Repairs and maintenance	\$ 688	\$ 675	\$ 2,130	\$ 2,153
Utilities	1,000	984	3,069	3,080
Compensation and benefits	18,549	16,882	53,000	49,008
Other services and supplies	2,140	1,863	6,166	5,337
Administrative and marketing	2,629	2,311	7,593	7,063
Real estate taxes	588	563	1,746	1,820
Insurance	768	735	2,237	2,319
Other	1,180	1,468	3,703	5,415
	\$ 27,542	\$ 25,481	\$ 79,644	\$ 76,195

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## 20. Net finance costs:

Net finance costs consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Interest expense on credit facilities	\$ 7,111	\$ 6,064	\$ 24,585	\$ 13,311
Interest expense on mortgages payable	3,097	1,840	7,696	5,141
Interest expense on convertible debentures	1,158	1,181	3,460	3,593
Dividends on Commonwealth preferred units	970	965	2,843	2,852
Amortization and accretion expense	5,550	1,024	7,608	3,036
Net interest rate swap expense (income)	(2,859)	(386)	(9,093)	3,059
Debt extinguishment costs	(4)	(10)	353	584
Amortization of mark-to-market debt adjustments	996	359	2,603	1,371
<b>Net finance costs from operations</b>	<b>\$ 16,019</b>	<b>\$ 11,037</b>	<b>\$ 40,055</b>	<b>\$ 32,947</b>
Allowance for (recovery of) credit losses on loans and interest receivable (note 3)	465	6,752	3,979	7,222
Allowance for credit losses on property taxes receivable	—	—	10,656	—
Change in fair value of loans receivable classified as FVTPL	—	—	(1,390)	—
Change in fair value of financial instruments (note 10)	3,238	(6,463)	6,779	(23,150)
Change in fair value of convertible debentures (note 11)	(15,200)	—	(23,889)	—
Change in non-controlling interest liability related to finance costs from operations	(63)	(163)	(170)	(227)
<b>Total finance costs</b>	<b>\$ 4,459</b>	<b>\$ 11,163</b>	<b>\$ 36,020</b>	<b>\$ 16,792</b>

## 21. General and administrative:

General and administrative expenses consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Compensation and benefits	\$ 3,152	\$ 3,145	\$ 10,049	\$ 10,343
Professional fees	175	792	1,735	2,420
Deferred share compensation expense	(191)	63	143	376
Rent <sup>(1)</sup>	109	92	322	244
Other	901	587	2,816	2,622
	<b>\$ 4,146</b>	<b>\$ 4,679</b>	<b>\$ 15,065</b>	<b>\$ 16,005</b>

(1) Lease payments recognized as expense for the periods ended September 30, 2023 and September 30, 2022.

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For the three and nine months ended September 30, 2023, \$2,134 and \$6,798, respectively (three and nine months ended September 30, 2022 - \$1,903 and \$5,828, respectively) of general and administrative expenses noted above were incurred at the Commonwealth Senior Living's management company, which represents the owner-occupied reportable segment.

## 22. Deferred share incentive plan:

At September 30, 2023, the number of deferred shares granted and outstanding and vested are as follows:

	Granted/ Outstanding	Fully Vested
As at December 31, 2022	584,784	312,411
Discretionary Deferred Shares	—	51,165
Equity Settled Deferred Shares	—	160,024
Individual Contributed Deferred Shares (vested immediately)	207,640	207,640
Company Contributed Deferred Shares	—	11,827
Shares issued upon vesting of deferred shares	(294,245)	(294,245)
Shares forfeited	(12,584)	—
As at September 30, 2023	485,595	448,822

For the three and nine months ended September 30, 2023, the Company recognized \$(191) and \$143, respectively, of expense related to deferred shares in the consolidated statements of income (loss) and comprehensive income (loss) (three and nine months ended September 30, 2022 - \$63 loss and \$376 loss, respectively). A deferred share liability of \$189 is included in other non-current liabilities in the condensed consolidated interim statements of financial position as at September 30, 2023 (December 31, 2022 - \$363).

The deferred share incentive plan compensation expense is measured on grant at the service commencement date, based on the fair market value of the Company's shares, and amortized over the applicable vesting period. For the nine months ended September 30, 2023, the Company granted 207,640 deferred shares with a grant-date fair value of \$187 (December 31, 2022 - 126,436 units with a grant-date fair value of \$213).

During 2021, the Board of Directors of the Company created a special, long-term incentive program for fiscal years 2021 and 2022, based upon the Company achieving defined levels of both share price and internally calculated net asset value per share. To be eligible to receive any such compensation, the Company's share price must be at least \$3.00 per share and the Company's internally calculated net asset value per share must be at least \$4.00. No accrual has been made under this program, based on the Company's calculation of probability of achieving the thresholds for eligibility.

## 23. Related party transactions:

Related party transactions in addition to those disclosed elsewhere in these consolidated financial statements are as follows:

Magnetar is a significant shareholder of the Company. On June 5, 2019, the Company formed a joint venture, Jaguarundi Ventures, LP, with Magnetar. The Company contributed 8 properties to a newly formed joint venture and received \$23,000 from Magnetar in exchange for a 39.49% interest in the joint venture, resulting in the Company retaining a 60.51% interest. On October 29, 2021, the Company contributed an additional investment property located in Webster, Texas to the joint venture resulting in an increase of the Company's interest in the joint venture to 65.83%.

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## 24. Income taxes:

The income tax recovery in the consolidated statements of income (loss) and comprehensive income (loss) differs from that expected by applying the combined federal, provincial and state income tax rates of 26.5% (2022 - 26.5%). The differences for the three and nine months ended September 30, 2023 and 2022 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss) from continuing operations before income taxes	\$ (207)	\$ (12,449)	\$ (58,435)	\$ (17,144)
Income tax recovery at Canadian tax rate	(54)	(3,299)	(15,484)	(4,543)
Non-deductible expenses	(47)	17	44	102
Difference in tax rate in foreign jurisdiction	(112)	(129)	(871)	(136)
Unrecognized tax losses	(745)	3,411	14,394	3,450
Income tax recovery	\$ (958)	\$ —	\$ (1,917)	\$ (1,127)

For the three and nine months ended September 30, 2023, U.S. subsidiaries recognized income tax expense related to the gains on disposition of assets of \$(66) and \$927, respectively (three and nine months ended September 30, 2022 - \$nil and \$nil, respectively), which represents tax rates of 27.7% and 27.7%, respectively, on the gains. The income tax expense for the current year periods are included in net income (loss) from discontinued operations (note 15).

## 25. Commitments and contingencies:

There are risks which arise from the Company's joint arrangements, including the willingness of the other partners to contribute or withdraw funds and a change in creditworthiness of the partner. As a result, there may be a requirement by the Company to contribute cash into the operating partnerships, for operational shortfalls. Generally, there are not minimum or maximum threshold contribution requirements of the partners contained in these agreements; rather, each partner is required to contribute a pro-rated share of the required amounts, commensurate with its ownership threshold.

On December 31, 2018, the Company entered into an operating agreement with Javelina Ventures, LLC in which the Company will share in 5% of the net available cash flows from operations. Concurrently, the Company entered into an agreement to guarantee a total of \$5,000 of the mortgages on the properties operated by Javelina Ventures, LLC. The Company earns an annual guaranty fee of \$225 until the loans have been repaid or the guaranty is released. The Company has not recorded any balance in the financial statements associated with this commitment due to the underlying value of the property exceeding the value of the mortgage.

Pursuant to the Commonwealth purchase agreement, the Company may be required to fund one or more earnout payments relating to six communities that had not yet reached stabilization at the time of acquisition by the Company. These earnout payments are only payable in the event specific occupancy and EBITDAR thresholds have been satisfied, and must be met prior to the third anniversary of closing at which time the earnout payment obligation will cease to exist. The earnout payments, when funded, will consist of a combination of cash and additional preferred interests. During the year ended December 31, 2020, given the performance of one of the six communities, the Company recorded an expense related to the increase in the fair value of contingent consideration in the amount of \$3,256, which was paid through the issuance of \$1,701 of Commonwealth preferred units and \$1,555 of cash on hand. During the year ended September 30, 2023, the Company satisfied the \$1,996 liability recorded as of December 31, 2021 through the issuance of \$1,043 of Commonwealth preferred units and \$953 of cash on hand. As at September 30, 2023, the Company has recorded a liability of \$nil (December 31, 2021 - \$1,996 liability) in the financial statements associated with this commitment relating to the remaining communities based on the weighted average probability of earnout payments owed using estimated future results at the properties. For the three and nine months ended September 30, 2023, the Company has not recognized any

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adjustment related to the change in fair value of contingent consideration (December 31, 2022 - \$258 gain) related to this liability in the consolidated statements of income (loss) and comprehensive income (loss).

On May 6, 2020, the Company entered into a limited partnership agreement with the operator Phoenix Senior Living ("Phoenix"). Pursuant to this agreement, if the management agreement with Phoenix is terminated without cause, Phoenix has the right to cause the Company to purchase all of its interest in the partnership at the then fair market value. The Company has not recorded a provision in these consolidated financial statements associated with this commitment due to the unlikelihood of termination of the agreement.

Pursuant to the Company's sale of an equity interest in the Lansdale investment property and associated issuance of debt on July 8, 2022, the Company entered into an agreement to provide a 100% recourse loan guarantee of up to \$14,273 to the purchaser. The amount of the loan guarantee may be reduced upon the achievement of performance covenants by the purchaser and related operations of the property, which have not been met at period end.

## 26. Fair value measurement:

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated statements of financial position is as follows:

	September 30, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative instruments - asset	\$ —	\$ 6,054	\$ —	\$ —	\$ 16,057	\$ —
Investment properties	—	—	377,345	—	—	538,591
Loans receivable	—	—	2,454	—	—	4,641
Deferred share liability	—	189	—	—	363	—

For the assets and liabilities measured at fair value as at September 30, 2023, there were no transfers between Level 1, Level 2 and Level 3 levels during the year. For changes in fair value measurements of investment properties included in Level 3 of the fair value hierarchy, refer to note 5 for details. The fair values of the derivative instruments represents estimates at a specific point in time using financial models, based on interest rates that reflect current market conditions, the credit quality of counterparties and interest rate curves. Fair value measurements of derivative instruments were estimated using Level 2 inputs. Fair value of deferred share liability represents the value of the units if converted using the market price of the Company's common shares.

### *Fair value of financial instruments:*

The carrying amounts and fair values of financial instruments as shown in the consolidated statement of financial position are shown in the table below. The table below excludes cash, restricted cash, tenant and other receivables, security deposits and costs related to future acquisitions, escrow deposits held by lenders, property tax receivables, accounts payable and accrued liabilities, accrued real estate taxes, security deposits, escrows collected from tenant, and dividend payable, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value due to their short-term nature.



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	September 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	\$ 15,746	\$ 15,518	\$ 19,654	\$ 19,494
Derivative instruments	6,054	6,054	16,057	16,057
Bond assets	499	499	635	635
Financial liabilities:				
Mortgages payable	241,915	228,800	186,948	175,810
Credit facilities	336,339	336,062	514,001	504,726
Convertible debentures	38,459	40,756	64,508	59,133
Commonwealth preferred unit liability	58,238	58,238	57,906	57,906

Fair value represents management's estimates of the fair market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective and require estimation and cannot be determined with precision. Changes in assumptions could significantly affect the estimates. There were no changes in the methods and assumptions used in estimating the fair values since year-end.

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## 27. Segments:

The Company's current portfolio includes investments in assisted living, independent living, memory care, transitional care, long-term care, and medical office properties. The Company's senior housing and care investments in assisted living, independent living, memory care, transitional care and long-term care share similar characteristics and are generally leased to operators on a long-term, triple-net lease basis. In some instances the Company has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility. The Company considers these investments to be one reportable operating segment. The Company also has investments in 2 medical office buildings ("Medical office buildings"). This multi-tenant medical office portfolio has different characteristics that are evaluated by management and is considered to be a separate reportable operating segment. Through the acquisition of Commonwealth, currently a consolidated subsidiary, and the transition of certain other assets, the Company has investments in 33 properties and a management company that operates 28 of those properties ("owner occupied property"). Management considers this a separate reportable segment.

The following tables show net loss by reportable segment for the three and nine months ended September 30, 2023 and 2022:

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	Three months ended September 30, 2023						Total
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)		
Rental revenue	\$ 8,482	\$ —	\$ —	\$ 8,482	\$ 565	\$ 9,047	
Resident rental and related revenue	—	36,312	—	36,312	—	36,312	
Lease revenue from joint ventures	883	—	—	883	—	883	
Other revenue	5	926	133	1,064	18	1,082	
Interest income from loans receivable	9	—	578	587	—	587	
Direct property operating expenses	—	27,542	—	27,542	396	27,938	
Depreciation and amortization expense	—	3,807	47	3,854	—	3,854	
Finance cost from operations	2,678	6,111	7,230	16,019	216	16,235	
Real estate tax expense	50	—	—	50	—	50	
General and administrative expenses	1	2,134	2,011	4,146	40	4,186	
Transaction costs	52	—	621	673	—	673	
Allowance for credit losses on loans and interest receivable	—	—	465	465	—	465	
Changes in non-controlling interest liability	372	(277)	—	95	—	95	
Change in fair value of investment properties - IFRIC 21	1,423	—	—	1,423	110	1,533	
Change in fair value of investment properties	140	—	—	140	24	164	
Change in fair value of financial instruments	41	842	(12,845)	(11,962)	—	(11,962)	
Foreign exchange loss reclassified from other comprehensive income	—	—	—	—	22	22	
Impairment of property, plant and equipment	—	3,636	—	3,636	—	3,636	
Share of income (loss) from joint ventures	(1,454)	—	—	(1,454)	—	(1,454)	
Income tax expense (recovery)	—	—	(958)	(958)	(66)	(1,024)	
<b>Net income (loss)</b>	<b>\$ 3,168</b>	<b>\$ (6,557)</b>	<b>\$ 4,140</b>	<b>\$ 751</b>	<b>\$ (159)</b>	<b>\$ 592</b>	
Expenditures for non-current assets:							
Capital additions	\$ 3,105	\$ 1,251	\$ —	\$ 4,356	\$ 108	\$ 4,464	

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	Nine months ended September 30, 2023						Total
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)		
Rental revenue	\$ 35,522	\$ —	\$ —	\$ 35,522	\$ 1,880	\$ 37,402	
Resident rental and related revenue	—	105,383	—	105,383	—	105,383	
Lease revenue from joint ventures	2,641	—	—	2,641	—	2,641	
Other revenue	16	2,588	389	2,993	35	3,028	
Other income	1,711	34	—	1,745	—	1,745	
Interest income from loans receivable	185	—	1,462	1,647	—	1,647	
Direct property operating expenses	—	79,644	—	79,644	1,160	80,804	
Depreciation and amortization expense	—	11,192	140	11,332	—	11,332	
Finance cost from operations	12,099	15,703	12,253	40,055	717	40,772	
Real estate tax expense	10,136	—	—	10,136	535	10,671	
General and administrative expenses	34	6,798	8,233	15,065	167	15,232	
Transaction costs	707	—	621	1,328	172	1,500	
Allowance for expected credit losses	10,605	—	4,030	14,635	—	14,635	
Changes in non-controlling interest liability	372	(141)	—	231	—	231	
Change in fair value of investment properties - IFRIC 21	(2,264)	—	—	(2,264)	(182)	(2,446)	
Change in fair value of investment properties	53,474	—	—	53,474	2,841	56,315	
Change in fair value of financial instruments	(1,370)	2,135	(19,265)	(18,500)	—	(18,500)	
Gain on sale of property, plant and equipment	—	(12)	—	(12)	—	(12)	
Foreign exchange loss reclassified from other comprehensive income	—	—	—	—	(7)	(7)	
Impairment of property, plant and equipment	—	3,636	—	3,636	—	3,636	
Share of income (loss) from joint ventures	394	—	—	394	—	394	
Income tax expense (recovery)	—	—	(1,917)	(1,917)	926	(991)	
<b>Net income (loss)</b>	<b>\$ (43,324)</b>	<b>\$ (10,950)</b>	<b>\$ (2,244)</b>	<b>\$ (56,518)</b>	<b>\$ (4,414)</b>	<b>\$ (60,932)</b>	
Expenditures for non-current assets:							
Acquisition of properties	\$ 621	\$ —	\$ —	\$ 621	\$ —	621	
Capital additions	6,819	4,707	—	11,526	196	11,722	

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	Three months ended September 30, 2022						Total
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)		
Rental revenue	\$ 14,501	\$ —	\$ —	\$ 14,501	\$ 1,543	\$	16,044
Resident rental and related revenue	—	33,482	—	33,482	—		33,482
Lease revenue from joint ventures	876	—	—	876	—		876
Other revenue	7	618	181	806	115		921
Other income	—	393	—	393	—		393
Interest income from loans receivable	118	—	260	378	—		378
Direct property operating expenses	—	25,481	—	25,481	1,053		26,534
Depreciation and amortization expense	—	3,838	35	3,873	—		3,873
Finance cost from operations	4,534	4,495	2,008	11,037	673		11,710
Real estate tax expense	—	—	—	—	(149)		(149)
General and administrative expenses	48	1,903	2,728	4,679	75		4,754
Transaction costs	—	—	39	39	—		39
Allowance for credit losses on loans and interest receivable	—	—	6,752	6,752	—		6,752
Changes in non-controlling interest liability	—	72	—	72	—		72
Change in fair value of investment properties - IFRIC 21	2,827	—	—	2,827	148		2,975
Change in fair value of investment properties	11,139	—	—	11,139	971		12,110
Change in fair value of financial instruments	16	(3,358)	(3,121)	(6,463)	(59)		(6,522)
Gain on sale of property, plant and equipment	—	3,669	1	3,670	—		3,670
Share of (income) loss from joint ventures	(221)	—	—	(221)	—		(221)
<b>Net income (loss)</b>	<b>\$ (2,841)</b>	<b>\$ (1,607)</b>	<b>\$ (8,001)</b>	<b>\$ (12,449)</b>	<b>\$ (1,054)</b>	<b>\$</b>	<b>(13,503)</b>
Expenditures for non-current assets:							
Capital additions	486	1,450	—	1,936	3		1,939

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	Nine months ended September 30, 2022						Total
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)		
Rental revenue	\$ 44,144	\$ —	\$ —	\$ 44,144	\$ 7,875	\$ 52,019	
Resident rental and related revenue	—	98,805	—	98,805	—	98,805	
Lease revenue from joint ventures	2,676	—	—	2,676	—	2,676	
Other revenue	25	1,945	396	2,366	726	3,092	
Other income	—	584	—	584	—	584	
Interest income from loans receivable	354	—	743	1,097	—	1,097	
Direct property operating expenses	—	76,195	—	76,195	4,209	80,404	
Depreciation and amortization expense	—	11,313	84	11,397	—	11,397	
Finance cost from operations	13,511	13,051	6,385	32,947	2,583	35,530	
Real estate tax expense	11,417	—	—	11,417	1,432	12,849	
General and administrative expenses	(205)	5,827	10,383	16,005	78	16,083	
Transaction costs	—	—	39	39	—	39	
Allowance for credit losses on loans and interest receivable	—	—	7,222	7,222	—	7,222	
Changes in non-controlling interest liability	—	448	—	448	—	448	
Change in fair value of investment properties - IFRIC 21	(2,824)	—	—	(2,824)	(184)	(3,008)	
Change in fair value of investment properties	38,257	—	—	38,257	3,888	42,145	
Change in fair value of financial instruments	(14)	(9,738)	(13,398)	(23,150)	(1,577)	(24,727)	
Gain on sale of property, plant and equipment	—	3,013	(4)	3,009	—	3,009	
Share of income (loss) from joint ventures	(4,146)	—	—	(4,146)	—	(4,146)	
Income tax recovery	—	—	(1,127)	(1,127)	—	(1,127)	
<b>Net income (loss)</b>	<b>\$ (8,797)</b>	<b>\$ 1,225</b>	<b>\$ (8,445)</b>	<b>\$ (16,017)</b>	<b>\$ (1,828)</b>	<b>\$ (17,845)</b>	
Expenditures for non-current assets:							
Capital additions	1,938	5,196	—	7,134	163	7,297	

# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

Nine and six months ended September 30, 2023 and 2022

The following tables show assets and liabilities by reportable segment as at September 30, 2023 and December 31, 2022:

	As at September 30, 2023					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings	Total
Investment properties	\$ 377,345	\$ —	\$ —	\$ 377,345	\$ —	\$ 377,345
Property, plant and equipment, net	—	356,857	553	357,410	—	357,410
Investment in joint ventures	49,089	—	—	49,089	—	49,089
Loans receivable	487	—	14,857	15,344	—	15,344
Assets held for sale	—	28,584	—	28,584	11,181	39,765
Other assets	9,253	26,153	15,664	51,070	380	51,450
<b>Total assets</b>	<b>\$ 436,174</b>	<b>\$ 411,594</b>	<b>\$ 31,074</b>	<b>\$ 878,842</b>	<b>\$ 11,561</b>	<b>\$ 890,403</b>
Mortgages payable	\$ 100,227	\$ 133,547	\$ —	\$ 233,774	\$ 8,141	\$ 241,915
Credit facilities	158,834	177,505	—	336,339	—	336,339
Convertible debentures	—	—	38,459	38,459	—	38,459
Commonwealth preferred unit liability	—	58,238	—	58,238	—	58,238
Non-controlling interest liability	582	187	—	769	—	769
Other liabilities	9,442	13,763	7,241	30,446	—	30,446
Liabilities related to assets held for sale	—	—	—	—	959	959
<b>Total liabilities</b>	<b>\$ 269,085</b>	<b>\$ 383,240</b>	<b>\$ 45,700</b>	<b>\$ 698,025</b>	<b>\$ 9,100</b>	<b>\$ 707,125</b>

# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

Nine and six months ended September 30, 2023 and 2022

	As at December 31, 2022						
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings	Total	
Investment properties	\$ 538,591	\$ —	\$ —	\$ 538,591	\$ —	\$ 538,591	
Property, plant and equipment, net	—	395,559	707	396,266	—	396,266	
Investment in joint ventures	49,077	—	—	49,077	—	49,077	
Loans receivable	1,553	—	18,101	19,654	—	19,654	
Assets held for sale	—	—	—	—	20,224	20,224	
Other assets	727	22,754	48,518	71,999	1,529	73,528	
<b>Total assets</b>	<b>\$ 589,948</b>	<b>\$ 418,313</b>	<b>\$ 67,326</b>	<b>\$ 1,075,587</b>	<b>\$ 21,753</b>	<b>\$ 1,097,340</b>	
Mortgages payable	\$ 62,149	\$ 111,954	\$ —	\$ 174,103	\$ 12,845	\$ 186,948	
Credit facilities	320,365	193,636	—	514,001	—	514,001	
Convertible debentures	—	—	64,508	64,508	—	64,508	
Commonwealth preferred unit liability	—	57,906	—	57,906	—	57,906	
Non-controlling interest liability	—	211	—	211	—	211	
Other liabilities	19,631	10,933	10,661	41,225	—	41,225	
Liabilities related to assets held for sale	—	—	—	—	894	894	
<b>Total liabilities</b>	<b>\$ 402,145</b>	<b>\$ 374,640</b>	<b>\$ 75,169</b>	<b>\$ 851,954</b>	<b>\$ 13,739</b>	<b>\$ 865,693</b>	

In measuring performance, the Company does not distinguish or group its properties on a geographical basis. Management has applied judgment by aggregating its properties into four reportable segments for disclosure purposes. The Company's Chief Executive Officer is the chief decision maker and regularly reviews performance on an individual property basis and on the basis of the Company's reportable operating segments.

At September 30, 2023, \$706,076 of the Company's non-current assets, excluding financial instruments, are located in the United States (December 31, 2022 - \$915,401) and \$79,019 are located in Canada (December 31, 2022 - \$70,109). During the three and nine months ended September 30, 2023, the Company generated \$44,794 and \$140,905, respectively, (three and nine months ended September 30, 2022 - \$47,983 and \$142,949, respectively), of its revenues, excluding other revenue, from properties located in the United States and \$883 and \$2,641, respectively (three and nine months ended September 30, 2022 - \$876 and \$2,676, respectively) of its revenues from properties located in Canada.



# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

Nine and six months ended September 30, 2023 and 2022

## **28. Subsequent events:**

On October 5, 2023, the Company paid down \$4,828 of the 2018 Convertible Debentures per the amendments approved on September 26, 2023.

On November 1, 2023, the Company sold 2 properties in Georgia and 2 properties in South Carolina for a total sale price of \$25,097 before closing costs. Proceeds were used to pay down the mortgage affiliated with the properties.

On November 8, 2023, the Company executed an amended credit agreement for the corporate credit facility, extending the maturity date to March 31, 2025 and amending various terms including interest rates, debt service coverage ratio, and restrictions on subordinated debt and other payments, among others.