Audited Consolidated Financial Statements
Quarter ended March 31, 2021

Our values, *your added value.*

Condensed Consolidated Interim Financial Statements

Quarter ended March 31, 2021

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Condensed Consolidated Interim Statements of Financial Position

(unaudited - in thousands of CAD dollars)

	Notes	As at March 31, **2021**	As at December 31, **2020**
		$	$
ASSETS			
Investment properties	3	905,043	903,870
Property and equipment		364	334
Other assets	5	1,350	2,154
Balance of sale	4	6,036	6,034
Receivables	6	4,806	5,212
Cash and cash equivalent		6,255	9,062
Total assets		**923,854**	**926,666**
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	7	480,556	484,639
Convertible debentures	8	45,690	48,316
Bank loans	9	15,000	15,300
Lease liabilities		4,229	4,232
Class B LP Units	10	1,465	1,402
Unit-based compensation	12	777	810
Derivative financial instruments	11	11,127	10,017
Trade and other payables		18,692	18,297
Distribution payable to unitholders		1,616	1,586
Total liabilities		**579,152**	**584,599**
Unitholders' equity		**344,702**	**342,067**
		923,854	**926,666**

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Board on May 7, 2021.

Michel Léonard, Trustee

Jocelyn Proteau, Trustee

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(unaudited - in thousands of CAD dollars)

		For the three-month periods ended March 31,	
	Notes	**2021**	**2020**
		$	$
Operating revenue			
Rental revenue	14	23,532	23,868
Operating expenses			
Public utilities and other operating expenses		5,519	5,335
Property taxes and insurance expenses		5,599	5,767
Total Operating expenses		11,118	11,102
Net operating income		**12,414**	**12,766**
Financial income		134	113
Expenses			
Financial expenses		6,246	6,391
Distribution - Class B LP Units	10	30	52
Fair value adjustment – Class B LP Units	10	280	(1,000)
Net adjustment to fair value of derivative financial instruments		1,814	4,097
Net financial expenses	15	8,370	9,540
Administration expenses		1,668	1,199
Net change in fair value of investment properties and disposition expenses	3	—	7,727
Net income being total comprehensive income for the period		**2,510**	**(5,587)**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

(unaudited - in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distribution	Cumulative comprehensive income	Total
Balance as at January 1, 2021		**309,394**	**(155,952)**	**188,625**	**342,067**
Issuance of units, net of issuance expenses	13	4,923	—	—	4,923
Distribution to unitholders	13	—	(4,798)	—	(4,798)
		314,317	(160,750)	188,625	342,192
Comprehensive income		—	—	2,510	2,510
Balance as at March 31, 2021		**314,317**	**(160,750)**	**191,135**	**344,702**
Balance as at January 1, 2020		**305,029**	**(134,596)**	**185,706**	**356,139**
Issuance of units, net of issuance expenses	13	1,222	—	—	1,222
Distribution to unitholders	13	—	(6,556)	—	(6,556)
		306,251	(141,152)	185,706	350,805
Comprehensive income		—	—	(5,587)	(5,587)
Balance as at March 31, 2020		**306,251**	**(141,152)**	**180,119**	**345,218**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(unaudited -in thousands of CAD dollars)

	Notes	For the three-month periods ended March 31, 2021	2020
		$	$
Operating activities			
Net income for the period		2,510	(5,587)
Adjustment for:			
Net change in fair value of investment properties and disposition expenses	3	—	7,727
Depreciation of property and equipment		15	24
Unit-based compensation	12	645	(173)
Straight-line lease adjustment	14	(397)	(144)
Lease incentive amortization	14	877	752
Financial income		(134)	(113)
Net financial expenses	15	8,370	9,540
		11,886	12,026
Adjustments for changes in other working capital items		1,263	(1,352)
Net cash from operating activities		**13,149**	**10,674**
Investing activities			
Additions to investment properties	3	(1,673)	(11,041)
Net proceeds from disposition of investment properties	3	—	12,493
Acquisition of property and equipment		(45)	(13)
Net cash from (used in) investing activities		**(1,718)**	**1,439**
Financing activities			
Mortgage loans, net of financing expenses		(3)	13,586
Repayment of mortgage loans		(4,159)	(16,127)
Bank loans		—	2,200
Repayment of bank loans		(300)	—
Lease liability payments		(3)	(32)
Net proceeds from convertible debentures issue		(15)	—
Net proceeds from unit issue		10	—
Net distribution to unitholders		(4,071)	(5,715)
Net distribution – Class B LP units	10	(30)	(52)
Interest paid		(5,667)	(5,048)
Net cash (used in) financing activities		**(14,238)**	**(11,188)**
Net change in cash and cash equivalent		**(2,807)**	**925**
Cash and cash equivalents, beginning of period		**9,062**	**1,803**
Cash and cash equivalents, end of period		**6,255**	**2,728**

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2021 and 2020 (unaudited - in thousands of CAD dollars, except per unit amounts)

1. Reporting Entity

BTB Real Estate Investment Trust ("BTB") is an unincorporated open-ended real estate investment trust formed and governed under the Civil code of Québec pursuant to a trust agreement and is domiciled in Canada. The address of BTB's registered office is 1411 Crescent Street, Suite 300, Montréal, Québec, Canada. The condensed consolidated interim financial statements of BTB for the three-month period ended March 31, 2021 and 2020 comprise BTB and its wholly-owned subsidiaries (together referred to as the "Trust") and the Trust's interest in joint operations.

2. Basis of Preparation

a) Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the Trust's consolidated financial statements for the year ended December 31, 2020.

The accounting policies applied by the Trust in these unaudited condensed interim financial statements are the same as those applied by the Trust in its consolidated financial statements for the year ended December 31, 2020.

These condensed consolidated interim financial statements were approved by the Board of Trustees on May 7, 2021.

b) Basis of presentation and measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position which are measured at fair value:

- Investment properties (including right-of-use assets);
- Derivative financial instruments;
- Unit-based compensation;
- Class B LP Units.

The Trust presents its consolidated statements of financial position based on the liquidity method, whereby all assets and liabilities are presented in increasing order of liquidity.

c) Risks and uncertainties related to the coronavirus pandemic (COVID-19)

The COVID-19 pandemic has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods, restrictions on or closures of non-essential businesses and social distancing, have caused an economic slowdown and material disruption to businesses in Canada and globally. Given the continuously evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the nature, extent and duration of COVID-19, and the duration and intensity of resulting business disruptions and related financial, social and public health impacts. Such effects could be adverse and material, including their potential effects on the Trust's business, operations and financial performance both in the short-term and long-term. Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 relate to the valuation of investment properties and the determination of expected credit losses on receivables (Note 4 and Note 6). The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements. However, given the heightened level of uncertainty caused by COVID-19, these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is BTB's functional currency. All financial information has been rounded to the nearest thousand, except per unit amounts.

e) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates, and the differences may be material.

3. Investment Properties

	Three-month period ended March 31, **2021**	Year ended December 31, **2020**
	$	$
Balance beginning of period	903,870	924,320
Initial recognition of right-of-use assets	—	—
Adjustments to right-of-use assets	—	291
Acquisitions of investment properties (note 4(a))	—	30,560
Dispositions of investment properties (note 4(b))	—	(48,765)
Capital expenditures	465	2,765
Capitalized leasing fees	85	1,280
Capitalized lease incentives	1,103	4,613
Lease incentives amortization	(877)	(3,068)
Straight-line lease adjustment	397	249
Net changes in fair value of investment properties (note 4 (c))	—	(8,375)
Balance end of period	**905,043**	**903,870**

The fair value of a subset of the Trust's investment properties comprised of a selection of the most significant investment properties and approximately 1/3 of the remaining investment properties is determined annually on the basis of valuations made by independent external appraisers having appropriate professional qualifications, using recognized valuation techniques, comprising the Discounted Cash Flow, the Direct Capitalization and Comparable methods. The selection of investment properties subject to independent external appraisal is determined by management based on its assessment of circumstances that in its view, may impact the value of a particular individual investment property. The fair value of the remaining investment properties is determined by management using internally generated valuation models based on the Direct Capitalization method.

In determining the fair value of investment properties, the Trust has considered the effects of COVID-19 on assumptions such as rent growth, vacancy loss assumptions, credit loss assumptions, as well as valuation metrics. The Trust has adjusted cash flow assumptions for its estimate of near-term disruptions to cash flows to reflect collections, vacancy and assumptions on new leasing. The Trust undertook a process to assess the appropriateness of the rates considering changes to property level cash flows and any risk premium inherent in such cash flow changes. These considerations are reflected in the fair value adjustments of investment properties.

At March 31, 2021, no external appraisals were obtained for investment properties (December 31, 2020 - $584,745).

The fair value of investment properties is based on Level 3 inputs. There have been no transfers during the period between levels. The significant assumptions used to determine the fair value of the Trust's investment properties are as follows:

	Retail	Office	Industrial
As at March 31, 2021			
Capitalization rate	5.25% – 8.00%	5.00% – 8.50%	5.00% – 8.50%
Terminal capitalization rate	5.50% – 8.00%	6.00% – 7.50%	5.50% – 7.00%
Discount rate	6.25% – 8.75%	6.75% – 8.25%	6.25% – 7.75%
As at March 31, 2021			
Capitalization rate	5.25% – 8.00%	5.00% – 8.50%	5.00% – 8.50%
Terminal capitalization rate	5.50% – 8.00%	6.00% – 7.50%	5.50% – 7.00%
Discount rate	6.25% – 8.75%	6.75% – 8.25%	6.25% – 7.75%

The following table provides a sensitivity analysis of the fair value of investment properties for changes in the weighted average capitalization rate as at March 31, 2021, which is representative of the sensitivity to changes in the discount.

Capitalization rate sensitivity Increase (decrease)	Fair Value	Change in fair value
	$	$
(0.50%)	981,417	76,373
(0.25%)	941,664	36,620
Base rate	905,043	—
0.25%	871,198	(33,846)
0.50%	839,818	(65,226)

a) Acquisitions

i) Acquisitions in 2021

There were no acquisitions during the three-month period ended March 31, 2021

ii) Acquisitions in 2020

The fair value of the assets and liabilities recognized in the condensed consolidated interim statement of financial position on the date of the acquisition during the three-month period ended March 31, 2020 were as follows:

				Fair value recognized on acquisition			
Acquisition date	Property type	Location	Interest acquired	Investment properties, including transaction costs	Mortgage loan	Receivable / (Trade and other payables), including transaction costs	Total cash consideration paid
			%	$	$	$	$
February 2020	Office	Ottawa, ON	100	21,750	(13,684)	(587)	7,479
November 2020	Industrial	Laval, QC	100	8,100	—	(8)	8,092
Transaction costs				710		(710)	—
Total				**30,560**	**(13,684)**	**(1,305)**	**15,571**

b) Dispositions

i) Dispositions in 2021

There were no dispositions during the three-month period ended March 31, 2021

ii) Dispositions in 2020

Disposal date	Property type	Location	Gross proceeds	Purchaser's Mortgage assumption	Receivable / (Trade and other payables), including transaction costs	Net proceeds
			$	$	$	$
January 2020	Industrial	Ingersoll, ON	13,300	(9,068)	(103)	4,129
February 2020	Industrial	Montréal, QC	9,250	—	(57)	9,193
June 2020	Office	Montréal, QC	22,082	—	(576)	21,506
October 2020	Office	Montréal, QC	4,133	—	178	4,311
Transaction costs (note 3(c))					(1,865)	(1,865)
Total			**48,765**	**(9,068)**	**(2,423)**	**37,274**

c) Net changes in fair value of investment properties and disposition expenses

Three-month period ended March 31,	2021	2020
	$	$
Net changes in fair value of investment properties (note 3)	—	6,898
Transaction costs (note 3 (b))	—	829
	—	**7,727**

Net changes in fair value of investment properties includes the net changes in fair value of right-of-use assets related to the investment properties to which a lease is attached.

The disposition expenses include mainly commissions and debt prepayment penalties on mortgage loans related to disposed properties.

4. Balance of Sale

The balance of sale consists of a loan receivable due January 31, 2024, bearing interest at 7% for the first 3 years, at 7.50% for the 4th year, and at 8% for the 5th year. The balance of sale as at March 31, 2021 is $6,036 (March 31, 2020 - $6,000).

5. Other Assets

	As at March 31, **2021**	As at December 31, **2020**
	$	$
Prepaid expenses	672	1,498
Deposits	678	656
Total	**1,350**	**2,154**

6. Receivables

	As at March 31, **2021**	As at December 31, **2020**
	$	$
Rents receivable	3,560	4,259
Allowance for expected credit losses	(745)	(1,132)
Net rents receivable	2,815	3,127
Unbilled recoveries	787	665
Other receivables	1,204	1,420
Total	**4,806**	**5,212**

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust mitigates this risk by varying its tenant mix and staggering lease terms; avoiding dependence on a single tenant for a significant portion of the Trust's operating revenues and conducting credit assessments for all major new tenants. The Trust analyzes its trade receivable on a regular basis and establishes an allowance for expected credit losses that represents its estimate of lifetime expected credit losses to be incurred in respect of its trade receivables. In assessing the adequacy of the allowance for expected credit losses on tenant receivables, management has considered the likelihood of collection of current receivables given the impact on tenant operations of COVID-19 restrictions imposed by various levels of government and the expected eligibility of those tenants to government programs.

The Trust's assessment of expected credit losses is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the expected credit loss is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

7. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $891,150 as at March 31, 2021 (December 31, 2020 – $890,020).

	As at March 31, **2021**	As at December 31, **2020**
	$	$
Fixed rate mortgage loans payable	378,227	381,665
Floating rate mortgage loans payable	103,856	104,577
Unamortized fair value assumption adjustments	511	576
Unamortized financing expenses	(2,038)	(2,179)
Mortgage loans payable	**480,556**	**484,639**
Short-term portion	115,052	119,252
Weighted average interest rate	3.56%	3.57%
Weighted average term to maturity (years)	4.44	4.69
Range of annual rates	2.37% – 6.80%	2.37% – 6.80%

As at March 31, 2021, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	**Principal maturity**	**Total**
	$	$	$
2021*	11,581	103,471	115,052
2022	13,592	31,627	45,219
2023	11,153	32,651	43,804
2024	8,799	73,493	82,292
2025	7,524	37,655	45,179
Thereafter	28,979	121,558	150,537
	81,628	**400,455**	**482,083**
Unamortized fair value assumption adjustments			511
Unamortized financing expenses			(2,038)
			480,556

* For the nine-month period remaining.

The Trust may enter into floating-for-fixed interest rate swap agreements on floating interest rate mortgages to hedge the variability in cash flows attributed to fluctuating interest rates. The Trust does not apply hedge accounting to such cash flow hedging relationships (see Note 11). The following table presents relevant information on interest rate swap agreements:

Transaction date	Original principal amount	Effective fixed interest rate	Settlement basis	Maturity date	Outstanding amount	
					As at March 31, **2021**	As at December 31, **2020**
	$	%			$	$
March 2013	7,150	4.12	Monthly	April 2023	5,109	5,162
June 2016	13,000	3.45	Quarterly	June 2026	11,335	11,433
November 2017	23,200	3.8825	Monthly	November 2027	22,513	22,673
November 2017	23,075	3.905	Monthly	December 2027	21,188	21,342
Total	**66,425**				**60,145**	**60,610**

8. Convertible Debentures

As at March 31, 2021, the Trust had two series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	$		
Series G	24,000	6.00	7.30	5.42	Semi-annual	October 2024
Series H	26,124	7.00	8.28	3.64	Semi-annual	October 2025

	Series G	Series H	Total
	$	$	$
As at March 31, 2021			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	—	179	179
	24,000	27,488	51,488
Conversion options exercised by holders	—	(3,528)	(3,528)
	24,000	23,960	47,960
Unamortized financing expenses	(988)	(1,282)	(2,270)
Non-derivative liability component	**23,012**	**22,678**	**45,690**
Conversion and redemption options liability component at fair value	**43**	**9,776**	**9,819**

	Series G	Series H	Total
	$	$	$
As at December 31, 2021			
Non-derivative liability component upon issuance	24,000	27,309	51,309
Accretion of non-derivative liability component	—	104	104
	24,000	27,413	51,413
Conversion options exercised by holders	—	(561)	(561)
	24,000	26,852	50,852
Unamortized financing expenses	(1,046)	(1,490)	(2,536)
Non-derivative liability component	**22,954**	**25,362**	**48,316**
Conversion and redemption options liability component at fair value	**12**	**6,474**	**6,486**

Series G

In October 2019, the Trust issued Series G subordinated convertible, redeemable, unsecured debentures bearing 6.00% interest payable semi-annually and maturing in October 2024, in the amount of $24,000. The debentures are convertible at the holder's option at any time before October 2024, at a conversion price of $5.42 per unit ("Series G Conversion Price").

These debentures are not redeemable before October 31, 2024, except in the case of a change in control. As of October 31, 2022, but before October 31, 2023, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price.

As of October 31, 2023, but before October 31, 2024, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

Series H

In September 2020, the Trust issued Series H subordinated convertible, redeemable, unsecured debentures bearing 7.00% interest payable semi-annually and maturing on October 31, 2025, in the amount of $30,000. The debentures are convertible at the holder's option at any time before October 31, 2025, at a conversion price of $3.64 per unit ("Series H Conversion Price").

These debentures are not redeemable before October 31, 2023, except in the case of a change in control. As of October 31, 2023, but before October 31, 2024, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price.

As of October 31, 2024, but before October 31, 2025, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

As of March 31 2021, conversion options have been exercised by holders on debentures representing a nominal amount of $3,876.

9. Bank Loans

The Trust has access to an acquisition line of credit in the amount of $15,000. This line of credit bears interest at a rate of 3.25% above the prime rate. As at March 31, 2021, $15,000 was due under the acquisition line of credit (December 31, 2020 – $15,300).

The Trust also has access to an operating credit facility for a maximum amount of $8,000. This facility bears interest at a rate of 1% above the prime rate. As at March 31, 2021, no amount was due under the operating credit facility (December 31, 2020 – $0).

The acquisition line of credit and the operating credit facility are secured by an immoveable first rank hypothec on two properties having a fair value of $5,694 and by an immoveable second rank hypothec on six properties having a fair value of $133,545.

10. Class B LP Units

	Three-month period ended March 31, **2021**		Year ended December 31, **2020**	
	Units	$	Units	$
Units outstanding, beginning of period	397,265	1,402	497,265	2,571
Exchange into Trust units (note 13)	(50,000)	(217)	(100,000)	(391)
Fair value adjustment		280		(778)
Units outstanding, end of period	**347,265**	**1,465**	**397,265**	**1,402**

The Class B LP Units are exchangeable into Trust units on a one-for-one basis at any time at the option of the holder.

The Class B LP Units are entitled to distribution equal to distribution declared on Trust units, on a one-to-one basis. Distribution on Class B LP Units are recognized in the statement of comprehensive income when declared.

	Three-month period ended March 31, **2021**	Year ended December 31, **2020**
	$	$
Distribution to Class B LP unitholders	30	52
Distribution per Class B LP unit	0.09	0.11

11. Fair Value Measurement

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They do not include the fair value of cash and cash equivalent, restricted cash, receivables, balance of sale, trade and other payables and distribution payable to unitholders, which approximated their carrying amount as at March 31, 2021 and December 31, 2020 because of their short-term maturity or because they bear interest at current market rates.

As at March 31, 2021	**Carrying amount**			**Fair value**
		Level 1	**Level 2**	**Level 3**
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 8)	9,819	—	—	9,819
Interest rate swap liability	1,308	—	1,308	—
Class B LP Units (note 10)	1,465	1,465	—	—
For which fair values are disclosed				
Mortgage loans payable (note 7)	480,556	—	489,844	—
Convertible debentures, including their conversion and redemption features (note 8)	55,509	56,053	—	—
Bank loans (note 9)	15,000	—	15,000	—

As at December 31, 2020	Carrying amount			Fair value
		Level 1	Level 2	Level 3
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 8)	6,486	—	—	6,486
Interest rate swap liability	3,531	—	3,531	—
Class B LP Units (note 10)	1,402	1,402	—	—
For which fair values are disclosed				
Mortgage loans payable (note 7)	484,639	—	507,807	—
Convertible debentures, including their conversion and redemption features (note 8)	54,802	53,703	—	—
Bank loans (note 9)	15,300	—	15,300	—

The fair value of mortgage loans payable was calculated by discounting cash flows from future payments of principal and interest using the period end market rate for various loans with similar risk and credit profiles. The period end market rates have been estimated by reference to published mortgage rates by major financial institutions for similar maturities.

The fair value of convertible debentures, including their conversion and redemption features, was determined with reference to the last quoted trading price preceding the period end.

The fair value of the Class B LP Units is determined with reference to the market price of the Trust units as at period end.

The fair values of derivative financial instruments, which comprise the conversion and redemption options of convertible debentures and an interest rate swap, are based respectively on the partial differential equation method and the discounted future cash flows method. The assumptions used in the partial differential equation method are estimated by reference to the market price of the Trust units and its volatility, and take into account the credit risk of the financial instrument. The assumptions used in the discounted future cash flows method are estimated by reference to the Canadian Dollar Offered Rate ("CDOR") forward rates.

Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

The following tables provide a reconciliation of Level 3 fair value measurements on the consolidated statements of financial position:

	Conversion and redemption options of convertible debentures
	$
Three-month period ended March 31, 2021	
Balance beginning of period	6,486
Conversion options exercised by holders	(704)
Change for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	4,037
Balance end of period	**9,819**

	Conversion and redemption options of convertible debentures
	$
Year ended December 31, 2020	
Balance beginning of year	45
Issue of Series H subordinated convertible redeemable debentures	2,691
Conversion options exercised by holders	(57)
Change for the period recognized in profit or loss under Net adjustment to fair value of derivative financial instruments	3,807
Balance end of year	**6,486**

The following table provides a sensitivity analysis for the volatility applied in fair value measurement of the conversion and redemption options of convertible debentures at March 31, 2021:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	10,395	28.70
March 31, 2021	9,819	29.20
0.50%	10,693	29.70

As shown in the sensitivity analysis above, the fair value of the conversion and redemption options of convertible debentures is impacted by a change in the volatility used in the valuation model. Generally, an increase in the volatility, other things being equal, will result in an increase in fair value of the conversion and redemption options of convertible debentures and vice-versa.

12. Unit-based Compensation

a) Deferred unit compensation plan for trustees and certain executive officers

The Trust offers a deferred unit compensation plan for its trustees and certain executive officers. Under this plan, the trustees and certain executive officers may elect to receive as compensation either cash, deferred units, or a combination of both.

The following table presents relevant information on changes in the number of deferred units:

Three-month period ended March 31,	2021	2020
	Deferred units	Deferred units
Outstanding, beginning of period	87,920	59,642
Trustees' compensation	2,038	15,576
Distribution paid in units	1,722	1,387
Settled	—	(2,973)
Outstanding, end of period	**91,680**	**73,632**

As at March 31, 2021, the liability related to the plan was $393 (December 31, 2020 - $306). The related expense recorded in profit or loss amounted to $88 for the three-month period ended March 31, 2021 for the three-month period ended March 31, 2020 – $71.

b) Employee unit purchase plan

The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, pursuant to a maximum of 3% to 7% of their base salary depending of their years of service with the Trust. For each two units purchased by an employee, the Trust issues one unit from treasury.

As at March 31, 2021, there was no liability related to the plan (December 31, 2020 - $47). The related expense recorded in profit and loss amounted to $0 for the three-month period ended March 31, 2021 (for the three-month period ended March 31, 2020 - $3). The 14,351 units related to 2020 purchases were issued in February 2021 (11,194 units related to 2020 purchases).

c) Restricted unit compensation plan

The Trust offers a restricted unit compensation plan for all executive officers and key employees. Under this plan, the executive officers and key employees are eligible to receive restricted units.

The following table presents relevant information on changes in the restricted units

Three-month period ended March 31,	2021	2020
	Restricted units	Restricted units
Outstanding, beginning of year	139,724	165,012
Granted	95,058	13,898
Cancelled	(1,524)	—
Settled	(71,722)	(59,327)
Outstanding, end of period	**161,536**	**119,583**

As at March 31, 2021, the liability related to the plan was $383(December 31, 2020 - $457). The related expense recorded in profit and loss amounted to $186 for the three-month period ended March 31, 2021 (for the three-month period ended March 31, 2020 – $105).

d) Cash settled share-based retirement compensation plan

On February 9 2021, the Board of Trustees retroactively approved a cash settled phantom share-based retirement allowance plan (RA Plan) for the President and Chief Executive Officer with a start date of July 1,2020, to form part of a long-term incentive compensation plan until retirement. Under this plan, phantom units are granted at set dates to July 1, 2026 based on a predetermined cash value. The number of phantom units granted at each vest date is based on the average closing trading price of the last 5 days prior to granting.

Compensation costs related to the RA Plan are recognized as the phantom units are granted and subsequently remeasured at each reporting period date at fair value. The plan is considered cash-settled share-based payments. The phantom units are recognized as a liability and remeasured at fair value based on the trading price of the Trust units at each reporting date with the change in profit or loss.

The granted RA Plan units are to be paid out on retirement based on the average closing trading price of the last 20 days.

As at March 31 2021, a long-term obligation and expense related to the RA units of $371 has been recognized in unit based compensation.

13. Trust Units Issued and Outstanding

BTB is authorized to issue an unlimited number of trust units. Each trust 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 BTB to redeem their trust units on demand. Upon receipt of the redemption notice, all rights to and under the trust units tendered for redemption are surrendered and the holder thereof is entitled to receive a price per trust unit ("Redemption Price"), as determined by a market formula. The Redemption Price is to be paid in accordance with the conditions provided for in the Declaration of Trust. BTB trust units are considered liability instruments under IFRS because the trust units are redeemable at the option of the holder, however they are presented as equity in accordance with IAS 32.

Trust units issued and outstanding are as follows:

	Three-month period ended March 31, **2021**		Year ended December 31, **2020**	
	Units	$	Units	$
Trust units outstanding, beginning of period	63,439,435	309,394	62,251,558	305,029
Issue pursuant to a public issue	—	—	—	—
Trust unit issuance costs	—	—	—	—
	63,439,435	309,394	62,251,558	305,029
Issue pursuant to the distribution reinvestment plan (a)	187,138	697	836,685	2,935
Issue pursuant to the deferred unit compensation plan (note 12 (a))	—	—	2,973	16
Issue pursuant to the employee unit purchase plan (note 12 (b))	14,351	52	11,194	60
Issue pursuant to the restricted unit compensation plan (note 12 (c))	71,722	256	68,069	345
Class B LP units exchange into Trust units	50,000	227	100,000	391
Issue pursuant to conversion of convertible debentures (note 8)	895,871	3,691	168,956	618
Trust units outstanding, end of period	**64,658,517**	**314,317**	**63,439,435**	**309,394**

a) Distribution reinvestment plan

BTB offers a distribution reinvestment plan for its trust unitholders. Participation in the plan is optional and under the terms of the plan, cash distribution on trust units are used to purchase additional trust units. The trust units are issued from BTB's treasury at a price based on the volume-weighted average of the trading prices on the Toronto Stock Exchange for the last five trading days before the distribution date, less a 3% discount.

b) Distribution

Three-month period ended March 31,	**2021**	**2020**
	$	$
Distribution to unitholders	4,798	6,556
Distribution per Trust unit	0.075	0.105

14. Rental Revenues

Three-month period ended March 31,	**2021**	**2020**
	$	$
Base rent and other lease generated revenues	14,178	14,565
Lease cancellation fees	30	—
Property tax and insurance recoveries	4,257	4,820
	18,465	19,385
Operating expenses recoveries and other revenues	5,547	5,091
Lease incentive amortization	(877)	(752)
Straight-line lease adjustment	397	144
	23,532	**23,868**

15. Net Financial Expenses

Three-month period ended March 31,	**2021**	**2020**
	$	$
Interest on mortgage loans payable	4,546	4,811
Interest on convertible debentures	957	837
Interest on bank loans	220	183
Interest on lease liabilities	53	57
Other interest expense	15	39
Accretion of non-derivative liability component of convertible debentures	96	—
Accretion of effective interest on mortgage loans payable and convertible debentures	359	385
Distribution - Class B LP Units	30	52
Fair value adjustment – Class B LP Units	280	(1,000)
Early repayment fees of a mortgage loan	—	79
Net adjustment to fair value of derivative financial instruments	1,814	4,097
	8,370	**9,540**

16. Expenses by Nature

Three-month period ended March 31,	**2021**	**2020**
	$	$
Depreciation	15	24
Employee compensation and benefits expense	2,329	1,736

17. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32, the Trust is not required to report a profit or loss per trust unit figure on its consolidated statements of comprehensive income. However, for disclosure purposes only, the Trust has determined basic earnings per unit using the same basis that would apply in accordance with IAS 33, *Earnings per Share*.

Net earnings per unit are calculated based on the weighted average number of trust units outstanding as follows:

Three-month period ended March 31,	**2021**	**2020**
	$	$
Net income	2,510	(5,587)
Weighted average number of trust units outstanding – basic	63,754,505	62,390,138
Earnings per unit – basic	**0.04**	**(0.09)**

18. Liquidity Risk Management

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they come due. Liquidity risk is managed by:

- maximizing cash flows from operations;
- adopting an investment property acquisition and improvement program that takes into account available liquidity;
- using credit facilities;
- staggering mortgage loan maturities;
- maximizing the value of investment properties, thus increasing mortgage financing on renewal of loans; and
- issuing debt securities or BTB's units on the financial markets.

Management believes that the Trust will be able to obtain the financing required to make the payments coming due in the next year. However, there is a risk that changes affecting market conditions and access to financing may invalidate this assumption

Some mortgage loans include subjective and restrictive covenant clauses under which the Trust must comply with financial conditions and ratios. As at March 31, 2021, the Trust was in compliance with all the covenants to which it was subject.

19. Operating Segments

For investment properties, discrete financial information is provided to the CEO on an aggregated investment property basis. The information provided is net rentals (including gross rent and property expenses), the change in fair value of investment properties and fair value of investment properties. The individual investment properties are aggregated into segments with similar economic characteristics. The CEO considers that this is best achieved by aggregating into retail, office and industrial segments.

Consequently, the Trust is considered to have three operating segments, as follows:

- Retail
- Office
- Industrial

	Retail	Office	Industrial	Total
	$	$	$	$
Three-month period ended March 31, 2021				
Investment properties	246,380	494,760	163,903	**905,043**
Rental revenue from properties	6,426	14,022	3,084	**23,532**
Net operating income	3,323	7,085	2,006	**12,414**
Three-month period ended March 31, 2020				
Investment properties	260,285	523,347	136,000	**919,632**
Rental revenue from properties	6,863	13,914	3,091	**23,868**
Net operating income	3,953	6,828	1,985	**12,766**

During the fourth quarter of 2020, the six investment properties classified as Mixed use were designated by management as Office. Consequently, the “mixed-use” category is no longer used by management. The comparative figures have been reclassified to conform to the current year’s presentation.

20. Commitments and Contingencies

(a) Litigation

The Trust is involved in litigation and claims which arise from time to time in the normal course of business. These litigation and claims are generally covered by insurance. In the opinion of management, any liability that may arise from such contingencies will not have a significant adverse effect on the Trust’s consolidated financial statements.

21. Subsequent Event

In April 2021, the Trust completed a public issuance on a bought deal basis of 6,791,000 trust units at a price of $4,05 per Unit in the gross amount of $27.5 million for net proceeds of $26.4 million. After the over-allotment option was exercised in full, the total number of units sold pursuant to the Offering is 7,809,650 with a total amount to the public of $31.6 million, for net proceeds of $30.4 million for BTB. A portion of the net proceeds has been used in April 2021 to repay the outstanding balance of $15,000,000 of the acquisition Line of Credit.

22. Comparatives Figures

Certain comparative figures have been reclassified to conform to the current year’s presentation.

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