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

INVESQUE INC.

For the three and six months ended June 30, 2023
(Unaudited)

INVESQUE INC.

Condensed Consolidated Interim Statements of Financial Position (Unaudited)
(Expressed in thousands of U.S. dollars)
As at

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 25,737	$ 27,579
Tenant and other receivables (note 2)	5,064	6,311
Property tax receivables	5,608	11,834
Derivative instruments (note 10)	5,003	5,645
Loans receivable (note 3)	595	—
Assets held for sale (notes 5 and 15)	30,721	20,224
Other (note 4)	12,148	10,171
	84,876	81,764
Non-current assets:		
Loans receivable (note 3)	15,237	19,654
Derivative instruments (note 10)	4,106	10,412
Investment in joint ventures (note 7)	50,235	49,077
Investment properties (note 5)	375,415	538,591
Property, plant and equipment, net (note 6)	392,231	396,266
Other non-current assets (note 4)	1,386	1,576
	838,610	1,015,576
Total assets	$ 923,486	$ 1,097,340
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 13,551	$ 13,085
Accrued real estate taxes	8,648	17,891
Credit facilities (note 8)	218,501	337,474
Mortgages payable (note 9)	70,694	58,949
Convertible debentures (note 11)	20,836	47,869
Other current liabilities (note 13)	8,199	6,972
Liabilities related to assets held for sale (note 15)	1,129	894
	341,558	483,134
Non-current liabilities:		
Credit facilities (note 8)	175,466	176,527
Mortgages payable (note 9)	136,919	127,999
Convertible debentures (note 11)	34,007	16,639
Commonwealth preferred unit liability (note 12)	58,127	57,906
Other non-current liabilities (note 13)	3,147	3,277
Non-controlling interest liability	169	211
	407,835	382,559
Total liabilities	749,393	865,693
Shareholders' equity:		
Common share capital (note 16)	510,886	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	7,168	5,243
Exchangeable units	2,049	2,049
Cumulative deficit	(431,601)	(370,077)
Accumulated other comprehensive loss	(198)	(1,180)
Total shareholders' equity	174,093	231,647
Total liabilities and shareholders' equity	$ 923,486	$ 1,097,340

See accompanying notes to these condensed consolidated interim financial statements.

INVESQUE INC.

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue:				
Rental (note 18)	$ 13,022	$ 14,855	$ 27,040	$ 29,643
Resident rental and related revenue (note 18)	35,370	33,147	69,071	65,323
Lease revenue from joint ventures (note 7)	882	897	1,758	1,800
Other revenue	983	833	1,929	1,560
	50,257	49,732	99,798	98,326
Other income	—	41	1,745	191
Interest income from loans receivable	531	367	1,060	719
Expenses (income) and fair value adjustments:				
Direct property operating expenses (note 19)	26,386	24,862	52,102	50,714
Depreciation and amortization expense (note 6)	3,743	3,783	7,478	7,524
Net finance costs from operations (note 20)	12,564	10,795	24,036	21,910
Real estate property tax expense (recovery)	(1,954)	8	10,086	11,417
General and administrative expenses (note 21)	4,953	5,335	10,919	11,326
Transaction costs	655	—	655	—
Allowance (recovery) for expected credit losses (note 20)	13,123	494	14,170	470
Change in non-controlling interest liability	69	140	136	376
Change in fair value of investment properties - IFRIC 21	5,371	2,864	(3,687)	(5,651)
Change in fair value of investment properties (note 5)	44,440	18,644	53,334	27,118
Change in fair value of financial instruments (note 20)	(9,475)	(3,848)	(6,538)	(16,687)
Gain on sale of property, plant and equipment (note 6)	—	672	(12)	(661)
	99,875	63,749	162,679	107,856
Share of income from joint ventures (note 7)	1,872	4,373	1,848	3,925
Loss before income taxes	(47,215)	(9,236)	(58,228)	(4,695)
Income tax recovery:				
Deferred income tax recovery (note 24)	959	—	959	1,127
Net loss from continuing operations	$ (46,256)	$ (9,236)	$ (57,269)	$ (3,568)
Net income (loss) from discontinued operations, net of tax (note 15)	330	1,555	(4,255)	(776)
Net loss	(45,926)	(7,681)	(61,524)	(4,344)
Other comprehensive income (loss):				
Items to be reclassified to net income (loss) in subsequent periods				
Unrealized gain (loss) on translation of foreign operations	862	(1,542)	982	(916)
	862	(1,542)	982	(916)
Total comprehensive loss	$ (45,064)	$ (9,223)	$ (60,542)	$ (5,260)
Income (loss) from continuing operations per share (note 17):				
Basic and diluted	$ (0.82)	$ (0.16)	$ (1.01)	$ (0.06)
Income (loss) per share (note 17):				
Basic and diluted	$ (0.81)	$ (0.14)	$ (1.08)	$ (0.08)

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)
Six months ended June 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	—	—	—	—	—	—	(61,524)	—	(61,524)
Other comprehensive income	—	—	—	—	—	—	—	982	982
Common shares purchased and cancelled under NCIB (note 16)	(145)	—	—	—	—	—	—	—	(145)
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	158	—	—	—	—	—	—	—	158
Common shares issued for equity settled deferred shares (notes 16 and 22)	1,059	(1,059)	—	—	—	—	—	—	—
Equity component of convertible debentures (note 11)	736	—	—	—	1,925	—	—	—	2,661
Balance, June 30, 2023	$ 510,886	$ —	$ 85,389	$ 400	$ 7,168	$ 2,049	$ (431,601)	$ (198)	$ 174,093

	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 income	—	—	—	—	—	—	(4,344)	—	(4,344)
Other comprehensive loss	—	—	—	—	—	—	—	(916)	(916)
Equity component of Commonwealth preferred units	—	—	—	—	(1,127)	—	—	—	(1,127)
Common shares purchased and cancelled under NCIB (note 16)	(455)	—	—	—	—	—	—	—	(455)
Common shares issued on settlement of deferred share incentive plan (note 16)	383	—	—	—	—	—	—	—	383
Amortization of equity settled deferred shares	—	367	—	—	—	—	—	—	367
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
Balance, June 30, 2022	$ 513,327	$ 878	$ 85,389	$ 400	$ 5,243	$ —	$ (325,611)	$ 664	$ 280,290

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)
Six Months ended June 30, 2023 and 2022

		Six months ended June 30, 2023		Six months ended June 30, 2022
Cash flows from operating activities:				
Net income (loss)	$	(61,524)	$	(4,344)
Items not involving cash:				
Fair value adjustment of investment properties (notes 5 and 15)		56,151		30,034
Fair value adjustment of financial instruments (notes 10 and 11)		(6,538)		(18,205)
Transaction costs arising from dispositions		827		—
Depreciation and amortization expense (note 6)		7,478		7,524
Allowance for expected credit losses (note 20)		14,170		470
Straight-line rent		(1,575)		(2,120)
Amortization of tenant inducements		132		185
Net finance costs from operations (notes 15 and 20)		24,537		23,820
Interest income on loans receivable		(1,060)		(720)
Change in non-controlling interest liability		136		376
Gain on sale of property, plant and equipment (note 6)		(12)		(661)
Share of loss from joint ventures (note 7)		(1,848)		(3,925)
Deferred income tax recovery (note 24)		(959)		(1,127)
Interest paid		(19,288)		(20,071)
Interest income received		256		270
Debt extinguishment costs paid		(212)		(594)
Change in non-cash operating working capital:				
Tenant and other receivables		(5,737)		(2,459)
Accounts payable and accrued liabilities		(588)		(2,310)
Deferred revenue		646		19
Other assets		(1,413)		(2,052)
Other liabilities		1,377		609
Accrued real estate taxes		(1,436)		3,400
Net cash provided by operating activities	$	3,520	$	8,119
Cash flows (used in) from financing activities:				
Proceeds from credit facilities (note 14)	$	2,660	$	85,745
Payments on credit facilities (note 14)		(123,326)		(43,805)
Debt issuance costs paid		(937)		(808)
Proceeds from mortgages (note 14)		61,087		1,557
Payments of mortgages (note 14)		(40,647)		(39,679)
Repayment of lease liabilities (note 21)		(214)		—
Redemption of convertible debentures		—		(20,000)
Repayment of preferred shares		—		(9,818)
Payment for interest rate swap		(2,975)		—
Proceeds from settlement of interest rate swap		6,382		—
Payment for repurchase of common shares (note 16)		(145)		(455)
Payment for repurchase of convertible debentures (note 14)		(80)		(68)
Cash used in financing activities	$	(98,195)	$	(27,331)
Cash flows from investing activities:				
Additions to investment properties (notes 5 and 15)	$	(4,423)	$	(12,373)
Proceeds from dispositions of investment properties (note 5)		92,300		—
Additions to property, plant and equipment (note 6)		(3,454)		(3,751)
Proceeds from dispositions of property, plant and equipment		23		6,446
Proceeds from dispositions of assets held for sale		6,130		20,716
Proceeds from sale of joint venture (note 7)		—		7,734
Distributions from joint ventures (note 7)		1,941		10,361
Contributions to joint ventures (note 7)		(1,231)		(286)
Distributions to non-controlling interest partners		—		(356)
Contributions from non-controlling interest partners		(178)		79
Issuance of loans receivable		(3,858)		—
Receipts from loans receivable		5,583		372
Earnout payment pursuant to Commonwealth purchase agreement		—		(953)
Cash provided by (used in) investing activities	$	92,833	$	27,989
Increase (decrease) in cash and cash equivalents		(1,842)		8,777
Cash and cash equivalents, beginning period		27,579		19,369
Cash and cash equivalents, end of period	$	25,737	$	28,146

See accompanying notes to these condensed consolidated interim financial statements.

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 June 30, 2023, the Company owns interests in a portfolio of 73 health care and senior living properties of the type noted above comprised of 30 consolidated investment properties, 33 consolidated owner-occupied properties, partial interests in 7 properties held through joint arrangements and 3 investment properties 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 ultimate impact of the pandemic on the Company's results of operations, financial position and cash flows are still uncertain and continually evolving. This includes, among other factors, the duration and severity of negative economic conditions arising therefrom, including interest rates and inflation. The negative impact of the pandemic has 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 six months ended June 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 six months ended June 30, 2022 - $41 and $191, respectively). For the three and six months ended June 30, 2023, the Company recognized $1,547 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 six months ended June 30, 2022 - $289 and $289, respectively).

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 June 30, 2023, current liabilities totaled $341,558, and current assets totaled $84,876, resulting in a working capital deficit of $256,682. 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 $10,737 in excess of lender requirements of $15,000, (ii) cash flows generated from operations, (iii) property-specific mortgages and refinancings, (iv) strategic sale of assets, (v) issuance of convertible debentures, subject to market conditions, (vi) issuance of common shares, subject to market conditions, and (vii) 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 portfolios. The credit facility term and revolver refinancing is currently under negotiation and the Company anticipates finalizing and executing the agreement in the third quarter of 2023. The Company is in possession of a negotiated Term Sheet that extends the corporate credit facility to March 31, 2025. The Term Sheet contemplates restrictions on the use of cash to repay subordinated debt, including the Company's convertible debentures. The Term Sheet also includes a provision to sweep cash for the repayment of the credit facility until the facility is below 60% loan to value. The Company plans to sell assets and refinance certain assets to meet the loan paydown requirements instituted by the bank group associated with the credit facility term and revolver. The Company believes it will be able to satisfy all conditions of the amendment while maintaining compliance with the loan agreement and the necessary liquidity requirement.

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 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 in its credit facilities, as amended, for a period of at least 12 months from June 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.

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

(i) utilizing available cash to pay down debts,

(ii) continue with sales activity to dispose of certain properties and use the proceeds to pay down and reduce debts,

(iii) exercise the Company's right to convert its convertible debentures into common shares,

(iv) reducing non-essential capital expenditures,

(v) continue to extend or refinance debt with near-term maturities.

(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.

Certain comparative information for the 2022 fiscal year has been reclassified to conform with the financial statement presentation adopted in the current year.

These condensed consolidated financial statements were approved by the Board of Directors of the Company and authorized for issuance on August 14, 2023.

(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 loss and comprehensive loss is presented as if the operations had been discontinued from the start of the comparative period. As of June 30, 2023, all but two properties have been sold and the remaining are expected to be disposed of in the current year.

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

2. Tenant and other receivables:

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

	June 30, 2023	December 31, 2022
Tenant and other receivables, gross	$ 9,102	$ 10,527
Allowance for uncollectible receivables	(4,038)	(4,216)
Tenant and other receivables, net	$ 5,064	$ 6,311

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

Balance, December 31, 2022	$ 4,216
Allowance	477
Collections — recoveries	(655)
Balance June 30, 2023	$ 4,038

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 June 30, 2023 is primarily due to tenant recoveries, partially offset by the addition of new tenants balances arising from considerations noted above.

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

3. Loans receivable:

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

Debtor	Loan Type	June 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	$ 787	$ 1,107	November 1, 2016	December 31, 2024	8.6% (1)	— %
Ellipsis Real Estate Partners	Loan receivable	1,040	1,040	September 14, 2018	September 14, 2028	— %	7.5 %
Hillcrest Millard, LLC	Loan receivable	405	459	January 1, 2019	January 1, 2028	— %	5.0 %
Hillcrest Firethorn, LLC	Loan receivable	380	456	January 1, 2019	November 1, 2027	— %	5.0 %
HML-RE LLC	Loan receivable	1,389	1,439	August 30, 2022	August 29, 2025	8.0 %	— %
HFT-RE LLC	Loan receivable	1,316	1,364	August 30, 2022	August 29, 2025	8.0 %	— %
Winyan Investment Ltd (Brantford)	Loan receivable	3,322	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 (2)	5.9 %	— %
PSL Care GP, LLC	Loan receivable	450	450	May 6, 2020	(3)	3.5 %	— %
Symcare ML, LLC	Loan receivable	8,223	7,940	June 1, 2021	December 31, 2035	— %	1.0 %
Symcare ML, LLC	Loan receivable	3,676	—	June 1, 2023	February 29, 2024	— %	10.0 %
Memory Care America, LLC	Loan receivable	3,022	—	March 31, 2023	July 31, 2025	10.0 %	— %
4 Pack Master Tenant, LLC	Loan receivable	100	—	June 1, 2023	May 31, 2038	— %	10.0 %
Accrued current and non-current interest		300	228				
Allowance for expected credit losses on loans receivable		(11,602)	(8,111)				
Carrying value of loans recorded at amortized cost		$ 13,409	$ 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	2,423	2,364	December 31, 2018	(4)	— %	5.0 %
Carrying value of loans receivable		$ 15,832	$ 19,654				
Less current portion		595	—				
Non-current portion		$ 15,237	$ 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 additional drawing capacity on this loan.

(2) Maturity date is the earlier of March 1, 2025, the date that 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.

$11,899 of the Symcare loans outstanding and $14 of the accrued current and non-current interest as at June 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, $11,469 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 June 30, 2023 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 13,098	$ 3,676	$ 8,237	$ 25,011
Allowance for losses on loans receivable	(133)	(3,232)	(8,237)	(11,602)
Loans receivable, net of allowances	$ 12,965	$ 444	$ —	$ 13,409

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

The changes in the gross loans receivable balance during the six months ended June 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	3,704	3,676	87	7,467
Repayments	(5,965)	—	—	(5,965)
Currency translation	94	—	—	94
Amortization of mark-to-market adjustment	96	—	195	291
Total loans receivable as at June 30, 2023	$ 13,098	$ 3,676	$ 8,237	$ 25,011

The changes in the allowance for credit losses during the six months ended June 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	(24)	3,232	282	3,490
Transfer to/(from)				
Stage 1	—	—	—	—
Stage 2	—	—	—	—
Stage 3	—	—	—	—
	$ 132	$ 3,232	$ 8,237	$ 11,601
Issuances	—	—	—	—
Repayments	—	—	—	—
Currency translation	1	—	—	1
Write off of loans receivable and allowances	—	—	—	—
Total allowance for credit losses as at June 30, 2023	$ 133	$ 3,232	$ 8,237	$ 11,602

For the three and six months ended June 30, 2023, a loss of $3,301 and a loss of $3,515, respectively(three and six months ended June 30, 2022 - $494 recovery and $470 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 loss and comprehensive loss. The increase in allowance for credit losses is primarily due to the allowance against the Symcare loans, which have a carrying value of $444 as of June 30, 2023 driven by increased risk associated with the collection of the loans, including the counterparty performance and financial strength.

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

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 December 5, 2022, The Company acquired the note for $2,300 via auction and the borrower was placed immediately into default. The note carried an unpaid principal amount of $4,100 and the Company measured the loan at fair market value on acquisition, which is included in the table above under Stage 1 at March 31, 2023. 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 property, the Company, as landlord, entered into a triple-net lease with 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 Memory Care America ("MCA") in favor of the Company. The parties agreed that this note will be revised and replaced on June 1, 2023, to capture costs incurred by the Company that were not yet identified as of June 30, 2023. The note will earn interest at an annual rate of 10% and matures on July 31, 2025. 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 $100 was drawn as of June 30, 2023.

4. Other assets:

Other assets are as follows:

		June 30, 2023		December 31, 2022
Prepaid expenses	$	3,320	$	2,259
Security deposits and costs related to pending transactions		14		36
Escrow deposits held by lenders		7,018		6,255
Right-of-use assets		816		941
Bond assets		570		635
Other		1,796		1,621
	$	13,534	$	11,747
Current	$	12,148	$	10,171
Non-current		1,386		1,576
	$	13,534	$	11,747

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

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

5. Investment properties:

(a) Investment properties:

	Number of Properties		Amount
Balance, December 31, 2022	37	$	538,591
Capital expenditures			3,714
Acquisition of income property	1		4,351
Sale of income properties	(7)		(101,317)
Increase attributable to straight-line rents			1,586
Fair value adjustment			(53,334)
Amortization of tenant inducements			(122)
Transferred to assets held for sale	(1)		(19,683)
Translation of foreign operations			1,629
Balance, June 30, 2023	30	$	375,415
Property tax liability under IFRIC 21			(3,687)
Fair value adjustment to investment properties - IFRIC 21			3,687
		$	375,415

At June 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 June 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.

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

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

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 June 30, 2023 and December 31, 2022 are set out in the following table:

	June 30, 2023	December 31, 2022
Capitalization rate - range	7.00% - 12.50%	6.05% - 9.00%
Capitalization rate - weighted average	8.41%	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:

		June 30, 2023		December 31, 2022
Investment properties valued using direct capitalization income approach	$	202,395	$	353,836
Capitalization rate:				
25-basis point increase	$	(6,028)	$	(11,233)
25-basis point decrease	$	6,421	$	12,037

As at June 30, 2023, a 1% increase (decrease) in stabilized future cash flows would result in a portfolio fair value increase (decrease) of $2,024. 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 $8,509. 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 $7,992.

Investment properties valued using discounted cash flow projection	$	173,020	$	184,755

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

(b) Asset acquisitions - six months ended June 30, 2023

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

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.

(c) Assets dispositions - six months ended June 30, 2023

		Illinois
Properties sold:		7
Net assets disposed:		
Investment properties	$	101,317
Closing costs		(655)
Working capital		2,981
	$	103,643
Consideration received/funded:		
Cash	$	92,300
Issuance of loan receivable		3,648
Settlement of real estate taxes		7,695
	$	103,643

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.

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

(d) Assets held for sale

The following table summarizes the investment properties held for sale on June 30, 2023 and December 31, 2022:

		June 30, 2023		December 31, 2022
Assets:				
Investment properties [1]	$	28,741	$	18,184
	$	28,741	$	18,184

(1) As of June 30, 2023 total assets held for sale reflect the remaining Symphony building ($19,683) and the two remaining medical office buildings 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.

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

6. Property, plant and equipment, net:

(a) Property, plant and equipment, net:

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

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Total
Cost					
Balance, December 31, 2022	$ 25,037	$ 456,730	$ 15,146	$ 338	$ 497,251
Additions	—	1,468	1,858	128	3,454
De-recognition	—	—	(31)	—	(31)
Transfers	—	63	—	(63)	—
Balance, June 30, 2023	$ 25,037	$ 458,261	$ 16,973	$ 403	$ 500,674
Accumulated depreciation					
Balance, December 31, 2022	$ —	$ 97,186	$ 3,799	$ —	$ 100,985
Depreciation and amortization	—	5,985	1,493	—	7,478
De-recognition	—	—	(20)	—	(20)
Balance, June 30, 2023	$ —	$ 103,171	$ 5,272	$ —	$ 108,443
Property, plant and equipment, net balance, December 31, 2022	$ 25,037	$ 359,544	$ 11,347	$ 338	$ 396,266
Property, plant and equipment, net balance, June 30, 2023	$ 25,037	$ 355,090	$ 11,701	$ 403	$ 392,231

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

7. Joint arrangements:

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

Joint arrangement	Number of properties	Location	Company ownership	Investment
Invesque-Autumnwood Landlord	4	Canada	28 %	Joint operation (1)(2)
Invesque-Autumnwood Operator	—	Canada	28 %	Joint venture (2)(3)
Heritage JV	3	United States	80 %	Joint venture (4)
Heritage Newtown	1	United States	80 %	Joint venture (4)
Heritage Harleysville	1	United States	90 %	Joint venture (4)
Heritage Glassboro	1	United States	90 %	Joint venture (4)
Heritage Lansdale	1	United States	90 %	Joint venture (4)
Jaguarundi	—	United States	66 %	Joint venture (5)
Terra Bluffs	1	United States	80 %	Joint venture (4)

(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-Autumwood 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, $882 and $1,758, respectively, for the three and six months ended June 30, 2023 (three and six months ended June 30, 2022 - $897 and $1,800, respectively), were reported as lease revenue from joint ventures in the statements of loss and comprehensive 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 loss and comprehensive 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 loss and comprehensive loss.

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

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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cash contributions to joint ventures	$ 1,160	$ —	$ 1,231	$ 286
Distributions received from joint ventures	$ 1,941	$ 10,256	$ 1,941	$ 10,361

	June 30, 2023		December 31, 2022	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash and cash equivalents	$ 3,059	$ 2,567	$ 3,726	$ 3,116
Tenant and other receivables	1,740	1,220	2,629	1,854
Other	5,165	4,358	4,921	3,981
Current assets	9,964	8,145	11,276	8,951
Investment properties	190,868	151,026	185,177	146,578
Property, plant and equipment, net	1,423	719	1,436	718
Derivative instruments	2,421	1,999	3,057	2,522
Other non-current assets	9	8	9	8
Total assets	$ 204,685	$ 161,897	$ 200,955	$ 158,777
Accounts payable and accrued liabilities	$ 11,020	$ 8,946	$ 10,438	$ 8,558
Deferred revenue	686	564	754	635
Mortgages payable - current	9,773	7,847	9,876	7,928
Current liabilities	21,479	17,357	21,068	17,121
Mortgages payable - non-current	90,549	75,796	92,693	77,659
Construction loans	21,365	17,143	16,912	13,570
Other non-current liabilities	1,912	1,366	1,892	1,350
Total liabilities	$ 135,305	$ 111,662	$ 132,565	$ 109,700
Net assets	$ 69,380	$ 50,235	$ 68,390	$ 49,077

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

	Three months ended June 30, 2023		Three months ended June 30, 2022	
	Net income	Company share of net income	Net income	Company share of net income
Revenue	$ 15,188	$ 9,095	$ 12,208	$ 7,225
Other income	1,852	1,547	322	289
Property operating expense	13,860	7,690	10,737	6,097
Depreciation expense	2	1	151	113
Net finance costs	1,280	1,069	1,584	1,250
General and administrative expenses	3	2	39	26
Change in fair value of financial instruments	(25)	(16)	(740)	(853)
Change in fair value of investment properties	134	24	1,089	802
Gain on sale of interest in joint venture	—	—	(4,294)	(4,294)
Net income prior to distributions to owners	$ 1,786	$ 1,872	$ 3,964	$ 4,373

	Six months ended June 30, 2023		Six months ended June 30, 2022	
	Net income (loss) at 100%	Company share of net income (loss)	Net income (loss) at 100%	Company share of net income (loss)
Revenue	$ 29,822	$ 18,030	$ 26,663	$ 15,872
Other income	2,086	1,742	322	289
Property operating expense	26,836	15,094	21,527	12,254
Depreciation expense	2	1	332	249
Net finance costs	2,393	2,004	3,380	2,630
Real estate tax expense	—	—	300	197
General and administrative expenses	5	3	2,424	1,595
Change in fair value of financial instruments	635	523	(2,492)	(2,294)
Change in fair value of investment properties	194	299	2,141	1,899
Gain on sale of interest in joint venture	—	—	(4,294)	(4,294)
Net income prior to distributions to owners	$ 1,843	$ 1,848	$ 3,667	$ 3,925

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.

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

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

	June 30, 2023	December 31, 2022
Mortgages at fixed rates:		
Mortgages (principal) [(1)]	$ 83,626	$ 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)	$ 17,827	$ 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	8.24 %	7.76 %
Blended weighted average rate	4.75 %	4.43 %

(1) Includes $77,176 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 $77,632 mortgage matures on May 31, 2024 while the underlying mortgage matures on May 31, 2026.

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

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.

	June 30, 2023	Borrowing rate at June 30, 2023	December 31, 2022	Borrowing rate at December 31, 2022
Credit Facility Term (1) (2)	$ 200,000	4.31 %	$ 200,000	4.26 %
Credit Facility Revolver (1)(2)	16,362	4.82 %	135,836	5.42 %
Commonwealth Facility (3)	178,486	7.41 %	179,677	3.91 %
Finance costs, net	(881)	—	(1,512)	—
Carrying value	$ 393,967	5.73 %	$ 514,001	4.44 %
Less current portion	218,501		337,474	
Long-term portion	$ 175,466		$ 176,527	

(1) The interest rate on these facilities are fixed with an interest rate swap, which is included in the borrowing rate noted (note 10).

(2) In June 2023, the credit facilities migrated to an elective alternative benchmark of Term SOFR and a benchmark adjustment of 11.45 basis points.

(3) On April 18, 2023, this credit facility migrated to an elective alternative benchmark of Term SOFR and a benchmark adjustment of 11.45 basis points.

Future principal repayments of the credit facilities are as follows:

	Aggregate principal payments
2023	$ 217,612
2024	177,236
2025 and thereafter	—
Total	$ 394,848

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

9. Mortgages payable:

Mortgages payable consist of the following as at:

	June 30, 2023	December 31, 2022
Mortgages payable	$ 204,725	$ 183,440
Mark-to-market adjustment, net	4,829	4,753
Finance costs, net	(1,941)	(1,245)
Carrying value	$ 207,613	$ 186,948
Less current portion	70,694	58,949
Non-current portion	$ 136,919	$ 127,999

Mortgages payable are collateralized by investment properties and property, plant and equipment with a carrying value of $299,728 at June 30, 2023. Maturity dates on mortgages payable range from 2023 to 2054, and the weighted average years to maturity is 5.44 years at June 30, 2023.

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

	Regular principal payments	Principal due on maturity	Total principal payments	% of total principal payments
2023	$ 1,243	$ 45,788	$ 47,031	22 %
2024	1,807	39,318	41,125	20 %
2025	1,316	57,500	58,816	29 %
2026	1,360	—	1,360	1 %
2027	964	17,161	18,125	9 %
Thereafter	25,907	12,361	38,268	19 %
	$ 32,597	$ 172,128	$ 204,725	100 %

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

	June 30, 2023	December 31, 2022
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 140,365	$ 104,003
Interest rates (inclusive of interest rate swap impact)	2.55% to 6.15%	2.55% to 6.15%
Weighted average interest rate	4.56 %	3.98 %
Mortgages at variable rates:		
Mortgages (principal)	$ 64,360	$ 79,437
Interest rates	LIBOR plus 2.45% with a 2% LIBOR Ceiling to AMERIBOR plus 2.925%	LIBOR plus 2.45% with a 2% LIBOR Ceiling to AMERIBOR plus 2.925%
Weighted average interest rate	7.44 %	6.97 %
Blended weighted average rate	5.47 %	5.28 %

(1) Includes $3,619 variable rate mortgage with a fixed interest rate swap of 5.86% with a January 18, 2028 maturity and $17,035 variable rate mortgage with a fixed interest rate swap of 2.96% with a March 31, 2024 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).

Upon the transition from LIBOR in June 2023, $17,035 of the Company's variable rate mortgages fixed through an interest rate swap saw the underlying variable rate migrate to an elective alternative benchmark of Term SOFR and a related benchmark adjustment of 11.45 basis points. The remaining $3,619 of variable rate mortgage fixed through an interest rate swap was not impacted by the LIBOR transition. $26,501 of the Company's variable rate mortgages were previously subject to LIBOR and saw the underlying variable rate migrate to an elective benchmark of Term SOFR as well as an upward adjustment of 10 basis points to the spread.

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

10. Derivative financial instruments:

(a) Derivative swaps and interest rate caps:

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

				Asset (liability) balance		Income (loss) for the three months ended		Income (loss) for the six month period ended	
Swap	Maturity date	Fixed rate	Notional amount	June 30, 2023	December 31, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Credit Facility Term [2]	December 19, 2023	SOFR fixed at 2.05%	$ 200,000	$ 3,575	$ 5,645	$ (834)	$ 2,531	$ (2,070)	$ 8,240
Credit Facility Revolver [2]	January 2, 2024	SOFR fixed at 2.50%	25,000	403	602	(70)	348	(199)	1,101
Credit Facility Revolver	December 1, 2022	LIBOR fixed at 2.11%	—	—	—	—	354	—	911
Red Oak Swap [1]	July 31, 2024	Canadian BA fixed at 2.17%	3,619	28	7	29	8	21	30
Commonwealth Swap [2][3]	Terminated June 29, 2023	SOFR fixed at 1.62%	—	—	7,936	(89)	1,875	(1,554)	8,069
Oak Ridge Swap	April 1, 2022	LIBOR fixed at 0.66%	—	—	—	—	5	—	25
Charlottesville Swap[2]	March 31, 2024	SOFR fixed at 2.96%	17,135	666	934	(89)	132	(268)	622
Christiansburg Rate Cap[4]	July 1, 2024	LIBOR at 2.00%	10,197	359	—	359	—	359	—
Merchants Bank of Indiana Rate Cap[5]	June 10, 2025	SOFR capped at 2.00%	57,500	3,185	—	210	—	210	—
			Net carrying value	$ 8,216	$ 15,124	$ (484)	$ 5,253	$ (3,501)	$ 18,998
			Less current portion	4,644	5,645				
			Non-current portion	$ 3,572	$ 9,479				

(1) The swap has a notional amount of CAD$4,794

(2) Upon the transition from LIBOR in June 2023, this interest rate swap agreements migrated to an elective alternative benchmark of Term SOFR and a related benchmark adjustment. The rate utilized in the interest rate swap approximately matched the corresponding benchmark rate in the debt instrument to which the swap relates.

(3) The swap was terminated June 29, 2023.

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

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

(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 loss and comprehensive 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 June 30, 2023, the prepayment embedded derivative assets have a fair value of $893 (December 31, 2022 - $933). For the three and six months ended June 30, 2023, a fair value loss of $119 and $40, respectively (three and six months ended June 30, 2022 - $1,406 loss and $2,311, respectively), was recorded in the condensed consolidated interim statements of loss and comprehensive 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 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.

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

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:

		June 30, 2023		December 31, 2022
Issued	$	24,850	$	24,850
Issue costs, net of amortization and accretion of equity component		1,429		745
Mark to market adjustment, net		(3,798)		(4,702)
Equity component, excluding issue costs and taxes		(4,254)		(4,254)
2016 Convertible Debentures	$	18,227	$	16,639
Current	$	—	$	—
Non-current		18,227		16,639
2016 Convertible Debentures	$	18,227	$	16,639

Interest costs of $870 related to the 2016 Convertible Debentures are recorded in financing costs for the six months ended June 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

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

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.

Subsequent to period end, during negotiations with the Company's lender group, led by KeyBank, for a modification and future extension of the credit facility, a restriction was placed on the Company's ability to repay 2018 Debentureholders. As such, the $22,000 redemption approved for September 30, 2023, as part of the amendment, will not be redeemed in full, and instead a maximum of $4,828 will be redeemed.

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 $8,689 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.

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

	June 30, 2023	December 31, 2022
Issued	$ 50,000	$ 50,000
NCIB purchases	(1,737)	(1,657)
Issue costs, net of amortization and accretion of equity component	662	262
Mark to market adjustment, net	(8,689)	—
Equity component, excluding issue costs and taxes	(3,620)	(736)
2018 Convertible Debentures	$ 36,616	$ 47,869
Current	$ 20,836	$ 47,869
Non-current portion	15,780	—
2018 Convertible Debentures	$ 36,616	$ 47,869

Interest costs of $1,432 related to the 2018 Convertible Debentures are recorded in financing costs for the six months ended June 30, 2023 using the effective interest rate method.

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

12. Commonwealth preferred unit liability:

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

		June 30, 2023		December 31, 2022
Issued	$	68,424	$	68,424
Cumulative redemptions		(9,818)		(9,818)
Equity component, net of accretion		(479)		(700)
Commonwealth preferred unit liability	$	58,127	$	57,906

13. Other liabilities:

Other liabilities are as follows:

		June 30, 2023		December 31, 2022
Deferred shares liability (note 22)	$	381	$	363
Security deposits received from tenants		1,085		1,080
Escrows collected from tenant		776		829
Deferred revenue		2,671		2,025
Lease liability		1,361		1,612
Obligation for purchase of units under automatic share purchase plan (note 16)		3,879		4,038
Other		1,193		302
	$	11,346	$	10,249
Current	$	8,199	$	6,972
Non-current		3,147		3,277
	$	11,346	$	10,249

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

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	61,087	—	—	63,747
Repayments and refinancings	(122,134)	(38,955)	(80)	—	(161,169)
Scheduled principal payments	(1,192)	(1,692)	—	—	(2,884)
Financing costs paid	(5)	(932)	—	—	(937)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components as applicable	637	316	(5,976)	221	(4,802)
Equity component of convertible debentures	—	—	(3,620)	—	(3,620)
Changes in foreign currency rates	—	841	11	—	852
Balance, June 30, 2023	$ 393,967	$ 207,613	$ 54,843	$ 58,127	$ 714,550

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

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 current year. 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 June 30, 2023, the Company owns two remaining medical office buildings in the United States.

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

		June 30, 2023
Investment properties	$	9,058
Other assets		1,980
Total assets of discontinued operations classified as held for sale	$	11,038
Other liabilities	$	1,129
Total liabilities related to assets held for sale	$	1,129

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

	Three months ended June 30,				Six months ended June 30,			
		2023		2022		2023		2022
Rental revenue	$	565	$	3,115	$	1,315	$	6,331
Other revenue		16		371		17		611
Direct property operating expense		294		1,389		764		3,157
Net finance costs from operations		215		987		501		1,910
Real estate tax expense		—		521		535		1,582
General and administrative expense		109		4		127		4
Transaction costs		172		—		172		—
Change in fair value of investment properties - IFRIC 21		109		166		(292)		(333)
Change in fair value of investment properties		(1,065)		(484)		2,817		2,916
Change in fair value of financial instruments		—		(652)		—		(1,518)
Foreign exchange loss reclassified from other comprehensive income		(24)		—		(29)		—
Current income tax expense		441		—		992		—
Net income (loss) from discontinued operations	$	330	$	1,555	$	(4,255)	$	(776)

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

	Six months ended June 30,			
		2023		2022
Net cash provided by (used in) provided by operating activities	$	(1,970)	$	1,149
Net cash (used in) financing activities		(4,830)		(104)
Net cash provided by (used in) provided by investing activities		6,069		(160)

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

Asset dispositions for the six months ended June 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.

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

16. Share capital:

(a) Common shares:

The following number and value of common shares were issued and outstanding as at June 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	(166,800)		(145)
Obligation for purchase of units under automatic share purchase plan	—		158
Equity component of convertible debentures	—		736
Balance, June 30, 2023	56,238,794	$	510,886

(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 June 30, 2023, the Company recorded a liability of $3,879 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 June 30, 2023:

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

As at June 30, 2023, the preferred shares are convertible into 12,574,317 (December 31, 2022 - 12,154,453) common shares of the Company.

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

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 loss:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss) from continuing operations for basic and diluted net loss per share	$ (46,256)	$ (9,236)	$ (57,269)	$ (3,568)
Net income (loss) for basic and diluted net loss per share	$ (45,926)	$ (7,681)	$ (61,524)	$ (4,344)

Denominator for basic and diluted net loss per share:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Weighted average number of shares, including fully vested deferred shares: Basic and diluted	56,736,310	56,721,074	56,741,343	56,713,789

Net loss per share:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss) per share from continuing operations:				
Basic	$ (0.82)	$ (0.16)	$ (1.01)	$ (0.06)
Diluted	$ (0.82)	$ (0.16)	$ (1.01)	$ (0.06)
Net income (loss) per share:				
Basic	$ (0.81)	$ (0.14)	$ (1.08)	$ (0.08)
Diluted	$ (0.81)	$ (0.14)	$ (1.08)	$ (0.08)

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

18. Revenue:

(a) Rental Revenue:

Rental revenue consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Contractual rental revenue	$ 8,700	$ 11,026	$ 19,187	$ 21,906
Straight-line rent adjustments	971	1,029	1,586	2,104
Amortization of tenant inducements	(61)	(61)	(122)	(121)
Amortization of leasing commission	(5)	(10)	(10)	(10)
Property tax recoveries	3,417	2,871	6,399	5,764
	$ 13,022	$ 14,855	$ 27,040	$ 29,643

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 tenant Symcare previously operated a portfolio of 15 properties and paid rent to the Company pursuant to a master lease. During the year ended December 31, 2021, three properties included in the master lease were sold and four were transitioned to a new operator. On June 1, 2021, a subsidiary of the Company entered into a new master lease with the remaining eight properties. For the three and six months ended June 30, 2023, contractual rental revenue from this tenant comprised approximately 30% and 33%, respectively (three and six months ended June 30, 2022 - 35% and 35%, respectively), of the Company's consolidated contractual rental revenue for the period. During the six months ended June 20, 2023, seven of the remaining Symphony buildings were sold, while the final building sold on July 1, 2023. Proceeds were used to settle the outstanding loan receivable from Symcare and retire debt on the Company's corporate credit facilities, being term and revolving debt arrangements (note 8).

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

	Assessed as of June 30, 2023
Less than 1 year	$ 26,299
Between 1 and 5 years	111,073
More than 5 years	180,785
	$ 318,157

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

(b) Resident rental and related revenue:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Resident revenue	$ 29,367	$ 27,278	$ 57,365	$ 53,902
Service revenue (1)	6,003	5,869	11,706	11,421
	$ 35,370	$ 33,147	$ 69,071	$ 65,323

(1) Represents property services element of revenue 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 June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Repairs and maintenance	$ 756	$ 673	$ 1,442	$ 1,478
Utilities	906	920	2,069	2,095
Compensation and benefits	17,602	15,805	34,451	32,126
Other services and supplies	2,104	1,832	4,026	3,474
Administrative and marketing	2,499	2,358	4,964	4,752
Real estate taxes	564	589	1,158	1,257
Insurance	748	785	1,469	1,584
Other	1,207	1,900	2,523	3,948
	$ 26,386	$ 24,862	$ 52,102	$ 50,714

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

20. Net finance costs:

Net finance costs consist of the following:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Interest expense on credit facilities	$ 8,824	$ 4,156	$ 17,474	$ 7,247
Interest expense on mortgages payable	2,434	1,524	4,599	3,301
Interest expense on convertible debentures	1,158	1,184	2,302	2,412
Dividends on Commonwealth preferred units	944	959	1,873	1,887
Amortization and accretion expense	1,050	990	2,058	2,012
Net interest rate swap payments (receipts)	(3,405)	1,362	(6,234)	3,445
Debt extinguishment costs	366	254	357	594
Amortization of mark-to-market debt adjustments	1,193	366	1,607	1,012
Net finance costs from operations	$ 12,564	$ 10,795	$ 24,036	$ 21,910
Allowance for (recovery of) credit losses on loans and interest receivable (note 3)	3,301	494	3,515	470
Allowance for credit losses on property taxes receivable	9,822	—	10,655	—
Change in fair value of loans receivable classified as FVTPL	(1,390)	—	(1,390)	—
Change in fair value of financial instruments (notes 10 and 11)	(8,086)	(3,848)	(5,148)	(16,687)
Change in non-controlling interest liability related to finance costs from operations	(55)	(30)	(107)	(64)
Total finance costs	$ 16,156	$ 7,411	$ 31,561	$ 5,629

21. General and administrative:

General and administrative expenses consist of the following:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Compensation and benefits	$ 3,211	$ 3,137	$ 6,897	$ 7,198
Professional fees	609	700	1,560	1,628
Deferred share compensation expense	(6)	173	334	313
Rent (1)	107	77	214	152
Other	1,032	1,248	1,914	2,035
	$ 4,953	$ 5,335	$ 10,919	$ 11,326

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

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

For the three and six months ended June 30, 2023, $2,573 and $4,664, respectively (three and six months ended June 30, 2022 - $2,153 and $3,924, 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 June 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	—	7,919
Shares issued upon vesting of deferred shares	(294,245)	(294,245)
Shares forfeited	(12,584)	—
As at June 30, 2023	485,595	444,914

For the three and six months ended June 30, 2023, the Company recognized $(6) and $334, respectively, of expense related to deferred shares in the consolidated statements of loss and comprehensive loss (three and six months ended June 30, 2022 - $173 loss and $313 loss, respectively). A deferred share liability of $381 is included in other non-current liabilities in the condensed consolidated interim statements of financial position as at June 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 six months ended June 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%.

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

24. Income taxes:

The income tax recovery in the consolidated statements of loss and comprehensive 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 six months ended June 30, 2023 and 2022 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss) from continuing operations before income taxes	$ (47,215)	$ (9,236)	$ (58,228)	$ (4,695)
Income tax recovery at Canadian tax rate	(12,512)	(1,108)	(15,430)	1,203
Non-deductible expenses	—	(244)	91	39
Difference in tax rate in foreign jurisdiction	(651)	(51)	(758)	84
Unrecognized tax losses	12,204	1,403	15,138	(2,453)
Income tax recovery	$ (959)	$ —	$ (959)	$ (1,127)

For the three and six months ended June 30, 2023, U.S. subsidiaries recognized income tax expense related to the gains on disposition of assets of $442 and $993, respectively (three and six months ended June 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 June 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 June 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 six months ended June 30, 2023, the Company has not recognized any 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 loss and comprehensive loss.

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

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:

	June 30, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative instruments - asset	$ —	$ 9,109	$ —	$ —	$ 16,057	$ —
Investment properties	—	—	375,415	—	—	538,591
Loans receivable	—	—	2,423	—	—	4,641
Deferred share liability	—	381	—	—	363	—

For the assets and liabilities measured at fair value as at June 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.

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

	June 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	$ 15,832	$ 15,595	$ 19,654	$ 19,494
Derivative instruments	8,750	8,750	16,057	16,057
Bond assets	570	570	635	635
Financial liabilities:				
Mortgages payable	207,613	195,975	186,948	175,810
Credit facilities	393,967	392,329	514,001	504,726
Convertible debentures	54,843	59,726	64,508	59,133
Commonwealth preferred unit liability	58,127	58,127	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.

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 six months ended June 30, 2023 and 2022:

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

	Three months ended June 30, 2023					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)	Total
Rental revenue	$ 13,022	$ —	$ —	$ 13,022	$ 565	$ 13,587
Resident rental and related revenue	—	35,370	—	35,370	—	35,370
Lease revenue from joint ventures	882	—	—	882	—	882
Other revenue	6	847	130	983	16	999
Interest income from loans receivable	59	—	472	531	—	531
Direct property operating expenses	—	26,386	—	26,386	294	26,680
Depreciation and amortization expense	—	3,696	47	3,743	—	3,743
Finance cost from operations	4,518	5,085	2,961	12,564	215	12,779
Real estate tax expense	(1,954)	—	—	(1,954)	—	(1,954)
General and administrative expenses	26	2,573	2,354	4,953	109	5,062
Transaction costs	655	—	—	655	172	827
Allowance for credit losses on loans and interest receivable	9,772	—	3,351	13,123	—	13,123
Changes in non-controlling interest liability	—	69	—	69	—	69
Change in fair value of investment properties - IFRIC 21	5,371	—	—	5,371	109	5,480
Change in fair value of investment properties	44,440	—	—	44,440	(1,065)	43,375
Change in fair value of financial instruments	(1,419)	(271)	(7,785)	(9,475)	—	(9,475)
Foreign exchange loss reclassified from other comprehensive income	—	—	—	—	(24)	(24)
Impairment of property, plant and equipment	—	—	—	—	—	—
Share of income (loss) from joint ventures	1,872	—	—	1,872	—	1,872
Income tax expense (recovery)	—	—	(959)	(959)	441	(518)
Net income (loss)	$ (45,568)	$ (1,321)	$ 633	$ (46,256)	$ 330	$ (45,926)
Expenditures for non-current assets:						
Acquisition of properties	$ 621	$ —	$ —	$ 621	$ —	$ 621
Capital additions	1,817	1,582	(7,785)	(4,386)	—	(4,386)

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

	Six months ended June 30, 2023					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)	Total
Rental revenue	$ 27,040	$ —	$ —	$ 27,040	$ 1,315	$ 28,355
Resident rental and related revenue	—	69,071	—	69,071	—	69,071
Lease revenue from joint ventures	1,758	—	—	1,758	—	1,758
Other revenue	11	1,662	256	1,929	17	1,946
Other income	1,711	34	—	1,745	—	1,745
Interest income from loans receivable	176	—	884	1,060	—	1,060
Direct property operating expenses	—	52,102	—	52,102	764	52,866
Depreciation and amortization expense	—	7,385	93	7,478	—	7,478
Finance cost from operations	9,421	9,592	5,023	24,036	501	24,537
Real estate tax expense	10,086	—	—	10,086	535	10,621
General and administrative expenses	33	4,664	6,222	10,919	127	11,046
Transaction costs	655	—	—	655	172	827
Allowance for expected credit losses	10,605	—	3,565	14,170	—	14,170
Changes in non-controlling interest liability	—	136	—	136	—	136
Change in fair value of investment properties - IFRIC 21	(3,687)	—	—	(3,687)	(292)	(3,979)
Change in fair value of investment properties	53,334	—	—	53,334	2,817	56,151
Change in fair value of financial instruments	(1,411)	1,293	(6,420)	(6,538)	—	(6,538)
Gain on sale of property, plant and equipment	—	(12)	—	(12)	—	(12)
Foreign exchange loss reclassified from other comprehensive income	—	—	—	—	(29)	(29)
Share of income (loss) from joint ventures	1,848	—	—	1,848	—	1,848
Income tax expense (recovery)	—	—	(959)	(959)	992	33
Net income (loss)	$ (46,492)	$ (4,393)	$ (6,384)	$ (57,269)	$ (4,255)	$ (61,524)
Expenditures for non-current assets:						
Acquisition of properties	$ 621	$ —	$ —	$ 621	$ —	$ 1,242
Capital additions	3,714	3,454	3,454	10,622	88	10,710

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

	Three months ended June 30, 2022					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)	Total
Rental revenue	$ 14,855	$ —	$ —	$ 14,855	$ 3,115	$ 17,970
Resident rental and related revenue	—	33,147	—	33,147	—	33,147
Lease revenue from joint ventures	897	—	—	897	—	897
Other revenue	13	753	67	833	371	1,204
Other income	—	41	—	41	—	41
Interest income from loans receivable	12	—	355	367	—	367
Direct property operating expenses	—	24,862	—	24,862	1,389	26,251
Depreciation and amortization expense	—	3,759	24	3,783	—	3,783
Finance cost from operations	4,633	4,130	2,032	10,795	987	11,782
Real estate tax expense	8	—	—	8	521	529
General and administrative expenses	13	2,152	3,170	5,335	4	5,339
Allowance for credit losses on loans and interest receivable	—	—	494	494	—	494
Changes in non-controlling interest liability	—	140	—	140	—	140
Change in fair value of investment properties - IFRIC 21	2,864	—	—	2,864	166	3,030
Change in fair value of investment properties	18,644	—	—	18,644	(484)	18,160
Change in fair value of financial instruments	(9)	(602)	(3,237)	(3,848)	(652)	(4,500)
Gain on sale of property, plant and equipment	—	668	4	672	—	672
Share of income (loss) from joint ventures	(4,373)	—	—	(4,373)	—	(4,373)
Net income (loss)	$ (6,003)	$ (1,168)	$ (2,065)	$ (9,236)	$ 1,555	$ (7,681)
Expenditures for non-current assets:						
Capital additions	828	2,216	—	3,044	43	3,087

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

	Six months ended June 30, 2022					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)	Total
Rental revenue	$ 29,643	$ —	$ —	$ 29,643	$ 6,331	$ 35,974
Resident rental and related revenue	—	65,323	—	65,323	—	65,323
Lease revenue from joint ventures	1,800	—	—	1,800	—	1,800
Other revenue	7	1,328	225	1,560	611	2,171
Other income	—	191	—	191	—	191
Interest income from loans receivable	24	—	695	719	—	719
Direct property operating expenses	—	50,714	—	50,714	3,157	53,871
Depreciation and amortization expense	—	7,476	48	7,524	—	7,524
Finance cost from operations	8,977	8,556	4,377	21,910	1,910	23,820
Real estate tax expense	11,417	—	—	11,417	1,582	12,999
General and administrative expenses	(254)	3,925	7,655	11,326	4	11,330
Allowance for credit losses on loans and interest receivable	—	—	470	470	—	470
Changes in non-controlling interest liability	—	376	—	376	—	376
Change in fair value of investment properties - IFRIC 21	(5,651)	—	—	(5,651)	(333)	(5,984)
Change in fair value of investment properties	27,118	—	—	27,118	2,916	30,034
Change in fair value of financial instruments	(31)	(6,380)	(10,276)	(16,687)	(1,518)	(18,205)
Gain on sale of property, plant and equipment	—	(656)	(5)	(661)	—	(661)
Share of income (loss) from joint ventures	(3,925)	—	—	(3,925)	—	(3,925)
Income tax recovery	—	—	(1,127)	(1,127)	—	(1,127)
Net income (loss)	$ (6,177)	$ 2,831	$ (222)	$ (3,568)	$ (776)	$ (4,344)
Expenditures for non-current assets:						
Capital additions	1,452	3,746	—	5,198	160	5,358

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

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

	As at June 30, 2023					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings	Total
Investment properties	$ 375,415	$ —	$ —	$ 375,415	$ —	$ 375,415
Property, plant and equipment, net	—	391,627	604	392,231	—	392,231
Investment in joint ventures	50,235	—	—	50,235	—	50,235
Loans receivable	850	—	14,982	15,832	—	15,832
Assets held for sale	19,683	—	—	19,683	11,038	30,721
Other assets	6,979	31,889	18,407	57,275	1,777	59,052
Total assets	$ 453,162	$ 423,516	$ 33,993	$ 910,671	$ 12,815	$ 923,486
Mortgages payable	$ 65,646	$ 133,868	$ —	$ 199,514	$ 8,099	$ 207,613
Credit facilities	215,957	178,010	—	393,967	—	393,967
Convertible debentures	—	—	54,843	54,843	—	54,843
Commonwealth preferred unit liability	—	58,127	—	58,127	—	58,127
Non-controlling interest liability	—	169	—	169	—	169
Other liabilities	10,322	13,323	9,900	33,545	—	33,545
Liabilities related to assets held for sale	—	—	—	—	1,129	1,129
Total liabilities	$ 291,925	$ 383,497	$ 64,743	$ 740,165	$ 9,228	$ 749,393

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

	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
Total assets	$ 589,948	$ 418,313	$ 67,326	$ 1,075,587	$ 21,753	$ 1,097,340
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
Total liabilities	$ 402,145	$ 374,640	$ 75,169	$ 851,954	$ 13,739	$ 865,693

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 June 30, 2023, $742,928 of the Company's non-current assets, excluding financial instruments, are located in the United States (December 31, 2022 - $915,401) and $76,339 are located in Canada (December 31, 2022 - $70,109). During the three and six months ended June 30, 2023, the Company generated $48,392 and $96,111, respectively, (three and six months ended June 30, 2022 - $48,002 and $94,966, respectively), of its revenues, excluding other revenue, from properties located in the United States and $882 and $1,758, respectively (three and six months ended June 30, 2022 - $897 and $1,800, respectively) of its revenues from properties located in Canada.

28. Subsequent events:

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. This disposition resulted in the Company breaching a minimum Unencumbered Asset Pool covenant, resulting in an Event of Default per the Credit Agreement. On August 4, 2023, the Company obtained a waiver from the lender for this default, which was subject to the satisfaction of certain conditions that included financial requirements for repayment of the credit facility. Management has adhered to and satisfied all required conditions to deem the waiver to be effective.

On August 4, 2023, the Company negotiated a modification to the current credit facility. In conjunction with the modification, the Company and the lender group agreed to: 1) a $11,550 pay down of the revolver, with 50% paid at signing of the modification and 50% paid at signing of the mutually agreed upon term sheet to extend the existing maturity, 2) a limit on the amount the Company can repay subordinated debt, which includes a maximum amount payable to 2018 Debentureholders of $4,828, and 3) a reduction in the liquidity requirement from $25,000 to $15,000.

Subsequent to quarter end, the Company determined it was in breach of a net worth covenant for a mortgage agreement on two medical office buildings. The Company is in discussions with the lender regarding an amendment to the definition of Net Worth in the agreement for future reporting periods and a cure for the existing breach. The Company has 45 days after receiving notice to cure the covenant breach.