

Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars)

STARLIGHT WESTERN CANADA MULTI- FAMILY (NO. 2) FUND

For the three months ended March 31, 2023 and March 31, 2022 (Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 – *Continuous Disclosure Obligations*, if an auditor has not performed a review of an entity's condensed consolidated interim financial statements, they must be accompanied by a notice indicating that such condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Starlight Western Canada Multi-Family (No. 2) Fund have been prepared by and are the responsibility of Starlight Western Canada Multi-Family (No. 2) Fund's management.

Starlight Western Canada Multi-Family (No. 2) Fund's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Condensed Consolidated Interim Statement of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	Notes	March 31, 2023	December 31, 2022
ASSETS			
Non-current assets:			
Investment properties	6	\$ 350,900	\$ 350,400
Total non-current assets		350,900	350,400
Current assets:			
Resident and other receivables	7	52	69
Prepaid expenses and other assets	8	1,031	896
Restricted cash	9	1,135	1,109
Cash		26,490	30,105
Total current assets		28,708	32,179
TOTAL ASSETS		\$ 379,608	\$ 382,579
LIABILITIES			
Non-current liabilities:			
Loans payable	10	\$ 175,272	\$ 187,669
Provision for carried interest	11(b)	1,755	3,408
Total non-current liabilities excluding net liabilities attributable to Unitholders		177,027	191,077
Current liabilities:			
Loans payable	10	63,091	53,120
Resident rental deposits		1,135	1,109
Accounts payable and accrued liabilities	12	1,448	1,289
Finance costs payable	10	425	320
Distributions payable	11(a)	333	333
Total current liabilities excluding net liabilities attributable to Unitholders		66,432	56,171
TOTAL LIABILITIES		\$ 243,459	\$ 247,248
Net liabilities attributable to Unitholders	11(a)	136,149	135,331
TOTAL LIABILITIES, NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		\$ 379,608	\$ 382,579

Commitments and contingencies (note 18).

Subsequent events (note 22).

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Trustees of Starlight Western Canada Multi-Family (No. 2) Fund, on May 11, 2023, and signed on its behalf:

Denim Smith

Trustee

Lawrence D. Wilder

Trustee

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Condensed Consolidated Interim Statement of Net Income (Loss) and Comprehensive Income (Loss)
(In thousands of Canadian dollars)
(Unaudited)

	Notes	Three months ended March 31, 2023	Three months ended March 31, 2022
Revenue from property operations		\$ 4,571	\$ 1,411
Expenses:			
Property operating costs		1,065	225
Property taxes	8	288	76
Income from rental operations		3,218	1,110
Finance costs	16	2,852	604
Distributions to Unitholders	11(a)	999	416
Fund and trust expenses	13	516	176
Fair value adjustment on investment properties	6	(352)	—
Provision for carried interest	11(b)	(1,653)	—
Net income (loss) and comprehensive income (loss)		\$ 856	\$ (86)

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Consolidated Statement of Changes in Net Liabilities Attributable to Unitholders

For the three months ended March 31, 2023 and March 31, 2022

(In thousands of Canadian dollars)

(Unaudited)

	Class A	Class B	Class C	Total
Balance, January 1, 2023	\$ 43,800	\$ 56,265	\$ 35,266	\$ 135,331
Changes during the period:				
Redemption of Units (note 11(a))	(38)	—	—	(38)
Net income and comprehensive income	277	356	223	856
Balance, March 31, 2023	\$ 44,039	\$ 56,621	\$ 35,489	\$ 136,149
	Class A	Class B	Class C	Total
Balance, January 1, 2022	\$ —	\$ —	\$ —	\$ —
Changes during the period:				
Units issued on initial public offering (February 22, 2022), net of issuance costs	40,420	51,924	32,546	124,890
Net loss and comprehensive loss	(28)	(36)	(22)	(86)
Balance, March 31, 2022	\$ 40,392	\$ 51,888	\$ 32,524	\$ 124,804

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Condensed Consolidated Interim Statement of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended March 31, 2023	Three months ended March 31, 2022
Operating activities:			
Net income (loss) and comprehensive income (loss)		\$ 856	\$ (86)
Adjustments for financing activities included in net income (loss) and comprehensive income (loss):			
Finance costs	16	2,852	604
Distributions to Unitholders	11(a)	999	416
Adjustments for items not involving cash:			
Fair value adjustment on investment properties	6	(352)	—
Provision for carried interest	11(b)	(1,653)	—
Changes in non-cash working capital	17(a)	(52)	(448)
Change in restricted cash	9	(26)	(731)
Cash provided by (used in) operating activities		2,624	(245)
Financing activities:			
Proceeds from the issuance of Units, net of issuance costs		—	124,890
Redemption of Units	11(a)	(38)	—
Loans payable:			
Proceeds from new financing	10	33,031	114,143
Proceeds from assumed financing	10	—	80,393
Loans repayments	10	(34,530)	—
Finance costs paid	17(b)	(3,555)	(3,684)
Distributions paid to Unitholders	11(a)	(999)	—
Cash (used in) provided by financing activities		(6,091)	315,742
Investing activities:			
Acquisitions of investment properties	5,6	—	(262,454)
Capital additions to investment properties	6	(148)	(26)
Cash used in investing activities		(148)	(262,480)
(Decrease) Increase in cash		(3,615)	53,017
Cash, beginning of period		30,105	—
Cash, end of period		\$ 26,490	\$ 53,017

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and March 31, 2022

(In thousands of Canadian dollars, unless otherwise noted)

(Unaudited)

1. Nature of business:

Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund") is a "closed-end" fund established pursuant to an initial declaration of trust dated November 12, 2021, as amended and restated on January 27, 2022 (the "Declaration of Trust"), and governed by the laws of the Province of Ontario. The term of the Fund is three years, with two one-year extensions available at the option of the Fund's board of trustees ("Board of Trustees") and may be further extended by special resolution of the unitholders ("Unitholders") of the Fund. The Fund was established for the primary purpose of directly or indirectly acquiring, owning, operating and stabilizing a portfolio composed of income-producing multi-family real estate properties in western Canada that demonstrate value based on pricing and local supply and demand trends to achieve the Fund's target metrics by increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions as a result of active asset management, and are located primarily on Vancouver Island and the mainland of the Province of British Columbia.

The Fund completed its initial public offering (the "Offering") on February 22, 2022 and raised aggregate gross subscription proceeds of \$130,000. The Fund achieved the maximum offering allowable and issued the following trust units ("Units"): 4,207,395 Class A Units; 5,404,905 Class B Units; and 3,387,700 Class C Units at a price of \$10.00 per Unit. Class A, B and C Units are Canadian dollar denominated (note 11(a)).

Following completion of the Offering, the Fund acquired five institutional quality multi-family properties (the "Initial Portfolio") comprising a total of 495 suites located in Nanaimo, Langford and Vernon in the Province of British Columbia. Subsequent to the Offering, the Fund acquired three additional multi-family properties comprising 166 suites located in Langford, British Columbia, 57 suites located in Langley, British Columbia and 120 suites located in Nanaimo, British Columbia during year ended December 31, 2022 ("Subsequent Acquisitions"). The Initial Portfolio and Subsequent Acquisitions are collectively referred to as the "Properties".

The Fund is managed by Starlight Investments CDN AM Group LP (the "Manager") which is a wholly owned subsidiary of Starlight Group Property Holdings Inc. and a related party. As at March 31, 2023, the Fund's property portfolio consisted of interests in eight multi-family properties totaling 838 suites.

The registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto Ontario M8X 2X3.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2023 and March 31, 2022
(In thousands of Canadian dollars, unless otherwise noted)
(Unaudited)

2. Basis of presentation:

(a) Statement of compliance:

These condensed consolidated interim financial statements of the Fund have been prepared by management in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions significant to understand the changes in financial position and performance of the Fund since the last audited consolidated financial statements for the year ended December 31, 2022. Certain information and note disclosures normally included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. These condensed consolidated interim financial statements were approved by the Board of Trustees of the Fund and authorized for issue on May 11, 2023.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, which have been measured at fair value. All intercompany transactions and balances between the Fund and the subsidiary entities have been eliminated upon consolidation.

(c) Comparatives:

The Fund was established on November 12, 2021. The Offering was completed on February 22, 2022 and the acquisition of the Initial Portfolio occurred on February 23, 2022 and as a result, there were no operating activities between November 12, 2021 and February 22, 2022. As such, the comparatives presented in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss), the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in net liabilities attributable to Unitholders reflect the operating period between February 23, 2022 and March 31, 2022.

(d) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

3. Significant accounting policies:

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in the Fund's audited consolidated financial statements for the year ended December 31, 2022. These accounting policies are based on the IFRS applicable at that time. The condensed consolidated interim financial statements do not include all of the disclosures included in the audited consolidated financial statements for the year ended December 31, 2022 and accordingly, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022 and the notes thereto.

4. Adoption of accounting standards:

(a) Accounting standards implemented:

(i) Amendment to IAS 8 Definition of Accounting Estimates:

The Fund adopted this amendment on January 1, 2023. The amendment introduces a definition of 'accounting estimates', clarifying the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendment is effective for annual periods beginning on or after January 1, 2023, with early application permitted. The adoption of this amendment had no impact on the condensed consolidated interim financial statements of the Fund.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and March 31, 2022

(In thousands of Canadian dollars, unless otherwise noted)

(Unaudited)

4. Adoption of accounting standards (continued):

(a) Accounting standards implemented (continued):

(ii) Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements:

The Fund adopted these amendments on January 1, 2023. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies. The amendments provide guidance on how entities may apply the concept of materiality in making decisions about accounting policy disclosures. The adoption of these amendments had no impact on the condensed consolidated interim financial statements of the Fund.

(b) Future accounting policy changes:

(i) Amendment to IAS 1 Presentation of Financial Statements ("IAS 1"):

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendment also clarifies the situations that are considered a settlement of a liability. The amendment is effective for annual periods beginning on or after January 1, 2024, with early application permitted. The Fund is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to the Fund as a result of the amendment to IAS 1.

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(Unaudited)

5. Acquisitions:

There were no acquisitions completed during the three months ended March 31, 2023.

The following acquisitions were completed by the Fund during the year ended December 31, 2022. The Properties were acquired by purchasing the legal entities which owned such Properties. These acquisitions were treated as asset acquisitions and as a result, the fair value of consideration was allocated to the identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition as follows:

	Nanaimo	Langford	Vernon	Vernon 2	Langford 2	Langford 3	Langley	Nanaimo 2	Total ⁽ⁱ⁾
Acquisition date	23-Feb	23-Feb	23-Feb	23-Feb	23-Feb	01-Mar	07-Jun	29-Aug	
Suites	251	60	60	43	81	166	57	120	838
City, Province	Nanaimo, BC	Langford, BC	Vernon, BC	Vernon, BC	Langford, BC	Langford, BC	Langley, BC	Nanaimo, BC	
Investment properties ⁽ⁱⁱ⁾	\$ 106,313	\$ 25,191	\$ 18,536	\$ 13,312	\$ 33,366	\$ 67,152	\$ 23,681	\$ 46,019	\$ 333,570
Add:									
Prepaid expenses and other assets	204	57	38	29	—	—	—	33	361
Deduct:									
Accounts payable and accrued liabilities	(6)	(9)	(24)	(25)	(41)	(65)	(42)	—	(212)
Resident rental deposits	(540)	(102)	(88)	(67)	(129)	(459)	(132)	(172)	(1,689)
Finance cost payable	—	(27)	(18)	(10)	(36)	—	—	—	(91)
Net assets acquired	\$ 105,971	\$ 25,110	\$ 18,444	\$ 13,239	\$ 33,160	\$ 66,628	\$ 23,507	\$ 45,880	\$ 331,939

Consideration funded by:

New loans payable ⁽ⁱⁱⁱ⁾	\$ 75,550	\$ 6,703	\$ 4,411	\$ 2,513	\$ 10,227	\$ 11,386	\$ 17,350	\$ 33,646	\$ 161,786
Assumed loans payable ⁽ⁱⁱⁱ⁾	—	11,876	9,156	6,791	14,221	37,896	—	—	79,940
Cash paid ^(iv)	30,421	6,531	4,877	3,935	8,712	17,346	6,157	12,234	90,213
Total Consideration	\$ 105,971	\$ 25,110	\$ 18,444	\$ 13,239	\$ 33,160	\$ 66,628	\$ 23,507	\$ 45,880	\$ 331,939

(i) The Properties are located in the province of British Columbia at 6035 Linley Valley Drive and 4800 Uplands Drive, Nanaimo, British Columbia ("Nanaimo"), 733 Goldstream Avenue, Langford, British Columbia ("Langford"), 3400 Centennial Drive, Vernon, British Columbia ("Vernon"), 1803 31A Street, Vernon, British Columbia ("Vernon 2"), 2699 Peatt Road, Langford, British Columbia ("Langford 2"), 1085 Goldstream Avenue, Langford, British Columbia ("Langford 3"), 5477 200 Street, Langley, British Columbia ("Langley") and 4745 Ledgerwood Road, Nanaimo, British Columbia ("Nanaimo 2").

(ii) Investment properties includes acquisition costs capitalized to investment properties amounting to \$1,213, \$290, \$286, \$762, \$466, \$852, \$357 and \$868 for Nanaimo, Langford, Vernon, Vernon 2, Langford 2, Langford 3, Langley, and Nanaimo 2, respectively.

(iii) New and assumed loans payable are net of finance costs incurred amounting to \$3,275, \$107, \$105, \$95, \$174, \$324, \$200 and \$217 for Nanaimo, Langford, Vernon, Vernon 2, Langford 2, Langford 3, Langley and Nanaimo 2, respectively.

(iv) No cash was assumed for the entities acquired by the Fund on the date of acquisition.

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6. Investment properties:

The following table summarizes the change in investment properties for the three months ended March 31, 2023 and the year ended December 31, 2022:

Balance, January 1, 2022	\$	—
Acquisitions of investment properties (note 5)		333,570
Capital additions		362
Fair value adjustment		16,468
Balance, January 1, 2023	\$	350,400
Capital additions		148
Fair value adjustment		352
Balance, March 31, 2023	\$	350,900

The following table reconciles the cost base of investment properties to their fair value:

	March 31, 2023	December 31, 2022
Cost	\$ 334,080	\$ 333,932
Cumulative fair value adjustment	16,820	16,468
Fair Value	\$ 350,900	\$ 350,400

The key valuation assumptions for investment properties are set out in the following table:

	March 31, 2023	December 31, 2022
Capitalization rate - range	4.00% to 4.50%	4.00% to 4.50%
Capitalization rate - weighted average	4.28 %	4.28 %

The Fund determined the fair value of each investment property using the direct income capitalization approach. Capitalized earnings reflect rental income from current leases, assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases (note 20(b)).

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

Weighted average	Change	March 31, 2023	December 31, 2022
Capitalization rate	10 basis-point increase	\$ (8,011)	\$ (8,000)
Capitalization rate	10 basis-point decrease	\$ 8,395	\$ 8,383

The impact of a one percent change in the net operating income used to value the investment properties as at March 31, 2023 would affect the fair value by approximately \$3,509 (December 31, 2022 - \$3,504).

The Fund's investment properties are considered Level 3 assets under IFRS 13 - Fair Value Measurement due to the extent of assumptions required beyond observable market data to derive the fair values (note 20(b)).

7. Resident and other receivables:

The following table presents details of the resident and other receivables balance:

	March 31, 2023	December 31, 2022
Resident receivables, net	\$ 32	\$ 20
Other receivables	\$ 20	\$ 49
	\$ 52	\$ 69

The Fund holds no collateral in respect of resident and other receivables.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to the Condensed Consolidated Interim Financial Statements
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8. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

	March 31, 2023	December 31, 2022
Prepaid insurance	\$ 344	\$ —
Prepaid property taxes	183	234
Prepaid expenses	497	655
Other deposits	7	7
	\$ 1,031	\$ 896

9. Restricted cash:

The following table presents details of the restricted cash balance:

	March 31, 2023	December 31, 2022
Security deposits ⁽ⁱ⁾	\$ 1,135	\$ 1,109

(i) Security deposits relate to funds paid by residents that are specifically restricted until a resident exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

10. Loans payable:

Mortgages payable are secured against the applicable investment properties and bear interest at fixed rates. Mortgages payable are classified as current liabilities if they are due and payable within 12 months from the date of the statement of financial position.

The Fund has a non-revolving term credit facility with a Canadian chartered bank with \$61,029 drawn as at March 31, 2023 (December 31, 2022 - \$94,892). The undrawn portion of the credit facility was \$nil as at March 31, 2023 (December 31, 2022 - \$nil). The credit facility is secured by a second charge against the Nanaimo, Langford, Vernon, Vernon 2, Langford 2 and Langford 3 investment properties and a first charge against the Langley investment property. The credit facility is subject to interest at the bank's prime rate plus 1.25% or, at the borrower's option at the time of advance, at the Canadian Dollar Offered Rate ("CDOR") plus 2.25%.

A summary of the Fund's loans payable is presented below:

Property Name	Payment Terms	Maturity Date	Extension Options	Interest Rate	March 31, 2023	December 31, 2022
Principal Outstanding						
Mortgages:						
Nanaimo	Principal+Interest	March 1, 2027	None	2.80%	\$ 69,802	\$ 70,053
Langford	Principal+Interest	December 1, 2028	Six months	2.00%	11,721	11,774
Vernon	Principal+Interest	August 1, 2029	None	3.34%	9,009	9,063
Vernon 2	Principal+Interest	August 1, 2030	None	2.35%	6,685	6,729
Langford 2	Principal+Interest	April 1, 2025	None	3.91%	14,019	14,102
Langford 3	Principal+Interest	June 1, 2030	One year	1.63%	37,432	37,614
Nanaimo 2	Principal+Interest	June 1, 2033	None	3.89%	33,031	—
Credit Facility:						
Initial Portfolio	Interest only	February 23, 2024	None	CDOR+2.25%	32,029	32,029
Langford 3	Interest only	March 1, 2024	None	CDOR+2.25%	11,450	11,450
Langley	Interest only	May 1, 2023	None	CDOR+2.25%	17,550	17,550
Nanaimo 2	Interest only	February 15, 2023	None	CDOR+2.25%	—	33,863
Face value					\$ 242,728	\$ 244,227
Unamortized finance costs					(4,365)	(3,438)
Carrying value					\$ 238,363	\$ 240,789

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Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2023 and March 31, 2022
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10. Loans payable (continued):

Loans payable (net of unamortized finance costs) classified as:

	March 31, 2023	December 31, 2022
Current	\$ 63,091	\$ 53,120
Non-current	175,272	187,669
Total	\$ 238,363	\$ 240,789

On February 15, 2023, the Nanaimo 2 credit facility amount outstanding of \$33,863 was replaced by a \$33,031 fixed rate loan at 3.89%, maturing on June 1, 2033 (See note 22 for conversion of variable to fixed rate loan subsequent to period end).

As at March 31, 2023, loans payable had a weighted average term to maturity of 2.80 years and a weighted average interest rate of 3.91%.

During the three months ended March 31, 2023, the Fund incurred interest expense on loans payable of \$2,456 (March 31, 2022 - \$490), which is included in finance costs (note 16).

Future principal payments on loans payable are as follows:

	Principal payments	Balloon payments	Total
2023 - remainder of the year	\$ 2,258	\$ 17,550	\$ 19,808
2024	3,096	43,479	46,575
2025	2,913	13,332	16,245
2026	2,903	—	2,903
2027	2,157	65,649	67,806
Thereafter	5,715	83,676	89,391
Total	\$ 19,042	\$ 223,686	\$ 242,728

11. Net liabilities attributable to Unitholders:

(a) Composition of net liabilities attributable to Unitholders and beneficial ownership of the Fund:

The beneficial interests in the net liabilities and net income (loss) and comprehensive income (loss) of the Fund are held in three classes of Units: class A; class B; and class C. The Fund is authorized to issue an unlimited number of Units of each class. Each Unitholder is entitled to one vote per Unit held. Each class of Units entitles the holder to the same rights as a Unitholder in any other class of Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder's rights. As there are varying economic values per class of Units, the net liabilities attributable to Unitholders will be distributed disproportionately on a per Unit basis upon liquidation. Accordingly, these Units have been classified as a liability in the condensed consolidated interim statement of financial position and any distributions paid on each class of Units is presented in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss). For the three months ended March 31, 2023, distributions of \$999 (March 31, 2022 - \$416) were declared and recorded to distribution expense.

The following table represents a summary of the changes in thousands of Units by class:

	Number of Units Outstanding (000s)				Net Liabilities Attributable to Unitholders (\$)
	Class A	Class B	Class C	Total Units	
Outstanding as at January 1, 2023	4,207	5,405	3,388	13,000	\$ 135,331
Redemption of Units	(4)	—	—	(4)	(38)
Net income and comprehensive income	—	—	—	—	856
Outstanding as at March 31, 2023	4,203	5,405	3,388	12,996	\$ 136,149

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For the three months ended March 31, 2023 and March 31, 2022
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11. Net liabilities attributable to Unitholders (continued):

(a) Composition of net liabilities attributable to Unitholders and beneficial ownership of the Fund (continued):

During the three months ended March 31, 2023, pursuant to the related Offering condition, 4,000 Class A Units were redeemed at 95% of Net Assets Value, amounting to a total of \$38 (March 31, 2022 - \$nil).

(b) Carried Interest:

Through D.D. Acquisitions Partnership ("DDAP") (as holder of Starlight Western Canada Multi-Family (No. 2) Holding LP (the "Holding LP") class B limited partnership units), Daniel Drimmer is indirectly entitled to a carried interest, being (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all distributable cash of the Holding LP was received by the Fund (including through Holding GP), together with all other amounts distributable by the Fund (including distributable cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders in accordance with the Declaration of Trust, exceeds (B) the aggregate minimum return (being 7.0%) in respect of such class of Units (the calculation of which includes the amount of the investors capital return base), provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceeds the minimum return for such class, DDAP will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the investors capital return base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by DDAP in respect of such class, and if more than one series of a class of Units is issued subsequent to the closing date, the foregoing calculations and distributions will be separately determined on the basis of each such series.

As at March 31, 2023, the Fund had recognized a provision for carried interest of \$1,755 resulting in a corresponding recovery of \$1,653 for the three months ended March 31, 2023 (March 31, 2022 - \$nil).

12. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	March 31, 2023	December 31, 2022
Resident prepayments	\$ 226	\$ 190
Operating payables	1,104	989
Accrued asset management fees (note 15(a))	118	110
	\$ 1,448	\$ 1,289

13. Fund and trust expenses:

Fund and trust expenses consist of the following:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Asset management fees (note 15(a))	\$ 346	\$ 100
General and administrative expenses	170	76
	\$ 516	\$ 176

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(Unaudited)

14. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single resident accounts for 10% or more of the Fund's rental revenue.

15. Transactions with related parties:

The condensed consolidated interim financial statements include the following transactions with related parties:

The Manager is a related party to the Fund as the Manager is owned and controlled by Daniel Drimmer, Founder, Chief Executive Officer and Unitholder of the Fund. The Fund engaged the Manager to perform certain management services, as outlined below.

- (a) Pursuant to the management agreement dated February 22, 2022 (the "Management Agreement"), the Manager is to perform asset management services for fees equal to 0.35% of the fair market value as prescribed by the most recent annual appraisals of the properties ("Gross Asset Value"), with the initial Gross Asset Value being the purchase price of the properties paid or deemed paid by the Fund.

Included in Fund and trust expenses is \$346 in asset management fees charged by the Manager (note 13) for the three months ended March 31, 2023 (March 31, 2022 - \$100). The amount payable to the Manager as at March 31, 2023 was \$118 (note 12).

- (b) Pursuant to the Management Agreement, the Manager is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by the Manager calculated as 1.0% of the purchase price of a property.

For the three months ended March 31, 2023, the Fund incurred acquisition fees of \$nil (March 31, 2022 - \$2,938), relating to the acquisition of the Properties.

- (c) Pursuant to the Management Agreement, in the event that the Manager is required by the lenders of the Fund to provide a financing guarantee in connection with the amount borrowed by the Fund or its subsidiaries relating to a property, the Fund will, in consideration for providing such guarantee, pay the Manager, in the aggregate, a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee is calculated and payable in arrears on the first day of each month. Guarantee fees of \$102 were charged by the Manager for the three months ended March 31, 2023 (March 31, 2022 - \$32). The amount payable to the Manager as at March 31, 2023 was \$35.

16. Finance costs:

Finance costs consist of the following:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Interest expense on loans payable (note 10)	\$ 2,456	\$ 490
Amortization of deferred financing costs	294	76
Other financing costs	102	38
	\$ 2,852	\$ 604

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17. Supplemental cash flow information:

(a) Changes in non-cash working capital:

The following table presents the changes in non-cash operating working capital presented within the condensed consolidated interim statement of cash flows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Resident and other receivables	\$ 17	(71)
Prepaid expenses and other assets	(256)	(898)
Resident rental deposits	27	(361)
Accounts payable and accrued liabilities	160	882
Total change in non-cash working capital	\$ (52)	\$ (448)

(b) Finance costs paid:

The following table presents the components of finance costs paid presented within the condensed consolidated interim statement of cash flows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Interest expense paid	\$ (2,232)	\$ (320)
Financing costs incurred on loans payable	(1,323)	(3,364)
Total finance costs paid	\$ (3,555)	\$ (3,684)

18. Commitments and contingencies:

The Fund had no commitments for future minimum lease payments under non-cancellable operating leases as at March 31, 2023. All future leases as of March 31, 2023 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable and to distribute excess cash to Unitholders.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

19. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of loans payable including capital lines available and net liabilities attributable to Unitholders. The Fund monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the Unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at March 31, 2023.

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20. Risk management:

The Fund's activities expose it to credit risk, market risk, liquidity risk and other risks. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from residents. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the condensed consolidated interim statements of net income (loss) and comprehensive income (loss).

As at March 31, 2023, the Fund had an allowance for uncollectible amounts of \$174 (December 31, 2022 - \$158). Bad debts expensed within property operating costs for the three months ended March 31, 2023 were \$16 (March 31, 2022 - \$13).

The Fund continues to actively monitor the impact of interest rates, inflation, the potential impact of any resurgence in the coronavirus (SARS – CoV2) and its variants ("COVID-19"), and impact of any changes in migration or other population growth patterns that may be caused by the lagging effects of COVID-19 including return to work policies at various employers, may have on credit risks applicable to the Fund (notes 20(d) and 20(e)).

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to risks associated with debt financing, including the risk that loans will not be refinanced on terms as favourable as those of the existing indebtedness, in the event that such refinancings occur in future periods.

As at March 31, 2023, the Fund's investment properties have been reported at fair value which reflects the Fund's best estimate of future cash flows and capitalization rates applicable to the investment properties.

During the three months ended March 31, 2023, the Fund adjusted the capitalization rates in the valuation of its investment properties that are reflective of third party appraisals as well as consideration of comparable sales transactions for similar properties and overall changes in the investment market for residential properties up to March 31, 2023. Although the appraisals utilize the best available information to determine the capitalization rates used for purposes of the valuations of the Fund's investment properties as at March 31, 2023, the period leading up to March 31, 2023 experienced limited comparable sales for the appraisers to rely on as a result of broader market conditions, including certain owners of multi-family properties delaying sales as a result of market uncertainty and concerns relating to rising interest rates. The Manager will continue to evaluate comparable sales transactions as additional comparable sales data occurs under current market conditions.

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20. Risk management (continued):

(b) Market risk (continued):

The Fund continues to actively monitor the impact of interest rates, inflation, the potential impact of any resurgence in COVID-19, and impact of any changes in migration or other population growth patterns that may be caused by the lagging effects of COVID-19 including return to work policies at various employers, may have on credit risks applicable to the Fund (notes 20(d) and 20(e)).

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

All of the Fund's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the loans payable is outlined in note 10.

The Fund continues to actively monitor the impact of interest rates, inflation, the potential impact of any resurgence in COVID-19, and impact of any changes in migration or other population growth patterns that may be caused by the lagging effects of COVID-19 including return to work policies at various employers, may have on credit risks applicable to the Fund (notes 20(d) and 20(e)).

(d) Interest rate risk:

Interest rate risk is the risk that the market value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Fund is exposed to interest rate risk on its loans payable. The risk of unfavorable interest rate changes is managed by low floating debt exposure. Floating debt of the Partnership was 25.14% of total debt as at March 31, 2023 (See note 22 for additional interest rate impacts subsequent to period end).

(e) Other risk - COVID-19:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

In the event a resurgence in COVID-19, or if a similar event occurred, it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Fund in future periods which could materially impact the financial results of the Fund, including potential decreases in occupancy, collection rates, increases in bad debt and the Fund's ability to access capital including debt in future periods on terms consistent with those achieved in the past. The Fund continues to monitor collection rates and as at the date of approval of these condensed consolidated interim financial statements, the Fund's rent collection rate for the Properties was approximately 99.4% for the three months ended March 31, 2023, with the Fund expecting further rent collections in future periods relating to these rents.

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21. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the condensed consolidated interim financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating the fair values of the Fund's financial instruments:

- i. The fair value of the Fund's financial assets, which include resident and other receivables, restricted cash and cash, as well as financial liabilities, which include resident rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).
- ii. The fair value of loans payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Fund's loans payable as at March 31, 2023 approximated their carrying value.
- iii. Provision for carried interest and net liabilities attributable to Unitholders are considered Level 3 financial instruments due to the extent of assumptions required beyond observable market data to derive the fair values.

22. Subsequent events:

On May 1, 2023, the Langley credit facility amount outstanding of \$17,550 was replaced by a \$15,907 fixed rate mortgage at 3.74%, maturing on June 1, 2033, reducing the Fund's exposure to variable rate debt to 18.0%.