



**NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST**

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

For the Three and Six Months Ended June 30, 2016
and June 30, 2015
(Unaudited)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Condensed Consolidated Interim Balance Sheet****(in thousands of Canadian dollars)****Unaudited**

As at	June 30, 2016	December 31, 2015
Assets		
Investment properties (note 7)	\$ 2,670,939	\$ 2,491,835
Intangible assets (note 8)	103,151	46,757
Goodwill	41,671	41,671
Due from related party (note 9)	588	1,736
Financial instruments (note 16)	11,655	8,506
Accounts receivable	15,909	3,919
Income tax receivable	1,272	1,092
Other assets (note 10)	17,186	10,903
Cash and restricted cash (note 11)	34,447	15,396
Assets held for sale (note 12)	17,875	78,194
Total assets	\$ 2,914,693	\$ 2,700,009
Liabilities		
Mortgages and loans payable (note 13)	\$ 1,381,589	\$ 1,252,993
Deferred consideration (note 14)	8,152	34,073
Convertible debentures (note 15)	175,647	170,094
Deferred revenue	1,271	-
Deferred tax liability	112,120	87,633
Financial instruments (note 16)	23,611	18,425
Income tax payable	8,921	7,373
Accounts payable and accrued liabilities	49,037	45,020
Distributions payable	4,127	3,513
Liabilities related to assets held for sale (note 12)	15,157	52,674
	1,779,632	1,671,798
Deferred unit plan liability (note 17)	16,677	15,597
Class B and Class D exchangeable units (note 18)	190,551	169,653
Total liabilities	\$ 1,986,860	\$ 1,857,048
Unitholders' Equity		
Unitholders' equity (note 19)	570,317	515,478
Non-controlling interest	357,516	327,483
Subsequent events (note 28)		
Total liabilities and unitholders' equity	\$ 2,914,693	\$ 2,700,009

The condensed consolidated interim financial statements were approved by the Board on August 11, 2016 and signed on its behalf by:

"Colin Loudon" _____ Trustee

"Paul Dalla Lana" _____ Trustee

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(in thousands of Canadian dollars)

Unaudited

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Net Operating Income				
Revenue from investment properties	\$ 64,170	\$ 44,837	\$ 129,075	\$ 71,770
Property operating costs	18,114	10,744	38,312	13,700
	46,056	34,093	90,763	58,070
Other Income				
Interest	989	114	1,180	571
Share of profit of associates	-	590	-	2,153
	989	704	1,180	2,724
Expenses				
Mortgage and loan interest expense	17,253	15,466	36,227	25,980
General and administrative expenses	6,478	6,875	11,804	12,581
Transaction costs	1,013	5,020	3,581	9,395
Foreign exchange (income) loss	262	(3,916)	(2,010)	(1,749)
	25,006	23,445	49,602	46,207
Income (loss) before other finance costs, fair value adjustments, and net loss on disposal of investment property, and net gain on business combination	22,039	11,352	42,341	14,587
Finance Costs				
Amortization of financing costs	(966)	(1,949)	(1,983)	(3,871)
Amortization of mark-to-market adjustment	1,638	643	4,190	643
Class B exchangeable unit distributions (note 18)	(3,800)	(4,249)	(7,600)	(9,323)
Fair value adjustment of Class B exchangeable units	(7,410)	21,424	(20,898)	31,574
Accretion of financial liabilities (notes 13 and 14)	(2,954)	(852)	(5,427)	(6,719)
Fair value adjustment of convertible debentures (note 15)	(3,232)	(1,775)	(5,553)	(6,112)
Convertible debenture issuance costs	-	-	-	(1)
Fair value gain (loss) on derivative financial instrument (note 16)	(164)	1,409	(3,884)	132
Fair value adjustment of investment properties (notes 7 and 12)	37,480	84,143	47,915	98,590
Net loss on disposal of investment properties (note 6)	(263)	-	(1,680)	-
Fair value adjustment of deferred unit plan liability	(809)	1,332	(1,622)	1,685
Gain on business combination (notes 3 and 4)	53	69,023	53	69,023
Income (loss) before taxes	41,612	180,501	45,852	190,208
Income tax expense	15,774	16,456	21,200	23,269
Net income (loss)	\$ 25,838	\$ 164,045	\$ 24,652	\$ 166,939
Net income (loss) attributable to:				
Unitholders	\$ (7,160)	\$ 112,063	\$ (15,209)	\$ 110,522
Non-controlling interest	32,998	51,982	39,861	56,417
	\$ 25,838	\$ 164,045	\$ 24,652	\$ 166,939

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (continued)
(in thousands of Canadian dollars)
Unaudited

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Other comprehensive income (loss):				
Items that will be reclassified subsequently to income:				
Foreign currency translation adjustment	\$ 5,576	\$ (6,476)	\$ 5,431	\$ (13,850)
Fair value loss on available for sale investments	(5)	-	(5)	-
Unrealised foreign exchange gains/(losses) on available for sale investments	27	-	27	-
Realised foreign exchange gains/(losses) on hedges	(1,383)	(7,955)	7,286	(852)
Current taxation (expense)/credit	387	2,227	(2,040)	238
Unrealised foreign exchange gains/(losses) on hedges	11,244	(4,743)	(553)	(9,778)
Deferred taxation (expense)/credit	(3,148)	1,328	155	2,738
Fair value gain (loss) on net investment hedges	4,980	(9,108)	1,486	(6,834)
Deferred taxation (expense)/credit	(1,395)	2,347	(418)	1,710
Current taxation (expense)/credit	-	204	-	204
Other comprehensive income (loss), net of tax	16,283	(22,176)	11,369	(26,424)
Total comprehensive income (loss) for the period	\$ 42,121	\$ 141,869	\$ 36,021	\$ 140,515
Total comprehensive income (loss) attributable to:				
Unitholders	\$ 19,257	\$ 76,666	\$ (2,728)	\$ 74,975
Non-controlling interest	22,864	65,203	38,749	65,540
	\$ 42,121	\$ 141,869	\$ 36,021	\$ 140,515

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NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

(in thousands of Canadian dollars)

Unaudited

	Unitholders' Equity	Contributed Surplus	Reduction on Reclassification to Liabilities	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Unitholders' Equity	Non- Controlling Interest	Total Equity
Balance, December 31, 2014	\$ 153,989	\$ 4,627	\$ (115)	\$ (25,635)	\$ (1,992)	\$ (30,906)	\$ 99,968	\$ -	\$ 99,968
Units issued through distribution reinvestment plan	910	-	-	-	-	-	910	1,299	2,209
Units issued on exercise of deferred units	203	-	-	-	-	-	203	-	203
Asset management fees paid in units	292	-	-	-	-	-	292	-	292
Issuance of units on merger	302,197	-	-	-	-	-	302,197	-	302,197
Unit redemption on merger	(2,070)	-	-	-	-	-	(2,070)	-	(2,070)
Capital contribution	-	35,212	-	-	-	-	35,212	-	35,212
Acquisition of control of subsidiary	-	-	-	-	-	-	-	241,912	241,912
Distributions	-	-	-	(13,437)	-	-	(13,437)	(9,618)	(23,055)
Currency translation differences	-	-	-	-	(32,526)	-	(32,526)	18,676	(13,850)
Other comprehensive (loss)	-	-	-	-	(3,021)	-	(3,021)	(9,553)	(12,574)
Net income (loss) for the period	-	-	-	-	-	99,379	99,379	56,417	155,796
Balance, June 30, 2015	455,521	39,839	(115)	(39,072)	(37,539)	68,473	487,107	299,133	786,240
Units issued through distribution reinvestment plan	2,484	-	-	-	-	-	2,484	1,262	3,746
Units issued on exercise of deferred units	825	-	-	-	-	-	825	-	825
Unit redemption on merger	(523)	-	-	-	-	-	(523)	-	(523)
Cancellation of REIT units under normal course issuer bid	(6,648)	-	-	-	-	-	(6,648)	-	(6,648)
Conversion of Class B exchangeable units	1,649	-	-	-	-	-	1,649	-	1,649
Distributions	-	-	-	(21,064)	-	-	(21,064)	(9,127)	(30,191)
Currency translation differences	-	-	-	-	31,420	-	31,420	(16,652)	14,768
Other comprehensive income	-	-	-	-	2,753	-	2,753	8,713	11,466
Net income (loss) for the period	-	-	-	-	-	17,475	17,475	44,154	61,629
Balance, December 31, 2015	453,308	39,839	(115)	(60,136)	(3,366)	85,948	515,478	327,483	842,961
Public offering of units (note 19)	75,438	-	-	-	-	-	75,438	(470)	74,968
Units issued through distribution reinvestment plan	2,457	-	-	-	-	-	2,457	1,514	3,971
Units issued on exercise of deferred units (note 19)	2,953	-	-	-	-	-	2,953	-	2,953
Cancellation of REIT units under normal course issuer bid (note 19)	(286)	-	-	-	-	-	(286)	-	(286)
Distributions	-	-	-	(22,995)	-	-	(22,995)	(9,760)	(32,755)
Currency translation differences	-	-	-	-	11,016	-	11,016	(5,585)	5,431
Other comprehensive income/(loss)	-	-	-	-	1,465	-	1,465	4,473	5,938
Net income (loss) for the period	-	-	-	-	-	(15,209)	(15,209)	39,861	24,652
Balance, June 30, 2016	\$ 533,870	\$ 39,839	\$ (115)	\$ (83,131)	\$ 9,115	\$ 70,739	\$ 570,317	\$ 357,516	\$ 927,833

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

Unaudited

	For the three months ended June 30,		For the six months ended June 30,	
Cash provided by (used in):	2016	2015	2016	2015
Operating activities				
Net income (loss) before taxes	\$ 41,612	\$ 180,501	\$ 45,852	\$ 190,208
Adjustment for:				
Amortization	60	66	155	83
Mortgage and loan interest	17,253	15,466	36,227	25,980
Mortgage and loans interest paid	(19,032)	(16,510)	(37,998)	(27,437)
Finance costs				
Amortization of financing costs	966	1,949	1,983	3,871
Amortization of mark-to-market adjustment	(1,638)	(643)	(4,190)	(643)
Class B exchangeable unit distributions (note 18)	3,800	4,249	7,600	9,323
Fair value adjustment of Class B exchangeable units (note 18)	7,410	(21,424)	20,898	(31,574)
Accretion of financial liabilities (notes 13 and 14)	2,954	852	5,427	6,719
Fair value adjustment of convertible debentures (note 15)	3,232	1,775	5,553	6,112
Share of (profit) loss of associate	-	(590)	-	(2,153)
Gain on business combination	(53)	(69,023)	(53)	(69,023)
Unrealized foreign exchange (gain)/loss	345	(3,747)	(1,942)	(1,552)
Amortization of deferred revenue	(288)	(105)	(565)	(434)
Fair value adjustment of investment properties (note 7)	(37,480)	(84,143)	(47,915)	(98,590)
Fair value (gain)/loss on derivative financial instruments (note 16)	548	(1,322)	4,268	179
Net loss on disposal of investment properties (note 6)	263	-	1,680	-
Fair value adjustment of deferred unit plan liability	809	(1,332)	1,622	(1,685)
Unit based compensation expense	1,887	2,939	3,748	5,578
Redemption of units issued under deferred unit plan	(27)	(556)	(54)	(586)
Income taxes paid	(45)	(137)	(2,869)	(1,914)
Changes in non-cash working capital balances (note 20(i))	(5,169)	(2,394)	(4,168)	(3,137)
Cash provided by (used in) operating activities	17,407	5,871	35,259	9,325
Investing activities				
Acquisitions of investment properties (note 5)	(22,943)	(1,052)	(75,620)	(1,052)
Additions to investment properties (note 7)	(29,649)	(18,703)	(47,331)	(28,884)
Net proceeds on disposal of investment property (note 6)	4,536	-	44,419	-
Investment in subsidiary (note 4)	(56,226)	-	(56,226)	-
Investment in financial assets (note 16)	(1,750)	-	(1,750)	-
Working capital acquired on internalization	-	-	-	468
Cash acquired on acquisition of control	-	-	-	1,055
Cash acquired on combination transaction (note 3)	-	3,217	-	3,217
Distributions from associates	-	792	-	3,172
Additions to furnitures and fixtures	(16)	(41)	(34)	(119)
Receipts from foreign exchange contracts	(999)	(7,868)	7,540	(541)
Net decrease (increase) to restricted cash	(405)	(48)	(423)	762
Cash provided by (used in) investing activities	(107,452)	(23,703)	(129,425)	(21,922)
Financing activities				
Mortgage and loan proceeds	133,686	50,030	182,920	50,030
Mortgage and loans discharged (note 13)	(45,685)	(67,927)	(106,303)	(67,927)
Repayment of mortgages	(4,703)	(1,962)	(9,565)	(2,476)
Repurchase of units under normal course issuer bid (note 19)	-	-	(286)	-
Net advances (repayments) of loans payable	6,352	38,010	43,072	32,326
Proceeds from issue of units, net of issue costs	75,438	-	75,438	-
Financing fees paid	(5,105)	(1,719)	(6,329)	(3,414)
Net (payments) advances from related parties	(635)	28,583	(635)	32,187
Payment of deferred consideration	(30,627)	-	(30,627)	-
Distributions paid	(10,610)	(6,136)	(19,927)	(10,591)
Class B exchangeable units distributions paid (note 18)	(3,800)	(18,246)	(7,600)	(21,421)
Distributions paid to non-controlling interest	(4,943)	(4,130)	(9,580)	(8,319)
Cash provided by (used in) financing activities	109,368	16,503	110,578	395
Net change in cash	19,323	(1,329)	16,412	(12,202)
Effect of foreign currency translation	1,992	1,756	2,111	(198)
Net change in cash	21,315	427	18,523	(12,400)
Cash, beginning of period	12,043	5,543	14,835	18,370
Cash, end of period	\$ 33,358	\$ 5,970	\$ 33,358	\$ 5,970

Supplemental disclosure relating to non-cash financing and investing activities (note 20(ii))

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Notes to Condensed Consolidated Interim Financial Statements
(in thousands of Canadian dollars)
Three and Six Months Ended June 30, 2016 and 2015
(Unaudited)

NorthWest Healthcare Properties Real Estate Investment Trust (the "REIT"), is a Canadian open-end trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015. The registered office of the REIT is 284 King Street East, Suite 100, Toronto, Ontario M5A 1K4.

On May 15, 2015, the REIT completed a plan of arrangement ("Plan of Arrangement"), whereby the REIT acquired, among other things, all of the assets of NorthWest International Healthcare Properties Real Estate Investment Trust ("NWI"). Under the Plan of Arrangement, unitholders of NWI received 0.208 of a REIT trust unit, for each NWI REIT unit held, on a tax deferred basis. All outstanding NWI deferred units were exchanged on the same basis for REIT deferred units. In addition, NWI's exchangeable units were converted into a new class of limited partnership units using the same exchange ratio of 0.208, which are redeemable, at the option of the holder, for REIT trust units. Upon closing, the former unitholders of NWI owned approximately 52% of the issued and outstanding units of the combined entity. As a result of this and other qualitative considerations, NWI was identified as the accounting acquirer. Accordingly, these condensed consolidated interim financial statements are a continuation of the historical financial statements of NWI, with one adjustment, which is to adjust retroactively NWI's trust units, Class B exchangeable units, deferred units, and warrants (legal capital) to reflect the legal capital of the REIT using an exchange ratio of 0.208. Comparative information presented in these interim condensed consolidated financial statements also is retroactively adjusted to reflect the legal capital of the REIT. NWI, referenced hereafter to the REIT, include references to NWI prior to the completion of the Plan of Arrangement. The results of operations of the REIT have been consolidated from the date of the combination transaction, May 15, 2015.

With the completion of the transaction, NWI's trust units and convertible debentures (note 15) were delisted from the TSX Venture Exchange at the close of business May 19, 2015. See note 3 for further details.

Until January 28, 2015, affiliates of NorthWest Value Partners ("NWVP") served as NWI's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. On January 28, 2015, with an effective date of January 1, 2015, the REIT internalized its external management arrangements (the "Internalization Transaction"), terminating the asset management, property management and development functions of NWI previously carried on by affiliates of NWVP. The Internalization Transaction also resulted in the REIT acquiring from NWVP all of the rights and obligations relating to the management of Vital Healthcare Property Trust ("Vital Trust").

1. Statement of Compliance

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The preparation of these condensed consolidated interim financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's audited consolidated financial statements for the year ended December 31, 2015, since they do not contain all disclosures required by IFRS for annual financial statements.

(a) Basis of presentation and measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties, assets held for sale, convertible debentures, derivative financial instruments, Class B exchangeable units and deferred units under the deferred unit plan ("DUP"), which are stated at fair value.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Notes to Condensed Consolidated Interim Financial Statements
(in thousands of Canadian dollars)
Three and Six Months Ended June 30, 2016 and 2015
(Unaudited)

1. Statement of Compliance (continued)

(a) Basis of presentation and measurement (continued)

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars, except per unit amounts which are presented in Canadian dollars. The Canadian dollar is the REIT's functional currency.

(b) Critical judgments in applying accounting policies

All critical judgments in applying accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of the REIT, including the following:

(i) *Consolidation Vital Trust*

The REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust. The REIT's interest in Vital Trust, as at June 30, 2016, is 24.4%. The REIT assessed it has control over Vital Trust based on the definition of control and certain criteria provided for in IFRS 10-Consolidated Financial Statements. The REIT has assessed it has control over Vital Trust based on the following key observations: i) the REIT controls the external manager of Vital Trust through the 100% indirect ownership of Vital Healthcare Management Limited and related entities (the "Vital Manager"). The ownership of the Vital Manager results in the REIT directing all activities of Vital Trust; ii) the REIT has the right to appoint a majority of directors of the board of Vital Healthcare Management Limited, which acts as the board of directors of Vital Trust; and iii) the 75.6% non-controlling interest of Vital Trust is widely held with no known investor holding more than a 5% interest in Vital Trust, other than the REIT.

2. Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of the REIT.

3. Combination Transaction

On May 15, 2015, the REIT completed a Plan of Arrangement, whereby the REIT acquired, among other things, all of the assets of NWI (the "Combination Transaction"). Under the Plan of Arrangement, unitholders of NWI received 0.208 of a REIT unit, for each NWI trust unit held, on a tax deferred basis. All outstanding NWI deferred units were exchanged on the same basis for REIT deferred units. In addition, NWI's exchangeable units were converted into a new class of limited partnership units using the same exchange ratio of 0.208, which are redeemable, at the option of the holder, for REIT units. Upon closing, the former unitholders of NWI owned approximately 52% of the issued and outstanding units of the combined entity. As a result of this and other qualitative considerations, NWI was identified as the accounting acquirer.

The REIT met the definition of a business and therefore the transaction has been accounted for as a business combination. The purchase consideration transferred by NWI is an amount equal to the fair value of the REIT's outstanding units deemed to be issued to outside REIT unitholders prior to the Combination Transaction and the carrying value of the existing 25.42% interest NWI had in the REIT.

As the fair value of the consideration transferred was less than the fair value of the REIT, a gain was recognized on the business combination.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Notes to Condensed Consolidated Interim Financial Statements
(in thousands of Canadian dollars)
Three and Six Months Ended June 30, 2016 and 2015
(Unaudited)

3. Combination Transaction (continued)

The first component of the purchase consideration of the REIT's net assets acquired by NWI was measured by calculating the number of units that NWI would have had to issue in order to provide the same percentage ownership of the combined entity to the unitholders of the REIT as they would have in the combined entity as a result of the reverse takeover. The fair value of the units used in measuring the purchase price of the business combination by NWI was based on the closing price of the REIT's units on the date just prior to the date of completion of the transaction.

The second component of the purchase consideration consists of NWI's investment in the REIT prior to the Combination Transaction. Prior to the Combination Transaction, NWI held a 25.42% investment in the REIT, which consisted of 4,345,900 REIT units and 7,551,546 Class B limited partnership units of NHP Holdings Limited Partnership ("NHP LP"), which were exchangeable for REIT units. NWI accounted for its investment in the REIT as an investment in associate using the equity method.

The deemed consideration for the acquisition of the REIT by NWI consists of:

- \$302,197 representing the fair value of the outstanding REIT units not owned by NWI immediately before the Combination Transaction, valued at the closing price of the REIT's units of \$8.65 per unit on the date prior to the date of the closing of the Combination Transaction; and
- Previously acquired 25.42% interest of the REIT owned by NWI having a carrying value of \$137,208.

The purchase equation is summarized as follows:

Investment properties	\$ 1,281,174
Due from NWI	58,991
Accounts receivable	3,229
Other assets	3,290
Cash and cash equivalents	3,217
Mortgages payable	(769,615)
Convertible debentures	(41,244)
Derivative financial instruments	(1,863)
Accounts payable and accrued liabilities	(26,047)
Deferred unit plan liability	(2,704)
	\$ 508,428
Consideration comprised of:	
Deemed consideration issued to outside REIT unitholders	\$ 302,197
25.42% interest in the REIT held by NWI	137,208
	\$ 439,405
Net gain on business combination	\$ (69,023)

The fair value of the interest of the REIT owned by NWI on the date of acquisition was \$128,641, therefore, included in the gain on business combination is a loss of \$8,567 related to the revaluation of the interest of the REIT held by NWI immediately prior to the Combination Transaction.

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NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Notes to Condensed Consolidated Interim Financial Statements
(in thousands of Canadian dollars)
Three and Six Months Ended June 30, 2016 and 2015
(Unaudited)

4. Acquisition of Generation Healthcare Management

On June 27, 2016, the REIT acquired 100% of Generation Healthcare Management Pty Limited ("GHM"), the external asset manager for Generation Healthcare REIT ("GHC"), along with an option to acquire units of GHC which would bring the REIT's interest in GHC to approximately 19.9% when combined with the units to be acquired under another put call option agreement entered into in April 2016 (see note 16). The acquisition of GHM is accounted for as a business combination in accordance with IFRS 3 - Business Combinations.

The preliminary purchase price equation based on the aggregate fair value of the assets acquired and liabilities assumed on the acquisition date, June 27, 2016 is as follows:

Generation Healthcare REIT management rights (note 8)	\$	55,969
Performance fee receivable		8,343
Transition services (note 8)		504
Working capital		(247)
Deferred income tax liability		(2,503)
Net assets acquired	\$	62,066
Consideration comprised of:		
Cash	\$	56,226
Deferred consideration		5,787
	\$	62,013
Net gain on business combination	\$	53

The REIT has recognized deferred consideration for the total amounts payable to the seller at the later of the following: (i) collecting the performance fee receivable accrued at acquisition date, (ii) two years after the date of acquisition or (iii) upon occurrence of a 'trigger event' as defined in the acquisition agreement.

For the three and six months ended June 30, 2016, transaction costs of \$1,004 related to acquisition of GHM have been expensed in the statement of comprehensive income (loss).

5. Property Acquisitions

(a) 2016 Property Acquisitions

On January 20, 2016, Vital Trust acquired two small parcels of land at Sportsmed Private Hospital in Adelaide, South Australia for \$5,430 (A\$5,480) and will undertake construction of a stand-alone medical consulting building at one of the properties.

On March 1, 2016, Vital Trust settled the acquisition of four residential aged care assets in Australia for \$43,765 (A\$44,172). The properties are leased for 20 years to the Hall & Prior Health and Aged Care Group, one of Australia's leading private residential aged care operators.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
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5. Property Acquisitions (continued)

On April 14, 2016, the REIT closed the acquisition of a two-property medical office complex in Berlin, Germany (the "Mehrower Allee complex") for a gross purchase price of \$19,687 (€13,519) before transaction costs of \$3,518 (€ 2,441). The REIT financed the purchase through a new first mortgage of \$16,203 (€11,200) from a German lending institution, a holdback of \$22 (€ 15) and cash on hand.

(b) 2015 Property Acquisitions

On April 1, 2015, the REIT completed the acquisition of a parking lot in Berlin, Germany ("Rubenstrasse") for a gross purchase price of \$1,052 including transaction costs of \$58. The REIT's investment was funded from cash on hand.

On July 22, 2015, Vital Trust completed the acquisition of a parcel of vacant land in Toronto, New South Wales, Australia ("Toronto") for a gross purchase price of \$302 including transaction costs

On November 25, 2015, Vital Trust also completed the acquisition of a 29,000 square foot property at 27 Hopkins Street, Merewether, Newcastle in NSW. 27 Hopkins Street was acquired for of \$7,842 (NZ\$8,801) including transaction costs.

On December 4, 2015 Vital Trust settled the acquisition of 6 Lingard Street, Merewether, Newcastle in NSW, opposite Lingard Private Hospital for \$3,151 (NZ\$3,536).

6. Property Disposal

(a) 2016 Property Disposals

On January 26, 2016, the REIT completed the sale of six Canadian investment properties that it held for sale as at December 31, 2015. On March 1, 2016 and March 9, 2016 respectively, the REIT further completed the sale of two Canadian investment properties that were also held for sale as at December 31, 2015. The dispositions generated total gross proceeds of \$49,350. As part of the transactions, \$31,902 of mortgage debt associated with the properties were repaid or assumed by the purchaser.

On April 1, 2016, the REIT sold one additional Canadian investment property that it had classified as asset held for sale as at December 31, 2015 for gross proceeds of \$4,800 and repaid the associated mortgage of \$4,831.

For the three and six months ended June 30, 2016, the REIT recognized a net loss on sale of \$263 and \$1,680, respectively.

(b) 2015 Property Disposals

During the year ended December 31, 2015, the REIT completed the sale of four investment properties located in Canada for gross proceeds of \$26,426. As part of the transactions, \$11,244 of mortgage debt associated with the investment properties was repaid and \$4,938 was assumed by purchasers. The REIT recognized a net gain/loss on sale of nil for both the three and six months ended June 30, 2015.

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7. Investment Properties

As at	June 30, 2016	December 31, 2015
Balance, beginning of period	\$ 2,491,835	\$ 524,230
Acquisition of investment properties (note 5)	75,620	12,347
Acquired on acquisition of control	-	563,212
Acquired on business combination (note 3)	-	1,281,174
Additions to investment properties	42,693	80,168
Increase in straight line rents	1,051	1,763
Reclassified as assets held for sale (note 12)	-	(103,036)
Reclassification of deferred revenue	-	(11,816)
Amortization of deferred revenue	544	1,134
Fair value gain (loss)	54,748	169,477
Foreign currency translation	4,448	(26,818)
Balance, end of period	\$ 2,670,939	\$ 2,491,835

Investment properties are carried at fair value. The investment properties are re-measured to fair value at each reporting date, determined either on internal valuation models incorporating available market evidence, or on valuations performed by third-party appraisers.

The fair value of the investment properties at June 30, 2016 and December 31, 2015 were determined using both valuation models incorporating available market evidence and valuations performed by third-party appraisers. Estimates and assumptions used in determining the fair value of the investment properties include capitalization rates, discount rates, inflation rates, vacancy rates, and property level net operating income.

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7. Investment Properties (continued)

The key valuation metrics for investment properties by region are set out in the following table:

	As at June 30, 2016			
	<u>Canada</u>	<u>Brazil</u>	<u>Germany</u>	<u>Australasia</u>
Discount rate - range	6.0% - 8.8%	9.5%	5.3% - 6.6%	7.5% - 11.8%
Discount rate - weighted average	7.5%	9.5%	6.0%	8.3%
Terminal capitalization rate - range	5.8% - 8.0%	9.0%	5.7% - 6.7%	7.0% - 10.9%
Terminal capitalization rate - weighted average	6.8%	9.0%	6.3%	7.2%
Implied capitalization rate - range	5.3% - 9.5%	9.2%	5.2% - 7.0%	6.4% - 9.6%
Implied capitalization - rate weighted average	6.6%	9.2%	6.1%	7.2%

	As at December 31, 2015			
	<u>Canada</u>	<u>Brazil</u>	<u>Germany</u>	<u>Australasia</u>
Discount rate - range	6.0% - 8.8%	9.5%	5.8% - 6.8%	6.9% - 11.4%
Discount rate - weighted average	7.5%	9.5%	6.2%	8.3%
Terminal capitalization rate - range	5.8% - 8.0%	9.0%	6.3% - 7.5%	6.6% - 10.5%
Terminal capitalization rate - weighted average	6.9%	9.0%	6.7%	7.5%
Implied capitalization rate - range	5.3% - 9.5%	9.2%	5.2% - 7.5%	6.8% - 10.8%
Implied capitalization - rate weighted average	6.6%	9.2%	6.4%	7.6%

During the period ended June 30, 2016, investment properties with an aggregate fair value of \$1,158,993 (year ended December 31, 2015 - \$1,430,725) were valued by external valuation professionals with recognized and relevant professional qualification.

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8. Intangible Assets

The REIT's intangible asset relates to the rights and obligations related to the management of Vital Trust and GHC.

The REIT assumed the management rights over GHC as a result of acquiring 100% of GHM (note 4). The management rights entitle the REIT to management and performance fees paid by GHC. In conjunction with the Internalization Transaction, the REIT acquired the rights to 100% of the management fees paid by Vital Trust through its acquisition of Vital Healthcare Management Limited and related entities (the "Vital Manager").

The contracts that govern the fee streams paid by both GHC and Vital Trust do not expire and therefore, the contracts are deemed indefinite-life intangible assets and are not being amortized.

As at	June 30, 2016		December 31, 2015	
Balance, beginning of period	\$	46,757	\$	12,490
Settlement of existing arrangement ⁽¹⁾		-		(12,490)
Acquisition of Vital Trust management rights		-		46,757
GHC management rights (note 4)		55,969		-
GHM transition services (note 4)		504		-
Foreign currency translation		(79)		-
	\$	103,151	\$	46,757

⁽¹⁾ The settlement of NWI's Vital Management Fee Participation Agreement in conjunction with the Internalization Transaction was recorded as a capital contribution transaction in the condensed consolidated interim statement of unitholder's equity

9. Due from Related Parties

The following table summarizes the balance owing from/(to) NWVP and its subsidiaries:

As at	June 30, 2016		December 31, 2015	
Interest rate subsidy (i)	\$	-	\$	669
Receivable from NWVP (ii)		-		1,385
Other (iii)		535		(318)
	\$	535	\$	1,736

(i) Interest rate subsidy

NWVP committed, by means of a capital contribution, that the effective interest rate payable by the REIT on assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014. During 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to December 31, 2014. NWVP and the REIT agreed to further extend and amend the interest rate subsidy, with an effective date of January 1, 2015, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to March 31, 2015.

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

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9. Due from Related Parties (continued)

For the three and six months ended June 30, 2016 the interest rate subsidy was nil (for the three and six months ended June 30, 2015 - nil and \$669, respectively). The interest rate subsidy has been recorded as a capital contribution on the condensed consolidated interim statement of unitholders' equity. During the period ended June 30, 2016, NWVP made a cash payment to settle this outstanding balance.

In connection with the Combination Transaction the margin facilities related to the REIT's investment in NWHP REIT were repaid in full and cancelled.

(ii) Internalization subsidy

As a result of costs incurred by the REIT following completion of the Internalization Transaction, NWVP committed to make a capital contribution to the REIT. For the three and six months ended June 30, 2016, the REIT recorded a capital contribution of \$nil (for the three and six months ended June 30, 2015 - \$nil and \$1,385, respectively). The capital contribution is recorded on the condensed consolidated interim statement of unitholders' equity. As at June 30, 2016, the internalization contribution outstanding from NWVP was \$nil (December 31, 2015 - \$1,385).

(iii) Other

In the normal course of operations, through shared services arrangements with affiliates of NWVP, the REIT has amounts owing to and from NWVP and affiliates. As at June 30, 2016, included in accounts payable and accrued liabilities on the condensed consolidated interim balance sheet is a non-interest bearing current liability owing to NWVP of \$53 (December 31, 2015 – nil).

10. Other Assets

As at	June 30, 2016	December 31, 2015
Acquisition and financing costs	\$ 3,781	\$ 6,902
Prepaid expenses	2,828	2,093
Furniture and office equipment	1,125	1,149
Mortgage escrow	9	126
Other	9,443	633
	\$ 17,186	\$ 10,903

Acquisition and financing costs relate to potential acquisitions and debt refinancing which are currently undergoing due diligence and/or negotiation. Included in Other is the performance fee receivable from GHC that was assumed through the acquisition of GHM (see note 4).

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11. Cash and Restricted Cash

As at		June 30, 2016		December 31, 2015
Cash	\$	33,358	\$	14,835
Restricted Cash		1,089		561
	\$	34,447	\$	15,396

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil term loans (note 13).

12. Assets Held for Sale

As at June 30, 2016, the REIT classified four (December 31, 2015 – 13) properties as held for sale with a total value of \$17,875 (December 31, 2015 - \$78,194). At June 30, 2016, management had committed to a plan of sale of the underlying properties and the sale is considered to be highly probable. Liabilities associated with these assets at June 30, 2016 are \$15,157 (December 31, 2015 - \$52,674), representing mortgages secured by the investment properties. During the three and six months ended June 30, 2016 the REIT recognized a fair value loss of \$916 and \$6,833 respectively (for the three and six months ended June 30, 2015 - \$nil and \$nil) related to the assets held for sale.

13. Mortgages and Loans Payable

As at		June 30, 2016		December 31, 2015
Mortgage payable ¹ (i)	\$	778,051	\$	761,100
Margin facilities ² (ii)		47,284		48,717
Term loans ³ (iv)		453,931		323,437
Acquisition facility ⁴ (iii)		23,757		23,492
Secured floating revolving line of credit ⁵ (v)		78,566		96,247
Total	\$	1,381,589	\$	1,252,993
Less: Current portion		153,985		140,395
Non-current debt	\$	1,227,604	\$	1,112,598

¹ Net of financing costs of \$3,375 (December 31, 2016 - \$3,295)

² Net of financing costs of \$99 (December 31, 2016 - \$111)

³ Net of financing costs of \$6,862 (December 31, 2016 - \$2,661)

⁴ Net of financing costs of \$243 (December 31, 2016 - \$367)

⁵ Net of financing costs of \$334 (December 31, 2016 - \$324)

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13. Mortgages and Loans Payable (continued)

(i) Mortgages payable

All mortgages are secured by first or second charges on specific investment properties in Canada and Germany, with a carrying value of \$1,252,152 at June 30, 2016, and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2016	9,621	-	9,621
2017	19,587	83,194	102,781
2018	19,811	88,878	108,689
2019	17,356	63,114	80,470
2020	16,032	70,348	86,380
2021	10,657	168,483	179,140
2022	7,357	73,776	81,133
2023	4,156	57,931	62,087
2024	2,331	26,484	28,815
2025 and thereafter	2,753	26,693	29,446
Face value	\$ 109,661	\$ 658,901	\$ 768,562
Mark-to-market adjustment			12,864
Unamortized financing costs			(3,375)
Carrying amount			\$ 778,051

(a) 2016 Mortgages and Loans Financing Activities

The REIT completed the refinancing of mortgages secured against six investment properties located in Canada. The refinancing replaced nine, first and second mortgages that were maturing in 2016 and 2017 with an outstanding balance of \$77,535 and weighted average interest rate of 5.41%. The new financings represent six first mortgages totaling \$84,700, bearing a weighted average interest rate of 3.09% and weighted average term of 5 years.

(b) 2015 Mortgages and Loan Financing Activities

During the year-ended December 31, 2015, the REIT completed the refinancing of mortgages secured against five of the REIT's properties located in Berlin and Fulda, Germany. The refinancing replaced the previous mortgages with an outstanding balance of \$49,086 (€32,209), weighted average interest rate of 2.27% and weighted average term to maturity of 2.42 years. The new financing represents five first mortgages totaling \$53,121 (€34,857), bearing interest rates ranging from 1.42% to 2.11% (weighted average interest rate of 1.65%) and terms ranging from 5-10 years representing a weighted average term of 6.67 years.

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13. Mortgages and Loans Payable (continued)

In November 2015, the REIT also repaid the mortgage outstanding on its North York Medical Arts property in Toronto, Ontario with an outstanding balance of \$9,634 financed in part through a draw from the REIT's credit facility. The mortgage bore an interest rate of 5.19% and was due to mature in September 2016. The North York Medical Arts property has been pledged as security to the Secured Floating Rate Revolving Credit Facility.

The REIT refinanced mortgages that were secured against five of the REIT's investment properties located in Canada between November and December 2015. The refinancing replaced seven, first and second mortgages that were maturing in 2016 with an outstanding balance of \$50,332 and weighted average interest rate of 5.47%. The new financing represents five first mortgages totaling \$59,675, bearing a weighted average interest rate of 2.99% and weighted average term of 5.6 years.

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on \$93,517 of its variable rate mortgages payable as at June 30, 2016 (December 31, 2015 - \$80,179) (note 16(ii)). The interest rate swaps fix the interest rates between 1.71% - 4.32% (December 31, 2015 - 2.13% and 4.32%) and terminate between June 2019 and May 2024.

(ii) Margin facilities

- (a) Immediately prior to the Combination Transaction, NWI's margin facilities secured by units of the REIT were repaid in full and cancelled.
- (b) As at June 30, 2016, the REIT has pledged 81,659,865 (December 31, 2015 - 81,659,865) units of Vital Trust as security for the margin facilities. As at June 30, 2016, the principal balance outstanding on the margin facilities with respect to the REIT's investment in Vital Trust was \$47,383 (NZ\$51,447) (December 31, 2015 - \$48,839 (NZ\$51,447)).

The REIT entered into an interest rate swap with respect to the one margin facility secured by the Vital Trust units to limit its exposure to fluctuations in the interest rates on approximately \$4,329 (NZ \$4,700) of the outstanding loan balance (note 16). The interest rate swap fixed the base interest rate at 4.03% and the swap matured on March 31, 2016. On March 31, 2016, The REIT entered into a new interest rate swap on the same outstanding loan balance that fixed the base interest rate at 2.335% and terminates on March 31, 2017.

(iii) Acquisition facility

On April 21, 2016, the REIT repaid \$16,000 of its Acquisition Facility, representing the revolving tranche of the loan. The REIT subsequently made a draw on the Acquisition Facility of \$16,000 on June 24, 2016.

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13. Mortgages and Loans Payable (continued)

(iv) Term Loans

(a) Brazil term loans and long-term securitization financing

As at June 30, 2016, the Brazil term loans had a principal balance of \$142,764 (December 31, 2015 - \$56,058).

The REIT has entered into interest rate swaps with respect to two Brazilian term loans with an outstanding balance at June 30, 2016 of \$66,438 (December 31, 2015 - \$56,058). At June 30, 2016, the interest rate swaps fix the interest rate to 10.30% (December 31, 2015 - 10.30%) and mature in December 2016. On maturity, the principal balance of the term loans will be adjusted by IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy).

On May 13, 2016 the REIT completed a long term financing in respect of its Hospital e Maternidade Brasil asset ("HMB"). The financing, representing the securitization of 85% of future rents during a ten year term, generated a principal balance of \$70,939 (R\$191,315) (the "HMB Securitization Financing"). Net proceeds were \$66,644 (R\$179,648) after financing costs. The HMB Securitization Financing bears an interest rate of 8.28% plus annual IPCA adjustments to the principal balance.

For the three and six months ended June 30, 2016, accretion expense of \$2,130 and \$3,705 (for the three and six ended June 30, 2015 - \$852 and \$6,482, respectively) was recorded to account for the related IPCA adjustments for the period.

(b) Vital Trust term loans

Vital Trust has a syndicated revolving multi-currency facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited and Bank of New Zealand. The approximately \$410,000 (A\$425,000) multi-currency facility is split between Tranche A: approximately \$121,000 (A\$125,000) and Tranche B: approximately \$96,000 (A\$100,000) which are due to expire on March 31, 2019, and Tranche C: approximately \$96,000 (A\$100,000), Tranche D: approximately \$96,000 (A\$100,000) plus the New Zealand Dollar Facility: approximately \$18,000 (NZ\$20,000) which are due to expire on October 30, 2020.

As at June 30, 2016, Vital Trust had borrowings on the term loan facilities totalling \$318,029 (December 31, 2015 - \$270,608).

Borrowings are secured by a security trust deed dated April 1, 2003 and as amended and restated on June 26, 2014. Pursuant to the deed, a security interest has been granted of first ranking mortgages over the respective investment properties by a general security deed over the assets and undertakings of Vital Trust.

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13. Mortgages and Loans Payable (continued)

(v) Secured Floating Rate Revolving Credit Facility

On March 10, 2016, the REIT negotiated terms of its revolving credit facility, increasing the facility from \$75,000 to \$80,000 (both including a \$5,000 letter of credit facility) expiring November 2, 2017. The REIT also has an option to expand the facility to \$100,000 and an option to extend for a further one year period, each subject to terms and conditions satisfactory to the lenders. The revolving credit facility bears interest at rates ranging from the bank's prime rate plus 0.85% to 1.00% or Bankers' Acceptances plus 1.85% to 2.00%. The facilities are secured by certain Canadian investment properties, with a carrying value of \$118,781 and the terms of a general security agreement.

On December 21, 2015, the REIT amended and expanded the facility, adding a short-term tranche of \$25,000 at the same terms as the existing facility except it matured on March 31, 2016. On March 10, 2016, the REIT extended the term of the remaining balance of the short-term tranche to June 30, 2016. The REIT repaid in full the outstanding balance of the short-term tranche on April 20, 2016 and cancelled the short-term tranche component of the credit facility.

A summary of the maturity and interest rates relating to the mortgages and loans payable outstanding at June 30, 2016 are as follows:

	Maturity	Average Interest Rate	Carrying Value
Fixed rate			
Mortgage debt	May 10, 2016 - January 1, 2029	3.61%	\$ 733,910
Term loans	December 22, 2016 - October 30, 2020	5.88%	453,931
Total fixed rate debt			\$ 1,187,841
Variable Rate			
Mortgage debt	June 1, 2017 - August 1, 2017	5.67%	\$ 44,141
Margin facilities	December 31, 2016 - August 23, 2018	5.58%	47,284
Acquisition facility	January 1, 2017	8.20%	23,757
Secured floating revolving line of credit	June 30, 2016 - November 02, 2017	3.00%	78,566
Total variable rate debt			\$ 193,748
Total debt			\$ 1,381,589

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13. Mortgages and Loans Payable (continued)

As at June 30, 2016, the scheduled principal repayments and debt maturities are as follows:

	Mortgage Debt	Margin Facilities	Term Loans	Acquisition Facility	Credit Facility	Total
Remainder of 2016	\$ 9,621	\$ 38,802	\$ 68,868	\$ -	\$ -	\$ 117,291
2017	102,781	-	5,465	24,000	78,900	211,146
2018	108,689	-	5,917	-	-	114,606
2019	80,470	8,581	223,350	-	-	312,401
2020	86,380	-	108,022	-	-	194,402
2021 & thereafter	380,621	-	49,171	-	-	429,792
	\$ 768,562	\$ 47,383	\$ 460,793	\$ 24,000	\$ 78,900	\$ 1,379,638
Financing costs	(3,375)	(99)	(6,862)	(243)	(334)	(10,913)
Mark-to-market adjustment	12,864	-	-	-	-	12,864
	\$ 778,051	\$ 47,284	\$ 453,931	\$ 23,757	\$ 78,566	\$ 1,381,589

14. Deferred Consideration

The following table summarizes the deferred consideration payable:

As at	June 30, 2016	December 31, 2015
Holdback payable - Brazil (i)	\$ -	\$ 27,429
Accrued transaction costs - Brazil	2,350	6,432
Consideration for acquisition (note 4)	5,780	-
Holdback payable - Germany (ii)	22	212
	\$ 8,152	\$ 34,073

- (i) In connection with the acquisition of three hospitals from Rede D'Or (the "Rede D'Or Hospital Acquisition") on December 23, 2013, the REIT held back a portion of the purchase price until the vendor complied with conditions related to certain title and zoning matters.

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14. Deferred Consideration (continued)

On October 17, 2014, the purchase and sale agreement with respect to the Rede D'Or Hospital Acquisition was amended to extend the payment date of the holdback related to Hospital Caxias D'Or to the later of December 15, 2015 or 180 days after the completion of certain conditions by the vendor. Effective from the date of amendment (October 17, 2014) to the payment date, the holdback will be adjusted by the variation of the CDI plus 7.34% annually. The amendment provides that should the vendor not complete the required conditions to resolve the title matters by January 15, 2015, the amount of the inflation adjustment to the holdback shall be limited to nil between January 15, 2015 and the date the vendor conditions are resolved. On January 15, 2015, the REIT was notified that the required conditions related to the Hospital Caxias D'Or holdback were not resolved. As such, since January 15, 2015, no inflation adjustment had been recognized in respect of the holdback. On October 16, 2015 the REIT was notified that the vendor conditions were resolved and therefore the holdback became payable on April 15, 2016. In March 2016, the REIT extended the maturity date of the Caxias D'Or holdback to June 15, 2016. The REIT accrued inflation for the period from October 16, 2015 to the repayment date, June 15, 2016. The balance outstanding on June 15, 2016 was \$30,643 (R\$83,180), which was repaid in full.

For the three and six months ended June 30, 2016, accretion expense of \$824 and \$1,722, respectively (for the three six months ended June 30, 2015 - nil and \$237, respectively) was recorded to account for the related CDI adjustments on the holdback payable which has been recorded as finance costs in the consolidated statement of income (loss) and comprehensive income (loss).

- (ii) In connection with the acquisition of the Hohenschoenhausen property in Germany on August 29, 2014, the REIT held back a portion of the purchase price for potential working capital adjustments and information deficiencies. As at June 30, 2016, the holdback had been settled and outstanding balance was nil (December 30, 2015 - \$212).

On April 14, 2016, the REIT held back \$22 (€15) relating to the acquisition of the Mehrower Allee complex in Germany (note 5) for potential working capital adjustments and information deficiencies.

15. Convertible Debentures

In connection with the Combination Transaction (note 3) the NWI's convertible debentures, previously trading under the symbols MOB.DB, MOB.DB.A and MOB.DB.B, were assumed by the REIT. These convertible debentures ceased to trade on the TSX Venture Exchange at the close of business on May 19, 2015 and commenced trading on the TSX under the symbols NWH.DB.A, NWH.DB.B and NWH.DB.C, respectively, on May 20, 2015. The conversion provisions for each series of debentures were adjusted whereby the series NWH.DB.A convertible debentures are convertible at a price of \$13.70 per unit being a ratio of 72.9927 per \$1,000 principal amount of debentures, the series NWH.DB.B convertible debentures are convertible at a price of \$11.54 per unit being a ratio of 86.6551 per \$1,000 principal amount of debentures, and the series NWH.DB.C convertible debentures are convertible at a price of \$12.50 per unit being a ratio of 80.0000 per \$1,000 principal amount of debentures.

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15. Convertible Debentures (continued)

The movements in fair value of convertible debentures were as follows:

As at	June 30, 2016	December 31, 2015
Balance, beginning of period	\$ 170,094	\$ 71,920
Issuance of convertible debenture	-	53,000
Convertible debenture assumed on Combination Transaction (note 3)	-	41,244
Change in fair value of convertible debentures	5,553	3,930
	\$ 175,647	\$ 170,094

The fair values of convertible debentures, determined on the basis of the closing market price as at the reporting date, are as follows:

As at	June 30, 2016	December 31, 2015
NWH.DB	\$ 40,250	\$ 39,043
NWH.DB.A (formerly MOB.DB)	22,998	22,826
NWH.DB.B (formerly MOB.DB.A)	18,156	17,535
NWH.DB.C (formerly MOB.DB.B)	39,913	38,750
NWH.DB.D	54,330	51,940
Fair Value	\$ 175,647	\$ 170,094

	NWH.DB	NWH.DB.A (formerly MOB.DB)	NWH.DB.B (formerly MOB.DB.A)	NWH.DB.C (formerly MOB.DB.B)	NWH.DB.D
Conversion price per Unit (\$)	\$14.20	\$13.70	\$11.54	\$12.50	\$11.25
Maturity	September 30, 2020	March 31, 2018	September 30, 2018	October 31, 2019	October 31, 2020
Interest rate	5.25%	6.50%	7.50%	7.25%	5.50%
Interest payment	Semi-annual September 30 and March 31	Semi-annual September 30 and March 31	Semi-annual September 30 and March 31	Semi-annual October 31 and April 30	Semi-annual October 31 and April 30

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16. Financial Instruments

The following table summarizes financial assets and financial liabilities:

As at	June 30, 2016	December 31, 2015
Financial assets:		
Foreign exchange contracts (i)	\$ 8,737	\$ 8,433
Securities investments designated as AFS (iii)	1,771	-
Put/Call (i)	1,147	-
Interest rate swaps (i)	-	73
Total financial assets	\$ 11,655	\$ 8,506
Financial liabilities:		
Interest rate swaps (ii)	\$ 23,573	\$ 18,425
Foreign exchange contracts (ii)	38	-
Total financial liabilities	\$ 23,611	\$ 18,425

(i) Derivative financial instruments (asset)

In April 2016, the REIT entered into a binding put and call option agreement with a private entity to acquire interest in GHC, representing 15,492,061 units for a purchase price of A\$2.20 per unit totaling approximately \$32,856 (A\$34,082). The put options may be exercised on and from July 15, 2016 until July 31, 2016, and the REIT has the right to exercise its call option from June 30, 2015 to July 31, 2016 in accordance with the terms of the agreement. On June 27, 2016, in conjunction with acquisition of GHM (note 4), the REIT entered into a second put and call option agreement to acquire an additional 27,100,380 GHC units. Upon the exercise of both options, the REIT would own an approximate 19.9% interest in GHC. At June 30, 2016, the options had a combined net value of \$1,147. The options were valued using a Black-Scholes option pricing model.

The derivative financial instrument assets includes assets from foreign exchange contracts in place at Vital Trust with a value of \$8,737 (December 31, 2015 - \$8,433). The forward exchange contracts are measured using a valuation model based on the applicable forward price curves derived from observable forward prices.

(ii) Derivative financial instruments (liability)

The REIT has entered into interest rate swap contracts with respect to a margin facility secured by the Vital Trust units (note 12), certain Canadian and German mortgages (note 12) and the Vital Trust and Brazil term loans (note 12). The interest rate derivatives mature over the next one to ten years and have fixed interest rates ranging from 1.71% to 10.30%.

The portion of the derivative financial instrument liability related to interest rate swaps had a value at June 30, 2016 of \$23,573 (December 31, 2015 - \$18,425).

The derivative financial instrument liability included foreign exchange contracts in place at Vital Trust with a value of \$38 (December 31, 2015 - \$nil).

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16. Financial Instruments (continued)

(iii) Investment in equity securities designated as available-for-sale ("AFS")

As at June 30, 2016, included in financial assets is the REIT's investment in GHC of \$1,771, obtained through the purchase of 835,295 units on the open market in May 2016, representing approximately a 0.38% equity interest.

The components of the gain/(loss) on financial instruments are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Put/Call	\$ 1,147	\$ -	\$ 1,147	\$ -
Fair value adjustment - interest rate sw aps	(1,695)	2,942	(5,350)	1,280
Receipts/(payments) under transaction hedging foreign exchange contracts	384	87	319	311
Fair value adjustment - foreign exchange contracts	-	(1,620)	-	(1,459)
	\$ (164)	\$ 1,409	\$ (3,884)	\$ 132

17. Deferred Unit Plan ("DUP") Liability

In connection with the Combination Transaction, the combined entity adopted the REIT's DUP which became effective in March 2010 and was re-approved at the annual general meeting of Unitholders in 2013. The DUP is administered by the Compensation, Governance and Nominating Committee. The purpose of the DUP is to promote a greater alignment of interests between the Trustees, officers and certain other participants of the REIT and the Unitholders. Under the plan, the maximum number of units authorized for issuance shall not exceed 5% of the units issued and outstanding at any given time. The deferred units can be settled at the holders' option in units or cash subject to the REIT's approval and are treated as a liability until redeemed.

In connection with the Internalization Transaction, NWI adopted a second amended and restated deferred unit plan (the "Amended Plan"). The Amended Plan provided for the issuance of up to 17,898,368 NWI Trust Units (approximately 10% of the issued and outstanding voting units of NWI at the time), which was an increase from the 2,021,909 NWI Trust Units reserved for issuance under NWI's previous deferred unit plan (the "Previous Plan"). As a result of the REIT terminating all external asset management agreements in connection with the Internalization Transaction, and having previously terminated its unit option plan, the Amended Plan was NWI's only equity-based compensation plan.

As part of the Internalization Transaction, the REIT issued 3,989,735 deferred units of NWI to the new employees of the REIT. Of these, 1,711,412 NWI deferred units were fully vested and the balance is subject to future vesting conditions. Following the Internalization Transaction, the REIT issued an additional 5,764,494 NWI deferred units to new employees as future equity incentives (all of which are subject to vesting conditions) and 75,000 NWI deferred units to the REIT's independent trustees in recognition of their efforts on behalf of the special committee that was formed for considering and negotiating the internalization agreement dated January 7, 2015 between the REIT and NWVP (the "Internalization Agreement") on behalf of the REIT.

17. Deferred Unit Plan ("DUP") Liability (continued)

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

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The REIT also assumed the deferred unit plan liabilities of the Vital Manager through the Internalization Transaction. On closing of the Internalization Transaction, the REIT assumed 813,637 unvested deferred units of Vital Trust.

In connection with the Combination Transaction, the NWI's deferred units outstanding immediately prior to the transaction, were exchanged at a ratio of 0.208 of a REIT deferred unit for each deferred unit. In total, 10,562,434 NWI deferred units were converted to 2,196,979 deferred units of the REIT on May 15, 2015. The REIT may not issue any additional deferred units under this former NWI deferred unit plan. The outstanding Vital Trust deferred units did not get exchanged and continue to be redeemable (upon vesting) into units of Vital Trust.

(i) Liability:

As at	June 30, 2016	December 31, 2015
Balance, beginning of period	\$ 15,597	\$ 457
Liability assumed on Internalization Transaction	-	3,596
Liability assumed on Combination Transaction (Note 3)	-	2,704
Unit based compensation expense	3,748	11,179
Exercised and paid in cash	(1,319)	(817)
Exercised and settled in Trust Units	(2,953)	(1,048)
Fair value adjustment	1,622	(513)
FX adjustment	(18)	39
Balance, end of period	\$ 16,677	\$ 15,597

The balance of the DUP liability at June 30, 2016 consists of \$15,408 related to the REIT's DUP and \$1,269 related to Vital Trust's DUP (December 31, 2015 - \$14,919 related to the REIT's DUP and \$678 related to Vital Trust's DUP).

Unit-based compensation expense is measured at the service commencement date, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the vesting year. Unit-based compensation does not qualify as an equity award and is classified as a liability. The awards are measured at fair-value every reporting period, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and the change in fair value is recognized as compensation expense.

(ii) Units outstanding:

As at, June 30, 2016	REIT	Vital Trust
Balance, beginning of the period	2,586,609	1,002,580
Granted	161,143	664,218
Exercised and paid in cash	(155,239)	
Exercised and paid in REIT units	(348,491)	
Distribution entitlement	101,919	34,208
Balance, end of period	2,345,941	1,701,006
Units vested but not exercised	535,857	74,893

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17. Deferred Unit Plan ("DUP") Liability (continued)

As at, December 31, 2015	REIT	Vital Trust
Balance, beginning of the period	47,577	
Assumed on Internalization Transaction	829,865	813,637
Assumed on Combination Transaction (note 3)	409,222	
Granted	1,272,626	144,116
Exercised and paid in cash	(98,861)	
Exercised and paid in REIT units	(130,245)	
Distribution entitlement	256,425	44,827
Balance, end of period	2,586,609	1,002,580
Units vested but not exercised	395,682	40,030

For the three and six months ended June 30, 2016, the REIT granted or issued 149,501 and 161,143 DUP units with a value of \$1,400 and \$1,512, respectively (for the three and six months ended June 30, 2015 – 14,250 and 1,233,862 DUP units with a value of \$115 and \$12,012 respectively).

For the three and six months ended June 30, 2016, Vital Trust granted or issued nil and 664,218 DUP units with a value of \$nil and \$1,224 (for both the three and six months ended June 30, 2015 – 144,116 DUP units with a value of \$219).

18. Class B Exchangeable Units

The Class B exchangeable units are economically equivalent to REIT units and are entitled to receive distributions equal to those provided to holders of REIT units. The fair value of the Class B exchangeable unit liability is determined with reference to the market price of the REIT's units at the reporting date.

(i) Class B Exchangeable Units

As at June 30, 2016, there were 18,998,065 (December 31, 2015 - 18,998,065) Class B exchangeable units of NWI LP issued and outstanding with a fair value of \$190,551 (December 31, 2015 - \$169,653). These Class B exchangeable units are economically equivalent to REIT units and are entitled to receive distributions equal to those provided to holders of REIT units. The fair value of the Class B exchangeable unit liability is determined with reference to the market price of the REIT's units at the reporting date.

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18. Class B Exchangeable Units (continued)

Distributions declared on the Class B exchangeable units of NWI LP totaled \$3,800 and \$7,600 for the three and six months ended June 30, 2016 (for the three and six months ended June 30, 2015 - \$5,009 and \$10,017, respectively) and have been accounted for as finance costs.

The following table shows the continuity of the Class B exchangeable units:

	Units	Amount
Balance, December 31, 2014	18,942,211	\$ 182,137
Class D converted to Class B (note 18 (ii))	245,852	2,366
Converted to Trust Units (note 19)	(189,998)	(1,649)
Fair value adjustment	-	(13,201)
Balance, December 31, 2015	18,998,065	\$ 169,653
Fair value adjustment	-	20,898
Balance, June 30, 2016	18,998,065	\$ 190,551

(ii) Class D Exchangeable Units

The Class D exchangeable units were economically equivalent to REIT units and were entitled to receive distributions equal to those provided to holders of REIT units. All of the Class D exchangeable units were exchanged into Class B units pursuant to the Internalization Transaction.

The following table shows the continuity of the Class D exchangeable units:

	Units	Amount
Balance, December 31, 2014	231,000	\$ 2,221
Units issued as settlement of incentive fee	14,852	145
Class D converted to Class B	(245,852)	(2,366)
Balance, December 31, 2015	-	-
Fair value adjustment	-	-
Balance, June 30, 2016	-	-

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19. Unitholders' Equity

The REIT is authorized to issue two categories of equity: (a) REIT units of the REIT; and (b) special voting units attached to the exchangeable Class B exchangeable units of NWI LP, a subsidiary of the REIT.

The REIT is authorized to issue an unlimited number of REIT units without par value. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price"), as determined by a market formula.

The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The special voting units are only issued in tandem with Class B exchangeable units and are not transferable separately from the Class B exchangeable units to which they are attached. As Class B exchangeable units are exchanged or surrendered for REIT units, the corresponding special voting units will be cancelled for no consideration. Special voting units have no economic entitlement in the REIT, but entitle the holder to one vote per special voting unit at any meeting of the unitholders.

The REIT's Trustees have discretion in declaring distributions.

The following table shows the changes in REIT Units:

	REIT units		Amount
Balance - December 31, 2014	18,055,395	\$	153,989
Units issued on Combination Transaction (note 3)	34,936,028		302,197
Units issued through distribution reinvestment plan (i)	420,229		3,394
Conversion of Class B exchangeable units (note 18)	189,998		1,649
Units issued under deferred unit (note 17)	128,921		1,028
Asset management fees paid in units (ii)	29,856		292
Units redeemed on business combination (iii)	(246,384)		(2,593)
Units cancelled pursuant to NCIB (iv)	(822,100)		(6,648)
Balance - December 31, 2015	52,691,943	\$	453,308
Units issued through distribution reinvestment plan (i)	275,746		2,457
Units issued under deferred unit plan (note 17)	348,491		2,953
Units cancelled pursuant to NCIB (iv)	(34,500)		(286)
Units issued pursuant to equity offering (v)	8,619,456		79,299
Units issuance cost (v)	-		(3,861)
Balance - June 30, 2016	61,901,136	\$	533,870

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19. Unitholders' Equity (continued)

- (i) The REIT has established a distribution reinvestment plan for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount of 3%.
- (ii) During the year ended December 31, 2015, the REIT issued 29,856 REIT units (143,538 NWI Trust units at the 0.208 conversion ratio) to settle outstanding asset management fees owing to a subsidiary of NWVP (note 20).
- (iii) In connection with the Combination Transaction (note 3), the REIT received notices of dissent from unitholders. As such, 1,184,526 NWI trust units (an equivalent of 246,384 REIT units) were cancelled and accordingly a liability equal to the fair market value of the units on the date prior to the closing of the Combination Transaction had been accrued. A settlement with the dissenting unitholders was achieved and the related liability was settled prior to December 31, 2015. An additional 14,560 REIT units were also cancelled for those NWI units converted upon Combination Transaction but notices of dissent from unitholder had been previously received.
- (iv) On June 29, 2015 the REIT announced that it intended to make a normal course issuer bid ("NCIB") for a portion of its Trust Units as appropriate opportunities arose from time to time. On July 13, 2015 the REIT announced that the TSX had approved the REIT's NCIB.

Pursuant to the NCIB, the REIT intends to acquire up to a maximum of 4,762,579 of its Units, or approximately 10% of its public float as of July 10, 2015, for cancellation over the next 12 months.

Purchases under the normal course issuer bid will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit representative of the market price at the time of acquisition. The number of Units that can be purchased pursuant to the bid is subject to a current daily maximum of 18,054 Units (which is equal to 25% of 72,218, being the average daily trading volume from January 1, 2015 through to June 30, 2015), subject to the REIT's ability to make one block purchase of Units per calendar week that exceeds such limits. Any Units purchased under the normal course issuer bid will be cancelled upon their purchase. The REIT intends to fund the purchases out of its available resources.

The REIT began to purchase Units on July 16, 2015 and the bid will terminate 12 months from such date, or such earlier time as the REIT completes its purchases pursuant to the bid or provides notice of termination.

The REIT also announced that it adopted an automatic securities purchase plan in connection with its NCIB that contains strict parameters regarding how its Units may be repurchased during times when it would ordinarily not be permitted to purchase Units due to regulatory restrictions or self-imposed blackout periods. The automatic securities purchase plan was effective from July 16, 2015 and had an initial term of three months, which expired on October 16, 2015, but then was further extended to February 15, 2016

During the three and six months ended June 30, 2016, the REIT made repurchases of nil and 34,500 units at a weighted average price per unit of nil and \$8.19, respectively, including broker commissions (December 31, 2015 - 822,100 units at a weighted average price per unit of \$8.03 including broker commissions). The NCIB expired on July 15, 2016.

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19. Unitholders' Equity (continued)

- (v) On April 20, 2016 and April 25, 2016, the REIT completed a public offering of 7,532,500 REIT units, including the exercise in full of an over-allotment option, at a price of \$9.20 per unit, representing gross proceeds of \$69,299. Concurrently, NWVP, purchased, on a private placement basis, an aggregate of 1,086,956 REIT units for gross proceeds of approximately \$10,000 at the offering price. Issue costs of \$3,861 were recognized in relation to this equity issuance.

20. Supplemental Cash Flow Information

- (i) Changes in Non-Cash Working Capital Balances

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Accounts receivable	\$ (10,939)	\$ 612	\$ (12,056)	\$ (91)
Other assets	1,391	(515)	1,585	(1,694)
Accounts payable and accrued liabilities	4,379	(2,491)	6,303	(1,352)
	\$ (5,169)	\$ (2,394)	\$ (4,168)	\$ (3,137)

- (ii) Non-Cash Financing and Investing Activities

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Non-cash business combination	\$ -	\$ -	\$ -	\$ 33,158
Non-cash acquisition of control	-	-	-	241,912
Non-cash business combination (note 3)	-	302,197	-	302,197
Asset management fees settled through issuance of units (note 21)	-	-	-	292
Non-cash investment in subsidiary	5,787	-	5,787	-
Non cash distributions to Unitholders under the DRIP (note 19)	1,179	583	2,454	910
Units issued under deferred unit plan (note 17)	-	-	2,953	-

21. Related Party Transactions

- (i) As at June 30, 2016, NWVP indirectly owned approximately 32% of the REIT (approximately 27% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units) through a combination of units of the REIT and Class B exchangeable units of NWI LP. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer of the REIT, is the sole shareholder, sole director and President of NWVP.

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21. Related Party Transactions (continued)

- (ii) Prior to January 28, 2015, The REIT and its affiliates entered into a series of agreements with affiliates of NWVP, whereby such affiliates agreed to act as Property Manager, Asset Manager and Development Manager for the REIT.

On January 28, 2015, the REIT completed the Internalization Transaction with NWVP with an effective date of January 1, 2015. The Internalization Transaction resulted in the REIT terminating the asset management, property management and development functions of the REIT currently carried on by affiliates of NWVP as noted above.

The following table summarizes the related party transactions with NWVP and its subsidiaries related to cost-sharing and sublease agreements with the REIT, during the current and prior year:

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Reimbursement for out-of-pocket costs - completed transactions	\$ 52	\$ 310	\$ 210	\$ 600
Cost-sharing and sublease agreements	165	-	359	225
	\$ 217	\$ 310	\$ 569	\$ 825

- (iii) As at June 30, 2016, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable owing to NWVP and affiliates in the amount of \$1,267 (December 31, 2015 - \$1,267), which were settled subsequent to period end.
- (iv) Transactions with related parties disclosed above are recorded at the transaction amount, being the price agreed between the parties.

22. Segmented Information

The REIT operates in one industry segment being the real estate industry segment; however the REIT monitors and operates its German, Brazilian, Canadian, Australasian and Corporate operations separately. The CEO assesses the performance of each of the operating segments based on a measure of operating income. The accounting policies for each of the segments are the same as those for the REIT. The REIT's trust and general and administrative expenses are managed centrally in Canada and are not allocable to operating segments, however certain operating segments incur general and administrative expenses specific to their segment.

During the three and six months ended June 30, 2016, two tenants in the Brazil operating segment accounted for 13% and 12%, respectively (for the three and six months ended June 30, 2015 - 17% and 23%, respectively), of the total revenue from investment properties.

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22. Segmented Information (continued)

As at June 30, 2016	Germany	Brazil	Australasia	Canada	Total
Investment properties	\$ 182,463	\$ 406,255	\$ 877,307	\$ 1,204,914	\$ 2,670,939
Mortgages and loans payable	\$ 93,726	\$ 136,962	\$ 316,969	\$ 833,932	\$ 1,381,589

As at December 31, 2015	Germany	Brazil	Australasia	Canada	Total
Investment properties	\$ 159,817	\$ 343,724	\$ 792,958	\$ 1,195,336	\$ 2,491,835
Mortgages and loans payable	\$ 82,833	\$ 54,128	\$ 269,309	\$ 846,723	\$ 1,252,993

For three months ended June 30, 2016	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	\$ 3,731	\$ 8,313	\$ 17,669	\$ 34,457	\$ 64,170
Property operating costs	1,026	-	1,935	15,153	18,114
Net Operating Income	2,705	8,313	15,734	19,304	46,056
Other income					
Interest	-	908	51	30	989
	-	908	51	30	989
Mortgage and loan interest expense	471	1,911	3,353	11,518	17,253
General and administrative expenses	624	487	1,980	3,387	6,478
Transaction Costs	-	-	-	1,013	1,013
Foreign exchange (gain) loss	-	87	(946)	1,121	262
	1,095	2,485	4,387	17,039	25,006
Operating income (loss)	\$ 1,610	\$ 6,736	\$ 11,398	\$ 2,295	\$ 22,039

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22. Segmented Information (continued)

For three months ended June 30, 2015	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	\$ 3,110	\$ 7,891	\$ 14,360	\$ 19,476	\$ 44,837
Property operating costs	950	-	1,521	8,273	10,744
Net Operating Income	2,160	7,891	12,839	11,203	34,093
Other income					
Interest	-	58	36	20	114
Share of (profit) loss of associate	-	-	-	590	590
	-	58	36	610	704
Mortgage and loan interest expense	438	4,647	3,284	7,097	15,466
General and administrative expenses	612	649	1,683	3,931	6,875
Transaction Costs	198	-	-	4,822	5,020
Foreign exchange (gain) loss	1	(13)	1,550	(5,454)	(3,916)
	1,249	5,283	6,517	10,396	23,445
Operating income (loss)	\$ 911	\$ 2,666	\$ 6,358	\$ 1,417	\$ 11,352

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22. Segmented Information (continued)

For six months ended June 30, 2016	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	\$ 7,307	\$ 15,971	\$ 35,348	\$ 70,449	\$ 129,075
Property operating costs	1,954	-	4,327	32,031	38,312
Net Operating Income	5,353	15,971	31,021	38,418	90,763
Other income					
Interest	-	1,077	70	33	1,180
	-	1,077	70	33	1,180
Mortgage and loan interest expense	914	3,256	6,992	25,065	36,227
General and administrative expenses	1,384	848	3,199	6,373	11,804
Transaction Costs	-	-	-	3,581	3,581
Foreign exchange (gain) loss	(2)	143	(632)	(1,519)	(2,010)
	2,296	4,247	9,559	33,500	49,602
Operating income (loss)	\$ 3,057	\$ 12,801	\$ 21,532	\$ 4,951	\$ 42,341

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22. Segmented Information (continued)

For six months ended June 30, 2015	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	\$ 6,276	\$ 16,446	\$ 29,572	\$ 19,476	\$ 71,770
Property operating costs	1,901	-	3,526	8,273	13,700
Net Operating Income	4,375	16,446	26,046	11,203	58,070
Other income					
Interest	-	189	55	327	571
Share of (profit) loss of associate	-	-	-	2,153	2,153
	-	189	55	2,480	2,724
Mortgage and loan interest expense	885	7,627	7,025	10,443	25,980
General and administrative expenses	1,116	1,296	2,958	7,211	12,581
Transaction Costs	207	-	-	9,188	9,395
Foreign exchange (gain) loss	3	8	1,301	(3,061)	(1,749)
	2,211	8,931	11,284	23,781	46,207
Operating income (loss)	\$ 2,164	\$ 7,704	\$ 14,817	\$ (10,098)	\$ 14,587

23. Non-wholly Owned Subsidiary

On January 1, 2015, in connection with the Internalization Transaction, the REIT acquired all of the rights and obligations relating to the management of Vital Trust. As a result of the acquisition of the management rights and other factors, it was determined that the REIT obtained control (as defined in IFRS 10 - Consolidated Financial Statements) with respect to its approximately 24.4% investment in Vital Trust.

The following tables' present summarized accounts for Vital Trust based on the portion attributable to the non-controlling interest and the REIT:

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23. Non-wholly Owned Subsidiary (continued)

As at	June 30, 2016		December 31, 2015	
Non-current assets	\$	877,307	\$	792,958
Current assets		24,217		15,980
Total assets		901,524		808,938
Non-current liabilities		382,254		326,043
Current liabilities		36,291		29,742
Total liabilities		418,545		355,785
Net assets	\$	482,979	\$	453,153
Attributable to:				
Non-controlling interest		357,516		327,483
Unitholders of the REIT		125,463		125,670
	\$	482,979	\$	453,153
		For the three months ended June 30,	For the six months ended June 30,	
		2016	2015	2016
				2015
Revenue from investment properties	\$	17,669	\$	14,360
			\$	35,348
			\$	29,572
Net income (loss) attributable to:				
Non-controlling interest	\$	32,998	\$	51,982
Unitholders of the REIT		9,927		16,660
Net income (loss)	\$	42,925	\$	68,642
			\$	51,979
			\$	74,479
Total comprehensive income (loss) attributable to:				
Non-controlling interest	\$	22,864	\$	65,203
Unitholders of the REIT		6,797		20,842
Total comprehensive income (loss)	\$	29,661	\$	86,045
			\$	50,305
			\$	86,487
Distributions attributable to non-controlling interest	\$	4,943	\$	4,753
			\$	9,760
			\$	9,618

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23. Non-wholly Owned Subsidiary (continued)

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Cash flow activities:				
Operating	\$ 9,911	\$ 7,514	\$ 17,278	\$ 12,217
Investing	(13,124)	(22,459)	(59,554)	(24,289)
Financing	12,012	12,796	50,996	12,900
Net change in cash	\$ 8,799	\$ (2,149)	\$ 8,720	\$ 828

The REIT is subject to restrictions over the extent to which it can access funds of Vital Trust in the form of cash dividends, or use assets and liabilities as a result of the REIT's economic interest in Vital Trust being limited to approximately 24%, borrowing arrangements, and regulatory restrictions.

24. Commitments and Contingencies

- (i) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of \$3,028 to provide electricity and gas for its own use at its investment properties for 2016 to 2018.
- (ii) The REIT obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at June 30, 2016, the REIT has a total of \$1,050 in outstanding letters of credit related to construction work that is being performed on investment properties. The REIT does not believe that any of these standby letters of credit are likely to be drawn upon.
- (iii) Pursuant to the sale of four of the REIT's investment properties (two of which were disposed prior to the Combination Transaction), the existing mortgages were assumed by the purchasers. In the event of default, the REIT has guaranteed the outstanding balance of the mortgages of \$18,527 as at June 30, 2016.
- (iv) The REIT has entered into construction agreements on development properties and is committed to construction costs of \$8,909 as at June 30, 2016.
- (v) The REIT indemnifies individuals who have acted at the REIT's request to be a trustee and/or director and/or officer of the REIT (and/or one or more of its direct and indirect subsidiaries), to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.
- (vi) The REIT is subject to legal and other claims in the normal course of business. Management and the REIT's legal counsel evaluate all claims. In the opinion of management these claims are generally covered by the REIT's insurance policies and any liability from such claims would not have a significant effect on the REIT's consolidated financial statements.

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25. Fair Values

Estimated 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.

The REIT uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments and investment properties. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

The REIT determined the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. Note 7 outlines the key assumptions used by the REIT in determining fair value of its investment properties.

Derivatives instruments are valued using a valuation technique with market observable inputs (Level 2) and include the Put/Call option, the interest rate swap, and the warrant liability. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has chosen to use closing market price (Level 1) as a practical expedient for fair value measurement for its Class B exchangeable units, DUP liability and convertible debentures.

The fair value of the REIT's mortgages and loans payable and deferred consideration are determined using present value calculations based on market-observable interest rates for mortgages and loans with similar terms and conditions (Level 2).

The carrying values of the REIT's financial assets, which include accounts receivable, other assets, and cash and restricted cash, as well as financial liabilities, which includes accounts payable and accrued liabilities, distributions payable approximate their recorded fair values due to their short-term nature.

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25. Fair Values (continued)

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements as at June 30, 2016 is as follows:

	Carrying value	Fair Value		
		Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	\$ 2,670,939	\$ -	\$ -	\$ 2,670,939
Financial instruments	11,655	1,771	9,884	-
Assets held for sale	17,875	-	-	17,875
Liabilities measured at fair value:				
Financial instruments	23,611	-	23,611	-
Convertible debentures	175,647	175,647	-	-
Class B LP exchangeable units	190,551	190,551	-	-
Deferred unit plan liability	16,677	16,677	-	-
Financial Liabilities recorded at amortized cost:				
Mortgage and loans payable	1,381,589	-	1,410,319	-
Liabilities related to assets held for sale	15,157	-	15,188	-

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements as at December 31, 2015 is as follows:

	Carrying value	Fair Value		
		Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	\$ 2,491,835	\$ -	\$ -	\$ 2,491,835
Derivative financial instruments	8,506	-	8,506	-
Assets held for sale	78,194	-	-	78,194
Liabilities measured at fair value:				
Derivative financial instruments	18,425	-	18,425	-
Convertible debentures	170,094	170,094	-	-
Class B LP exchangeable units	169,653	169,653	-	-
Deferred unit plan liability	15,597	15,597	-	-
Financial Assets				
Due from related parties	-	-	-	-
Financial Liabilities recorded at amortized cost:				
Mortgage and loans payable	1,252,993	-	1,269,191	-
Liabilities related to assets held for sale	52,674	-	52,850	-

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26. Capital Management

The REIT considers its capital to be its unitholders' equity, Class B exchangeable units, and debt. The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's strategy is also driven by policies as set out in the Declaration of Trust. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include the requirement that the REIT will not incur or assume indebtedness which would cause the total indebtedness of the REIT to exceed 65% of Gross Book Value as defined. Indebtedness as defined in the Declaration of Trust excludes deferred revenue, and unsecured debt which includes convertible debentures.

At June 30, 2016, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 48% (December 31, 2015 49.2%). The debt to gross book value including convertible debentures is 54% (December 31, 2015 55.5%). Calculations are as follows:

As at	June 30, 2016	December 31, 2015
Debt		
Gross Value of Secured Debt ⁽¹⁾	\$ 1,402,740	\$ 1,329,514
Gross Value of total debt ⁽²⁾	\$ 1,578,387	\$ 1,499,608
Gross Book Value of Assets		
Total Assets	\$ 2,914,693	\$ 2,700,009
Debt- to- Gross Book Value (Declaration of Trust)	48.1%	49.2%
Debt- to- Gross Book Value (including convertible debentures)	54.2%	55.5%

⁽¹⁾ represents the principal balance of mortgages, margin facilities, term loans, and deferred consideration

⁽²⁾ represents the principal balance of mortgages, margin facilities, term loans, convertible debentures (at fair value) and deferred consideration

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at June 30, 2016, the REIT is in compliance with all such financial covenants.

27. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the REIT's consolidated financial statements as at and for the year ended to December 31, 2015.

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28. Subsequent Events

- (i) On July 15, 2016, the REIT declared a distribution of \$0.06667 per REIT unit to unitholders of record on July 29, 2016, payable August 15, 2016. On August 11, 2016, the REIT declared a distribution of \$0.06667 per REIT unit to unitholders of record on August 31, 2016, payable September 15, 2016.
- (ii) On July 18, 2016, the REIT completed new financing, representing a credit facility secured by units held or units to be held by the REIT in Vital Trust and GHC (the "Australasian Financing"). The financing is a combined New Zealand Dollar and Australian Dollar facility with an available amount equal to the equivalent of approximately \$115,840 (A\$120,166) and bears an interest rate equal to the one-month bank bill reference rate of Australia or New Zealand, where applicable, plus 325 to 400 basis points, with an initial draw of \$83,205 (NZ\$90,343 or the equivalent A\$84,624) as at July 19, 2016.
- (iii) On July 18, 2016, the REIT repaid its two Vital Margin facilities totaling \$47,383 (NZ\$51,447) with the net proceeds from the Australasian Financing. In addition, the REIT closed out the related interest rate swap with a notional value of \$4,329 (NZ \$4,700) on July 15, 2016, for a nominal cost.
- (iv) On July 19, 2016, Vital Trust completed a renounceable rights offer for gross proceeds of approximately \$147,146 (NZ\$159,933). Rights were allocated to unitholders on the basis of 2 new Vital Trust units for every 9 existing Vital Trust units held. Pursuant to the rights offer, Vital Trust issued 76,890,712 Vital Trust units on July 25, 2016 at an issue price of NZ\$2.08 per unit. The REIT participated in the offer for 18,745,354 Vital Trust units, which retained the REIT interest in Vital Trust at 24.4%.
- (v) On July 21, 2016, the REIT completed acquisition of Hospital Ifor located in Sao Paulo, Brazil for \$25,688 (R\$65,869). Separately, the REIT waived due diligence conditions on the pending acquisition of Hospital Santa Helena for \$119,531 (R\$306,486) in Brasilia, Brazil, subject to customary closing adjustments. Both properties will be leased for an initial term of 25 years, on a fully net basis, to Rede D'Or, Brazil's largest private hospital operator and the REIT's largest tenant.
- (vi) On July 25, 2016, the REIT completed the public offering for aggregate gross proceeds of approximately \$141,243. The offer comprised of the issuance of 6,785,000 REIT units at a price of \$9.80 per unit and \$74,750 aggregate principal amount of 5.25% convertible unsecured subordinated debentures, including units and debentures issued pursuant to the exercise in full of the over-allotment options granted to the underwriters. The convertible debentures will be convertible at the holder's option into units of the REIT at a conversion price of \$12.75 per unit and mature on July 31, 2021. Concurrently, NWVP, purchased, on a private placement basis, an aggregate of 510,204 REIT units for gross proceeds of approximately \$5,000 at the offering price.
- (vii) On July 26, 2016, the REIT acquired 15,492,061 GHC units for \$33,639 (A\$34,083), following the exercise of the put option by the counterparty to one of the REIT's GHC put call option agreements. This acquisition increases the REIT's interest in GHC to approximately 7.1%. The unit purchase was financed through the proceeds from the public offering (note 27(vi)) and a draw of \$13,249 (A\$13,362) on the Australasian Financing.
- (viii) On July 26, 2016 and August 4, 2016, the REIT repaid \$53,900 and \$25,000, respectively, for a total repayment of the \$78,900 outstanding balance on the Revolving Credit Facility. On August 8, 2016, the REIT drew \$22,000 on the Revolving Credit Facility to partially fund the acquisition of GHC units from affiliates of APN. After the repayment and draw, the availability under the Revolving Credit Facility is \$56,950, net of \$1,050, representing outstanding letters of credit.
- (ix) On August 2, 2016, the REIT repaid \$16,000 of the outstanding balance on the Acquisition Facility. After the repayment, the principal outstanding on the Acquisition Facility is \$8,000.

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28. Subsequent Events (continued)

- (x) On August 8, 2016, the REIT exercised its call option to acquire 27,100,380 GHC units for \$57,474 (A\$59,621) from affiliates of APN and GHM management. This acquisition of GHC units increases the REIT's interest in GHC to approximately 19.9%. The acquisition is partially funded by a draw of \$21,380 (A\$22,179) on the Australasian Secured Financing, increasing the total amount outstanding on the Australasian Secured Financing to \$115,839 (A\$ equivalent of A\$120,165), with the remainder being funded from the net proceeds of the July 2016 equity and convertible debenture offering.