

Consolidated financial statements

**LANTOWER RESIDENTIAL
REAL ESTATE DEVELOPMENT TRUST (NO. 1)**

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation)
to December 31, 2024



KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416 777 8500
Fax 416 777 8818

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Lantower Residential Real Estate Development Trust (No.1)

Opinion

We have audited the consolidated financial statements of Lantower Residential Real Estate Development Trust (No.1) (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2025 and for the period from February 12, 2024 (date of formation) to December 31, 2024
- the consolidated statement of changes in net assets for the year ended December 31, 2025 and for the period from February 12, 2024 (date of formation) to December 31, 2024
- the consolidated statements of cash flows for the year ended December 31, 2025 and for the period from February 12, 2024 (date of formation) to December 31, 2024
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2025 and for the period from February 12, 2024 (date of formation) to December 31, 2024 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the fair value of properties under development

Description of the matter

We draw attention to Notes 1(d), 2(c), and 3 of the financial statements. The Entity uses the fair value model to account for properties under development using the direct capitalization method to determine the value upon stabilization, combined with a discounted cash flow method to calculate the fair value at reporting date. The fair value of properties under development is \$164,720 thousand at December 31, 2025. The significant assumptions used when determining the fair value of properties under development include the selection of the overall capitalization rate and forecast of stabilized net operating incomes.

Why the matter is a key audit matter

We identified the evaluation of the fair value of properties under development as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of properties under development and the high degree of estimation uncertainty in determining the fair value of properties under development. Additionally, significant auditor judgment and involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value of properties under development to minor changes in significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the overall capitalization rate. This rate was evaluated by comparing it to published reports of real estate industry commentators taking into consideration the features of the specific properties under development.



We evaluated the forecasted stabilized net operating incomes by comparing them to published reports of real estate industry commentators and recent transactions of similar properties while considering the features of the specific properties under development.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Larry Toste.

Toronto, Canada

March 5, 2026

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Consolidated Statement of Financial Position
(Expressed in thousands of United States Dollars)

| | | December 31 | December 31 |
|--|------|------------------|-----------------|
| | Note | 2025 | 2024 |
| Assets | | | |
| Non-current assets: | | | |
| Properties under development | 3 | \$164,720 | \$58,687 |
| Current assets: | | | |
| Cash and cash equivalents | | 350 | 23,784 |
| Total assets | | \$165,070 | \$82,471 |
| Liabilities | | | |
| Non-current liabilities: | | | |
| Construction loan facility | 6(c) | 73,632 | — |
| Deferred income tax liabilities | 5 | 1,622 | 2,102 |
| Accounts payable and accrued liabilities | | 907 | — |
| | | 76,161 | 2,102 |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | | 13,631 | 5,386 |
| Total liabilities, excluding net assets attributable to unitholders and non-controlling interests | | \$89,792 | \$7,488 |
| Net assets | | | |
| Net assets attributable to unitholders | | \$51,657 | \$50,682 |
| Net assets attributable to non-controlling interests | | 23,621 | 24,301 |
| Total net assets | | \$75,278 | \$74,983 |
| Commitments and contingencies | 10 | | |

See accompanying notes to the consolidated financial statements.

Approved by the Trustees:

"Mark Johnson" Trustee

"Samantha Adams" Trustee

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Consolidated Statement of Income (Loss) And Comprehensive Income (Loss)
(Expressed in thousands of United States Dollars)

| | <i>Note</i> | Year ended December 31 2025 | February 12, 2024 (date of formation) to 2024 |
|--|-------------|-----------------------------------|--|
| Income: | | | |
| Fair value gain on properties under development | 3 | \$299 | \$7,407 |
| Expenses: | | | |
| General and administrative costs | | (228) | (177) |
| Asset management fees | 6(b) | (520) | (387) |
| | | (748) | (564) |
| Income (loss) before finance income and income taxes | | (449) | 6,843 |
| Finance income (loss): | | | |
| Finance income | | 270 | 1,233 |
| Foreign exchange gain (loss) | | (2,157) | 2,147 |
| | | (1,887) | 3,380 |
| Income (loss) before income taxes | | (2,336) | 10,223 |
| Income tax (expense) recovery | 5 | 480 | (2,102) |
| Net income (loss) and comprehensive income (loss) | | (\$1,856) | \$8,121 |
| Net income (loss) and comprehensive income (loss) attributable to: | | | |
| Unitholders | | (\$1,176) | \$5,146 |
| Non-controlling interests | | (\$680) | \$2,975 |

See accompanying notes to consolidated financial statements.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Consolidated Statement of Changes in Net Assets

(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

| | <i>Note</i> | Net assets attributable to unitholders | Net assets attributable to non- controlling interests | Total |
|--|-------------|--|---|-----------------|
| Balance, February 12, 2024 (date of formation) | | \$— | \$— | \$— |
| Public offering of Units, net of issuance costs | 7 | 47,702 | — | 47,702 |
| Change in foreign currency translation reserve | | (2,166) | — | (2,166) |
| Contribution of properties under development | 3 | — | 21,326 | 21,326 |
| Income before income taxes | | 7,248 | 2,975 | 10,223 |
| Income tax expense attributable to unitholders | | (2,102) | — | (2,102) |
| Balance, December 31, 2024 | | 50,682 | 24,301 | 74,983 |
| Redemption of Units | 7 | (15) | — | (15) |
| Change in foreign currency translation reserve | | 2,166 | — | 2,166 |
| Loss before income taxes | | (1,656) | (680) | (2,336) |
| Income tax recovery attributable to unitholders | 5 | 480 | — | 480 |
| Balance, December 31, 2025 | | \$51,657 | \$23,621 | \$75,278 |

See accompanying notes to consolidated financial statements.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Consolidated Statement of Cash flows
(Expressed in thousands of United States Dollars)

| | <i>Note</i> | Year ended December 31, 2025 | February 12, 2024 (date of formation) to December 31, 2024 ⁽¹⁾ |
|--|-------------|---|---|
| Cash provided by (used in): | | | |
| Operating activities: | | | |
| Net income (loss) | | (\$1,856) | \$8,121 |
| Items not affecting cash: | | | |
| Fair value gain on properties under development | 3 | (299) | (7,407) |
| Deferred income tax expense (recovery) | 5 | (480) | 2,102 |
| Change in other non-cash operating items | 4 | 2,686 | (1,779) |
| | | 51 | 1,037 |
| Investing activities: | | | |
| Properties under development: | | | |
| Additions | 3, 4 | (97,102) | (24,955) |
| | | (97,102) | (24,955) |
| Financing activities: | | | |
| Public offering of Units, net of issuance costs | 7 | — | 47,702 |
| Redemption of Units | 7 | (15) | — |
| Construction loan facility advances | 6(c) | 73,632 | — |
| | | 73,617 | 47,702 |
| Increase (decrease) in cash and cash equivalents | | (23,434) | 23,784 |
| Cash and cash equivalents, beginning of period | | 23,784 | — |
| Cash and cash equivalents, end of year | | \$350 | \$23,784 |

⁽¹⁾ Certain comparative figures for the year ended December 31, 2024, have been revised to reflect adjustments described in Note 1(e).

See accompanying notes to consolidated financial statements.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

Lantower Residential Real Estate Development Trust (No. 1) (the "REDT" or the "Trust") is a trust formed pursuant to a Declaration of Trust dated February 12, 2024, and is governed by the laws of the Province of Ontario. The REDT was formed for the purpose of indirectly owning an interest in the Bayside and Sunrise development projects (the "Projects") that were previously wholly-owned by a subsidiary of H&R Real Estate Investment Trust ("H&R REIT") and located in the Tampa, Florida market, and Orlando, Florida market, respectively.

The REDT holds its interests in the Projects indirectly, through its ownership of limited partnership units of Lantower Residential REDT (No. 1) Investment LP (the "Investment LP"), through the Investment LP's ownership of limited partnership units of Lantower Residential REDT (No. 1) Holding LP (the "Holding LP"), through the Holding LP's ownership of limited partnership units of Lantower Residential REDT (No. 1) JV LP (the "JV LP"). The JV LP is a jointly owned entity with H&R REIT, with the REDT owning a 70.9% interest and H&R REIT indirectly owning a 29.1% interest.

The REDT's financial reporting year end is December 31.

The registered and head office of the REDT is 3625 Dufferin Street, Suite 500, Toronto, ON, M3K 1N4, Canada.

1. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using accounting policies described herein.

The consolidated financial statements were approved by the Board of Trustees of the REDT on March 5, 2026.

(b) Functional currency and presentation:

The consolidated financial statements are presented in United States dollars ("USD"), the REDT's functional currency, except where otherwise stated. Management has made judgments to determine the functional currency of the REDT. All financial information has been rounded to the nearest thousand USD.

(c) Basis of presentation and measurement:

The consolidated financial statements are prepared on a going concern basis using the historical cost method modified to include the fair value measurement of properties under development.

(d) Critical judgments and estimates:

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

(i) *Classification of properties under development:*

Management applied judgment in the classification of its properties under development as investment property held for capital appreciation rather than for short-term sale in the ordinary course of business as defined by IAS 40, *Investment Property* ("IAS 40").

(ii) *Accounting for acquisitions:*

Management assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, *Business Combinations* ("IFRS 3"). This assessment requires management to make judgments on whether the assets acquired, and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business. The acquisition of the Projects has been accounted for as an asset acquisition as (a) substantially all of the fair value of the gross assets acquired are concentrated in a group of similar identifiable assets and (b) the assets acquired do not include a substantive process where inputs were acquired to create or contribute to the creation of output.

(iii) *Consolidation of Investment LP, Holding LP and JV LP:*

The preparation of these consolidated financial statements entails consolidating the financial statements of all entities that the REDT controls. The REDT determined it has control over Investment LP, Holding LP, and the JV LP (collectively, the "Partnerships") based on its power to make decisions over relevant activities and its rights and exposure to variable returns when considering relevant criteria included as part of IFRS 10, *Consolidated Financial Statements*. The REDT has assessed it has control over Investment LP, Holding LP, and the JV LP based on the following key criteria and observations, among others: (a) the aggregate economic interest of the REDT coupled with (b) all relevant decisions of the JV LP (which are focused on development, construction, project management, and leasing) are dependent on the approval of the independent trustees of the REDT, which provides the REDT the practical ability to direct these relevant activities.

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) *Properties under development:*

Management uses the fair value model to account for properties under development. The fair value is determined internally by management using the direct capitalization method to determine the value upon stabilization, combined with a discounted cash flow method to arrive at the fair value as of the date of the financial statements. The significant assumptions used when determining the fair value of properties under development include the selection of the overall capitalization rate and forecast of stabilized net operating income. Further information on properties under development estimates and assumptions is provided in note 3.

(e) *Comparative figures:*

Certain comparative figures on the consolidated statement of cash flows have been adjusted to conform to current year presentation. The change in foreign currency translation reserve of \$(2,166) was reclassified from financing activities to operating activities on the consolidated statement of cash flows as at December 31, 2024.

2. **Material accounting policies:**

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements.

(a) *Cash and cash equivalents:*

Cash includes cash on hand and is measured at amortized cost.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

(b) Foreign currency translation:

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the consolidated statement of financial position date, monetary assets and liabilities denominated in Canadian dollars ("CAD") are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at period-end exchange rates are recognized in net income.

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

(c) Properties under development:

The REDT classifies its acquisitions as asset acquisitions when it acquires a property, and it has not acquired an operating platform. The initial cost of a property under development considered an asset purchase is comprised of its purchase price and any directly attributable expenditures including transaction costs such as due diligence costs and professional fees.

Properties under development are held for capital appreciation and to earn rental income and thus qualifies as investment property under IAS 40. After initial recognition, properties under development are recorded at fair value. The related gains or losses arising from the changes in fair value are recognized in the consolidated statement of income (loss) and comprehensive income (loss) in the year of the change.

Properties under development are classified as such until the properties are substantially completed and available for occupancy. The initial cost of properties under development include the acquisition cost of the land, development costs, borrowing costs, development management fees, and indirect costs wholly attributable to development. Where borrowings are associated with specific construction or development, the amount capitalized is the gross borrowing cost incurred on such borrowings. The capitalization of borrowing costs is suspended if there are prolonged periods that construction or development activity is interrupted. Indirect costs such as realty taxes and insurance related to the multi-family residential rental buildings under construction or land under development are also capitalized.

(d) Principles of consolidation:

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries. Subsidiaries are consolidated from the date of acquisition, which is the date on which the Trust obtains control, and continue to be consolidated until the date that such control ceases, which generally occurs on disposition of a majority or an entire controlling interest to a third party. Control exists when the Trust has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial information of the Trust's subsidiaries was prepared for the same reporting periods as the Trust using consistent significant accounting policies as monitored by the Trust. All intercompany balances are eliminated on consolidation.

Non-controlling interests are measured initially at fair value determined in accordance with IFRS 13, *Fair Value Measurement*, at the date of acquisition. Changes in the interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Trust loses control of a subsidiary, the Trust derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position and any related non-controlling interest. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Trust Units:

Trust Units are redeemable at the holder's option, and therefore are considered to be a puttable instrument in accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain exemption conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. The Trust Units do not meet the exemption conditions of IAS 32 and are, therefore, classified as a liability.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

(f) Income taxes:

The Trust is a trust as defined in the *Income Tax Act* (Canada) (the "Tax Act") and, accordingly, is not taxable on income to the extent that taxable income is distributed to unitholders. The Trust intends to distribute all taxable income to Unitholders and, as such, should not generally be liable for income taxes.

Specified investment flow-through trust ("SIFT") Rules apply to a trust that is a "SIFT trust" or a partnership that is a "SIFT partnership", each as defined in the Tax Act. Provided that a trust or partnership does not own "non-portfolio property" (as defined in the Tax Act) at any relevant time, it will not be subject to the SIFT Rules. Based on the investment restrictions of the Trust and the limitations imposed on the Partnerships under their respective limited partnership agreements, the Trusts and its subsidiaries will not at any time hold any non-portfolio property and, therefore, should not be subject to the SIFT Rules.

A subsidiary of the Trust (Investment LP) has made an election pursuant to the U.S. Internal Revenue Code of 1986, as amended, to be classified as a corporation from U.S. federal income tax purposes. Consequently, such subsidiary of the Trust is considered a "foreign corporation" for U.S. federal income tax purposes and subject to U.S. federal, state and local corporate income taxes in the United States.

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to a business combination, or items recognized directly in net assets attributable to unitholders or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable net income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, if such entities intend to settle current tax liabilities and assets on a net basis or the entities' tax assets and liabilities will be realized simultaneously.

Judgment is required to assess the interpretation of tax legislation when recognizing and measuring current and deferred tax assets and liabilities. The impact of different interpretations and applications could potentially be material. The Trust recognizes a tax benefit from an uncertain tax position when it is probable that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

(g) Financial instruments:

Financial assets and financial liabilities are classified into three categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss ("FVTPL"). The classification of financial assets is determined by their context in the Trust's business model and by the characteristics of the financial asset's contractual cash flows.

The following summarizes the Trust's classification and measurement of financial assets and financial liabilities:

| Financial assets and liabilities | Classification |
|--|----------------|
| Cash and cash equivalents | Amortized cost |
| Construction loan facility | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |

Financial assets and financial liabilities are initially recognized when the Trust becomes a party to the contractual provision of the instrument.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

A financial asset that contains a significant financing component or a financial liability is initially measured at fair value plus transaction costs, except for those financial assets classified at FVTPL, for which transaction costs are expensed immediately. A financial asset without a significant financing component is initially measured at the transaction price.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- (i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

The Trust subsequently measures financial assets at amortized cost using the effective interest method. The amortized cost is reduced by loss allowances. Interest income, foreign exchange gains and losses and loss allowances are recognized in profit and loss.

Financial assets are derecognized if the Trust's contractual rights to the cash flows from the financial assets expire, or if the Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Any gain or loss on derecognition is recognized in profit and loss. Financial assets measured at FVTPL are re-measured at each statement date with net gains and losses, including interest income, recognized in profit and loss.

Financial liabilities are classified as amortized cost or FVTPL. A financial liability is measured at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Financial liabilities are derecognized if the Trust's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on derecognition is also recognized in profit and loss.

The Trust does not hold derivative financial instruments for hedging purposes.

(h) Impairment of financial assets:

The Trust recognizes loss allowances for expected credit losses ("ECLs") on financial assets measured at amortized cost. Loss allowances for amounts receivable are measured at an amount equal to lifetime ECLs and are deducted from the gross carrying amount of the financial asset on the statements of financial position. Impairment losses, if incurred, would be recorded in administrative expenses in the consolidated statement of income (loss) and comprehensive income (loss). In years subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of income (loss) and comprehensive income (loss). The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(i) Fair value measurements:

The Trust measures financial instruments, such as derivatives, and non-financial assets, such as real estate investment properties, at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Trust.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Trust determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

(j) Levies:

In accordance with IFRS Interpretations Committee ("IFRIC") 21, Levies, the Trust recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. This is the obligating event that gives rise to a liability to pay the property taxes. Additionally, as a pro rata property tax basis adjustment is most often included in the property price in the United States, this is included in the Trust assessment of the fair value of properties under development.

(k) Future effective standards:

IFRS 18, *Presentation and Disclosure in Financial Statements* will replace IAS 1, *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following new key requirements:

- (i) Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change;
- (ii) Management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements; and
- (iii) Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The REDT is currently assessing the impact of the new standard, particularly with respect to the structure of the REDT's statement of income (loss) and comprehensive income (loss), the statement of cash flows and the additional disclosures required for MPMs. The REDT is also assessing the impact on how information is grouped in the financial statements, including items currently labelled as "other".

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

The IASB issued amendments to IFRS 9, *Financial Instruments* (“IFRS 9”) and IFRS 7, *Financial Instruments: Disclosures* in May 2024. These amendments relate to classification of financial assets and accounting for settlement by electronic payments in the context of the classification and measurement requirements in IFRS 9. The potential impact may include, but is not limited to, a change in timing of recognition and derecognition of financial instruments in situations where settlement of a financial instrument with another takes more than a day. Similarly, a change may be required for entities that derecognize both trade payable and cash on the payment initiation date even if the creditor has not yet received the cash. However, an accounting policy choice is available for derecognizing certain financial liabilities that are settled using an electronic payment system subject to certain criteria being met. The amendments will be effective from January 1, 2026. The amendments are not expected to have a material impact on the REDT’s consolidated financial statements.

3. Properties under development:

In February 2024, H&R REIT created the REDT which completed an initial public offering in April 2024 and raised USD \$52,000 of equity capital to acquire an interest in and fund the development of the Projects that had been wholly-owned by a subsidiary of the H&R REIT. The Projects are expected to contain an aggregate of 601 residential rental units. H&R REIT contributed the Projects at a cost of \$21,326 to JV LP, a joint venture with the REDT, in exchange for a 29.1% ownership interest in JV LP.

The changes in properties under development for the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024 consist of the following:

| | December 31 2025 | December 31 2024 |
|--|---------------------|---------------------|
| Balance, beginning of period | \$58,687 | \$— |
| Contribution of properties under development | — | 21,326 |
| Additions to properties under development (including capitalized interest) | 105,734 | 29,954 |
| Fair value gain on properties under development | 299 | 7,407 |
| Balance, end of year | \$164,720 | \$58,687 |

The fair value methodology for the properties under development is considered to be Level 3, as significant unobservable inputs are required to determine fair value. Management completed an internal valuation to fair value the properties under development as at December 31, 2025 based on the direct capitalization method to determine the value upon stabilization, combined with a discounted cash flow method to arrive at the fair value as at December 31, 2025.

A significant increase (decrease) in the selected overall capitalization rate in isolation would result in a significantly lower (higher) fair value. A significant increase (decrease) in the forecasted stabilized net operating income in isolation would result in a significantly higher (lower) fair value.

The sensitivity to the fair value of the REDT’s properties under development is set out below:

| Sensitivity | Fair value increase (decrease) |
|---------------------------------|--------------------------------|
| Overall capitalization rate | |
| Increase by 0.25% | (\$10,410) |
| Decrease by 0.25% | \$11,506 |
| Stabilized net operating income | |
| Increase by 1% | \$2,209 |
| Decrease by 1% | (\$2,209) |

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

4. Supplemental cash flow information:

The following is a summary of changes in other non-cash operating items:

| | Year ended December 31, 2025 | February 12, 2024 (date of formation) to December 31, 2024 |
|--|------------------------------------|---|
| Asset management fee | \$520 | \$387 |
| Change in foreign currency translation reserve | 2,166 | (2,166) |
| | \$2,686 | (\$1,779) |

The following non-cash items have been excluded from operating, investing and financing activities in the consolidated statement of cash flows:

| | Year ended December 31, 2025 | February 12, 2024 (date of formation) to December 31, 2024 |
|---|------------------------------------|---|
| Change in accounts payable and accrued liabilities included in properties under development | 8,632 | 4,999 |

5. Income tax (expense) recovery:

| | Unitholders | Non-controlling interests | Year ended December 31, 2025 Total | February 12, 2024 (date of formation) to December 31, 2024 Total |
|---|-------------|------------------------------|--|--|
| Deferred income tax (expense) recovery attributable to: | \$480 | \$— | \$480 | (\$2,102) |
| Income tax (expense) recovery | \$480 | \$— | \$480 | (\$2,102) |

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

The Trust has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 29.0%. The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

| | Non-controlling Unitholders | interests | December 31 2025 | Non-controlling Unitholders | interests | December 31 2024 |
|--|--------------------------------|-----------|---------------------|--------------------------------|-----------|---------------------|
| Income (loss) before income taxes: | (\$1,656) | (\$680) | (\$2,336) | \$7,248 | \$2,975 | \$10,223 |
| Income tax (expense) recovery attributable to: | 480 | — | 480 | (2,102) | — | (\$2,102) |
| Net income (loss) and comprehensive income (loss) attributable to: | (\$1,176) | (\$680) | (\$1,856) | \$5,146 | \$2,975 | \$8,121 |
| Combined tax rate applicable to: | 29.0 % | 0.0 % | | 29.0 % | 0.0 % | |
| Deferred income tax liabilities: | | | | | | |
| Properties under development | (\$1,622) | \$— | (\$1,622) | (\$2,102) | \$— | (\$2,102) |
| Deferred income tax liabilities | (\$1,622) | \$— | (\$1,622) | (\$2,102) | \$— | (\$2,102) |

6. Related party transactions:

The Trust has entered into various transactions with related parties which consist of the following:

(a) Development agreement:

The REDT is managed by H&R REIT Management Services Limited Partnership (the "Canadian Manager") and the JV LP is managed by Lantower Management Services LP ("the U.S. Manager", and together with the Canadian Manager, the "Manager"), each a subsidiary of H&R REIT. The U.S. Manager is entitled to a development management fee equal to 4% of all actual hard and soft costs of the Projects excluding land, financing, leasing, administrative and equity raising costs. Development management fees are capitalized to the Projects.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

(b) Asset management agreement:

In consideration for the Manager's services, the JV LP will pay the U.S. Manager an asset management fee (the "Asset Management Fee") equal to 1% per annum of the Gross Subscription Proceeds (as such term is defined in the final prospectus of the REDT dated March 27, 2024 (the "Prospectus")). The Asset Management Fee will accrue on a monthly basis until the earlier of a Liquidity Event and the date which is three and a half years following the closing date of the Offering but will only be payable following a Liquidity Event and provided that the Minimum Return (as such terms are defined in the Prospectus) is achieved. The Manager will not receive payment of the Asset Management Fee during the development phase of the Projects. In the event that a Liquidity Event is proposed by the Manager that would result in the Minimum Return being achieved but is not approved by Unitholders, the Asset Management Fee will continue to accrue until such time as a Liquidity Event is achieved. As of December 31, 2025, asset management fees of \$907 have been accrued (December 31, 2024 - \$387). Asset management fees are expensed and not capitalized to the Projects.

(c) Construction loan facility:

On May 8, 2025, the REDT JV LP entered into a construction loan agreement with H&R REIT for a principal amount of up to \$136,200, allocated \$76,600 to the Sunrise Project and \$59,600 to the Bayside Project, bearing interest at 9.0% per annum (the "Construction Loan"). The Construction Loan is interest only and prepayable at any time with H&R REIT's consent. The Construction Loan is secured by a pledge of the ownership interests in the entities that directly hold title and beneficial ownership to the Projects, and matures on May 8, 2029, subject to two 1-year extensions, subject to H&R REIT's approval in its sole discretion. As at December 31, 2025, the balance outstanding on the Construction Loan was \$73,632, therefore the remaining balance that H&R REIT is committed to fund is \$62,568.

The following is a summary of fees pursuant to these agreements:

| | Year ended December 31 2025 | February 12, 2024 (date of formation) to 2024 |
|-------------------------------|-----------------------------------|--|
| Capitalized to the Projects: | | |
| Development management fee | \$3,916 | \$1,286 |
| Financing fees | 1,430 | — |
| Interest | 2,283 | — |
| | 7,629 | 1,286 |
| Asset management fees expense | 520 | 387 |
| | \$8,149 | \$1,673 |

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

Amounts due to related parties include:

| | <i>Note</i> | December 31 2025 | December 31 2024 |
|---|-------------|-----------------------------|---------------------|
| Non-current liabilities: | | | |
| Construction loan facility | | \$73,632 | \$— |
| Accounts payable and accrued liabilities: | | | |
| Asset management fee payable | | 907 | 387 |
| | | 74,539 | 387 |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities: | | | |
| Development management fee payable | | 245 | 192 |
| Interest payable | | 272 | — |
| | | 517 | 192 |
| | | \$75,056 | \$579 |

All of the above transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

The Projects do not employ key management personnel. Management services, strategic oversight, accounting, and administrative duties of managing the properties are managed through a management agreement.

7. Trust units:

The Trust is authorized to issue various classes of Trust interests. Initially, an unlimited number of Class A Units, Class E Units, Class F Units and Class U Units have been authorized for issuance. The Class A Units and Class F Units are denominated in CAD. The Class E Units and Class U Units are denominated in USD.

Trust Units are redeemable at any time, in whole or in part, on demand by holders. Detailed redemptions terms for each class of units are defined in the declaration of trust agreement. In summary, the redemption price is based on amount equal to 95% of the aggregate net asset value of issued and outstanding units for that class of unit less the redemption costs.

Unless the Trustees otherwise determine, the total amount payable by the Trust by cash payment in respect of the redemption of units for the calendar quarter shall not exceed CAD \$50 in the aggregate and is also limited in any 12-month period to 1% of the aggregate net asset value (as defined in the declaration of trust) at the start of such 12-month period.

The REDT entered into an agency agreement dated March 27, 2024, pursuant to which it filed the Prospectus in each of the provinces of Canada in connection with its initial public offering to sell USD \$52,000 of Class A Units, Class E Units, Class F Units and/or Class U Units at a price of CAD \$10 per Class A Unit and Class F Unit and a price of USD \$10 per Class E Unit and Class U Units (the "Offering"). Costs related to the Offering include agents' fees of CAD \$0.60 for each Class A Unit and Class F Unit and USD \$0.60 for each Class E Unit and Class U Unit, and legal, auditor and miscellaneous expenses. The closing of the transaction contemplated by the Prospectus occurred on April 3, 2024.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

A summary of the issued and outstanding number of Units and costs of Units, as well as the the changes from issuance on April 3, 2024 to December 31, 2025 are as follows:

| Unit class | Number of Units on issuance April 3, 2024 | Redemption of Units | Number of Units outstanding December 31, 2025 | Cost of Units on issuance April 3, 2024 | Issuance costs | Public offering of Units, net of issuance costs | Cost of Units upon redemption | Cost of Units outstanding December 31, 2025 |
|------------|---|---------------------|---|---|----------------|---|-------------------------------|---|
| Class A | 3,187,105 | — | 3,187,105 | \$23,482 | \$1,941 | \$21,541 | \$— | \$21,541 |
| Class F | 2,299,800 | (2,000) | 2,297,800 | 16,945 | 1,401 | 15,544 | (15) | \$15,529 |
| Class U | 971,900 | — | 971,900 | 9,719 | 803 | 8,916 | — | \$8,916 |
| Class E | 185,400 | — | 185,400 | 1,854 | 153 | 1,701 | — | \$1,701 |
| Total | 6,644,205 | (2,000) | 6,642,205 | \$52,000 | \$4,298 | \$47,702 | (\$15) | \$47,687 |

8. Non-controlling interests:

(a) Non-controlling interests selected financial information:

| Consolidated limited partnerships | Non-controlling interests |
|-----------------------------------|---------------------------|
| Investment LP | —% |
| Holding LP | —% |
| JV LP | 29.1% |
| Total non-controlling interests | 29.1% |

(b) Distribution policy for the Investment LP, Holding LP, and JV LP:

The consolidated limited partnerships of the Investment LP, Holding LP and JV LP all have limited partnership agreements that define how distributions will ultimately be received by the REDT based on the REDT's holdings of limited partnership units of each of these Partnerships. The relationship between the general partners and limited partners of each Partnership are governed by these limited partnership agreements.

Cash flow available for distribution from the Projects is split pro rata between a subsidiary of H&R REIT and a subsidiary of the REDT, based on their proportionate ownership of the Projects. Each partner is entitled to receive a return of their invested capital, and thereafter participate in distributions of profit from the Projects. After a minimum return of 8% on invested capital is achieved, cash flow available for distribution is split 80% pro rata to the partners based on their proportionate interests, and 20% to another subsidiary of H&R REIT (the "Carried Interest Holder") as a carried interest payment. After a secondary minimum return of 15% on invested capital is achieved, cash flow available for distribution is split 70% pro rata to the partners based on their proportionate interest, with 30% to the Carried Interest Holder as a carried interest payment.

In the event that there is a cost overrun at the Projects, H&R REIT has committed to subscribe for a separate class of limited partnership units of the JV LP which are entitled to the same annual return as the REDT's interests.

The full details of Cash Flow Distributions can be found in the Prospectus.

9. Segment reporting:

The Trust indirectly owns the Projects located in the Tampa, Florida market, and Orlando, Florida market. Management, when measuring the Trust performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the Trust has a single reportable segment for disclosure purposes in accordance with IFRS.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

10. Commitments and contingencies:

(a) Litigation and claims:

The Trust may be subject to claims and legal actions that arise in the ordinary course of business. Management must use judgment, estimates, and assumptions in assessing the potential exposure of these claims and legal actions and in determining the provision to be recorded, if any.

(b) Commitments:

The REDT entered into a management agreement with the Manager who will provide management services to the REDT and to the U.S. Manager who will provide services to JV LP, the entity through which the REDT owns its interest in the Projects. This management agreement entitles the U.S. Manager to the Asset Management Fee. In addition, pursuant to the limited partnership agreement of the JV LP, the U.S. Manager has been retained to provide development management services in return for a development management fee equivalent to 4% of all actual hard and soft costs incurred in connection with the completion of the Projects. The development management fees are capitalized to the Projects.

Additionally, the REDT has entered into various construction contracts related to its development projects. As at December 31, 2025, there were no commitments under these contracts other than the amounts recorded in accounts payable and accrued liabilities.

(c) Contingent liabilities:

Lantower Residential LP, a wholly-owned subsidiary of H&R REIT, through its interest in the U.S. Manager, is entitled to carried interest, being the distribution after payment of the Minimum Return of 8% per annum by the REDT to Unitholders (the calculation of which, for greater clarity, includes the repayment of Unitholders' invested capital and is determined without reference to any U.S. federal, state and/or local income and/or withholding tax borne by the REDT or any subsidiary of the REDT that is a partnership, whether or not attributable directly or indirectly to any particular Unitholder) and the payment of an equivalent minimum return to Lantower Residential LP, a distribution of 20% of all further distributions made by the Projects to the U.S. Manager (in addition to Lantower Residential LP's pro rata share of distributions from the Projects) until the Secondary Minimum Return of 15% compounded per annum by the REDT to Unitholders has been received and thereafter, means a distribution of 30% of all further distributions made by the Projects to the U.S. Manager (in addition to Lantower Residential LP's pro rata share of distributions from the Projects). The carried interest calculation is calculated at a Unit class level after having allocated the appropriate amounts to the Unit class based on the proportionate class interest. The carried interest in respect of each Unit class is calculated in the same currency as the currency in which the Units of such class are denominated. In connection with the completion of a Liquidity Event, holders of the carried interest may, directly or indirectly, receive cash and/or securities in satisfaction of their interest.

As at December 31, 2025, the REDT did not recognize a provision for carried interest.

11. Risk management:

The Trust's activities expose it to market risk and liquidity risk. Risk management is carried out by management of the Trust. The Trust's overall risk management strategy seeks to minimize potential adverse effects on the Trust's financial performance.

(a) Currency risk:

As at December 31, 2025, the Trust's Class A Units and Class F Units are denominated in CAD. In addition, the Trust's assets include bank accounts denominated in CAD. These expose the Trust to foreign currency translation risk.

A \$0.10 weakening of the U.S. dollar against the Canadian dollar exchange rate as at December 31, 2025 of \$1.37 (December 31, 2024- 1.44), would have decreased net income (loss) and comprehensive income (loss) by approximately nil (December 31, 2024 - \$2,600). Conversely, a \$0.10 strengthening of the U.S. dollar against the Canadian dollar would have had a similar but opposite effect. This analysis assumes all other variables remain constant.

LANTOWER RESIDENTIAL REAL ESTATE DEVELOPMENT TRUST (NO. 1)

Notes to Consolidated Financial Statements
(Expressed in thousands of United States Dollars)

For the year ended December 31, 2025 and the period from February 12, 2024 (date of formation) to December 31, 2024

(b) Liquidity risk:

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with its financial liabilities, such as accounts payable and accrued liabilities, and amounts due to related parties, that are settled by delivering cash or another financial asset.

The following were the contractual maturities of financial liabilities and other commitments as at December 31, 2025:

| | Carrying amount | < 1 year | > 1 year |
|--|-----------------|----------|----------|
| Accounts payable and accrued liabilities | \$14,538 | \$13,631 | \$907 |
| | \$14,538 | \$13,631 | \$907 |

The Trust manages its liquidity risk by preparing budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. The Trust mitigates liquidity risk through the Construction Loan with the lender, and capital commitments from an affiliate of H&R REIT to subscribe for cost overrun units in the event of a cost overrun for the Projects, in each case to fund its liabilities as they become due.

12. Fair value measurement:

The fair values of the Trust's financial assets and liabilities approximate their recorded values due to their short-term nature, with the exception of the construction loan facility, which is a long-term financial liability. The fair value of the construction loan facility as at December 31, 2025 is \$75,562.

13. Capital risk management:

The Trust's capital consists of net assets attributable to unitholders and the Construction Loan. As at December 31, 2025, the balance outstanding on the Construction loan facility was \$73,632. The Trust's principal objective with respect to debt financing is to minimize its overall borrowing costs while ensuring sufficient liquidity and flexibility to meet the funding requirements of its development and carrying costs.

The Trust considers its capital structure on an ongoing basis and adjusts its capital structure in response to cash flow considerations, potential business opportunities and general economic conditions. The actual level and type of future financings to fund the Trust's capital obligations will be determined based on prevailing interest rates, various costs of debt, capital market conditions and management's general view of the appropriate leverage in the business.