



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED IN CANADIAN DOLLARS)**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2019 AND 2018**

**DATED: NOVEMBER 5, 2019**

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**Plaza Retail REIT**  
**Condensed Interim Consolidated Statements of Financial Position**

(unaudited)

(in thousands of Canadian dollars)

September 30, 2019      December 31, 2018

**Assets**

**Non-Current Assets**

Investment properties (Note 5)	\$ 1,081,501	\$ 988,640
Investments	48,920	44,614
Tenant loans	544	613
Deferred income tax asset	331	461
<b>Total non-current assets</b>	<b>1,131,296</b>	<b>1,034,328</b>

**Current Assets**

Investment properties held for sale (Note 5)	798	-
Cash	10,127	7,296
Receivables (Note 6)	3,864	3,398
Prepaid expenses and deposits (Note 7)	6,232	3,390
Tenant loans	113	105
Notes and advances receivable (Note 8)	18,748	12,549
<b>Total current assets</b>	<b>39,882</b>	<b>26,738</b>
<b>Total assets</b>	<b>\$ 1,171,178</b>	<b>\$ 1,061,066</b>

**Liabilities and Unitholders' Equity**

**Non-Current Liabilities**

Debentures payable (Note 9)	\$ 64,362	\$ 59,835
Mortgage bonds payable (Note 10)	2,946	8,893
Mortgages payable (Note 11)	416,741	399,867
Class B exchangeable LP units (Note 19)	5,301	4,622
Land lease liability (Note 13)	59,943	-
Deferred income tax liability	7,546	7,078
<b>Total non-current liabilities</b>	<b>556,839</b>	<b>480,295</b>

**Current Liabilities**

Current portion of mortgage bonds payable (Note 10)	5,980	5,970
Bank indebtedness (Note 12)	23,514	35,604
Current portion of mortgages payable (Note 11)	90,766	68,471
Accounts payable, accrued liabilities, tenant payables and tenant deposits (Note 14)	21,364	17,683
Income tax payable	22	-
Notes payable	1,663	1,341
<b>Total current liabilities</b>	<b>143,309</b>	<b>129,069</b>
<b>Total liabilities</b>	<b>700,148</b>	<b>609,364</b>

Unitholders' equity	466,398	447,181
Non-controlling interests	4,632	4,521
<b>Total unitholders' equity</b>	<b>471,030</b>	<b>451,702</b>
<b>Total liabilities and unitholders' equity</b>	<b>\$ 1,171,178</b>	<b>\$ 1,061,066</b>

Subsequent events – see Note 24



Barbara Trenholm, Trustee



Earl Brewer, Trustee

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

## Plaza Retail REIT

### Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited)

(in thousands of Canadian dollars)

	<b>3 Months Ended September 30, 2019</b>	3 Months Ended September 30, 2018	<b>9 Months Ended September 30, 2019</b>	9 Months Ended September 30, 2018
Revenues (Note 15)	<b>\$ 26,868</b>	\$ 25,723	<b>\$ 84,988</b>	\$ 77,949
Operating expenses (Note 16)	<b>(8,853)</b>	(9,024)	<b>(29,046)</b>	(29,765)
<b>Net property operating income</b>	<b>18,015</b>	16,699	<b>55,942</b>	48,184
Share of profit (loss) of associates	<b>128</b>	692	<b>2,072</b>	(919)
Administrative expenses (Note 17)	<b>(2,523)</b>	(2,326)	<b>(7,619)</b>	(7,125)
Investment income	<b>298</b>	156	<b>811</b>	525
Other income	<b>1,143</b>	506	<b>2,915</b>	1,719
<b>Income before finance costs, fair value adjustments and income taxes</b>	<b>17,061</b>	15,727	<b>54,121</b>	42,384
Finance costs (Note 18)	<b>(7,508)</b>	(6,478)	<b>(22,349)</b>	(20,086)
Finance costs – convertible debenture issuance costs	-	-	-	(2,280)
Finance costs - net change in fair value of convertible debentures (Note 9)	<b>(265)</b>	396	<b>(4,479)</b>	(137)
Finance costs - net change in fair value of Class B exchangeable LP units (Note 19)	<b>(322)</b>	202	<b>(679)</b>	76
Finance costs - net change in fair value of interest rate swaps and bond forwards (Note 11)	<b>(239)</b>	40	<b>(1,772)</b>	89
Net change in fair value of right-of-use land lease assets (Note 5)	<b>(166)</b>	-	<b>(494)</b>	-
Net change in fair value of investment properties (Note 5)	<b>1,644</b>	(2,726)	<b>19,758</b>	(8,540)
<b>Profit before income tax</b>	<b>10,205</b>	7,161	<b>44,106</b>	11,506
Income tax expense				
- Current	<b>2</b>	(66)	<b>(188)</b>	(145)
- Deferred	<b>(131)</b>	(112)	<b>(598)</b>	(217)
	<b>(129)</b>	(178)	<b>(786)</b>	(362)
<b>Profit and total comprehensive income for the period</b>	<b>\$ 10,076</b>	\$ 6,983	<b>\$ 43,320</b>	\$ 11,144
<b>Profit and total comprehensive income for the period attributable to:</b>				
- Unitholders	<b>\$ 10,037</b>	\$ 6,885	<b>\$ 43,151</b>	\$ 11,008
- Non-controlling interests	<b>39</b>	98	<b>169</b>	136
	<b>\$ 10,076</b>	\$ 6,983	<b>\$ 43,320</b>	\$ 11,144

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

## Plaza Retail REIT

### Condensed Interim Consolidated Statements of Changes in Unitholders' Equity

(unaudited)

(in thousands of Canadian dollars)

	Trust Units (Note 19)	Retained Earnings	Total Attributable to Unitholders	Non- Controlling Interests	Total Equity
<b>Balance as at December 31, 2017</b>	\$ 273,158	\$ 185,706	\$ 458,864	\$ 4,231	\$ 463,095
Profit and total comprehensive income for the period	-	11,008	11,008	136	11,144
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	4,118	-	4,118	-	4,118
- Distributions to unitholders (Note 20)	-	(21,450)	(21,450)	-	(21,450)
- Contributions to (distributions from) non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	235	235
<b>Balance as at September 30, 2018</b>	<b>\$ 277,276</b>	<b>\$ 175,264</b>	<b>\$ 452,540</b>	<b>\$ 4,602</b>	<b>\$ 457,142</b>
<b>Balance as at December 31, 2018</b>	\$ 278,058	\$ 169,123	\$ 447,181	\$ 4,521	\$ 451,702
Profit and total comprehensive income for the period	-	43,151	43,151	169	43,320
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan (Note 19)	19	-	19	-	19
- Repurchase of units under normal course issuer bid (Note 19)	(1,556)	(862)	(2,418)	-	(2,418)
- Distributions to unitholders (Note 20)	-	(21,535)	(21,535)	-	(21,535)
- Contributions to (distributions from) non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(58)	(58)
<b>Balance as at September 30, 2019</b>	<b>\$ 276,521</b>	<b>\$ 189,877</b>	<b>\$ 466,398</b>	<b>\$ 4,632</b>	<b>\$ 471,030</b>

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

## Plaza Retail REIT

### Condensed Interim Consolidated Statements of

#### Cash Flows

(unaudited)

(in thousands of Canadian dollars)

	3 Months Ended September 30, 2019	3 Months Ended September 30, 2018	9 Months Ended September 30, 2019	9 Months Ended September 30, 2018
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#### Cash obtained from (used for):

##### Operating activities

Profit and total comprehensive income for the period	\$ 10,076	\$ 6,983	\$ 43,320	\$ 11,144
Items not affecting cash:				
Finance costs (Note 18)	7,508	6,478	22,349	20,086
Share of loss (profit) of associates	(128)	(692)	(2,072)	919
Net change in fair value of investment properties	(1,644)	2,726	(19,758)	8,540
Net change in fair value of convertible debentures	265	(396)	4,479	137
Net change in fair value of Class B exchangeable LP units	322	(202)	679	(76)
Net change in fair value of interest rate swaps and bond forwards (Note 11)	239	(40)	1,772	(89)
Net change in fair value of right-of-use land lease assets	166	-	494	-
Current and deferred income taxes	129	178	786	362
Straight-line rent (Note 15)	(204)	53	6	179
Interest paid	(7,196)	(7,021)	(20,299)	(18,912)
Imputed interest paid on land lease liability (Note 18)	(566)	-	(1,691)	-
Income taxes paid	(98)	(44)	(250)	(119)
Distributions from equity accounted investments	231	192	1,325	1,131
Leasing commissions paid	(63)	(105)	(226)	(285)
Change in non-cash working capital (Note 21)	2,823	387	6	-
	<b>11,860</b>	<b>8,497</b>	<b>30,920</b>	<b>23,017</b>

##### Financing activities

Cash distributions paid to unitholders (Note 20)	(7,162)	(5,825)	(21,535)	(17,350)
Cash distributions paid to Class B exchangeable LP unitholders (Note 18)	(83)	(89)	(250)	(266)
Repurchase of units under normal course issuer bid (Note 19)	(988)	-	(2,418)	-
Cash received on acquisition of Plazacorp – Shediak Limited Partnership and Northwest Plaza Commercial Trust (Note 4)	-	-	-	739
Gross proceeds from mortgage bonds and debentures	-	-	-	48,655
Fees incurred for bonds and debentures	-	-	-	(53)
Redemption/repayment of mortgage bonds and debentures	(6,000)	-	(6,000)	(35,545)
Gross mortgage proceeds	18,411	8,897	109,706	49,349
Fees incurred for placement of mortgages	(246)	(183)	(987)	(470)
Loan defeasance expenses and early mortgage discharge fees paid (Note 18)	-	(2)	(42)	(240)
Mortgages repaid	(12,299)	(15,954)	(63,719)	(37,842)
Periodic mortgage principal repayments	(2,671)	(2,685)	(8,079)	(8,032)
Land lease principal repayments	(166)	-	(494)	-
Distributions from equity accounted investments	3,508	-	3,952	-
Increase (decrease) in notes payable	193	-	322	(250)
	<b>(7,503)</b>	<b>(15,841)</b>	<b>10,456</b>	<b>(1,305)</b>

##### Investing activities

Acquisitions of investment properties and land (Note 5)	-	(2,090)	(12,650)	(23,906)
Investment properties – additions	(7,415)	(5,005)	(19,252)	(17,122)
Net proceeds from disposal of investment properties and land (Note 5(e))	2,068	12,297	15,459	40,922
Advances to equity accounted investments for developments	(3,089)	(150)	(7,512)	(2,346)
Distributions from subsidiaries from/to non-controlling interests	(17)	421	(58)	235
Repayment of Northwest Plaza Commercial Trust unitholder debt (Note 4)	-	-	-	(859)
Purchase of remaining units of Northwest Plaza Commercial Trust and Plazacorp - Shediak Limited Partnership (Note 4)	-	-	-	(14,296)
Decrease (increase) in deposits for acquisitions and financings (Note 7)	(448)	387	(415)	1,135
Decrease (increase) in notes and advances receivable	64	(120)	(2,087)	(1,267)
Issuance of tenant loans	(12)	-	(20)	(25)
Repayment of tenant loans	22	13	80	438
	<b>(8,827)</b>	<b>5,753</b>	<b>(26,455)</b>	<b>(17,091)</b>

#### Net increase (decrease) in cash

Cash less bank indebtedness, beginning of the period	(8,917)	(17,076)	(28,308)	(23,288)
<b>Cash less bank indebtedness, end of the period</b>	<b>\$ (13,387)</b>	<b>\$ (18,667)</b>	<b>\$ (13,387)</b>	<b>\$ (18,667)</b>

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

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

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#### 1. Reporting Entity

Plaza Retail REIT (the “Trust”) is an unincorporated “open-ended” real estate investment trust established pursuant to its declaration of trust dated as of November 1, 2013 (the “Declaration of Trust”) and governed by the laws of the Province of Ontario. The address of the Trust’s head office is 98 Main Street, Fredericton, New Brunswick. The Trust operates a retail real estate ownership and development business in Canada. Management does not distinguish or group its operations by geography or any other basis, when measuring its performance or making decisions. Accordingly, the Trust has a single reportable segment for disclosure purposes.

#### 2. Basis of Preparation

##### *Statement of Compliance*

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and in particular International Accounting Standard (“IAS”) 34, *Interim financial reporting* on a basis consistent with the accounting policies disclosed in Note 3 of the December 31, 2018 consolidated financial statements of the Trust.

The condensed interim consolidated financial statements do not include all the information required for full annual financial statements. The condensed interim consolidated financial statements should be read in conjunction with the 2018 annual financial statements of the Trust.

The condensed interim consolidated financial statements were authorized for issue by the Audit Committee on behalf of the Board of Trustees (the “Board”) of the Trust on November 5, 2019.

#### 3. Summary of Significant Accounting Policies

##### *Changes in Accounting Policies*

On January 1, 2019, the Trust implemented IFRS 16, *Leases* (“IFRS 16”) and IFRIC 23, *Uncertainty over income tax treatments* (“IFRIC 23”), in accordance with IAS 8, *Accounting policies, changes in accounting estimates and errors*. The impacts on implementation of IFRS 16 and IFRIC 23 are described below.

##### (i) Leases

In January 2016, the IASB issued IFRS 16. The new standard replaced the previous lease guidance in IFRS and related interpretations, requiring lessees to bring most leases on their balance sheet. Lessor accounting remains similar to the current standard and the distinction between operating and finance leases is retained. The new standard was effective beginning January 1, 2019.

The Trust has investment properties located on land which is leased. Under the former lease standard, these leases were accounted for as operating leases and the related lease payments were expensed. Under the new lease standard, a right-of-use (“ROU”) asset and a land lease liability have been recorded along with the corresponding financing charges. The ROU asset is accounted for as investment property, as these land leases meet the definition of investment property under IAS 40, *Investment property*.

At transition, for leases classified as operating leases under the old standard IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Trust’s incremental borrowing rate as at January 1, 2019. The Trust elected to measure all its ROU assets at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

The Trust elected the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied IFRS 16 only to contracts that were previously identified as leases;
- Applied the exemption not to recognize the ROU asset and lease liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring ROU assets; and

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

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(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

As at January 1, 2019, the Trust recognized lease liabilities of \$60.4 million recorded as land lease liability and ROU assets of \$60.4 million in investment properties on its balance sheet. The nature and timing of the related expenses has changed under the new standard, as IFRS 16 replaces the straight-line operating lease expense with interest expense on lease liabilities. Changes in the fair value of the ROU asset are also now being recorded.

Land lease commitment at December 31, 2018, as disclosed in the Trust's consolidated financial statements	\$ 141,181
Additional land lease commitments upon transition <sup>(1)</sup>	17,541
Total land lease liability commitments	158,722
Discounted using the incremental borrowing rate at January 1, 2019	(98,285)
Land lease liability recognized at January 1, 2019	\$ 60,437

<sup>(1)</sup> Land lease commitments upon transition represent those leases that, in the opinion of management, will be renewed for terms beyond the current contractual commitments based on the estimated useful lives of the investment properties occupying the leased land.

When measuring lease liabilities for leases that were classified as operating leases, the Trust discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied was 4.67%.

#### (ii) IFRIC Interpretation 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23. IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12, *Income taxes* when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. IFRIC 23 requires the Trust to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution, and to determine if it is probable that the tax authorities will accept the uncertain tax treatment or, if it is not probable that the uncertain tax treatment will be accepted, measure the uncertainty based on the most likely amount or expected value, depending on which method better predicts the resolution of the uncertainty. The Trust has adopted IFRIC 23 in its condensed interim consolidated financial statements for the annual period beginning January 1, 2019. The adoption of IFRIC 23 has not had a material impact on the condensed interim consolidated financial statements.

#### 4. Acquisition of Plazacorp - Shediac Limited Partnership & Northwest Plaza Commercial Trust

On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp - Shediac Limited Partnership and Northwest Plaza Commercial Trust that it did not already own. The units were purchased by the Trust through the payment of \$14.3 million in cash consideration. The purchases have been accounted for as asset acquisitions. Unitholder debt outstanding in Northwest Plaza Commercial Trust in the amount of \$859 thousand was also repaid by the Trust as part of the transaction. The two entities were previously included in investments and accounted for on an equity basis and fair value basis, respectively.

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### Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

The following table summarizes the consideration paid and the estimated fair value of the net assets.

	(At 100%)
Investment properties	\$ 42,129
Cash	739
Receivables	125
Prepaid expenses and deposits	11
Deferred financing charges	162
Mortgages payable	(23,646)
Mortgages payable – mark to market	(739)
Accounts payable and accrued liabilities	(355)
Fair value of net assets	\$ 18,426
Consideration satisfied by:	
Cash paid for 90% of the issued and outstanding units	\$ 14,296
Cash paid to discharge unitholder debt	859
10% of investment already owned	3,271
Total consideration	\$ 18,426

Concurrent with this transaction, the Trust sold a 50% co-ownership interest in the two underlying properties, namely, Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB, to a Canadian pension fund for gross proceeds of \$20.5 million (\$8.7 million after assumption of 50% of the existing mortgages by the purchaser).

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

#### 5. Investment Properties

	September 30, 2019				December 31, 2018		
	Income producing properties	Properties under development	Right-of-use land lease assets <sup>(2)</sup>	Total	Income producing properties	Properties under development	Total
Balance, beginning of the period:	\$ 935,779	\$ 52,861	\$ -	\$ 988,640	\$ 905,964	\$ 53,654	\$ 959,618
Right-of-use land lease assets (Note 5 (f))	-	-	60,437	60,437	-	-	-
Additions (deductions):							
Additions to investment properties	7,551	13,350	-	20,901	2,169	24,035	26,204
Acquisitions of investment properties and land	12,650	-	-	12,650	54,678	24,328	79,006
Disposals <sup>(1)</sup>	(19,570)	-	-	(19,570)	(48,847)	(8,647)	(57,494)
Transfers	9,032	(9,032)	-	-	44,527	(44,527)	-
Straight line rent receivable change	(76)	53	-	(23)	(409)	120	(289)
Investment properties held for sale (Note 5 (g))	(798)	-	-	(798)	-	-	-
Change in fair value – income producing and under development	17,396	2,362	-	19,758	(22,303)	3,898	(18,405)
Change in fair value – right-of-use land lease assets	-	-	(494)	(494)	-	-	-
Balance, end of the period:	\$ 961,964	\$ 59,594	\$ 59,943	\$ 1,081,501	\$ 935,779	\$ 52,861	\$ 988,640

<sup>(1)</sup> Cash received from disposals as per the statement of cash flows of \$15.5 million is net of notes and advances receivable of \$4.1 million assumed by the purchasers. Cash received in the prior year as per the statement of cash flows of \$40.9 million is net of \$16.5 million of mortgages assumed by the purchasers.

<sup>(2)</sup> The new IFRS 16, *Leases* standard is effective January 1, 2019 and has been applied prospectively. Prior year balances have not been restated.

The majority of the Trust's income producing properties and properties under development have been pledged as security under various debt agreements.

Investment properties are stated at fair value using the following methods:

(i) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them, and as applicable, the fair value of various investment properties is based on these external appraisals. Of the total fair value in the chart above, \$277 million of investment properties was based on such external appraisals (December 31, 2018 - \$87 million).

(ii) Internal approach - direct capitalization income approach

Under this approach the Trust determines the fair value based upon capitalization rates applied to budgeted normalized net operating income (property revenue less property operating expenses). Normalized net operating income adjusts net operating income for things like market property management fees, or in the case of development properties, to reflect full intended occupancy (less a normal vacancy allowance). The key assumption is the capitalization rate for each specific property. The Trust receives quarterly capitalization rate matrices from an external independent appraiser. The capitalization rate matrices provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization rates within the range of rates provided. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

As at September 30, 2019 the Trust has utilized the following range of capitalization rates:

	Number of Properties <sup>(1)</sup>	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	73	6.55%	5.50% - 9.00%	6.00% - 9.50%
Quick Service Restaurant	92	6.71%	5.50% - 9.50%	6.00% - 11.50%
Anchored Open-Air Centre – Class A	14	7.07%	6.25% - 8.75%	6.25% - 9.50%
Anchored Open-Air Centre – Class B	36	7.21%	6.00% - 9.00%	6.75% - 10.50%
Unanchored Open-Air Centre	37	7.66%	5.75% - 9.50%	6.25% - 11.50%
Enclosed Malls – Community	3	7.70%	8.00% - 10.00%	7.75% - 11.50%
	255	7.08%		

<sup>(1)</sup> Excludes certain properties under development and non-consolidated trusts and partnerships.

Freestanding or Mini Box - defined as a freestanding retail, non-restaurant use such as a pharmacy or equivalent national box retailer. May include nominal additional gross leasable area (“GLA”) if the additional GLA is 15% or less than the total GLA or gross revenue.

Quick Service Restaurant – defined as freestanding retail quick-service restaurant.

Anchored Open-Air Centre – Class A - defined as a food or equivalent-anchored retail open-air centre, 20,000-125,000 square feet and where the anchor tenant(s) represents 70% or more of GLA or gross revenue.

Anchored Open-Air Centre – Class B - defined as a food or equivalent-anchored retail open-air centre, 20,000-200,000 square feet and where the anchor tenant(s) represents less than 70% of GLA or gross revenue.

Unanchored Open-Air Centre - defined as an unanchored retail open-air centre less than 75,000 square feet.

Enclosed Malls - Community - defined as an enclosed community mall with food or department/junior department store or equivalent anchors.

At September 30, 2019 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately \$36.9 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$34.3 million.

As at December 31, 2018 the Trust utilized the following range of capitalization rates:

	Number of Properties <sup>(1)</sup>	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	73	6.67%	5.50% - 9.00%	6.00% - 9.50%
Quick Service Restaurant	104	7.07%	5.50% - 9.50%	6.00% - 11.50%
Anchored Open-Air Centre – Class A	14	7.06%	6.25% - 8.75%	6.25% - 9.50%
Anchored Open-Air Centre – Class B	34	7.32%	6.00% - 9.00%	6.75% - 10.50%
Unanchored Open-Air Centre	37	8.00%	5.75% - 9.50%	6.25% - 11.50%
Enclosed Malls – Community	4	8.31%	8.00% - 10.00%	7.75% - 11.50%
	266	7.25%		

<sup>(1)</sup> Excludes certain properties under development and non-consolidated trusts and partnerships.

#### (a) Straight-line Rent

Included in investment properties at September 30, 2019 is \$11.9 million (December 31, 2018 - \$11.9 million) of straight-line rents receivable arising from the recognition of rental revenue on a straight-line basis over the lease terms in accordance with IFRS 16, *Leases*.

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

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(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

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#### (b) *Surplus Land*

Included in investment properties at September 30, 2019 is \$2.3 million of surplus lands at fair value (December 31, 2018 - \$1.2 million).

#### (c) *Borrowing Costs*

The total amount of borrowing costs capitalized for the period ended September 30, 2019 is \$363 thousand (for the period ended September 30, 2018 - \$483 thousand).

#### (d) *Acquisitions*

During the period ended September 30, 2019, the Trust purchased a 50% managing interest in a property located in Cambridge, ON for \$12.65 million.

During the year ended December 31, 2018, the Trust purchased the following (all including closing costs): land in Oshawa, ON for \$2.5 million; a 50% interest in land in Saguenay, QC for \$380 thousand; land in Moncton, NB for \$330 thousand; a 75% interest in a property in Smiths Falls, ON for redevelopment for \$1.8 million; a property in Brockville, ON for redevelopment for \$14.3 million; the remaining 50% interest in Northumberland Square in Miramichi, NB for \$5.0 million; and a property in Quispamsis, NB for \$12.6 million. As well, the Trust acquired a 100% interest in Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB for \$42.1 million through the purchase of the remaining 90% of the issued and outstanding units of Plazacorp - Shediac Limited Partnership and Northwest Plaza Commercial Trust that it did not already own (the "Transaction"). Net of assumption of debt, working capital and the existing ownership interest, the remaining units were purchased for total cash consideration of \$14.3 million. See Note 4 for further details.

#### (e) *Disposals*

During the period ended September 30, 2019, the Trust disposed of properties in London, ON, Paris, ON, Halifax, NS, Coldbrook, NS, Montreal, QC, Laval, QC, two properties located in Ottawa, ON and five properties located in Winnipeg, MB for net proceeds of \$12.7 million. The Trust disposed of surplus land in Sherbrooke, QC for gross proceeds of \$475 thousand. As well, the Trust sold a 50% co-ownership interest in a property in Quispamsis, NB for net proceeds of \$6.4 million (\$2.3 million after assumption of notes and advances receivable for the purchaser's 50% interest of the existing line of credit on the property).

During the year ended December 31, 2018, the Trust disposed of properties in Ottawa, ON and Perth, ON for net proceeds of \$1.6 million, a property in Halifax, NS for net proceeds of \$3.5 million, a property in Lachine, QC for net proceeds of \$641 thousand, a property in Montreal, QC for net proceeds of \$10.3 million, a property in Halifax, NS for \$1.3 million, a property in Pointe aux Trembles, QC for net proceeds of \$600 thousand and 8 properties in Alberta for \$11.8 million. The Trust sold a 50% co-ownership interest in its redevelopment property in Brockville, ON for gross proceeds of \$7.2 million (\$2.5 million after assumption of 50% of the existing mortgage). As well, concurrent with the Transaction (noted in (d) above), the Trust sold a 50% co-ownership interest in Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB, for gross proceeds of \$20.5 million (\$8.7 million after assumption of 50% of the existing mortgages). See Note 4 for further details.

#### (f) *Right-of-use land lease assets*

Effective January 1, 2019, the Trust implemented the new IFRS 16, *Leases* standard. This standard required lessees to bring most leases on their balance sheet. The Trust has investment properties located on land which is leased. A right-of-use asset has been recorded effective January 1, 2019 to recognize these assets. IFRS 16 has been implemented prospectively and therefore prior year comparatives have not been restated. The Trust has 26 long-term land leases (affecting 25 properties). Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 to 2084 with an average life of 40 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 65 years including these non-automatic renewal options.

#### (g) *Investment properties held for sale*

The Trust has segregated an investment property held for sale of \$798 thousand located in Longueuil, QC at September 30, 2019 (December 31, 2018 - nil). The sale is expected to close in November 2019.

## Plaza Retail REIT

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#### 6. Receivables

Receivables consist of the following:

	September 30, 2019	December 31, 2018
Tenant accounts receivable, net of allowance	\$ 1,271	\$ 1,416
Excise tax	499	421
Holdback receivable	949	500
Other receivables	1,145	1,061
Total receivables	\$ 3,864	\$ 3,398

The Trust determines its allowance for doubtful accounts on a tenant-by-tenant basis using an expected credit loss model taking into consideration lease terms, industry conditions and status of the tenants' accounts, among other factors. Accounts are written off only when all collection efforts have been exhausted. The allowance for doubtful accounts balance at September 30, 2019 is \$182 thousand (December 31, 2018 - \$46 thousand). This amount is deducted from tenant accounts receivable.

There were no impairment losses recognized during the period ended September 30, 2019 (for the period ended September 30, 2018 – nil).

#### 7. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	September 30, 2019	December 31, 2018
Prepaid expenses	\$ 4,565	\$ 2,138
Deposits for acquisitions and financings	1,667	1,252
Total prepaid expenses and deposits	\$ 6,232	\$ 3,390

#### 8. Notes and Advances Receivable

The notes and advances receivable are owed by co-owners of investment properties as a result of funding requirements on a short-term basis during development of investment properties, and by minority interest shareholders of consolidated entities. The notes and advances are due on demand.

## Plaza Retail REIT

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#### 9. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	September 30, 2019	December 31, 2018
Convertible <sup>(1)</sup>				
Series E	March 31, 2023	5.10%	\$ 48,904	\$ 44,892
Series VII	June 30, 2021	5.50%	5,693	5,226
Total convertible debentures			54,597	50,118
Non-convertible <sup>(2)(3)</sup>	Various (see below)	5.00%	9,765	9,717
Total debentures payable			64,362	59,835
Less: current portion of debentures payable			-	-
Debentures payable – long-term portion			\$ 64,362	\$ 59,835

<sup>(1)</sup> Recorded at fair value based on closing market trading prices of debentures; the fair value change during 2019 was a loss of \$4.5 million (for the nine months ended September 30, 2018 – loss of \$137 thousand)

<sup>(2)</sup> Recorded at amortized cost

<sup>(3)</sup> Net of unamortized finance charges of \$95 thousand (December 31, 2018 - \$143 thousand)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

	Series E	Series VII
Conversion price	\$5.65	\$6.04
Trust's first redemption date	April 1, 2021	June 30, 2019
Par call date	April 1, 2022	June 30, 2020
Maturity date	March 31, 2023	June 30, 2021
Face value outstanding	\$47,250	\$5,500
Publicly listed	yes	no

Non-convertible debenture maturities are as follows:

	Series I	Series II	Total
Face value outstanding	\$3,860	\$6,000	\$9,860
Maturity date	May 2, 2021	February 28, 2022	

On February 21, 2018, the Trust completed a public offering of \$45 million aggregate principal amount of Series E 5.10% convertible unsecured subordinated debentures due March 31, 2023. The debentures are convertible at the option of the holder, into units of the Trust at \$5.65 per unit. In addition, the underwriters were granted an over-allotment option, exercisable in whole or in part up to 30 days after closing, to purchase up to an additional \$2.25 million debentures. The option was exercised on closing of the offering on February 21, 2018. Proceeds from the offering were used to redeem the \$34 million 5.75% Series D convertible unsecured subordinated debentures on March 27, 2018, with the remainder of the proceeds used to repay amounts outstanding on the Trust's operating line of credit.

In 2018, the Trust extended \$3.9 million of the \$4.0 million of tranching Series I non-convertible debentures to May 2, 2021 on the same terms and conditions.

## Plaza Retail REIT

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#### 10. Mortgage Bonds Payable

Mortgage bonds payable are secured by various properties:

				September 30, 2019	December 31, 2018
	Series X	Series XI	Series XII	Total	Total
Various properties, 1 <sup>st</sup> mortgage	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ 6,000
Various properties, 1 <sup>st</sup> mortgage	-	-	-	-	6,000
Various properties, 1 <sup>st</sup> mortgage	-	-	3,000	3,000	3,000
Gross mortgage bonds payable	6,000	-	3,000	9,000	15,000
Less: unamortized finance charges				(74)	(137)
Net mortgage bonds payable				8,926	14,863
Less: current portion of mortgage bonds payable				(5,980)	(5,970)
Net mortgage bonds payable – long-term portion				\$ 2,946	\$ 8,893

	Series X	Series XII
Interest Rate	5.00%	5.50%
Maturity Date	June 25, 2020	July 15, 2022
Amount	\$6,000	\$3,000

The Series X and XII mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds, cannot exceed 90%. These mortgage bonds can be reallocated to different properties from time to time as required.

On July 8, 2019, the \$6.0 million Series XI mortgage bonds matured and were repaid.

## Plaza Retail REIT

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#### 11. Mortgages Payable

	Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	September 30, 2019	December 31, 2018
Secured fixed rate loans:	2.47% - 7.00%	4.50%	Up to June 2034	\$ 457,370	\$ 438,669
Unsecured interest-only fixed rate loans:	5.00%	5.00%	Up to May 2024	7,993	6,643
Fair value of interest rate swap				1,734	136
Revaluation of loans upon acquisitions, net of amortization of \$5,922 (December 31, 2018 - \$6,022)				650	751
Less: unamortized finance charges				(2,588)	(2,124)
Total net fixed rate loans				465,159	444,075
Variable rate loans:					
- \$20 million development facility	Prime plus 0.75% or BA plus 2.25%		July 31, 2020	13,921	11,579
- \$15 million development facility	Prime plus 0.75% or BA plus 2.00%		July 31, 2020	13,008	4,885
- \$6.6 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.75%		November 30, 2019	5,479	1,950
- \$7.45 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		January 10, 2020	-	5,988
- \$1.2 million unsecured interest-only loan	Prime plus 1.05% (min. 5.00% rate)		January 15, 2024	1,171	-
- \$10.08 million secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.25%		April 24, 2021	8,855	-
Less: unamortized finance charges				(86)	(139)
Total net variable rate loans				42,348	24,263
Net mortgages payable				507,507	468,338
Less: mortgages payable – current portion				(90,766)	(68,471)
Total mortgages payable – long-term portion				\$ 416,741	\$ 399,867

All mortgages and facilities are secured by charges against specific assets. The unamortized finance charges are made up of fees and costs incurred to obtain the mortgage financing, less accumulated amortization.

To fund development activities the Trust has two revolving development facilities with Canadian chartered banks available upon pledging of specific assets. One is a \$20.0 million one-year revolving facility that bears interest at prime plus 0.75% or bankers' acceptances ("BAs") plus 2.25%, and the other is a \$15.0 million two-year revolving facility that bears interest at prime plus 0.75% or BAs plus 2.00%. At September 30, 2019 there is \$8.1 million available on these development facilities (December 31, 2018 - \$18.5 million). Funding is secured by first mortgage charges on development properties. The Trust must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt coverage, interest coverage and occupancy covenants, as well as unitholder equity tests. As of September 30, 2019 the Trust is in compliance with all financial covenants.

In the second quarter of 2015 as part of the acquisition of a development property, the Trust assumed a \$4.0 million variable rate mortgage that had an interest rate swap in place (thereby fixing the variable interest rate). The interest rate swap was set to mature on August 13, 2023 and had been recorded at fair value. In May 2019, the mortgage was discharged and the interest rate swap was settled at a cost of \$176 thousand.

During 2019, the Trust entered into four new mortgages that utilize interest rate swaps in order to fix the variable interest rate. The interest rate swaps mature in May, June and August 2029 and are recorded at fair value.

## Plaza Retail REIT

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#### 12. Bank Indebtedness

The Trust has a \$44.0 million (December 31, 2018 - \$44.0 million) revolving operating line of credit facility with a Canadian chartered bank at the rate of prime plus 0.75% or BAs plus 2.00%, maturing July 31, 2020. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at September 30, 2019, the available limit was \$44.0 million of which \$23.5 million (December 31, 2018 – \$35.6 million) was drawn and therefore the maximum amount available to be drawn on the facility was \$20.0 million (December 31, 2018 – \$7.5 million), net of letters of credit outstanding of \$503 thousand (December 31, 2018 - \$869 thousand). As security, at September 30, 2019, the Trust has provided a \$50.0 million demand debenture secured by a first mortgage over forty properties.

#### 13. Land Lease Liability

Effective January 1, 2019, the Trust implemented the new IFRS 16, *Leases* standard. This standard required lessees to bring most leases on their balance sheet. The Trust has investment properties located on land which is leased. A liability has been recorded effective January 1, 2019 to recognize these assets. IFRS 16 has been implemented prospectively and therefore prior year comparatives have not been restated. The Trust has 26 long-term land leases (affecting 25 properties). Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 to 2084 with an average life of 40 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 65 years including these non-automatic renewal options.

#### 14. Accounts Payable, Accrued Liabilities, Tenant Payables and Tenant Deposits

Accounts payable, accrued liabilities, tenant payables and tenant deposits consist of the following:

	September 30, 2019	December 31, 2018
Accounts payable and accrued liabilities	\$ 11,000	\$ 8,183
Distributions payable	2,413	2,427
Excise tax payable	976	1,050
Accrued interest payable	1,822	2,328
Deferred tenant revenue and deposits	4,846	3,216
Other	307	479
Total accounts payable, accrued liabilities, tenant payables and tenant deposits	\$ 21,364	\$ 17,683

#### 15. Revenues

	3 Months Ended September 30, 2019	3 Months Ended September 30, 2018	9 Months Ended September 30, 2019	9 Months Ended September 30, 2018
Contractual revenue	\$ 18,462	\$ 17,214	\$ 55,199	\$ 55,077
Straight-line rent	204	(53)	(6)	(179)
Property tax and insurance recovery	5,201	5,534	15,290	14,660
Recovery revenue	2,831	2,997	8,778	8,190
Lease buyout revenue	111	-	5,613	-
Other revenue	59	31	114	201
Total property revenues	\$ 26,868	\$ 25,723	\$ 84,988	\$ 77,949

## Plaza Retail REIT

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#### 16. Operating Expenses

	<b>3 Months Ended September 30, 2019</b>	3 Months Ended September 30, 2018	<b>9 Months Ended September 30, 2019</b>	9 Months Ended September 30, 2018
Property taxes and insurance	\$ 5,592	\$ 5,284	\$ 16,694	\$ 16,306
Recoverable expenses	2,949	2,678	10,782	10,333
Non-recoverable expenses	312	1,062	1,570	3,126
<b>Total operating expenses</b>	<b>\$ 8,853</b>	<b>\$ 9,024</b>	<b>\$ 29,046</b>	<b>\$ 29,765</b>

#### 17. Administrative Expenses

	<b>3 Months Ended September 30, 2019</b>	3 Months Ended September 30, 2018	<b>9 Months Ended September 30, 2019</b>	9 Months Ended September 30, 2018
Salaries and benefits	\$ 1,966	\$ 1,641	\$ 5,383	\$ 5,026
Professional services	155	258	965	819
Office expenses	402	427	1,271	1,280
<b>Total administrative expenses</b>	<b>\$ 2,523</b>	<b>\$ 2,326</b>	<b>\$ 7,619</b>	<b>\$ 7,125</b>

Total employee salaries and benefits recorded by the Trust during the period were \$9.7 million, of which \$3.3 million is included in operating expenses, \$5.4 million is included in administrative expenses and \$1.0 million has been capitalized to investment properties (for the period ended September 30, 2018 – \$9.3 million, of which \$3.3 million is in operating expenses, \$5.0 million is in administrative expenses and \$1 million is in investment properties).

#### 18. Finance Costs

	<b>3 Months Ended September 30, 2019</b>	3 Months Ended September 30, 2018	<b>9 Months Ended September 30, 2019</b>	9 Months Ended September 30, 2018
Mortgage interest	\$ 5,535	\$ 5,042	\$ 15,998	\$ 15,196
Debenture interest	801	712	2,403	2,523
Mortgage bond interest	147	191	530	574
Distributions paid to Class B exchangeable LP unitholders	83	89	250	266
Operating line of credit interest	295	293	990	845
Interest and bank charges	46	71	221	345
Amortization of finance charges	205	259	687	784
Loan defeasance and early mortgage discharge fees	-	2	42	240
Imputed interest on land lease liability	566	-	1,691	-
Mark to market amortization	(41)	(59)	(100)	(204)
Capitalization of interest	(129)	(122)	(363)	(483)
<b>Total finance costs</b>	<b>\$ 7,508</b>	<b>\$ 6,478</b>	<b>\$ 22,349</b>	<b>\$ 20,086</b>

## Plaza Retail REIT

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#### 19. Unitholders' Equity

##### (a) Authorized

The Declaration of Trust authorizes the issuance of an unlimited number of units and special voting units. Special voting units are only issued in tandem with the issuance of securities exchangeable into units.

Each special voting unit shall have no economic entitlement nor beneficial interest in the Trust including in the distributions or assets of the Trust, but shall entitle the holder of record thereof to a number of votes at any meeting of the unitholders equal to the number of units that may be obtained upon the exchange of the exchangeable security to which such special voting unit is attached. Special voting units may only be issued in connection with or in relation to, securities exchangeable into units, for the purpose of providing voting rights with respect to the Trust to the holders of such securities. The creation or issuance of special voting units is subject to the prior written consent of the Toronto Stock Exchange ("TSX").

In addition, preferred units may from time to time be created and issued in one or more classes (each of which may be made up of unlimited series) without requiring voting unitholder approval. Before the issuance of preferred units of a series, the Board will execute an amendment to the Declaration of Trust containing a description of such series, including the designations, rights, privileges, restrictions and conditions determined by the Board, and the class of preferred units of which such series is a part. The issuance of preferred units is also subject to the prior written consent of the TSX.

##### (b) Issued and Outstanding

###### (i) Class B Exchangeable LP Units

The Class B exchangeable units are economically equivalent to units of the Trust and are exchangeable at any time into units of the Trust on a one-for-one basis. These units are puttable instruments where the Trust has a contractual obligation to issue Trust units to the exchangeable unitholders upon redemption. Holders of the exchangeable LP units are entitled to receive distributions per unit equal to distributions per unit provided to the unitholders of the Trust.

	September 30, 2019		December 31, 2018	
	Units (000s)	Amount	Units (000s)	Amount
Exchangeable LP units outstanding, beginning of the period	1,191	\$ 4,622	1,266	\$ 5,393
Exchanges	-	-	(75)	(314)
Fair value adjustment for the period	-	679	-	(457)
Exchangeable LP units outstanding, end of the period	1,191	\$ 5,301	1,191	\$ 4,622

###### (ii) Special Voting Units

At September 30, 2019, there were 1,191,000 (December 31, 2018 - 1,191,000) special voting units outstanding, issued in connection with 1,191,000 (December 31, 2018 - 1,191,000) Class B exchangeable LP units of a subsidiary of the Trust (see above).

###### (iii) Units

	September 30, 2019		December 31, 2018	
	Trust Units (000s)	Amount	Trust Units (000s)	Amount
Units outstanding, beginning of the period	102,824	\$ 278,058	101,610	\$ 273,158
Issuance of units:				
Exchange of Class B exchangeable LP units	-	-	75	314
Distribution reinvestment plan	-	-	1,101	4,433
RSU plan	4	19	38	153
Repurchase of units under normal course issuer bid	(576)	(1,556)	-	-
Units outstanding, end of the period	102,252	\$ 276,521	102,824	\$ 278,058

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Unitholders have the right to redeem their units at the lesser of (i) 90% of the Market Price of the unit (Market Price is defined for this purpose in the Declaration of Trust as the weighted average trading price of the previous 10 trading days) and (ii) the most recent Closing Market Price (Closing Market Price is defined for this purpose in the Declaration of Trust as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of \$50 thousand for all redemptions in a calendar month, or a note payable. For the nine months ended September 30, 2019 no unitholder had redeemed units.

The Trust has a Distribution Reinvestment Plan (“DRIP”), which was suspended until further notice commencing with the payment of the October 2018 distribution, and unitholders enrolled in the DRIP began receiving distribution payments in cash. Prior to its suspension, the DRIP enabled Canadian resident unitholders to acquire additional units of the Trust through the reinvestment of distributions on their units. Units issued in connection with the DRIP were issued directly from the treasury of the Trust at a price based on the weighted average daily closing price of the units on the TSX for the 5 trading days immediately preceding the relevant distribution date. Participants also received “bonus units” in an amount equal to 3% of the distribution amount reinvested. If the Trust elects to reinstate the DRIP in the future, unitholders that were enrolled in the DRIP at the time of its suspension and remain enrolled at the time of reinstatement, will automatically resume participation in the DRIP.

On September 26, 2019, the Trust announced that it had received approval from the TSX for the renewal of its normal course issuer bid (“NCIB”) for a further year. The period of the renewed NCIB commenced on September 28, 2019, with purchases able to be made as at the open of markets on September 30, 2019, and will conclude on the earlier of the date on which purchases under the bid have been completed and September 27, 2020. Under the terms of the renewed NCIB, the Trust can purchase up to 8,096,331 of its issued and outstanding units through the facilities of the TSX and any alternative trading system in Canada. Subject to certain prescribed exemptions and any block purchase made in accordance with the rules of the TSX, daily purchases made by the Trust may not exceed 12,433 units, representing 25% of the average daily trading volume of the units on the TSX for the six-month period ended August 31, 2019 (being 49,733 units). All units that are purchased under the renewed NCIB will be cancelled (on a monthly basis, on or before the record date for each monthly distribution). Unitholders may obtain a copy of the NCIB renewal notice, without charge, by contacting the Trust.

Plaza also entered into a new automatic securities purchase plan agreement (the “Plan”) with its designated broker in order to facilitate purchases of units under the renewed NCIB. The Plan, which was pre-cleared by the TSX, allows for purchases of units by Plaza at times when it would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. The Plan will terminate on September 27, 2020.

Under its previous NCIB, which expired on September 27, 2019, Plaza purchased a total of 579,389 units at a weighted average price of \$4.1984 per unit. Plaza also purchased 4,900 units to date under the renewed NCIB at a weighted average price of \$4.4390, resulting in a total of 584,289 units being repurchased for cancellation for the nine months ended September 30, 2019.

## 20. Distributions

Distributions are declared monthly at the discretion of the Board.

	<b>3 Months Ended September 30, 2019</b>	3 Months Ended September 30, 2018	<b>9 Months Ended September 30, 2019</b>	9 Months Ended September 30, 2018
Distributions paid to unitholders	\$ 7,162	\$ 7,175	\$ 21,535	\$ 21,450
Distribution reinvestment proceeds	-	(1,350)	-	(4,100)
Cash distributions paid to unitholders	\$ 7,162	\$ 5,825	\$ 21,535	\$ 17,350

## Plaza Retail REIT

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#### 21. Additional Cash Flow Information

##### (a) Changes in Non-Cash Working Capital

	3 Months Ended September 30, 2019	3 Months Ended September 30, 2018	9 Months Ended September 30, 2019	9 Months Ended September 30, 2018
Receivables	\$ 261	\$ 455	\$ (466)	\$ 1,648
Prepaid expenses and deposits	3,029	2,195	(2,428)	(1,502)
Change in construction accruals removed from investing activities	(189)	239	(1,514)	(1,215)
Accounts payable, accrued liabilities, tenant payables and tenant deposits	(278)	(2,502)	4,414	1,069
Total cash from change in non-cash working capital	\$ 2,823	\$ 387	\$ 6	\$ -

##### (b) Changes in Liabilities Arising from Financing Activities

	September 30, 2019	December 31, 2018
Current and long-term debt <sup>(1) (2)</sup> – beginning of the period	\$ 609,436	\$ 515,933
Gross proceeds from mortgage bonds and debentures	-	48,655
Redemption/repayment of mortgage bonds and debentures	(6,000)	(35,545)
Periodic mortgage principal repayments	(8,079)	(10,730)
Land lease principal repayments	(494)	-
Mortgages repaid	(63,719)	(38,783)
Gross mortgage proceeds	109,706	65,373
Fees incurred for placement of debt	(987)	(533)
Increases (decreases) in notes payable	322	(83)
Non-cash changes in current and long-term debt:		
Mortgages assumed on acquisition	-	23,646
Mortgages assumed by purchasers on sale of investment properties	-	(16,519)
Deferred finance charges assumed on acquisition	-	(162)
Deferred finance charges written off on sale of investment properties	-	82
Net change in fair value of Class B exchangeable LP units	679	(457)
Net change in fair value of interest rate swaps and bond forwards	1,772	(39)
Net change in fair value of convertible debentures	4,479	(3,022)
Exchanges of Class B exchangeable LP units	-	(314)
Amortization of finance charges	687	1,010
Mark to market on assumption of debt	-	739
Mark to market amortization	(100)	(252)
Current and long-term debt <sup>(1)</sup> – end of the period	\$ 647,702	\$ 548,999

<sup>(1)</sup> Debt defined for this purpose as mortgage bonds, debentures, mortgages payable, notes payable, Class B exchangeable LP units and land lease liability.

<sup>(2)</sup> Opening debt on January 1, 2019 includes the land lease liability of \$60.4 million booked under new accounting pronouncements on a prospective basis (see Note 13).

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

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(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

#### 22. Related Party Transactions

The following are the related party transactions of the Trust. All related party transactions have been recorded at the exchange amount.

##### (a) Bonds and Debentures

The trustees own directly or indirectly the following mortgage bonds and debentures of the Trust (stated at face value):

	September 30, 2019	December 31, 2018
Earl Brewer (Chair of the Board and trustee)	\$ 325	\$ 450
Stephen Johnson (trustee)	200	300
Michael Zakuta (President, Chief Executive Officer and trustee)	-	100
Total	\$ 525	\$ 850

No other trustee or key management personnel own mortgage bonds of the Trust at September 30, 2019 (December 31, 2018 - \$20 thousand).

##### (b) Notes Payable to Related Parties

The following non-interest bearing notes existed at the time of acquisition of properties in September 2000. The notes are repayable on sale or refinancing of the related asset.

	September 30, 2019	December 31, 2018
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta.	\$ 261	\$ 261

##### (c) Other Transactions with Related Parties

- (i) TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to the Trust at market rates, with a total annual rent of \$1.2 million. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value.
- (ii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. At September 30, 2019 there is a \$6 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees (December 31, 2018 - \$60 thousand). For the nine months ended September 30, 2019, property management, development, financing and leasing fees of \$143 thousand were earned by a subsidiary of the Trust from this property (for the nine months ended September 30, 2018 - \$195 thousand). The \$405 thousand note receivable owing to the Trust at December 31, 2018, relating to short-term funding requirements for the construction of a retail pad on the property was repaid during the first quarter of 2019.
- (iii) Until January 31, 2018, Earl Brewer and Michael Zakuta, directly or indirectly, held interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Northwest Plaza Commercial Trust that it did not already own (see Note 4). A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, development and leasing fees of \$18 thousand were earned by a subsidiary of the Trust from this property.
- (iv) The Montreal office of Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) shares office space with a company indirectly owned by Michael Zakuta in an office building owned by that related party. The Trust pays no basic minimum rent for the space.

## Plaza Retail REIT

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- (v) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 20% interest in Mountainview Plaza, Midland, ON and Park Street Plaza, Kenora, ON. A subsidiary of the Trust manages the malls. At September 30, 2019 there is \$5.9 million owed by the properties to the Trust which is recorded in notes and advances receivable (December 31, 2018 - \$5.6 million). As well, there is a \$12 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees (December 31, 2018 - \$5 thousand). For the nine months ended September 30, 2019, property management, leasing, development and financing fees of \$145 thousand were earned by a subsidiary of the Trust from these properties (for the nine months ended September 30, 2018 - \$430 thousand).
- (vi) Until January 31, 2018, Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, held interests in common with the Trust's 10% interest in Shediac West Plaza, Shediac, NB. A subsidiary of the Trust manages the property. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp – Shediac Limited Partnership that it did not already own (see Note 4). A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, leasing and development fees of \$2 thousand were earned by a subsidiary of the Trust from this property.
- (vii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in two single-use properties located in Amherstview and Port Perry, ON. A subsidiary of the Trust manages the properties. At September 30, 2019 there is a \$1 thousand accounts receivable balance owing to the Trust for property management fees. For the nine months ended September 30, 2019, property management fees of \$4 thousand were earned by a subsidiary of the Trust from these properties (for the nine months ended September 30, 2018 - \$4 thousand).
- (viii) Earl Brewer, James Petrie, Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in KGH Plaza, Miramichi, NB, a single-use property located at 681 Mountain Road, Moncton, NB, a single-use property located at 201 Main Street, Sussex, NB and Robie Street Truro Plaza, Truro, NS. A subsidiary of the Trust manages the properties. At September 30, 2019 there is a \$5 thousand accounts receivable balance owing to the Trust for property management, development and leasing fees (December 31, 2018 - \$5 thousand). For the nine months ended September 30, 2019, property management, leasing and development fees of \$133 thousand were earned by a subsidiary of the Trust from these properties (for the nine months ended September 30, 2018 \$893 thousand).
- (ix) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in Scott Street Plaza, St. Catharines, ON, and five single-use properties located at St. Joseph's Boulevard, Orleans, ON, Dufferin and Wilson, Perth, ON, Ontario Street Port Hope, Port Hope, ON, Civic Centre Road, Petawawa, ON and 615 King Street, Gananoque, ON. A subsidiary of the Trust manages the properties. For the nine months ended September 30, 2019, property management fees of \$24 thousand were earned by a subsidiary of the Trust from these properties (for the nine months ended September 30, 2018 - \$24 thousand).
- (x) Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following eight properties: Boulevard Hebert Plaza and Victoria Street Plaza in Edmundston, NB; Grand Falls Shopping Center and Madawaska Road Plaza in Grand Falls, NB; Connell Road Plaza, Woodstock, NB; Welton Street Plaza, Sydney, NS; and Pleasant Street Plaza and Starrs Road Plaza in Yarmouth, NS. A subsidiary of the Trust manages the properties. At September 30, 2019 there is a \$44 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2018 - \$9 thousand). For the nine months ended September 30, 2019, property management, leasing and development fees of \$201 thousand were earned by a subsidiary of the Trust from these properties (for the nine months ended September 30, 2018 – \$149 thousand).

## Plaza Retail REIT

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#### 23. Financial Instruments and Risk Management

In accordance with IFRS, the Trust is required to classify its financial instruments carried at fair value in the financial statements using a fair value hierarchy that exhibits the significance of the inputs used in making the measurements.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data.

The following table provides information on financial assets and liabilities measured at fair value.

	September 30, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 1,021,557	\$ -	\$ -	\$ 988,640
Right-of-use land lease asset	-	-	59,944	-	-	-
Investment properties held for sale	-	-	-	-	-	-
	\$ -	\$ -	\$ 1,081,501	\$ -	\$ -	\$ 988,640
Class B exchangeable LP units	\$ 5,301	\$ -	\$ -	\$ 4,622	\$ -	\$ -
Series E convertible debentures	48,904	-	-	44,892	-	-
Series VII convertible debentures	-	5,693	-	-	5,226	-
Land lease liability	-	-	59,943	-	-	-
	\$ 54,205	\$ 5,693	\$ 59,943	\$ 49,514	\$ 5,226	\$ -

The fair value of investment properties is based on a combination of external appraisals and internal valuations based on a capitalization matrix provided by independent appraisers (see Note 5 for a more detailed description of the Trust's valuation approach). The significant unobservable inputs include normalized net operating income, which is supported by the terms of existing leases in place and current market rents to renew or lease up vacant or expiring space, adjusted for estimated or normalized vacancy rates based on market conditions and factoring in expected maintenance costs.

#### 24. Subsequent Events

##### Financings

In October 2019, the Trust obtained new long-term financings in the amount of \$4.2 million with a weighted average term of 10 years and a weighted average interest rate of 3.23%.

In October 2019, a fixed term loan was obtained for \$8.1 million with a term of 10 years and an interest rate of 3.41%. This loan is secured by a property located in Saint-Jerome, QC and is held in a non-consolidated investment of which the Trust owns a 20% interest.

In October 2019, the 2<sup>nd</sup> tranche of the long-term financing for a property located in Brockville, ON was obtained for \$2.5 million with a term of 10.0 years and an interest rate of 3.68%, at the Trust's ownership percentage of 50%.

In October 2019, a \$6.6 million variable rate construction loan/credit facility, at the Trust's consolidated ownership, for a property located in Chicoutimi, QC was renewed to May 2020.

##### Unitholders' Equity

Between October 1<sup>st</sup> and November 4<sup>th</sup>, 2019, an additional 48,500 units have been repurchased under the normal course issuer bid at an average unit price of \$4.46.

##### Distributions and Distribution Reinvestment Plan

The Trust paid a cash distribution of \$0.02333 per unit for a total of \$2.4 million on October 15, 2019.