



2018 Annual Report

For the years ended September 30, 2018 and 2017

MAINSTREET EQUITY CORP. is a Canadian real estate company focused on acquiring and managing mid-market rental apartment buildings primarily in Western Canada. Founded in 1997, Mainstreet creates value by purchasing under-performing properties, renovating them to a branded standard, improving operating efficiencies and repositioning them in the market for greater returns.

For additional information about Mainstreet Equity Corp., see the Corporation's profile at SEDAR (www.sedar.com).

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Forward-Looking Information

Certain statements contained herein constitute "forward-looking statements" as such term is used in applicable Canadian securities laws. These statements relate to analysis and other information based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, statements concerning estimates related to future acquisitions, dispositions and capital expenditures, reduction of vacancy rates, increase of rental rates and rental revenue, future income and profitability, timing of refinancing of debt, access to low-cost long-term Canada Mortgage and Housing Corporation ("CMHC") insured mortgage loans, completion timing and costs of renovations, increased funds from operations and cash flow, minimization of operating costs, the Corporation's liquidity and financial capacity, improved rental conditions, potential increases in rental revenue if optimal operations achieved, the period of time required to stabilize a property, future environmental impact, the Corporation's strategy and goals and the steps it will take to achieve them, the Corporation's anticipated funding sources to meet various operating and capital obligations, key accounting estimates and assumptions used by the Corporation, the intention to renew the Corporation's normal course issuer bid, the attraction and hiring of additional personnel, the Corporation's plans to address the material weaknesses in its internal controls over financial reporting and other factors and events described in this document should be viewed as forward-looking statements to the extent that they involve estimates thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions of future events or performance (often, but not always, using such words or phrases as "expects" or "does not expect," "is expected," "anticipates" or "does not anticipate," "plans," "estimates" or "intends" or stating that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur or be achieved) are not statements of historical fact and should be viewed as forward-looking statements.

Such forward-looking statements are not guarantees of future events or performance and by their nature involve known and unknown risks, uncertainties and other factors, including those risks described in the Corporation's Annual Information Form, dated December 11, 2018 under the heading "Risk Factors," that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, costs and timing of the development or renovation of existing properties, availability of capital to fund stabilization programs, other issues associated with the real estate industry including availability of labour and costs of renovations, fluctuations in vacancy rates, general economic conditions, competition for tenants, unoccupied units during renovations, rent control, fluctuations in utility and energy costs, environmental and other liabilities, credit risks of tenants, fluctuations in interest rates and availability of capital, an inability to remediate weaknesses in the Corporation's internal controls over financial reporting on a timely basis or at all and other such business risks as discussed herein. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include, among others, the rental environment compared to several years ago, relatively stable interest costs, access to equity and debt capital markets to fund (at acceptable costs) and the availability of purchase opportunities for growth in Canada. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, other factors may cause actions, events or results to be different than anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements contained herein.

Forward-looking statements are based on management's beliefs, estimates and opinions on the date the statements are made, and the Corporation undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions should change except as required by applicable securities laws.

Management closely monitors factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and will update those forward-looking statements where appropriate in its quarterly financial reports.

This report includes forward-looking information about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action and that is not presented in the format of a historical balance sheet, income statement or cash flow statement ("Financial Outlook"). Actual results may vary from the Financial Outlook summarized in this MD&A. Management of the Corporation has approved the Financial Outlook as of December 11, 2018. Financial Outlook has been included in this MD&A to provide readers with disclosure regarding the Corporation's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the Financial Outlook may not be appropriate for other purposes.

2018 PERFORMANCE HIGHLIGHTS

Rental Revenue from Operation	Up 11% to \$115.7 million (vs. \$104.7 million in 2017)
Rental Revenue – Same Assets Properties	Up 1% to \$104.6 million (vs. \$103.2 million in 2017)
Net Operating Income (NOI)	
From operations	Up 12% to \$72.2 million (vs. \$64.4 million in 2017)
Same Assets Properties	Up 4% to \$66.6 million (vs. \$63.8 million in 2017)
Funds from Operations (FFO)	Up 18% to \$30.4 million (vs. \$25.9 million in 2017)
FFO per share	Up 18% to \$3.44 per basic share (vs. \$2.91 in 2017)
Operating Margin	
From Operations	62.4% (vs. 61.5% in 2017)
Same Assets Properties	63.6% (vs. 61.8% in 2017)
Total Capital Expenditures	\$21.9 million (vs. \$23.9 million in 2017)
Stabilized Units	230 properties (10,010 units) out of 302 properties (11,776 units)
Acquisitions	1,296 units (\$150 million) in Calgary, Edmonton, Saskatoon and Regina (\$115,000/unit) vs. 601 units (\$65.4 million) in 2017 (\$109,000/unit)
Subsequent Acquisitions	421 units (\$50.0 million) in Calgary, Edmonton, Saskatoon and Regina
Vacancy rate	10.1% (vs. 10.5% in 2017)
Same Asset Vacancy rate	8.6% (vs. 9.7% in 2017)
Vacancy rate as of December 1, 2018	6.1% excluding 60 units under complete re-construction

5 YEAR TRENDS

Continuing Operations

(\$ millions except number of units, percentages and shares)

	% change 2017 vs. 2018	2018	2017	2016	2015	2014
Total number of units	12%	11,776	10,480	9,878	9,319	8,780
Market value of the portfolio	14%	1,866	1,632	1,460	1,386	1,259
Rental revenue	11%	115.7	104.7	100.3	100.4	90.4
Same assets rental revenue	1%	104.6	103.2	99.3	97.9	88.3
Net operating income	12%	72.2	64.4	64.0	67.3	60.1
Same assets net operating income	4%	66.6	63.8	63.5	65.8	59.0
Funds from operations						
before one-time items*	14%	29.2	25.6	27.0	31.8	25.6
FFO from operations per share*	15%	3.31	2.88	2.82	3.06	2.45
Operating margins	–	62%	62%	64%	67%	66%

* Before utility refund, current income tax, insurance settlement, pay-out penalties, stock option cash settlement expenses and loss on disposition from investment property.

MESSAGE FROM THE PRESIDENT & CEO

For the year ended September 30, 2018

Mainstreet Equity Corp. ("Mainstreet" or the "Corporation"), an add-value, mid-market consolidator of apartments in Western Canada, is announcing its operating and financial results for the year ended September 30, 2018.

Fiscal 2018 began as a challenging year for Mainstreet. Our core markets in the Provinces of Alberta and Saskatchewan were in an economic slowdown, with vacancy rates leaping to 14% and 17%, respectively. Rising interest rates increased the cost of Mainstreet debt—our single largest operating expense. Those rising costs were compounded by the introduction of a carbon tax in the Province of Alberta and higher property taxes, putting yet more strain on our balance sheet. And yet, due to our long-term strategy over the past three years, as well as a slowly improving economy, we believe Mainstreet managed to not only survive but thrive in 2018, producing our best annual results since the recession began in 2014. This included a return to double-digit growth across all of our key real estate metrics. NOI grew 12% compared with 2017, while FFO per share grew 18% and rental revenues increased 11%.

Management believes these improved results are impressive for same assets on a quarterly basis. Mainstreet's same-asset vacancy rate dropped to 6.3% in Q4 2018 compared with 9.6% in Q4 2017, while same-asset revenues increased 5.2% to \$27.0 million, up from \$25.7 million in Q4 2017. NOI on a same-asset basis increased 4.5% to \$17.7 million (excluding a one-time utility refund), up from \$16.9 million in Q4 2017; FFO also increased 17% to \$8.9 million (excluding a one-time utility refund), up from \$7.6 million in Q4 2017. When comparing same-asset results from Q3 2018 to Q4 2018, the positive trend continued: Mainstreet's same-asset vacancy rate dropped to 6.3%, from 8.3% in Q3 2018, and same-asset revenues increased 3.1% to \$27.0 million, an improvement from \$26.3 million in Q3 2018. Meanwhile, Vancouver/Lower Mainland remains robust (23% of our portfolio) and continue to outperform the balance of Western Canada.

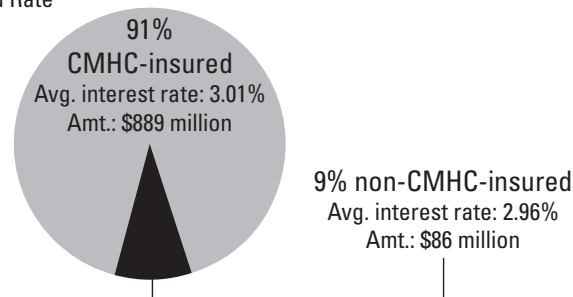
We believe these achievements are partly due to a long-term countercyclical strategy crafted more than three years ago by Mainstreet management, who had anticipated a major shift in the broader economy. The plan included boosting our acquisitions, locking in the majority of our debt at ultra-low, CMHC-insured levels, and rapidly converting more units to wring maximum value out of our existing assets. This paved the way for Mainstreet to achieve a few significant financial milestones. Fiscal 2018 marked the largest acquisition year in Mainstreet history, in which we grew our portfolio by 1,717 units including subsequent acquisition to over 12,000 residential units, or close to \$1.9 billion in new asset value. The Corporation also expanded its portfolio to include the Regina, Saskatchewan market, and converted a record number of units over the year, stabilizing a total of 705 units.

FINANCIAL HIGHLIGHTS:

- **Stabilization:** Stabilized 705 units in 2018, an all-time high in Mainstreet history.
- **Refinancing:** Raised \$76 million in 10 year, long-term CMHC-insured mortgages at an average interest rate of 3% (a total of \$20 million was funded subsequent to the year-end date).
- **Mortgage:** Locked in 91% of our mortgages portfolio as CMHC-insured mortgages at an average interest rate of 3.01% with an average maturity period of 6 years, reducing our exposure to interest rate risk.
- **Growth:** Achieved 100% organic, non-dilutive growth by acquiring 1,296 residential units for approximately \$150 million. Including 421 units acquired subsequent to the year-end date, the total acquired year to date was 1,717 units for over \$200 million. (The total number of units year-to-date – 12,197)
- **Occupancy:** Improved our occupancy rate to 93.3% at the end of the year, up from 89.3% a year earlier. As of December 1, 2018, our occupancy rate further improved to 93.9% excluding 60 units under complete re-construction.
- **Technological investment:** Continued to seek out cost-effective investments in new technology, including a five-year, \$2-\$3 million investment in a leading software technology from Yardi System Inc., which will automate our systems and, we believe, sharply improve our operational efficiencies.
- **Liquidity:** Managed to maintain liquidity level over \$120 million, even after approximately \$150 million in acquisitions over the year.

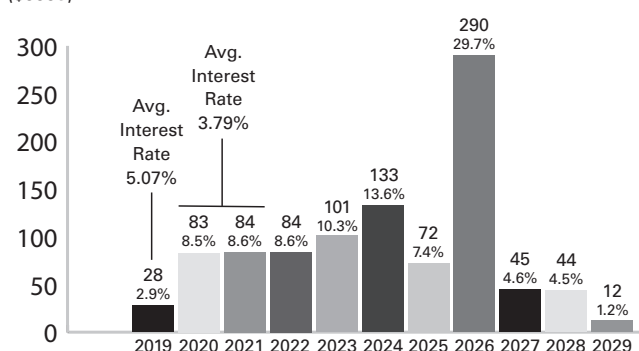
Long-Term Debt

Fixed Rate



Mortgage Maturity

(\$000s)



RESULTS

Rental revenues in the fiscal year 2018 increased 11% to \$115.7 million, compared with \$104.7 million in 2017; this came alongside a 1% increase in same-asset rental revenues to \$104.6 million, from \$103.2 million in 2017. NOI increased 12% to \$72.2 million, and increased 4% to \$66.6 million on a same-asset basis. Operating margins from operations increased to 62.4% from 61.5% in 2017; margins improved on a same-asset basis to 64%, up from 62% a year earlier.

In fiscal 2018, FFO increased 18% to \$30.4 million, compared with \$25.9 million in 2017. FFO per basic share also increased 18% to \$3.44, compared with \$2.91 in 2017. The 2018 vacancy rate on a same-asset basis dropped to 8.6%, compared with 9.7% in 2017. Overall vacancy decreased to 10.1%, down from 10.5% in 2017, despite a high number of unstabilized assets newly acquired over the year.

For more detailed analysis of Mainstreet operating results for fiscal year 2018, please refer to the sections titled “Funds from Operations” and “Rental Operations” in our MD&A.

CHALLENGES

Macroeconomic uncertainty remains a key challenge for Mainstreet. This has been compounded in recent years by rising operating costs due to carbon taxes, interest rate increases, higher property taxes, higher minimum wages, and higher expenses tied to the conversion of apartment units.

The carbon tax in Alberta, which is set to increase annually over the next several years, targets property owners and therefore raises our energy costs in the province. This comes as the introduction of a federal carbon tax, beginning in 2019, is expected to raise costs in our Saskatchewan portfolio. Property tax hikes and the raising of the minimum wage to \$15 per hour in the Province of Alberta also drove up operating expenses.

Higher operating costs come as interest rates are expected to continue to rise through 2019 and possibly 2020, increasing the cost of Mainstreet’s future debt.

In addition, while the economic climate in our core markets of the Provinces of Alberta and Saskatchewan has improved significantly in recent years, some risks still persist. After a steady rise in commodity prices for much of 2018, oil prices declined sharply in October, falling from over US\$70 per barrel for West Texas Intermediate down to just over US\$50 per barrel at the end of November with all time high price differentials for oil prices in the Province of Alberta. Management believes that the decline does not suggest a return to the 2014 oil price rout; however, it does still point to ongoing volatility in the marketplace.

Adding to Western Canadian oilpatch uncertainty, the decision by General Motors at the end of November to eventually close down one of its plants in Oshawa, Ont. could indicate a broader trend that would put additional pressure on the Canadian economy. Management also believes negative macro economic forces could likewise cause short positions in respect of the trading of Mainstreet common stock. We believe this is partly responsible for our share price continuing to trade well below what we believe to be its true net asset value.

Lastly, we see a potential cooling in the broader investment climate tied to weakening confidence in Canada’s regulatory regime, evidenced by the failure to build major new oil pipelines in Canada. We believe this has and will continue to hurt Canada’s business competitiveness compared to other countries, and has encouraged more oil and gas investment to go to the U.S. in particular. It has also shrunk the revenues of oil producers by the widest discount margins in years. While these existential threats have not impacted us directly, we remain cautiously optimistic in our outlook.

Funds from Operations
(FFO)

**Up 18% to
\$30.4 million**

(vs. \$25.9 million in 2017)

FFO per share

**Up 18% to
\$3.44 per
basic share**

(vs. \$2.91 million in 2017)

Net Operating Income
(NOI) from Operations

**Up 12% to
\$72.2 million**

(vs. \$64.4 million in 2017)

Rental Revenue
from Operations

**Up 11% to
\$115.7 million**

(vs. \$104.7 million in 2017)

Operating Margin Same
Assets Properties

64%

(vs. 62% in 2017)

Operating Margin from
Operations

62.4%

(vs. 61.5% in 2017)

OUTLOOK

We see potential to boost both our top-line revenue and NOI over the next fiscal year, particularly amid a gradually improving economy, by continuing our non-dilutive growth strategy of acquiring under-performing assets funded by low cost, long-term insured CMHC debt financing.

As we embark on those efforts, we believe there has been a gradual improvement in the macroeconomic picture translating into promising migration numbers. In-migration into the Province of Alberta was 10,378 in Q2 2018, meaning more than 10,000 people entered the province for the first time since Q4 2014, a stretch of more than three years [Government of Alberta]. Alberta's overall population has continued to grow in recent years, despite economic recession, increasing 1.49% in the year ended June 30, 2018 [Statistics Canada]. That growth level was higher than the national average of 1.42%. Saskatchewan had negative in-migration of 1,567 in Q2 2018, an improvement compared with recent quarters but 39% lower than its Q2 2017 levels. Its population has also continued to grow, increasing 0.98% in the year ended June 30, 2018.

Higher population growth comes alongside promising labour statistics in the Provinces of Alberta and Saskatchewan markets. Alberta's unemployment rate dropped to 6.3% in November 2018, a 1% decrease compared with a year earlier; Saskatchewan unemployment was 5.5%, compared with 6.2% in November 2017. [Statistics Canada]

We believe these indicators come as the rental market in Alberta may be returning to balance. We further believe rental markets have been oversupplied in recent years following a rapid build out of condominiums during years of high economic growth, which effectively spilled over into the broader rental space. However, Management believes that this trend has now reached a tipping point, as new tenants continue to absorb that oversupply.

We also believe that broader market volatility in turn creates areas of opportunity for Mainstreet. In our opinion, mid-market rental rate, with a price-point average between \$900 and \$1,000, is perfectly positioned to attract would-be renters in today's market. Renters tend to favour mid-market prices during times of economic uncertainty as they defer major investments like new homes. Management believes it is uniquely positioned to capture foreign workers, students and new migrants as our buildings are strategically located nearby schools and community centers in this lower-cost bracket.

This trend among first-time buyers (which usually come out of the overall rental pool) are underscored by tighter borrowing requirements under the Office of the Superintendent of Financial Institutions, introduced last year, which we believe will make it more difficult for first-time homebuyers to secure financing. We believe this could be generally supportive of the rental market. The Bank of Canada estimates the new rules could disqualify as much as 10% of new buyers every year.

Lastly, Mainstreet sees an opportunity to extract more value from its existing assets in 2019. We plan to do this by taking a highly focused approach on stabilizing units, which in turn lowers our overall vacancy rate and boosts NOI and FFO which we believe will further strengthen our future balance sheet. This stabilization process is already well underway as we enter 2019, and we have already seen a gradual increase in our NOI due to a continued improvement in our occupancy rates and higher rental income in BC.

RUNWAY ON EXISTING PORTFOLIO

- 1) Pursuing our organic, non-dilutive growth model: Using our potential liquidity position of approximately \$120 million, we believe there is opportunity to continue acquiring new assets at low cost. We also believe Mainstreet's business strategy will allow us to continue to boost NOI and FFO while improving quality of living standards for middle class Canadians.
- 2) Closing the NOI gap: In Q4 2018, 15% of the Mainstreet portfolio was going through the stabilization process, even as we achieved lower overall vacancy rates compared to 2017. This inherent challenge in our business model is further increased by our high volume of acquisitions in recent years, which causes higher rates of unstabilized properties that decreases our NOI, FFO and margins. However, we plan to focus our efforts on stabilizing units through 2019.
- 3) Buying back common shares at a discount to NAV: We believe MEQ shares continue to trade well below their NAV. We will therefore continue to buy back our own common shares on an opportunistic basis under our normal course issuer bid.

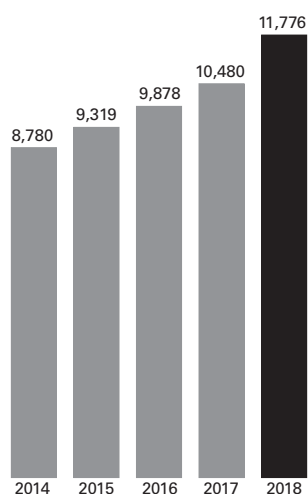
(Signed)

"Bob Dhillon"
President & CEO

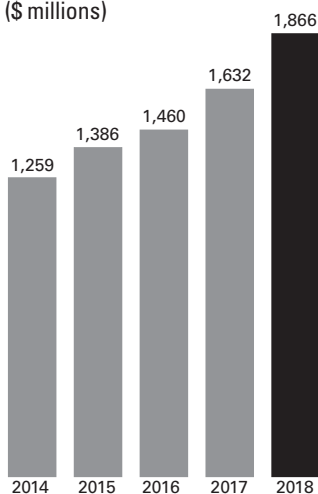
Calgary, Alberta
December 11, 2018

2018 KEY PERFORMANCE INDICATORS

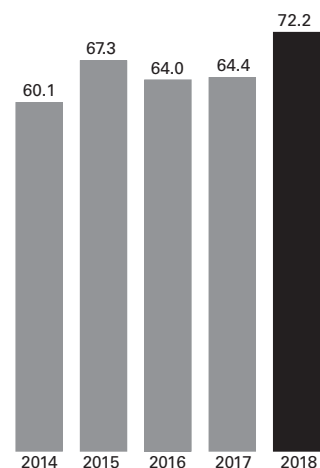
Total number of units
(Including assets held for sale)



Market value of portfolio
(Including assets held for sale)
(\$ millions)



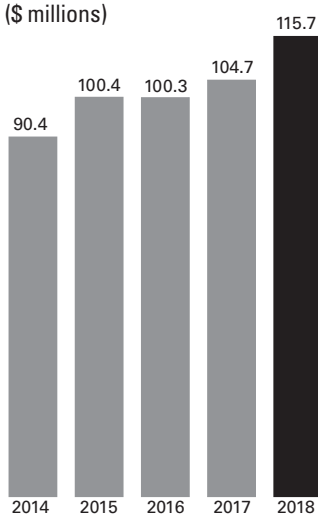
Net Operating Income (NOI)
(\$ millions)



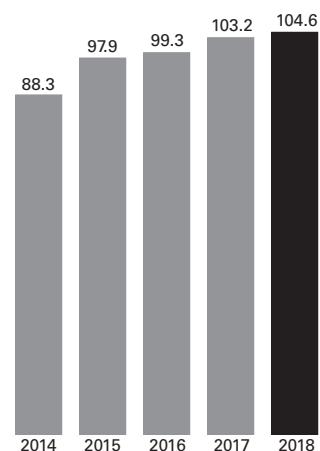
Net Operating Income (NOI) – Same Assets
(\$ millions)



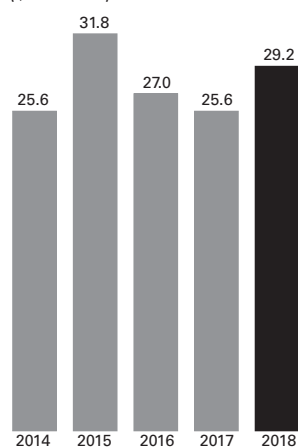
Rental Revenue
(\$ millions)



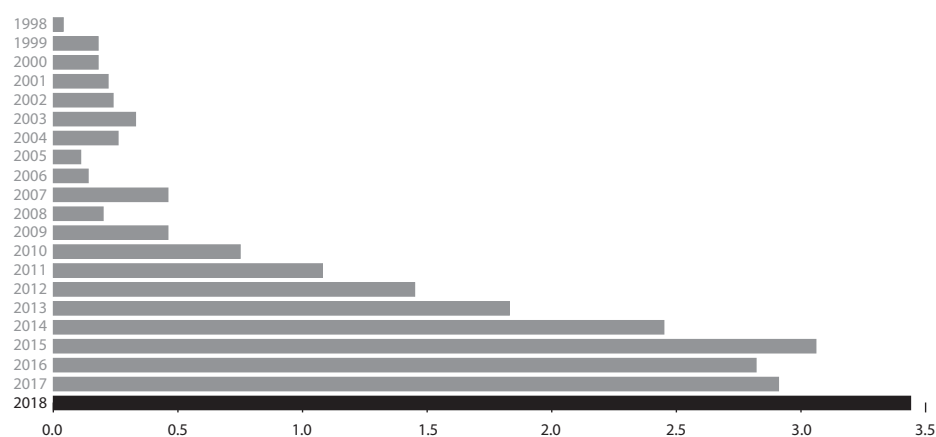
Rental Revenue – Same Assets
(\$ millions)



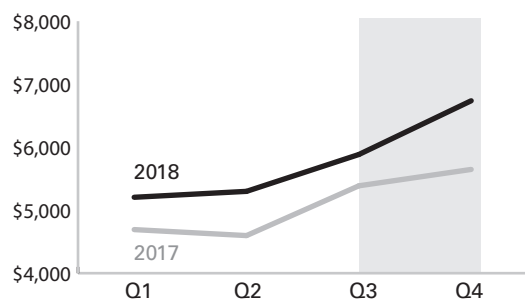
Funds from Operations (FFO)
(Before one-time items)
(\$ millions)



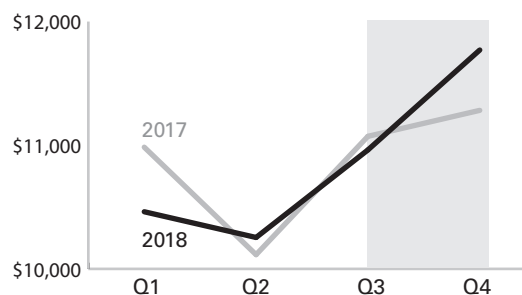
Funds from Operations (FFO) per share
(Before gain on disposal)



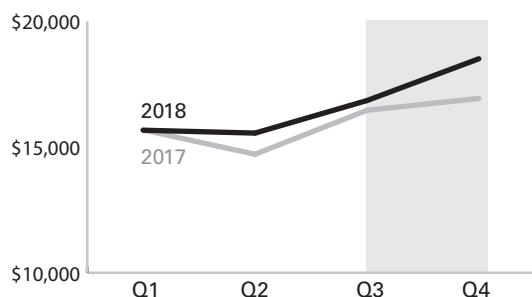
Same Assets Revenue
Vancouver/Lower Mainland
(\$ millions)



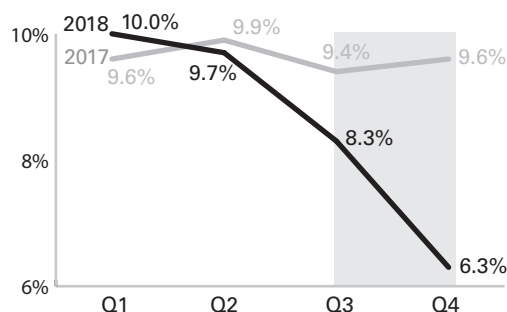
Same Assets Revenue
Alberta & Saskatchewan
(\$ millions)



Total Same Assets Revenue
Total Portfolio
(\$ millions)

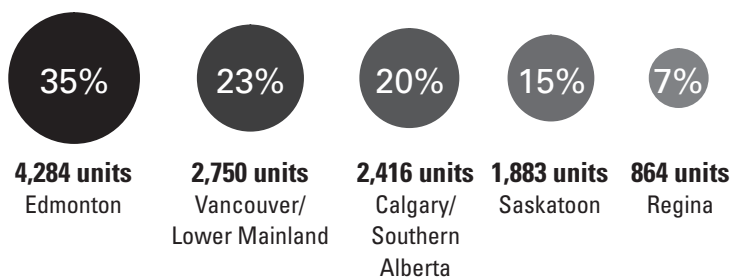


Same Assets Vacancy Trend



PORTFOLIO AND ACQUISITIONS

Portfolio YTD



2018 Acquisitions and Subsequent to Year End

Regina	864
Calgary	491
Saskatoon	250
Edmonton	112
2018 Total and Subsequent Acquisition	1,717
Total Purchase Price	\$199,639,753
Average Purchase Price per door	\$116,408



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") provides an explanation of the financial position, operating results, performance and outlook of Mainstreet Equity Corp. ("Mainstreet" or the "Corporation") as at and for fiscal years ended September 30, 2018 and 2017. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic and political conditions. Additionally, other events may occur that could affect the Corporation in the future. This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and accompanying notes for the fiscal years ended September 30, 2018 and 2017. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A has been reviewed and approved by the Audit Committee and Board of Directors of the Corporation and is effective as of December 11, 2018. All amounts are expressed in Canadian dollars. Additional information regarding the Corporation including the Corporation's annual information form is available under the Corporation's profile at SEDAR (www.sedar.com).

Unless indicated otherwise, reference herein to 2018 and 2017 refers to the fiscal years ended September 30, 2018 and 2017, respectively.

NON-IFRS MEASURES

Mainstreet Equity Corp. prepares and releases unaudited consolidated interim financial statements and audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A and in earnings releases, as a complement to results provided in accordance with IFRS, Mainstreet Equity Corp. also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include Net Operating Income ("NOI") and Funds From Operations ("FFO"). NOI and FFO are widely accepted supplemental measures of the performance of Canadian real estate entities and management believes these Non-IFRS measures are relevant measures of the ability of Mainstreet Equity Corp. in raising additional capital and improving the condition of its investment properties in the future. NOI is defined as rental revenue minus property operating expenses. FFO is defined as profit before fair value gain, depreciation of property and equipment and deferred income taxes.

These Non-IFRS measures may not be comparable to similarly titled measures reported by other issuers. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of Mainstreet's performance.

BUSINESS OVERVIEW

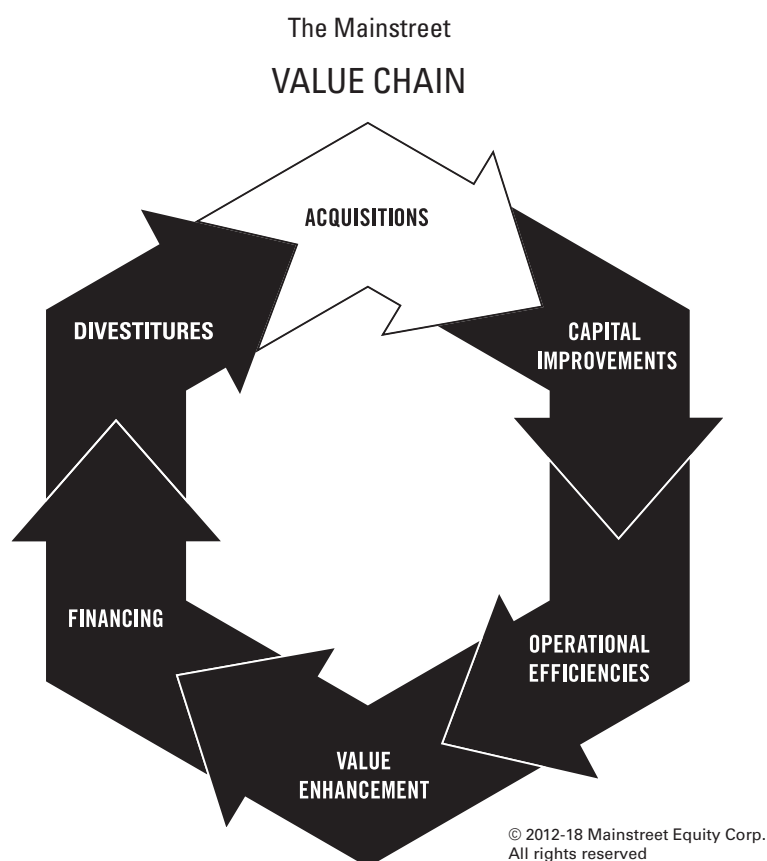
Based in Calgary, Alberta, Mainstreet is a Canadian real estate corporation focused on the acquisition, redevelopment, repositioning and management of mid-market rental apartment buildings in five major Canadian markets: Vancouver/Lower Mainland, Calgary (including the City of Lethbridge and the Town of Cochrane), Edmonton (including the City of Fort Saskatchewan), Saskatoon and Regina.

Mainstreet is listed on the Toronto Stock Exchange ("TSX") and its common shares are traded under the symbol "MEQ".

BUSINESS STRATEGY

Mainstreet's goal is to become Canada's leading provider of affordable mid-sized, mid-market rental accommodations – typically properties with fewer than 100 units. In pursuit of this goal, the Corporation adheres to its six-step "Value Chain" business model:

- **Acquisitions:** Identify and purchase underperforming rental units at prices well below replacement costs.
- **Capital improvements:** Increase the asset value of Mainstreet's portfolio by renovating acquired properties.
- **Operational efficiencies:** Minimize operating costs through professional management, efficient technology and energy-saving equipment.
- **Value enhancement:** Reposition renovated properties in the market as Mainstreet branded products for higher rents, and build and sustain customer loyalty through high levels of service.
- **Financing:** Maintain a sound capital structure with access to low-cost, long-term Canada Mortgage and Housing Corporation ("CMHC") insured mortgage loans.
- **Divestitures:** Occasionally sell mature real estate properties to redirect capital into newer, higher potential properties.



INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements of the Corporation prepared in conjunction with this MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standard Board ("IASB").

Investment Properties

Investment properties are properties held to earn rental income and are initially measured at cost. Cost includes the initial purchase price and any direct attributable expenditure related to the acquisition and improvement of the properties. All costs associated with upgrading the quality and extending the economic life of the investment properties are capitalized as an additional cost of investment properties.

After initial recognition, the Corporation adopts the fair value model to account for the carrying value of investment properties in accordance with International Accounting Standard ("IAS") 40 Investment Property ("IAS 40").

Method Used in Determining the Fair Value of Investment Properties

Fair value is determined based on a combination of internal and external valuation processes. Gains and losses arising from differences between current period fair value and the sum of previous measured fair value and capitalized costs as described above are recorded in profit and loss in the period in which they arise.

For the Corporation's annual and interim financial reporting, external valuations were obtained from independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in relevant locations. In addition, the Corporation has established an internal valuation model, which is based on the same assumptions and valuation techniques used by the external valuation professionals. The Corporation grouped its investment properties in each city by their types and geographic locations. Samples were selected in each group for independent appraisal. The appraised values of the samples selected were compared with their appraised values as of June 30, 2018. The percentage changes in values of those samples selected were applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of September 30, 2018.

The fair values are most sensitive to changes in net operating income and capitalization rates. Mainstreet's total portfolio is valued at \$1,866 million as of September 30, 2018 (\$1,632 million as of September 30, 2017). The following is the breakdown of market value by city and average capitalization rates used in determining the fair value of investment properties at September 30, 2018 and September 30, 2017, respectively.

As at September 30, 2018	Number of properties	Number of units	Market value (\$ million)	Average value per unit (\$000)	Average capitalization rate as at Sep. 30, 2018
Surrey, British Columbia	10	1,775	\$ 367	\$ 207	4.13%
Abbotsford, British Columbia	15	975	158	162	4.65%
Calgary, Alberta (Note 1)	49	2,261	466	205	4.84%
Edmonton, Alberta (Note 2)	128	4,260	577	136	5.69%
Saskatoon, Saskatchewan	51	1,818	215	118	6.63%
Regina, Saskatchewan	49	687	83	121	5.81%
Total investment properties	302	11,776	\$ 1,866	\$ 158	5.19%

Note (1) – includes the City of Lethbridge and the Town of Cochrane

Note (2) – includes the City of Fort Saskatchewan

As at September 30, 2017	Number of properties	Number of units	Market value (\$ million)	Average value per unit (\$000)	Average capitalization rate as at Sep. 30, 2017
Surrey, British Columbia	10	1,775	\$ 336	\$ 189	4.05%
Abbotsford, British Columbia	15	975	147	151	4.70%
Calgary, Alberta (Note 1)	38	1,925	406	211	4.81%
Edmonton, Alberta (Note 2)	125	4,172	549	132	5.74%
Saskatoon, Saskatchewan	49	1,633	194	119	6.64%
Total investment properties	237	10,480	\$ 1,632	\$ 156	5.17%

Note (1) – includes the City of Lethbridge and the Town of Cochrane

Note (2) – includes the City of Fort Saskatchewan

Acquisitions & Growth

(000s of dollars)

Year ended September 30,	2018	2017
	Calgary, Edmonton, Saskatoon and Regina	Calgary, Edmonton, and Saskatoon
Number of rental units (Note 1)	1,296	601
Total costs	\$ 148,839	\$ 65,374
Average price per apartment unit (Note 1)	\$ 115	\$ 109

Note (1) – excludes 1 corporate unit in Calgary, Alberta for 2017

Employing a strict set of criteria, Mainstreet identifies and acquires underperforming rental properties in Western Canada that offer the potential to enhance the Corporation's asset value and its long-term revenues through increased rental rates. In 2018, Mainstreet acquired 1,295 units in the Provinces of Alberta and Saskatchewan, and 1 freestanding commercial house in the Province of Alberta for a total consideration of \$148.8 million. Subsequent to the year end date, Mainstreet acquired 421 residential units in the Provinces of Alberta and Saskatchewan for a total consideration of \$50.0 million. Since Mainstreet's previous financial year-end (September 30, 2017), the Corporation has grown its portfolio of properties by 16%.

As of September 30, 2018, Mainstreet's portfolio included 11,774 residential units and 2 freestanding commercial houses, including townhouses, garden-style apartments and concrete mid-rise and high-rise apartments. A total of 93% of these residential units were rented, while 5% were being renovated and the remaining 2% left vacant due to current unfavourable rental market conditions, primarily in the Provinces of Alberta and Saskatchewan.

Since 1997, the Corporation's portfolio has increased from 10 to 302 buildings, while the fair value of the investment properties within this portfolio has grown from approximately \$17 million to \$1,866 million as of September 30, 2018.

The following table demonstrates the growth of the Corporation by region since the end of the previous financial year ended September 30, 2017.

	Number of units as at Oct. 1, 2017	Acquisitions/ disposition 12 months ended Sept. 30, 2018	Number of units as at Sept. 30, 2018	%Growth
Surrey, British Columbia	1,775	–	1,775	–
Abbotsford, British Columbia	975	–	975	–
Calgary, Alberta (Note 1)	1,925	336	2,261	17%
Edmonton, Alberta (Note 2)	4,172	88	4,260	2%
Saskatoon, Saskatchewan	1,633	185	1,818	11%
Regina, Saskatchewan	–	687	687	100%
Investment properties	10,480	1,296	11,776	12%

Note (1) – including the City of Lethbridge and the Town of Cochrane.

Note (2) – including the City of Fort Saskatchewan.

CAPITAL IMPROVEMENTS

Mainstreet's "Value Chain" business philosophy focuses on creating value in capital assets by renovating newly-acquired properties and enhancing operating efficiencies. Every property and rental unit is upgraded to meet Mainstreet's branded standard, which creates an attractive product while reducing operating costs and enhancing long-term asset value. Capital investment also includes expenses incurred on turnover units.

In 2018, the Corporation spent \$21.9 million (2017 – \$23.9 million) on capital improvements, of which \$18.9 million (2017 – \$20.3 million) was for upgrading stabilized properties and improving other holdings – specifically for exterior upgrades such as new roofs, windows, siding and insulation. These expenditures also covered mechanical interior upgrades such as new boilers, flooring and paint, to address the balance of non-renovated units and to maintain the condition of properties in the current portfolio. Mainstreet plans to spend an estimated \$20 million on renovations in the fiscal year 2019. These improvements are expected to be financed through existing cash balances, funds from operations and ongoing refinancing of existing properties. Mainstreet expects to complete most of the renovations of its existing properties within the next 6 to 24 months. Revenue and income are expected to increase over time as more units are renovated and reintroduced to the market at anticipated higher rental rates.

Uncertainties affecting future revenue and income include the rate of turnover of existing tenants, availability of renovation workers and building materials, as well as increases in labour and material costs. All of these uncertainties could have a material impact on the timing and cost of completing these renovations.

REVIEW OF FINANCIAL & OPERATING RESULTS

Summary of financial results

(000s of dollars except per share amounts)

For the year ended September 30,

	2018	2017	2016	% Change 2018	% Change 2017
Gross revenue	\$ 116,229	\$ 105,241	\$ 100,494	10%	5%
Profit and comprehensive income					
– IFRS measurement	72,723	90,935	17,171	(20%)	430%
Fair value gain (loss)	61,417	82,889	(3,035)	(26%)	2,831%
Depreciation	456	414	366	10%	13%
Software development cost write off	555	–	–	100%	–
Income tax – current and deferred	18,805	17,392	5,646	4%	208%
Funds from operations					
– Non-IFRS Measurement (Note 1)	30,402	25,852	26,218	18%	(1%)
Interest income	(564)	(581)	(206)	(3%)	182%
General and administrative expenses	10,925	10,265	9,599	6%	7%
Mortgage interest	28,662	28,402	26,033	1%	9%
Financing cost	2,796	2,828	2,379	(1%)	19%
Insurance settlement	–	(2,400)	–	–	–
Net operating income					
– Non-IFRS Measurement (Note 2)	\$ 72,221	\$ 64,366	\$ 64,023	12%	1%
Operating margin from operations	62%	62%	64%		
Profit per share					
Basic	\$ 8.23	\$ 10.25	\$ 1.79	(20%)	473%
Fully diluted	\$ 7.62	\$ 9.51	\$ 1.67	(20%)	469%
Funds from operations per share					
Basic	\$ 3.44	\$ 2.91	\$ 2.74	18%	6%
Fully diluted	\$ 3.18	\$ 2.70	\$ 2.56	18%	5%
Weighted average number of shares					
Basic	8,832,472	8,870,871	9,568,897		
Fully diluted	9,548,291	9,565,110	10,258,220		
Total Assets	\$1,878,347	\$1,668,528	\$1,476,765		
Total Long term liabilities	\$1,072,299	\$ 966,670	\$ 789,986		

1. Funds from operations ("FFO") is calculated as profit before fair value gain, depreciation of property and equipment and deferred income taxes. FFO is a widely accepted supplemental measure of a Canadian real estate company's performance but is not a recognized measure under IFRS. The IFRS measurement most directly comparable to FFO is profit (for which reconciliation is provided above). FFO should not be construed as an alternative to profit or cash flow from operating activities, determined in accordance with IFRS, as an indicator of Mainstreet's performance. Readers are cautioned that FFO may differ from similar calculations used by other comparable entities. Management believes FFO is useful for readers to determine the cashflow generated from operations before repayment of mortgage principal and capital expenditures. This information is critical for assessment of the Corporation's ability in raising additional capital and improving the condition of its investment properties in the future.

2. Net operating income ("NOI") is rental revenue minus property operating expenses. While Mainstreet uses NOI to measure its operational performance, it is not a recognized measure under IFRS. The IFRS measure most directly comparable to NOI is profit. NOI should not be construed as an alternative to profit determined in accordance with IFRS. Readers are cautioned that NOI may differ from similar calculations used by other comparable entities. A reconciliation of profit to net operating income from continuing operations for the period is provided above. In the Canadian real estate industry, NOI is widely used by appraisers as one of the key factors in determining the fair market value of investment properties. This information is therefore critical for readers to estimate the fair market value of the Corporation's investment properties which is one of the most important investment criteria in for investment decisions in the real estate industry.

REVENUE

In 2018, revenue primarily comprised of rental and ancillary rental income totalling \$115.7 million (2017 – \$104.7 million), and interest income. Overall, the revenue increased 11 % as compared to 2017, which is discussed and analysed in the session entitled “Rental Operations” below.

PROFIT

For the year ended September 30, 2018, Mainstreet reported a net profit of \$72.7 million (\$8.23 per basic share), as compared to a profit of \$90.9 million (\$10.25 per basic share) for the year ended September 30, 2017. The decrease was mainly the result of one-time expenses related to writing off software development cost of \$0.55 million and a decrease in the fair value gain on the Corporation’s properties as discussed in more detail below.

Net profit is further analysed as follows:

(000s of dollars)

For the year ended September 30,	2018	2017	% Change
Funds from operations before current income tax			
– Non-IFRS measurement	\$ 30,402	\$ 25,852	18%
Fair value gain	61,417	82,889	(26%)
Software Development cost write off	(555)	–	100%
Depreciation	(456)	(414)	10%
Profit before income tax	90,808	108,327	(16%)
Income tax – current and deferred	18,085	17,392	4%
Net profit – IFRS measurement	\$ 72,723	\$ 90,935	(20%)

The increase in funds from continuing operations in 2018 and 2017 is further discussed and analysed below.

In 2018, a fair value gain of \$61.4 million was incurred as compared to a fair value gain of \$82.9 million in 2017. This was mainly due to changes as identified below:

(000s of dollars)

Fair value gain	2018	2017
Surrey	\$ 11,300	\$ 63,550
Abbotsford	31,280	18,875
Calgary	11,810	55
Edmonton	19,891	18,571
Saskatoon	2,471	5,730
Regina	6,595	–
	83,347	106,781
Capital expenditure	(21,930)	(23,892)
Fair value gain	\$ 61,417	\$ 82,889

The fair value gain represented the change in the market value of the Corporation’s investment properties over the fiscal years 2018 and 2017. The amount of change was determined by the market value of the investment properties at the year-end dates September 30, 2018 and 2017, which was regarded as a non-operating income.

FUNDS FROM OPERATIONS (FFO) – NON-IFRS MEASUREMENT

Management believes that FFO, as defined in the preceding footnote on page 11, is also a meaningful performance measurement for a real estate company’s operating performance. FFO excludes non-operating income and expenses namely fair value gain, depreciation and deferred income taxes. Mainstreet generates FFO from three sources: rental revenue and ancillary rental income from investment properties, sale of properties acquired for resale purposes, and the periodic sale of investment properties. Mainstreet generally reinvests the proceeds from the latter into investment properties with greater potential for long-term returns.

Mainstreet's FFO from operations before current income tax increased by 18% to \$30.4 million in 2018, compared with \$25.9 million in 2017. In 2018, Mainstreet completed a water meter conversion program on all Surrey properties, which effectively introduced a volume-based consumption system rather than a flat rate, in turn lowering operating costs for the Corporation. The conversion program has led to a one-time refund of \$1.2 million in 2018, and this is anticipated to continue to save the Corporation on water expense. In 2017, Mainstreet incurred one-time pay-out penalties of \$2.1 million and received an insurance settlement of \$2.4 million for a property destroyed by fire in Edmonton, Alberta. Excluding these one-time items, FFO before one-time items increased by 14% to \$29.2 million in 2018 as compared to \$25.6 million in 2017. The increase in FFO in 2018 was mainly attributable to the increased rental revenue which will be discussed and analysed in the following section entitled "Rental Operations".

(000s of dollars)

Year ended September 30,	2018		2017		% Change
Funds from operations	\$	30,402	\$	25,852	18%
Refund from water meter program		(1,163)		–	100%
Insurance Settlement		–		(2,400)	(100%)
Pay-out penalties		–		2,130	(100%)
Funds from operations before one-time items	\$	29,239	\$	25,582	14%

GENERAL & ADMINISTRATIVE (G&A) EXPENSES

G&A expenses mainly include corporate costs such as office overheads, legal and professional fees and salaries expenses. In 2018, G&A expenses increased by 6% to \$10.9 million as compared to \$10.3 million in 2017, mainly resulting from increased salary expenses as, the Corporation continues to build up its management team in anticipation of continued growth.

MORTGAGE INTEREST

Mortgage interest expenses increased by 1% to \$28.7 million in 2018 compared to \$28.4 million in 2017.

The rise was mainly attributable to an increase in mortgage loans from financing of clear title assets as well as mortgages which the corporation assumed as part of the acquisition of new properties.

In anticipation of Bank of Canada rate hikes in 2018 and 2019, the Corporation has continued to take advantage of low interest rates. In 2018, the Corporation refinanced 15 clear title assets with 10-year long-term CMHC-insured mortgage loans for \$56.1 million at an average rate of interest of 3.06%.

Subsequent to the quarter ended September 30, 2018, the Corporation also financed 5 clear-title properties for \$20.5 million at an interest rate of 3.26%. The additional funds raised will be used to support the Corporation's growth in its core markets.

RENTAL OPERATIONS

(000s of dollars except per unit data)

For the year ended September 30,	Total Portfolio			Same Asset			Acquisition		
	2018	2017	% Change	2018	2017	% Change	2018	2017	% Change
Rental revenue									
and ancillary rental income	\$ 115,665	\$ 104,660	11%	\$ 104,622	\$ 103,158	1%	\$ 11,043	\$ 1,502	635%
Operating expenses	43,444	40,294	8%	38,049	39,382	(3%)	5,395	912	492%
Net operating income	\$ 72,221	\$ 64,366	12%	\$ 66,573	\$ 63,776	4%	\$ 5,648	\$ 590	857%
Operating margin	62%	62%		64%	62%		51%	39%	
Average vacancy rate	10.1%	10.5%	(4%)	8.6%	9.7%	(11%)	22.4%	47.6%	(53%)
Weighted average number of units	11,217	10,142	11%	9,901	9,901	–	1,316	241	446%
Average rental rate									
per unit per month	\$ 859	\$ 860	0%	\$ 881	\$ 868	1%	\$ 699	\$ 519	35%
Average operating expense									
per unit per month	\$ 323	\$ 331	(2%)	\$ 320	\$ 331	(3%)	\$ 342	\$ 315	9%

The vacancy rate decreased to 10.1% in 2018, down from 10.5% in 2017. The average monthly rental rate decreased slightly to \$859 per unit in 2018, compared to \$860 per unit in 2017. Overall rental revenue and ancillary rental income increased 11% to \$115.7 million in 2018 as compared to \$104.7 million in 2017. This was due to the improved vacancy rates during the year and the continued growth of the Corporation's portfolio as the average number of units owned by the corporation increased by 11% over the year.

For the same asset properties, which refer to properties owned by the Corporation for the entire twelve month period ended September 30, 2018 and 2017, rental revenue increased 1% to \$104.6 million in 2018 as compared to \$103.2 million in 2017. The average monthly rental rate increased 1% to \$881 per unit in 2018, up from \$868 per unit in 2017. The vacancy rate decreased to 8.6% in 2018 from 9.7% in 2017, mainly due to recovery from the prolonged downturn, particularly in Alberta.

Mainstreet's overall operating expenses have increased by 8% to \$43.4 million in 2018 from \$40.3 million in 2017, due mainly to the increased number of newly acquired units since 2017, resulting in increased property tax expenses of \$1.4 million, which were uncontrollable, and an increase in advertising, repair and maintenance expenses.

During the economic downturn, Mainstreet has increased spending on advertising as well as on leasing and maintenance expenses for vacant suites. In addition, Mainstreet has increased spending related to the upkeep of its properties in an attempt to remain competitive in the rental market.

The same asset operating expenses decreased 3% to \$38.0 million in 2018, compared with \$39.4 million in 2017.

As a result, overall net operating income increased 12% to \$72.2 million in 2018 from \$64.4 million in 2017, and the net operating margin remained the same at 62% in both 2018 and 2017.

For same asset properties, net operating income increased 4% to \$66.6 million in 2018 from \$63.8 million in 2017. The net operating margin increased to 64% in 2018 from 62% in 2017.

RENTAL OPERATIONS BY PROVINCE

Mainstreet manages and tracks the performance of rental properties in each of its geographic markets.

British Columbia

Mainstreet achieved a 5% increase in rental revenue in its British Columbia portfolio in 2018. The average vacancy rate decreased to 0.6% in 2018 from 0.9% in 2017. An above-average occupancy rate can be largely attributed to the overall economic performance in British Columbia, which is among the strongest in the country, according to information published by Statistics Canada. As a result, rental revenue per unit increased by 5% to \$952 per month in 2018, up from \$905 per month in 2017.

Operating expenses per unit decreased 13% to \$251 per month in 2018 compared with \$289 per month in 2017, due mainly to decreased utility expenses and repair and maintenance expenses. As a result, the net operating income increased 14%, and the net operating margin increased to 74% in 2018 as compared to 68% in 2017.

In 2018, Mainstreet completed a water meter conversion program on all Surrey properties, which effectively introduced a volume-based consumption system rather than a flat rate, in turn lowering operating costs for the Corporation. The conversion program has led to a one-time refund of \$1.2 million in 2018. Excluding this one-time item, the net operating income increased 8%, and the net operating margin increased to 70% in 2018 as compared to 68% in 2017.

(000s of dollars except per unit data)

Year ended September 30,	2018	2017	% Change
Rental revenue and ancillary rental income	\$ 31,414	\$ 29,855	5%
Operating expenses	8,290	9,534	(13%)
Net operating income	\$ 23,124	\$ 20,321	14%
Weighted average number of units	2,750	2,750	—
Average rent per unit per month	\$ 952	\$ 905	5%
Operating cost per unit per month	\$ 251	\$ 289	(13%)
Average vacancy rate	0.6%	0.9%	
Operating margin	74%	68%	

Alberta

Mainstreet achieved growth of 5% in its Alberta portfolio in 2018; the weighted average number of rental units grew to 6,245 units, compared with 5,923 units in 2017. The average vacancy rate decreased to 12.6% in 2018 from 13.5% in 2017. The decrease in vacancy rate was due mainly to a modest recovery from a prolonged economic downturn in the Province. Rental revenue per unit decreased 1% to \$863 per month in 2018 from \$870 per month in 2017, as a net result of the acquisition of 424 unstabilized units in the province and higher incentive expense during the period.

Operating expenses per unit decreased 1% to \$355 per month in 2018 compared to \$358 per month in 2017. As a result, the net operating income increased 4%, and the net operating margin remained the same at 59% for both 2018 and 2017.

(000s of dollars except per unit data)

Year ended September 30,	2018	2017	% Change
Rental revenue and ancillary rental income	\$ 64,643	\$ 61,804	5%
Operating expenses	26,617	25,411	5%
Net operating income	\$ 38,026	\$ 36,393	4%
Weighted average number of units	6,245	5,923	5%
Average rent per unit per month	\$ 863	870	(1%)
Operating cost per unit per month	\$ 355	358	(1%)
Average vacancy rate	12.6%	13.5%	
Operating margin	59%	59%	

Saskatchewan

Mainstreet achieved significant growth of 51% in its Saskatchewan portfolio in 2018 due mainly to the acquisition of 687 units in Regina during the fiscal year. The average number of rental units grew to 2,222 units in 2018, compared with 1,469 units in 2017. The average vacancy rate decreased to 14.8% in 2018 from 16.2% in 2017.

Rental revenue per unit slightly decreased to \$735 per month in 2018 from \$738 per month in 2017, as a result of the acquisition of 687 unstabilized units in Regina in 2018, and the increased rental incentives offered by the Corporation during the period.

Operating expenses per unit increased 6% to \$320 per month in 2018, up from \$303 per month in 2017, due mainly to increased property tax and utility expenses during the period. As a result, the net operating income increased 45% and the net operating margin dropped to 56% in 2018, from 59% in 2017.

(000s of dollars except per unit data)

Year ended September 30,	2018	2017	% Change
Rental revenue and ancillary rental income	\$ 19,608	\$ 13,001	51%
Operating expenses	8,537	5,349	60%
Net operating income	\$ 11,071	\$ 7,652	45%
Weighted average number of units	2,222	1,469	51%
Average rent per unit per month	\$ 735	\$ 738	0%
Operating cost per unit per month	\$ 320	\$ 303	6%
Average vacancy rate	14.8%	16.2%	
Operating margin	56%	59%	

POTENTIAL GROWTH IN RENTAL REVENUE UNDER OPTIMUM OPERATIONS

Management defines "optimum operations" to be when all rental units reach their respective market rates and the average vacancy rate is at 5%.

The Corporation is not currently operating under optimum operations, mainly due to continuing weak market conditions in the Provinces of Alberta and Saskatchewan and, the stabilization and renovation of newly acquired properties and turnover suites.

The following table indicates the potential increase in rental revenue should the Corporation operate under the optimum operating conditions as defined in the preceding paragraph, as of the quarter-end dated September 30, 2018. The determination of rental income under optimum operating conditions is calculated by taking the current market rents of the Corporation's current properties and applying an occupancy rate of 95%. There is no guarantee that the Corporation will achieve an optimum vacancy rate of 5%. An increased vacancy rate would result in rental revenues which may be materially less than those shown in the table. Accordingly, readers should not put undue reliance on the calculation of rental revenue under the optimum operating conditions.

City	Stabilized properties					Unstabilized properties				
	Total number of units	Number of stabilized units	Current net rent rate per unit per month	Current vacancy rate	Current market rent rate per unit per month	Number of unstabilized units	Current net rent rate per unit per month	Current vacancy rate	Current market rent rate per unit per month	Potential increase in rental revenue under the optimum operations
Abbotsford, BC	975	937	\$ 880	0.21 %	\$ 1,081	38	\$ 802	0.00 %	\$ 1,125	\$ 2,403
Surrey, BC	1,775	1,775	1,001	0.39 %	1,245	—	—	—	—	5,177
Calgary, AB	2,261	1,814	1,035	4.19 %	1,226	447	942	7.89 %	1,136	5,118
Edmonton, AB	4,260	3,987	919	7.93 %	1,034	273	941	39.19 %	1,095	8,048
Saskatoon, SK	1,818	1,497	848	10.81 %	1,007	321	946	6.88 %	1,102	4,238
Regina, SK	687	—	—	—	—	687	868	9.75 %	1,003	1,397
	11,776	10,010	\$ 940	5.62 %	\$ 1,106	1,766	\$ 911	20.14 %	\$ 1,072	\$ 26,381

SUMMARY OF QUARTERLY RESULTS

(000s of dollars except per share amounts)

	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Rental revenue								
British Columbia	\$ 7,882	\$ 7,782	\$ 7,631	\$ 7,571	\$ 7,488	\$ 7,399	\$ 7,252	\$ 7,206
Alberta	17,042	16,036	15,387	15,346	15,324	15,319	15,050	15,071
Saskatchewan	5,560	5,124	4,922	3,847	3,165	3,234	3,277	3,222
Total rental Revenue	\$ 30,484	\$ 28,942	\$ 27,940	\$ 26,764	\$ 25,977	\$ 25,952	\$ 25,579	\$ 25,499
Ancillary rental income	496	355	389	295	412	428	469	344
Interest income	112	179	134	139	141	152	174	114
Total revenue from operations	\$ 31,092	\$ 29,476	\$ 28,463	\$ 27,198	\$ 26,530	\$ 26,532	\$ 26,222	\$ 25,957
Fair value gain (loss)	\$ 30,544	\$ 24,947	\$ 7,100	\$ (1,174)	\$ 116,464	\$ (17,282)	\$ (8,545)	\$ (7,748)
Profit (loss) from operations	\$ 33,455	\$ 25,002	\$ 10,827	\$ 3,439	\$ 107,068	\$ (10,216)	\$ (2,219)	\$ (3,698)
Net profit (loss) per share								
– Basic	\$ 3.79	\$ 2.83	\$ 1.23	\$ 0.39	\$ 12.10	\$ (1.15)	\$ (0.25)	\$ (0.42)
– Diluted	\$ 3.50	\$ 2.62	\$ 1.13	\$ 0.36	\$ 11.21	\$ (1.15)	\$ (0.25)	\$ (0.42)
Same assets rental and ancillary rental income – Non-IFRS Measure								
British Columbia	\$ 8,056	\$ 7,899	\$ 7,775	\$ 7,684	\$ 7,683	\$ 7,523	\$ 7,424	\$ 7,320
Alberta	15,754	15,277	14,765	14,802	14,851	15,190	15,038	15,258
Saskatchewan	3,227	3,085	3,129	3,169	3,157	3,192	3,280	3,242
Total same assets rental and ancillary rental income	\$ 27,037	\$ 26,261	\$ 25,669	\$ 25,655	\$ 25,691	\$ 25,905	\$ 25,742	\$ 25,820
Same assets net operating income – Non-IFRS Measure								
British Columbia	\$ 6,737	\$ 5,884	\$ 5,299	\$ 5,205	\$ 5,647	\$ 5,387	\$ 4,597	\$ 4,692
Alberta	9,923	9,202	8,504	8,676	9,423	9,096	8,366	9,029
Saskatchewan	1,847	1,760	1,750	1,786	1,859	1,976	1,749	1,955
Total same assets net operating income	\$ 18,507	\$ 16,846	\$ 15,553	\$ 15,667	\$ 16,929	\$ 16,459	\$ 14,712	\$ 15,676

SUMMARY OF QUARTERLY RESULTS (continued)

	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Net operating income	\$ 20,604	\$ 18,274	\$ 16,921	\$ 16,422	\$ 17,242	\$ 16,620	\$ 14,814	\$ 15,690
Stabilized funds – Non-IFRS Measure from operations	\$ 8,103	\$ 7,285	\$ 6,095	\$ 5,874	\$ 7,434	\$ 6,427	\$ 4,604	\$ 3,916
Funds from operations	\$ 9,696	\$ 7,821	\$ 6,536	\$ 6,349	\$ 7,607	\$ 6,743	\$ 7,208	\$ 4,294
Stabilized funds from operations per share								
– Basic	\$ 0.92	\$ 0.83	\$ 0.69	\$ 0.67	\$ 0.84	\$ 0.72	\$ 0.52	\$ 0.44
– Diluted	\$ 0.85	\$ 0.76	\$ 0.64	\$ 0.62	\$ 0.78	\$ 0.67	\$ 0.48	\$ 0.41
Funds from operations per share – Non-IFRS Measure								
– Basic	\$ 1.10	\$ 0.89	\$ 0.74	\$ 0.72	\$ 0.86	\$ 0.76	\$ 0.81	\$ 0.48
– Diluted	\$ 1.01	\$ 0.82	\$ 0.68	\$ 0.67	\$ 0.80	\$ 0.70	\$ 0.75	\$ 0.45
Average vacancy rate								
British Columbia	0.5%	0.5%	0.4%	1.1%	0.7%	0.7%	1.5%	0.9%
Alberta	9.1%	11.8%	14.4%	14.7%	14.0%	13.6%	14.0%	12.4%
Saskatchewan	12.5%	16.1%	15.9%	14.5%	16.7%	16.9%	15.0%	16.1%
Total average vacancy rate	7.8%	10.0%	11.3%	11.1%	10.9%	10.6%	10.7%	9.7%

Highlights of the Corporation's financial results for the fourth quarter ended September 30, 2018:

- Rental and ancillary rental income increased to \$31.1 million, compared to \$29.3 million in Q3 2018 and \$26.4 million in Q4 2017.
- In Q4 2018, the average vacancy rate for the quarter was 7.8%, compared to 10.0% in Q3 2018 and 10.9% in Q4 2017.
- Fair value gain for the quarter was \$30.5 million, compared to \$24.9 million in Q3 2018 and a gain of \$116.5 million in Q4 2017.
- Funds from operations for the quarter were \$9.7 million, a 24% increase from \$7.8 million in Q3 2018 and a 28% increase from \$7.6 million in Q4 2017.
- Net operating income for the quarter was \$20.6 million, a 13% increase from \$18.3 million in Q3 2018 and a 20% increase from \$17.2 million in Q4 2017.
- In Q4 2018, overall economic performance in British Columbia is still among the strongest in the country. As a result, British Columbia continues to achieve below 1% vacancy result and constant revenue growth. Mainstreet's Alberta and Saskatchewan markets also showed strong performance outcomes in the quarter with improved same asset vacancy rate result and revenue improvement.
- Mainstreet's same asset vacancy rate dropped to 6.3%, from 8.3% in Q3 2018, and same asset revenues increased 3.0% to \$27.0 million, an improvement from \$26.3 million in Q3 2018 and 10% increase from \$24.5 million in Q4 2017.
- Same assets net operating income for the quarter was \$18.5 million, a 10% increase from \$16.8 million in Q3 2018 and a 13% increase from \$16.3 million in Q4 2017.
- Funds from operations related to stabilized properties were \$8.1 million, a 11% increase from \$7.3 million in Q3 2018 and a 9% increase from \$7.4 million in Q4 2017.

STABILIZED PROPERTIES

The Corporation focuses on the acquisition of underperforming properties, renovating them and repositioning the renovated properties in the market at current market rents. Underperforming properties have typically been poorly managed, with substantial deferred maintenance and rents that are often well below current market rental rates.

The Corporation refers to such underperforming properties acquired as "unstabilized properties"; and to the process of renovating and repositioning those acquired unstabilized properties as the "stabilization process". After completion of the stabilization process, such properties are referred to as "stabilized properties". The period of time required for the completion of renovations and repositioning of renovated properties at current market rents depends on the condition of the properties acquired, the amount of renovation work required to bring the property up to Mainstreet's standards and the applicability of rent control legislation to those properties, according to the provinces in which they are acquired.

Based upon the Corporation's past experience, the average period required for the stabilization process is approximately two years in provinces without statutory rent controls, such as the Provinces of Alberta and Saskatchewan. In British Columbia, due to applicable statutory rent controls, the allowable annual rent increase for existing tenants is determined by the Tenancy Board of the Province of British Columbia (thereby potentially decreasing tenant turnover rate and delaying of rent increases to current market levels). For this reason, past experience suggests the average stabilization process in British Columbia is approximately three years.

As of September 30, 2018, 230 properties (10,010 units) out of 302 properties (11,776 units) were stabilized. The following table summarizes the change of the Corporation's stabilized and unstabilized units since the beginning of fiscal year 2018.

	Oct. 1, 2017	%	Acquisition	Number of units stabilized	Sept. 30, 2018	%
Stabilized Units	9,305	89%	–	705	10,010	85%
Unstabilized Units	1,175	11%	1,296	(705)	1,766	15%
Total Units	10,480	100%	1,296	–	11,776	100%

The following table summarizes the progress of the Corporation's stabilization progress since the beginning of fiscal year 2018.

	Oct. 1, 2017	No. of units stabilized during the period	No. of unstabilized units acquired/ disposed during the year	Sept. 30, 2018
Numbers of unstabilized units held for renovation	1,175	(705)	1,296	1,766
Number of months				
Average time spent on stabilization	14	16	3	5
Estimated remaining time for stabilization	11	–	21	20

During the year ended September 30, 2018, the Corporation acquired 336 unstabilized units in Calgary, Alberta, 88 unstabilized units Edmonton, Alberta, 185 unstabilized units in Saskatoon, Saskatchewan and 687 unstabilized units in Regina, Saskatchewan. Some acquired assets required substantial renovation and had rental rates that are considered well below the market for stabilized units. The Corporation has stabilized 705 units, for which renovation work is substantially completed, resulting in rent increases to or near current market levels.

FUNDS FROM OPERATIONS OF STABILIZED PROPERTIES – NON-GAAP MEASUREMENT

For 2018, FFO of Mainstreet's stabilized property portfolio amounted to \$30.3 million (\$3.43 per basic share and \$3.18 per fully diluted share).

(000s of dollars except per share amounts)

For the year ended September 30, 2018	Stabilized properties	Non-stabilized properties	Total
Rental and ancillary rental income	\$ 105,392	\$ 10,273	\$ 115,665
Property operating expenses	36,655	6,789	43,444
Net operating income	\$ 68,737	\$ 3,484	\$ 72,221
Operating margin	65%	34%	62%
Vacancy rate	8.6%	22.4%	10.1%
Interest income	\$ 500	\$ 64	\$ 564
General & administrative expenses	9,876	1,049	10,925
Mortgage interest	26,439	2,223	28,662
Financing cost	2,621	175	2,796
Funds from operations	\$ 30,301	\$ 101	\$ 30,402
Funds from operations per share			
– Basic	\$ 3.43	\$ 0.01	\$ 3.44
– Diluted	\$ 3.17	\$ 0.01	\$ 3.18
Weighted average number of shares			
– Basic	8,832,472		
– Diluted	9,548,291		

In 2018, FFO of the stabilized property portfolio increased 36% to \$30.4 million as compared to \$22.4 million in 2017, while the number of stabilized units increased 8% to 10,010 units as of September 30, 2018 compared to 9,305 units as of September 30, 2017. The increase in the stabilized FFO was due to the increased number of stabilized units.

(000's of dollars)

For the year ended September 30,	2018	2017	% Change
Stabilized FFO	\$ 30,402	\$ 22,381	36%
Number of stabilized units	10,010	9,305	8%

LIQUIDITY & CAPITAL RESOURCES

Working Capital Requirement

Mainstreet requires sufficient working capital to cover day-to-day operating and mortgage expenses as well as income tax payments. In 2018, after payments of all required expenses, the Corporation generated funds from operations of \$30.4 million.

Management expects funds generated from operations will continue to grow when more units are renovated and re-introduced to the market at higher rental rates and Management believes that these funds should be sufficient to meet the Corporation's working capital requirements on a year-to-year basis going forward. As of September 30, 2018, the working capital deficiency is also managed through the available liquidity under the banking facility as well as the ongoing financing of mortgage payable, which is discussed and analysed in the session entitled "Financing" below.

Other Capital Requirements

Mainstreet also needs sufficient capital to finance continued growth and capital improvement. In 2018, the Corporation spent approximately \$172.8 million on acquisitions and capital improvements. Management expects the following capital resources to be sufficient to meet the capital requirements on a year-to-year basis.

Financing

Debt financing after property stabilization and maturity of initial loans is a cornerstone of Mainstreet's business strategy. Management believes this unlocks the value added through stabilization and liberates capital for future growth. Management also believes this mitigates the risk of anticipated interest rate hikes and minimizes the costs of borrowing. Mainstreet continually refinances as much floating and maturing debt as possible into long-term debt, primarily CMHC insured mortgages at lower interest rates.

In 2018, the Corporation refinanced 15 clear title assets with 10-year, CMHC-insured mortgage loans for \$56.1 million at an average rate of interest of 3.06%.

Subsequent to the year ended September 30, 2018, the Corporation has also financed 5 clear-title properties for \$20.5 million at an interest rate of 3.26%.

The additional funds raised will be used to support the Corporation's growth in its core markets.

As of September 30, 2018, the Corporation owned title to the following 26 clear title properties and two development lots having an aggregate fair value of approximately \$159.9 million:

Clear Title Asset List as of September 30, 2018

(000s of dollars except unit information)

Property	Number of units	Cost of Acquisition	Fair Value
103 Village Acres NW, Edmonton, AB	186	\$ 17,800	\$ 23,240
3147 – 151 Avenue, Edmonton, AB	99	10,000	12,280
1103 – 5 Avenue S, Lethbridge, AB	78	8,580	8,580
8, 12, 16 and 20 Bateman Crescent, Saskatoon, SK	76	6,729	6,729
525, 529, 601, 605 AVE X S / 2309 – 17th St W, Saskatoon, SK	77	5,218	9,400
7703, 7707, 7711, 7715 & 7719 Elbow Drive SW, Calgary, AB	60	8,700	8,700
7107 Elbow Drive SW, Calgary, AB	51	8,288	8,288
1122 – 8 Avenue SW, Calgary, AB	50	1,975	12,530
2025 Rose Street, Regina, SK	46	3,580	3,580
2121 – 17 Street SW, Calgary, AB	45	5,650	9,100
33361 Old Yale Road, Abbotsford, BC	38	3,940	6,730
1335 & 1339 – 10th Ave SE, Calgary, AB	29	3,000	6,310
807 Royal Avenue SW, Calgary, AB	28	4,336	5,400
10721 – 108 St NW, Edmonton, AB	26	2,630	3,200
419 – 1 Ave NE, Calgary, AB	25	3,690	3,690
127 – 13 Avenue SW, Calgary, AB	24	3,960	5,800
1520 – 12 Ave. SW, Calgary, AB	23	3,427	3,427
10610 – 115 Street, Edmonton, AB	23	1,150	2,620
5355 Waverley Dr. SW, Calgary, AB	21	2,810	2,810
2403 – 33 Ave SW, Calgary, AB	20	2,650	2,650
11930 – 104 Street, Edmonton, AB	18	790	2,280
1805 – 17th Street SW, Calgary, AB	15	2,075	2,600
2309 – 17th Street SW, Calgary, AB	11	1,394	1,394
326 to 328 – 18 Avenue SW, Calgary, AB	7	–	3,300
2409 – 33 Ave. SW, Calgary, AB	1	800	800
322 – 18th Avenue SW, Calgary, AB	1	1,275	2,640
10125 – 114 Street, Edmonton, AB – Development lot	0	1,103	1,160
33283 Bourquin Cr E, Abbotsford, BC – Development lot	0	306	685
Total as of September 30, 2018	1,078	\$ 115,856	\$ 159,923

If required, Mainstreet believes it could raise additional capital funds through mortgage financing at competitive rates under which these clear title properties would be pledged as collateral.

The Corporation's policy for capital risk management is to keep a debt-to-fair value of investment properties ratio under 70%. The current ratio is approximately 51%, which Management believes will leave considerable room to raise additional funds from refinancing if the need arises.

Banking Facility

Effective January 2014, the Corporation was granted a banking facility to a maximum of \$85 million with a syndicate of chartered financial institutions. The facility is secured by a floating charge against the Corporation's assets and carries an interest rate of prime plus 1.25%. The facility requires monthly interest payments and is renewable every three years subject to the mutual agreement of the lenders and the Corporation. The Corporation has extended the maturity date to December 6, 2019. As at September 30, 2018, the Corporation has drawn \$1.9 million (September 30, 2017 – \$Nil) against this credit facility. The facility contains financial covenants to maintain an overall funded debt to gross book value ratio of not more than 65% and debt service ratio of not less than 1.2. As of September 30, 2018, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 51% and 1.34, respectively.

CONTRACTUAL OBLIGATIONS

As of September 30, 2018, the Corporation had the following contractual obligations, which are anticipated to be met using the existing revolving credit facility, funds from operations and proceeds from the refinancing of maturing and floating mortgage loans.

PAYMENTS DUE BY PERIOD

Estimated principal payments required to retire the mortgage obligations as of September 30, 2018 are as follows:

(000s of dollars)

Years ending September 30,	Amount
2019	\$ 46,263
2020	98,855
2021	95,725
2022	91,570
2023	104,975
Subsequent	538,102
	975,490
Deferred financing costs	(18,525)
	\$ 956,965

LONG-TERM DEBT

(000s of dollars)

	Amount	% of debt	Average interest rate (%)
Fixed rate debt			
– CMHC-insured	\$ 888,943	91 %	3.01 %
– non-CMHC-insured	86,547	9 %	2.96 %
Total fixed rate debt	975,490	100 %	3.01 %
Deferred financing costs	(18,525)		
	\$ 956,965		

Mainstreet's long-term debt consists of low-rate, fixed-term mortgage financing. All individual mortgages are secured with their respective real estate assets. Based largely on the fair value of properties, Management believes this financing reflects the strength of its property portfolio. The maturity dates for this debt are staggered to mitigate overall interest rate risk.

As of September 30, 2018, total mortgages payable was \$957 million compared to \$840 million on September 30, 2017 – an increase of 14% due to financing and acquisition activity during the year ended September 30, 2018.

As of September 30, 2018, Management believes the Corporation's financial position to be stable, with overall mortgage levels reported at 51 % of fair value of investment properties. About 91 % of the Corporation's mortgage portfolio was CMHC-insured, providing Mainstreet with what Management believes are interest rates lower than those available through conventional financing.

To maintain cost-effectiveness and flexibility of capital, Mainstreet continually monitors short-term and long-term interest rates. When doing so is expected to provide a benefit, the Corporation intends to convert short-term floating-rate debt to long-term, CMHC-insured fixed-rate debt.

MORTGAGE MATURITY SCHEDULE

(000s of dollars)

Maturing during the following financial year end	Balance maturing	% of debt maturing	Weighted average rate on expiry (%)
2019	28,027	3%	5.07%
2020	82,908	8%	3.03%
2021	83,630	9%	3.94%
2022	83,754	9%	3.00%
2023	101,334	10%	3.37%
Subsequent	595,837	61%	2.81%
	\$ 975,490	100%	3.01%

The average maturing term of mortgage loans is 6.0 years as of September 30, 2018, compared to 7.0 years as of September 30, 2017. There are no mortgage loans maturing in fiscal year 2018.

INTERNAL CONTROLS

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurances that all material information is gathered and reported to senior management of the Corporation, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") on a timely basis and that all information required to be disclosed in Mainstreet's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The preparation of this information is supported by an internal control and procedure framework designed by Management to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control and procedure framework related to the Corporation's Internal Control over Financial Reporting ("ICFR") and DC&P were designed in accordance with Risk Management and Governance – Guidance on Control, published by the Canadian Institute of Chartered Accountants and the requirements of National Instrument 52-109 of the Canadian Securities Administrators entitled, "Certification of Disclosure in Issuer's Annual and Interim Filings".

During the review of the design and effectiveness of the Corporation's control system over financial reporting for the year ended September 30, 2018, Management identified certain control deficiencies that together amounted to a material weakness in its ICFR. A material weakness, as defined in National Instrument 52-109 – Certification of Disclosure In Issuer's Annual and Interim Filings, is a deficiency, or a combination of deficiencies, in ICFR, such that there is reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Control deficiencies were identified related to the Corporation's valuation of its investment properties, particularly relating to a change in the Corporation's methodology in determining the fair value of its investment properties during the 2018 fiscal year.

Prior to the 2018 fiscal year, the Corporation obtained independent appraisals in respect of each of its investment properties. For the 2018 fiscal year, the Corporation grouped its investment properties in each city by their types and geographic locations. Samples were then selected in each group for independent appraisals. The appraised values of the samples selected were compared with their appraised values as of September 30, 2017. The percentage changes in values of those samples selected were applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of September 30, 2018. As a result of this change, any errors in the appraised value of a sample property will affect the valuation of the entire grouping and accordingly is more likely to have a material effect on the ultimate valuation of the Corporation's investment properties. Similarly, if groupings are not appropriate, the change in value of the sample properties may not be an accurate reflection of the value of the other properties in the groupings which may have a material effect on the ultimate valuation of the Corporation's investment properties.

As a result of this change in determining fair value of its investment properties and for the reasons discussed above, the following deficiencies were identified which in aggregate have been concluded to constitute a material weakness: (i) a lack of review of the impact of changes to the groupings of the properties on the ultimate valuation of the Corporation's

investment properties; (ii) a lack of consideration in respect of anomalies within individual building valuations that may impact the overall valuation of a grouping of properties; and (iii) lack of proper oversight and review of external independent valuator's work in respect of properties subject to external valuation.

Based on this evaluation, Management concluded that the Corporation's ICFR has not been effective throughout the 2018 fiscal year. Given this weakness in ICFR, Management has concluded also that there is a material weakness in the Corporation's DCP.

Notwithstanding this material weakness, the Corporation has concluded that its interim and annual financial statements fairly present in all material respects the financial position, financial performance and cash flow for the periods presented in accordance with IFRS and do not contain a material misstatement.

Management has already started to remediate the deficiencies identified, which includes the finalization of the criteria used to determine the appropriate grouping for a property and assigning all current properties to a group. Although there may be occasions in the future where changes are required to groupings of properties or where new properties are added to the Corporation's holdings, the initial work of creating the criteria for groupings and selecting the sample properties has now been completed.

In addition, the Corporation's remediation plan also includes:

- (i) implementing formal control process and procedures to properly evaluate future groupings of properties being used by the Corporation in determining fair value of its investment properties to ensure that sample properties are appropriately representative of each group, including without limitation:
 - (A) regularly reviewing the criteria for the Corporation's property groupings to ensure that such criteria remains appropriate and relevant;
 - (B) regularly reviewing the property groupings to ensure that all properties within the grouping are adequately similar;
 - (C) regularly reviewing to the sample properties chosen for each grouping to ensure that they are appropriately representative of all properties within the grouping; and
 - (D) prior to making any future changes to the properties within a grouping, taking such steps as are necessary to properly understand how such a change will affect the overall valuation of the Corporation's properties;
- (ii) allocating additional resources to the finance department of the Corporation's head office to ensure that staff has adequate time and resources to complete the processes and procedures set out in (i) above and to spend additional time reviewing and analysing all independent third party valuations of sample properties to ensure that all anomalies are identified and analysed further and to identify any errors that may be present in such valuations. Although the Corporation already reviews third party valuations for these purposes, it has determined additional resources are required given the increased materiality of sample property valuations under the new sampling methodology for determining the fair value of the Corporation's investment properties.

No assurance can be provided at this time that the actions and remediation efforts will effectively remediate the material weakness described above or prevent the incidence of other material weaknesses in the Company's DCP and ICFR in the future. Management, including the CEO and CFO, does not expect that DCP or ICFR will prevent all errors, even as the remediation measures are implemented and further improved to address the material weakness. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving the stated goals under all potential future conditions.

Other than the remediation efforts discussed above, there have been no changes in the Corporation's DCP and ICFR during the period ended September 30, 2018 that have materially affected, or are likely to materially affect, the Company's ICFR. Management has discussed these issues and remediation efforts with the Audit Committee and the Board who will continue to review progress on these remediation activities on an ongoing basis.

Financial Instruments & Risk Management

Fair value of financial assets and liabilities

The Corporation's financial assets and liabilities comprise restricted cash, cash and cash equivalents, trade and other receivables, mortgages receivable, bank indebtedness, mortgages payable, trade and other payables, and refundable security deposits. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows.

The fair values of restricted cash, cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables, and refundable security deposits approximate their carrying amounts due to the short-term maturity of those instruments.

The fair values of mortgages receivable and payable are determined using the current market interest rates as discount rates, the net present value of principal balances and future cash flows over the terms of the mortgages. In identifying the appropriate level of fair value, the Corporation performs a detailed analysis of financial assets and liabilities. The inputs used to measure fair value determine different levels of the fair value hierarchy categorized as follows:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3: Values based on valuation techniques for which any significant input is not based on observable market data.

The fair values of financial assets and liabilities were as follows:

(000s of dollars)

	September 30, 2018		September 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Restricted cash	\$ 3,120	\$ 3,120	\$ 2,730	\$ 2,730
Cash and cash equivalents	384	384	24,767	24,767
Trade and other receivables	824	824	1,004	1,004
Financial liabilities:				
Bank indebtedness	1,858	1,858	–	–
Mortgages payable	956,965	948,934	839,981	844,147
Trade and other payables	6,798	6,798	6,912	6,912
Refundable security deposits*	\$ 4,526	\$ 4,526	\$ 4,108	\$ 4,108

* Refundable security deposits for Alberta and Saskatchewan are considered as restricted cash as they are held in trust bank accounts and subject to the contingent rights of third parties.

See also the Notes to the Corporation's audited consolidated financial statements for the fiscal years ended September 30, 2018 and 2017 for additional information regarding financial assets and the risks associated therewith.

The Corporation's non-financial assets comprise investment properties. The fair values of non-financial assets were as follows:

(000s of dollars)

	September 30, 2018		September 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-financial assets:				
Investment properties	Level 3	\$1,865,897	\$1,632,235	\$1,632,235

Risk Associated with Financial Assets & Liabilities

The Corporation is exposed to risks arising from its financial assets and liabilities. These include market risk related to interest rates, credit risk and liquidity risk. For detailed explanations of these risks, refer to the section entitled "Risk Assessment and Management".

SHARE CAPITAL

Authorized:

Unlimited number of common voting shares with no par value

Unlimited number of preferred shares with no par value

Issued, outstanding and fully paid:

	Year ended September 30, 2018		Year ended September 30, 2017	
	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)
Issued and outstanding,				
– beginning of the period	8,835,964	\$ 24,225	8,883,333	\$ 24,315
Shares purchased for cancellation	(3,659)	(10)	(53,569)	(147)
– exercise of stock options	–	–	6,200	57
Issued and outstanding,				
– end of the period	8,832,305	\$ 24,215	8,835,964	\$ 24,225

All common shares share an equal right to dividends.

In the fiscal year 2017, a director of the Corporation exercised 6,200 stock options to purchase 6,200 common shares at the exercise price of \$5.51 per common share.

On May 21, 2018, Mainstreet obtained approval from the Toronto Stock Exchange ("TSX") to repurchase up to 478,664 common shares of the Corporation under a Normal Course Issuer Bid ("NCIB") commencing September 1, 2018. The current NCIB expires on May 31, 2019. The Corporation's previous NCIB expired on May 31, 2018.

During the 12 months ended September 30, 2018, the Corporation purchased and cancelled 3,659 (2017 – 53,569) common shares at an average price of \$37.02 (2017 – \$36.83) per common share. It is anticipated that the Corporation will make application to the TSX to renew the current NCIB upon expiration thereof.

Given the discount between its current trading share price and net asset value ("NAV"), Management believes that the re-purchase of its common shares is returning capital to shareholders in a tax-efficient manner that is accretive to NAV. Mainstreet will continue to assess on an ongoing basis as to whether increased purchases of its common shares is warranted.

STOCK OPTION

A summary of the Corporation's stock option plan as of September 30, 2018, and September 30, 2017 and changes during the periods are presented below:

	September 30, 2018		September 30, 2017	
Stock option	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding and exercisable,				
– beginning of the period	822,000	\$ 5.51	828,200	\$ 5.51
Exercised	–	–	(6,200)	5.51
Outstanding and exercisable,				
– end of the period	822,000	\$ 5.51	822,000	\$ 5.51
Weighted average contractual life-years	0.44		1.44	
Prices	\$ 5.51		\$ 5.51	

Under the stock option plan adopted by the shareholders on April 24, 2007 and renewed on March 26, 2010, March 21, 2013 and March 18, 2016, the Corporation was entitled to grant options to its directors, officers, employees and consultants of the Corporation, subsidiaries and affiliated companies for up to 20% of the issued and outstanding common shares until but not after March 24, 2017. The exercise prices of the options were to equal the market-trading price of the Corporation's common share on the date of grant. The stock options were fully vested at the time of issue. The fair value of the stock options is determined at the date of grant using the Black-Scholes Model. The assumptions used in determining the fair value of the stock options included estimated risk free interest rate; expected life of the stock options; expected volatility rate and expected dividend rate. The fair value is recognized as stock compensation expense over the vesting period of the options with a corresponding increase to contributed surplus. Any consideration received by the Corporation on exercise of stock options is credited to share capital as well as the amounts previously credited to contributed surplus for services rendered that were charged to compensation cost.

During the fiscal year ended September 30, 2018, no stock options were granted, exercised or cancelled. As of March 24, 2017 no further stock options may be granted under the Corporation's stock option plan.

Shareholder Rights Plan

Effective February 21, 2013, the Board of Directors of the Corporation approved the adoption of a shareholder rights plan agreement (the "Rights Plan") dated February 21, 2013 between the Corporation and Computershare Trust Company of Canada. The Rights Plan was ratified and approved by shareholders of the Corporation on March 21, 2013 and subsequently amended and renewed by the shareholders of the Corporation on March 18, 2016. The Right Plan was amended to extend the time for a take-over bid to be taken up from 60 days to 120 days.

Previous securities legislation in Canada required a take over bid to be open for at least 35 days, resulting in the Board of Directors of the Corporation being concerned that this was too short a period of time for companies that are subject to unsolicited take over bids to be able to respond to ensure that shareholders are offered full and fair value for their shares. The Rights Plan is designed to give the Corporation's shareholders sufficient time to properly assess a take over bid without undue pressure and to give the Board of Directors time to consider alternatives designed to allow the Corporation's shareholders to receive full and fair for their common shares.

The Rights Plan is not intended to prevent a take over bid or deter offers for the common shares of the Corporation. It is designed to encourage any bidder to provide shareholders with equal treatment and full and fair value for their common shares.

Immediately upon the Rights Plan coming into effect, one right ("Right") was issued and attached to each common share of the Corporation outstanding and will continue to attach to each common share subsequently issued.

The Rights will separate from the common shares of the Corporation and will be exercisable on the close of business on the 10th trading day after the earlier of the date on which a person has acquired 20% or more of, or a person commences or announces a take over bid for, the Corporation's outstanding common shares, other than an acquisition pursuant to a Permitted Bid or a Competing Permitted Bid as such terms are defined under the Rights Plan.

The acquisition by a person of 20% or more of the common shares of the Corporation is referred to as a "Flip In Event". When a Flip In Event occurs, each Right (except for Rights beneficially owned by an Acquiring Person or certain transferees of an Acquiring Person, which Right will be void pursuant to the Rights Plan) becomes a right to purchase from the Corporation, upon exercise thereof, in accordance with the terms of the Rights Plan, that number of common shares having an aggregate market price on the date of consummation or occurrence of such Flip In Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price. The Exercise Price for the Rights provided in the Rights Plan is \$100. As an example, if at the time of the Flip-in Event the Common Shares have a market price of \$25, the holder of each Right would be entitled to receive \$200 (twice the Exercise Price) in market value of the Common Shares (8 Common Shares) for \$100, i.e.: at a 50% discount.

Certain exemptions exist under the Rights Plans for Portfolio Managers and Grandfathered Persons as such terms are defined in the Rights Plan.

A complete copy of the Rights Plan as amended and renewed, including the specific provisions thereof, is available under the Corporation's profile filed on SEDAR.

Key accounting estimates and assumptions

The following are the key accounting estimates and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- i) Significant estimates used in determining the fair value of investment properties include capitalization rates, market rent, vacancy rate and operating expenses. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to Note 4 for sensitivity analysis;
- ii) Significant estimates used in determining the fair value of financial instruments include the discount rate used to discount the future cash flows for similar loans with similar credit ratings and the same maturities are outlined in Note 18;
- iii) Allocation of purchase cost in the acquisition of property and equipment into different components, estimation of their useful life and impairment on property and equipment are based on information from industry practice and entity specific history; and
- iv) The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax basis values and the future income tax rate at which these differences will be realized. Please refer to Note 11 for detailed analysis

Actual results could differ from estimates.

New accounting policies and changes to accounting policies

The new IFRS policies which are effective for annual periods beginning on or after January 1, 2018 are discussed below. Certain new IFRSs which are related to accounting periods beginning on January 1, 2018 or later are not expected to have a significant effect on the consolidated financial statements. The following accounting policies have not yet been adopted by Mainstreet.

IFRS 9 – Financial Instruments – Effective for periods beginning on or after January 1, 2018

The Corporation has reviewed IFRS 9 “Financial Instruments,” which is the result of the first phase of the International Accounting Standards Board (“IASB”) project to replace IAS 39 “Financial Instruments: Recognition and Measurement” and IFRIC 9 “Reassessment of Embedded Derivatives.” The new standard replaced the former multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Amendments to IFRS 7 “Financial Instruments: Disclosures” will also be required to be adopted by the Corporation simultaneously with IFRS 9. The Corporation believes the adoption of IFRS 9 does not have material impact on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers – Effective for periods beginning on or after January 1, 2018

The Corporation has reviewed IFRS 15 “Revenue from Contracts with Customers.” IFRS 15 was issued in May 2014 and replaced IAS 11 “Construction Contracts,” IAS 18 “Revenue Recognition,” IFRIC 13 “Customer Loyalty Programmes,” IFRIC 15 “Agreements for the Construction of Real Estate,” IFRIC 18 “Transfers of Assets from Customers” and SIC-31 “Revenue – Barter Transactions Involving Advertising Services.” IFRS 15 provides a single and comprehensive revenue recognition model. The Corporation’s assessment included a review of relevant contracts for the following key areas, but not limited to, laundry, cable and telephone providers, common area maintenance recoveries. The Corporation has determined that the pattern of revenue recognition remains unchanged following the adoption of IFRS 15.

IFRS 16 – Leases – Effective for periods beginning on or after January 1, 2019

The new standard on leases supersedes IAS 17, Leases and related interpretations. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17. From a lessor perspective, the accounting remains similar to current practice of classifying leases as finance and operating leases. The Corporation is currently evaluating the impact of this new standard on its financial statements.

Transactions with Related Parties

- a) The President and Chief Executive Officer receives commissions at commercial rates in his capacity as a licensed broker for the property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. Except in limited circumstance, these commissions are generally incurred or paid by the other selling party or parties to the transaction. The commissions received during the year ended September 30, 2018 amounted to \$1,234,800 (2017 – \$282,000) and formed part of the President and Chief Executive Officer’s total remuneration for the year.
- b) The Corporation paid legal and professional fees and reimbursements for the year ended September 30, 2018 amounting to \$295,377 (2017 – \$240,000) to a law firm of which a director and officer of the Corporation is a partner. As at September 30, 2018, the amounts payable to the law firm were \$346 (2017 – \$Nil).

Key Management Personnel

Key management personnel of the Corporation during the year ended September 30, 2018, were:

- Navjeet (Bob) Dhillon, President and Chief Executive Officer
- Johnny C.S. Lam, Chief Operating Officer
- Trina Cui, Chief Financial Officer
- Sheena Keslick, Vice President Operations
- Anthony Lam, Assistant Chief Operating Manager

The remuneration of the Corporation's key management personnel was as follows:

(000s of dollars)

Year ended September 30,	2018	2017
Short-term benefits	\$ 3,437	3,044

The remuneration of the Corporation's key management personnel excludes the commissions received by the President and Chief Executive Officer during the year ended September 30, 2018 which amounted to \$1,234,800 (2017 – \$828,000).

In addition, there are 772,000 option-based awards outstanding at the end of the financial year ended September 30, 2018 and 2017 to the key management personnel of the Corporation.

Off Balance Sheet Arrangements

No off balance sheet arrangement was made by the Corporation for the fiscal year ended September 30, 2018.

Subsequent Events

Subsequent to the quarter ended September 30, 2018, the corporation financed 5 clear-title properties for \$20.5 million at an interest rate of 3.26%.

Subsequent to the quarter ended September 30, 2018, the Corporation acquired 421 residential units in the Province of Alberta and Saskatchewan for a total consideration of \$50.0 million.

Risk Assessment and Management

Management defines risk as the evaluation of the probability that an event that could negatively affect the financial condition or results of the Corporation may happen in the future. The following section describes specific and general risks that could affect the Corporation. As it is difficult to predict whether any risk will occur or what its related consequences might be, the actual effect of any risk on the business of the Corporation could be materially different than anticipated. The following discussion of risk does not include all possible risks as there may be other risks of which the Corporation is currently unaware.

Vacancy Risk

The Corporation is subject to tenant vacancy risk when, in some markets and under certain economic conditions, housing/condominiums are affordable, financing is readily available and interest rates are low, making it easier for renters to become homebuyers. This increases vacancy rates and decreases rental revenue cash flow.

Vacancy rates can also be affected negatively by increased supply of multi-family units in the Corporation's core markets. Numerous other residential developers and apartment owners compete for potential tenants. Although it is Mainstreet's strategy to own multi-family residential properties in premier locations in each market in which it operates, some of the apartments or its competitors may be newer, better located or offer lower rents. In addition, an increase in alternative housing could have a material adverse effect on the Corporation's ability to lease units and in the rents charged and could adversely affect the Corporation's revenues and ability to meet its obligations.

Accordingly, the Corporation's performance will always be affected by the supply and demand for multi-family rental real estate in Western Canada. The potential for reduced rental revenue exists in the event that Mainstreet is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy, which could result in lower rents or higher vacancy rates. Mainstreet has minimized these risks by:

- Attempting to increase customer satisfaction;
- Diversifying its portfolio across Western Canada, thus lowering its exposure to regional economic swings;
- Acquiring properties only in desirable locations, where vacancy rates for properties are higher than city-wide averages but can be reduced by repositioning the properties through better management and selective upgrades;
- Holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walk-ups, each with its own market niche;
- Maintaining a wide variety of suites, including bachelor suites, one, two and three bedroom units;
- Building a broad and varied customer base, thereby avoiding economic dependence on larger-scale tenants;
- Focusing on affordable multi-family housing, which is considered a stable commodity;
- Advertising and offering competitive market pricing to attract new tenants;
- Developing a specific rental program characterized by rental adjustments that are the result of enhanced services and superior product; and
- Developing regional management teams with significant experience in the local marketplace, and combining this experience with its existing operations and management expertise.

Economic Uncertainty

Any worldwide or regional economic slowdown, stock market uncertainty and international political credit crisis or uncertainty could adversely impact the business and the future profitability of the Corporation. During any period of economic uncertainty tenants may experience financial difficulty and may default in payment of rent or possibly look for less expensive accommodations thereby having a corresponding longer-term impact on rental and vacancy rates. In addition, Mainstreet's ability to obtain financing or renegotiate line of credit financing may be negatively affected.

The slowing of Western Canada's economic growth rate has filtered through to weaker employment prospects in the Prairie Provinces, a tempering of housing and rental demand and a decline in net migration with a corresponding impact on the Corporation's rental and occupancy levels. Still unknown is the impact of various recently enacted or pending government initiatives, including the effect on employment resulting from the minimum wage increase in Alberta effective October 1, 2018 to \$15.00 an hour; or increases to operating costs resulting from the carbon tax in Alberta, similar federal tax legislation and the implementation of new climate change plans at both the provincial and federal government levels.

Interest Risk

Mainstreet is exposed to interest rate risk to the extent of any upward revision in prime lending rates. Mortgages totalling \$28.0 million are subject to renewal before the financial year ending September 30, 2019. Increases in the interest rate have the potential to adversely affect the profitability of the Corporation. The Corporation attempts to mitigate this risk by staggering the maturity dates of its mortgages. The majority of Mainstreet's mortgages are insured by CMHC under the National Housing Association ("NHA") mortgage program. This added level of insurance offered to lenders allows the Corporation to receive the best possible financing and interest rates, significantly reducing the possibility of a lender calling a loan prematurely.

Utilities and Tax Risk

Mainstreet's business is exposed to fluctuating utility and energy costs such as electricity and natural gas (heating) prices as well as exposure to significant increases in property taxes. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. In recent years, water and sewer costs have increased significantly, as other forms of direct and indirect "taxes" imposed by various municipalities. In addition, the implementation of a carbon tax by the Government of Alberta has increased the costs of natural gas to \$1.65 per gigajoule ("GJ") in 2018. Any significant increase in these costs that cannot be passed on to the tenant / customer may have a significant impact on the operations of the Corporation.

Management continues to monitor all these costs very closely. In order to mitigate these risks, the Corporation has implemented the following steps:

- Where possible, electrical sub-metering devices have been installed, passing on the responsibility for electrical charges to the end tenant / customer;

- Where possible, direct metering conversion programs have been implemented which effectively introduced a volume-based consumption system rather than a flat rate, in turn lowering operating costs for the Corporation.
- In other cases, rents have been, or will be adjusted upward to cover increased costs; and
- Where possible, the Corporation enters into long term supply contracts at a fixed price.

For example, Mainstreet has entered into a rate protected natural gas contract with a maturity date of November 30, 2019 that caps future natural gas costs at \$3.50 per GJ in Alberta, but permits the Corporation to purchase natural gas at lower market rates. In Surrey, British Columbia, Mainstreet has completed a water meter conversion program for all its properties.

In addition, over the past few years, municipal property taxes have increased as a result of re-valuations of municipal properties and their inherent tax rates. These re-valuations may result in significant increases in some property assessments due to enhancements, which often are not represented on the Corporation's balance sheet as such representations are contrary to existing IFRS reporting standards. To address these risks, the Corporation has a team of property reviewers who, with the assistance of outside consultants, constantly review property tax assessments and, if warranted, appeal them. While it is not unusual for the Corporation to receive property tax refunds and / or adjustments, due to uncertainty of the timing and the amount of the refunds or adjustments, these amounts are only reported when they are actually received.

Risks of Real Estate Property Ownership

Real estate investments and projects are, generally, subject to numerous risks depending on the nature and location of the property that can affect attractiveness and sale ability of real estate assets to potential purchasers or other investors, or the owner's use of such real estate assets, all of which are beyond the control of the Corporation. Such risks include:

- The highly competitive nature of the real estate industry;
- Changes in general economic conditions (such as the availability and cost of the property or widespread fluctuations in adjacent property values);
- Changes in general or local conditions (such as the supply of competing real estate assets or the possibility of competitive overbuilding or the inability to obtain full occupancy or other usage of any real estate assets);
- Governmental regulation, rules or policies (such as increased taxation on the sale of or profits from real estate property, environmental legislation or municipal approvals for usage, development or subdivision); and
- Changes in costs or operating expenses anticipated for real estate assets.

Each segment in the real estate industry is capital intensive and is typically sensitive to interest rates. Any proceeds generated by the sale of real estate assets depend upon general economic conditions and, accordingly, the ability to repay its financing may be affected by changes in those conditions. The Corporation will be required to make certain significant expenditures in respect of its business including, but not limited to, the payment of property taxes, mortgage payments, property management costs, insurance costs and related charges which must be made regardless of whether real estate assets are producing sufficient income to service such expenses. If the Corporation is unable or unwilling to meet the payment obligations on such loans, losses could be sustained as a result of the exercise by the lenders of their rights of foreclosure or sale. As a result, the Corporation's ability to make interest payments or distributions of cash could be adversely affected.

In addition, real estate property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Corporation to vary its property portfolio promptly in response to changes in economic or investment conditions. If the Corporation were required to quickly liquidate its assets, there is risk that the Corporation would realize sale proceeds of less than the stated value of the properties of the Corporation. The Corporation's property portfolio is concentrated in British Columbia, Alberta and Saskatchewan. As a result, economic and real estate conditions in Western Canada will significantly affect the Corporation's revenues and the value of its properties.

Renovation Risks

The Corporation is subject to the financial risk of having unoccupied units during extended periods of renovations. During renovations, these properties are unavailable for occupancy and do not generate income. Certain significant expenditures, including property taxes, maintenance costs, interest payments, insurance costs and related charges must be made throughout the period of ownership of real estate property regardless of whether the property is producing revenue. Delays in the renovation of a building or individual apartment units as a result of labour shortages and similar

risks could delay the renting of such building or units resulting in an increased period of time where the building is not producing revenue or produces less revenue than a fully tenanted building. As the Corporation intends to source labour from other countries and renovation supplies directly from manufacturers in China and elsewhere, the Corporation will be subject to related immigration expenses, possible changes in laws related to the use of migrant or immigrant labour, shipping risks and currency fluctuations, all of which may result in unexpected or higher costs or possible delays. The Corporation intends to address these risks by acquiring financing to fund renovations, staggering renovations and by carrying out a detailed capital expenditures budget to monitor its cash position on a monthly basis. However, recent and possible new changes in federal immigration laws related to migrant or immigrant labour may have a negative impact regarding mitigating an increase in labour costs and expenses.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants and collecting security deposits from tenants. The Corporation's tenants are numerous, which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Corporation. As of September 30, 2018, rents due from current tenants amounted to \$371,000 (September 30, 2017 – \$355,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$4.5 million (September 30, 2017 – \$4.1 million) and provisions for bad debts of \$140,000 (September 30, 2017 – \$130,000).

In relation to cash, cash equivalents and restricted cash, the Corporation believes that its exposure to credit risk is low. The Corporation places its cash, cash equivalents and restricted cash only with reputable Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages its liquidity risk by monitoring forecast cash flows on a regular basis to meet expected operating expenses, by maintaining adequate banking facilities, by managing mortgage debt secured by its investment properties and by matching the maturity profiles of assets and liabilities.

Financing Risk

Mainstreet anticipates that it will make substantial capital expenditures for the acquisition of properties in the future. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Mainstreet. Moreover, future activities may require Mainstreet to alter its capitalization significantly. The inability of Mainstreet to access sufficient capital for its operations could have a material adverse effect on Mainstreet's financial condition, the result of its operations or its overall prospects.

Reliance on Key Employees

Mainstreet's success depends in large measure on certain key executive personnel. The loss of the services of such key personnel could have a material adverse effect on the Corporation. Mainstreet does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations are likely to be of central importance. In addition, competition for qualified personnel in the industry is intense, and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Mainstreet.

Income Tax Risk

Mainstreet intends to file all required income tax returns and believes that it will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of Mainstreet, whether by re-characterization and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Market Risks

The economic performance and value of the Corporation's investments in real estate assets will be subject to all of the risks associated with investing in real estate, including, but not limited to:

- Changes in the national, regional, provincial and local economic climates;
- Local conditions, including an oversupply of properties or a reduction in demand for properties;
- The attractiveness of all or parts of real estate assets to renters or purchasers;
- Competition from other available real estate assets and
- Changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

The Corporation's performance will be affected by the supply and demand for property in its geographic area(s) of ownership. Key drivers of demand include employment levels, population growth, demographic rents and consumer confidence. The potential for reduced rental revenue exists in the event that demand diminishes or supply becomes overabundant thereby driving down prices for real estate assets.

Acquisitions Risks

Mainstreet's growth depends in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. It is not possible to manage all risks associated with such acquisitions in the terms and conditions contained in commercial agreements pertaining to such acquisitions. The real estate assets may be subject to unknown, unexpected or undisclosed liabilities that may materially and adversely affect the Corporation's operations, financial condition and results. The representations and warranties, if any, given by arm's length third parties to the Corporation may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, real estate assets acquired by the Corporation may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

Environmental, Health and Safety Risks

Under various environmental, health and safety laws, ordinances and regulations, the current or previous owner or operator of properties acquired or refinanced by the Corporation, may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such properties. These costs could be substantial. Such laws could impose liability whether or not the Corporation knew of, or was responsible for, the presence of such hazardous or toxic substances when it acquired a property.

The presence of hazardous or toxic substances, or the failure to remove or remediate such substances, if any, or restrictions imposed by environmental, health and safety laws on the manner in which such properties may be operated or developed could adversely affect the Corporation's ability to sell such properties and could potentially also result in claims against the Corporation.

Environmental, health and safety laws provide for sanctions for non compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental, health and safety laws and common law principles could be used to impose liability for release of and exposure to hazardous substances into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of complying with environmental, health and safety regulatory requirements, of remediating any contaminated property or of paying personal injury claims could be substantial.

The Corporation may be subject to liability for undetected pollution or other environmental hazards against which it cannot insure, or against which it may elect not to insure where premium costs are disproportionate to the Corporation's perception of relative risk. Such factors may have an adverse impact on the Corporation.

Mainstreet has policies and procedures to review and monitor environmental exposure, including the completion of environmental audits in connection with the Corporation's due diligence procedures when looking at potential acquisitions when the Corporation deems it advisable.

Cyber Security Risk

Cyber security has become an increasingly issue for corporations and businesses. A cyber-attack is an intentional attack which can include gaining unauthorized access to information systems to disrupt business operations, corrupt data or steal confidential information. Such an attack could compromise Mainstreet, its employees and tenants' confidential

information, and third parties with whom Mainstreet interacts and may result in negative consequences, including remediation costs, loss of revenue, data corruption, additional regulatory scrutiny, litigation and reputational damages. As a result, Mainstreet has implemented processes, procedures and controls to help mitigate these cyber-security risks, but these measures do not guarantee that cyber-attack can be totally avoided due to ever increasing sophistication of all forms of cyber-attacks.

Climate Change Risk

There is growing concern from members of the scientific community and the general public that an increase in global average temperatures due to emissions of greenhouse gases and other human activities have or will cause significant changes in weather patterns and increase the frequency and severity of climate stress events. Climate change, including the impact of global warming, creates physical and financial risk. Physical risks from climate change include an increase in sea level and changes in weather conditions, such as an increase in intense precipitation and extreme heat events, as well as tropical and non-tropical storms.

Mainstreet owns buildings in locations that may be susceptible to climate stress events or adverse localized effects of climate change, such as sea-level rise and increased storm frequency or intensity. The occurrence of one or more natural disasters, such as hurricanes, fires, floods, and earthquakes (whether or not caused by climate change), could cause considerable damage to its properties, disrupt operations and negatively impact Mainstreet's financial performance. To the extent these events result in significant damage to or closure of one or more of Mainstreet's buildings, its operations and financial performance could be adversely affected through lost tenants and an inability to lease or re-lease the space. In addition, these events could result in significant expenses to restore or remediate a property, increases in fuel (or other energy) prices or a fuel shortage and increases in the costs of insurance if they result in significant loss of property or other insurable damage.

Workforce Availability

Mainstreet's ability to provide services to its existing tenants is somewhat dependent on the availability of well-trained employees and contractors to service such tenants as well as complete required maintenance and capital upgrades on its buildings. The Corporation must also balance requirements to maintain adequate staffing levels while balancing the overall cost to the Corporation.

Within Mainstreet, its most experienced employees are employed full-time; this full-time force is supplemented by, seasonal and full-time immigrant labour, additional part-time employees, and specific contract services needed by the Corporation. Mainstreet constantly reviews existing overall market factors to ensure that its compensation program is in line with existing levels of responsibility and, if warranted, adjusts the program accordingly. Mainstreet also encourages employees' feedback in these areas to ensure existing programs are meeting their personal needs.

Uninsured Losses

The Corporation carries comprehensive general liability, fire, flood, earthquake, tornado, natural disaster, extended coverage, rental loss and vacancy insurance with policy specifications, limits and deductibles customarily carried for similar properties. However, there are certain types of risks, generally of a catastrophic nature, such as wars, terrorist attacks or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, the Corporation could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

From time to time the Corporation may be subject to lawsuits as a result of the nature of its business. The Corporation intends to maintain business and property insurance policies in amounts and with such coverage and deductibles as are deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. However, there can be no assurance that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the Corporation that is not covered by, or in excess of, the Corporation's insurance could materially affect the Corporation's operating results and financial condition, which would have an adverse effect on the Corporation. Claims against the Corporation, regardless of their merit or eventual outcome, will require the Corporation's management to devote time to matters unrelated to the operation of the business.

Substitutions for Residential Rental Units

Demand for residential rental properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages

and similar home financing transactions. Recently, interest rates offered by financial institutions for financing home ownership have been at very low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. A reduction in the demand for rental properties may have a material adverse effect on the Corporation's ability to lease suites and on the rents charged. This, in turn, may have a material adverse effect on the Corporation's business, cash flows, financial condition and results from operations.

Litigation Risks

In the normal course of the Corporation's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results from operations. Even if the Corporation prevails in any such legal proceeding, the proceedings could be costly and time consuming and may divert the attention of management and key personnel from the Corporation's business operations, which could have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations and ability to make dividends to shareholders.

Regulatory Risks

Increases in real estate taxes and income, service and transfer taxes, or introductions of new taxes such as Alberta's recently enacted carbon tax, cannot always be passed through to residents or users in the form of higher rents, and may adversely affect the Corporation's operating expenses and to pay amounts due on its debt. Similarly, changes or interpretations of existing laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions, as well as changes in laws affecting development, construction and safety requirements, may result in significant unanticipated expenditures, which could have a material adverse effect on the Corporation. In addition, future enactment of rent control or rent stabilization laws or other laws regulating multifamily housing may reduce rental revenues or increase operating costs.

Rent Control

The Corporation may be subject to legislation that exists or is enacted in certain jurisdictions, which restricts the right of landlords to increase rents charged to tenants. As a result, the inability to adjust rents to address higher operating costs or to improve margins on certain properties may have an adverse effect on the returns available from such properties.

Currently, the Corporation operates in Canada in the Provinces of Alberta, British Columbia and Saskatchewan. Neither Alberta nor Saskatchewan is subject to rent control legislation; however, under Alberta rent legislation, a landlord is only entitled to increase rents once every twelve months.

Under British Columbia's rent control legislation, a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulations. The current guideline amount is 2% over annual inflation. When a unit is vacant, however, the landlord is entitled to lease the unit to a new tenant at any rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that unit.

To manage this risk, prior to entering a market where rent controls are in place, extensive time is spent researching existing rules, and, where possible, the Corporation will ensure it utilizes employees who are experienced in working in these controlled environments. In addition, the Corporation adjusts forecast assumptions on new acquisitions to ensure they are reasonable given the rent control environment.

Operational Risks

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed infrastructure, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal or regulatory proceedings. Mainstreet endeavours to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and, if deemed necessary, improvements are implemented.

Public Market Risk

It is not possible to predict the price at which Mainstreet's common shares will trade and there can be no assurance that an active trading market for the common shares will be sustained. The common shares will not necessarily trade at

values determined solely by reference to the value of the properties of the Corporation. Accordingly, the common shares may trade at a premium or a discount to the value implied by the value of the Corporation's properties. The market price for common shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Corporation.

Potential Conflicts of Interest

Mainstreet may be subject to various conflicts of interest because of the fact that directors and officers of the Corporation are engaged in other real estate-related business activities. The Corporation may become involved in transactions which conflict with the interests of the foregoing. Directors may from time to time deal with persons, firms, institutions or corporations with which the Corporation may be dealing, or which may be seeking investments similar to those desired by the Corporation. The interests of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may compete with Mainstreet for available investment opportunities. Directors and officers of the Corporation are required to disclose material interests in material contracts and transactions and to refrain from voting thereon. See also "Transactions with Related Parties" above.

Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and quantitative and qualitative reasoning, leading to an opinion of value. The analysis, opinions and conclusions in an appraisal are typically developed based on and in conformity with, interpretations of the guidelines and recommendations set forth in the Canadian Uniform Standards of Professional Appraisal Practice. Appraisals are based on various assumptions of future expectations of property performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

CHALLENGES

Macroeconomic uncertainty remains a key challenge for Mainstreet. This has been compounded in recent years by rising operating costs due to carbon taxes, interest rate increases, higher property taxes, higher minimum wages, and higher expenses tied to the conversion of apartment units.

The carbon tax in Alberta, which is set to increase annually over the next several years, targets property owners and therefore raises our energy costs in the province. This comes as the introduction of a federal carbon tax, beginning in 2019, is expected to raise costs in our Saskatchewan portfolio. Property tax hikes and the raising of the minimum wage to \$15 per hour in the Province of Alberta also drove up operating expenses.

Higher operating costs come as interest rates are expected to continue to rise through 2019 and possibly 2020, increasing the cost of Mainstreet's future debt.

In addition, while the economic climate in their core markets of the Provinces of Alberta and Saskatchewan has improved significantly in recent years, some risks still persist. After a steady rise in commodity prices for much of 2018, oil prices declined sharply in October, falling from over US\$70 per barrel for West Texas Intermediate down to just over US\$50 per barrel at the end of November with all time high price differentials for oil prices in the Province of Alberta. Management believes that the decline does not suggest a return to the 2014 oil price rout; however, it does still point to ongoing volatility in the marketplace.

Adding to Western Canadian oilpatch uncertainty, the decision by General Motors at the end of November to eventually close down one of its plants in Oshawa, Ont. could indicate a broader trend that would put additional pressure on the Canadian economy.

Management also believes negative macro economic forces could likewise cause short positions in respect of the trading of Mainstreet common stock. They believe this is partly responsible for their share price continuing to trade well below what they believe to be its true net asset value.

Lastly, Management sees a potential cooling in the broader investment climate tied to weakening confidence in Canada's regulatory regime, evidenced by the failure to build major new oil pipelines in Canada. They believe this has and will continue to hurt Canada's business competitiveness compared to other countries, and has encouraged more oil and gas investment to go to the U.S. in particular. It has also shrunk the revenues of oil producers by the widest discount margins in years. While these existential threats have not impacted Mainstreet directly, they remain cautiously optimistic in their outlook.

OUTLOOK

Mainstreet sees potential to boost both their top-line revenue and NOI over the next fiscal year, particularly amid a gradually improving economy, by continuing their non-dilutive growth strategy of acquiring under-performing assets funded by low cost, long-term insured CMHC debt financing.

As Mainstreet embark on those efforts, they believe there has been a gradual improvement in the macroeconomic picture translating into promising migration numbers. In-migration into the Province of Alberta was 10,378 in Q2 2018, meaning more than 10,000 people entered the province for the first time since Q4 2014, a stretch of more than three years [Government of Alberta]. Alberta's overall population has continued to grow in recent years, despite economic recession, increasing 1.49% in the year ended June 30, 2018 [Statistics Canada]. That growth level was higher than the national average of 1.42%. Saskatchewan had negative in-migration of 1,567 in Q2 2018, an improvement compared with recent quarters but 39% lower than its Q2 2017 levels. Its population has also continued to grow, increasing 0.98% in the year ended June 30, 2018.

Higher population growth comes alongside promising labour statistics in the Provinces of Alberta and Saskatchewan markets. Alberta's unemployment rate dropped to 6.3% in November 2018, a 1% decrease compared with a year earlier; Saskatchewan unemployment was 5.5%, compared with 6.2% in November 2017. [Statistics Canada]

Mainstreet believes these indicators come as the rental market in Alberta may be returning to balance. Management further believe rental markets have been oversupplied in recent years following a rapid build out of condominiums during years of high economic growth, which effectively spilled over into the broader rental space. However, Management believes that this trend has now reached a tipping point, as new tenants continue to absorb that oversupply.

Management also believes that broader market volatility in turn creates areas of opportunity for Mainstreet. In their opinion, mid-market rental rate, with a price-point average between \$900 and \$1,000, is perfectly positioned to attract would-be renters in today's market. Renters tend to favour mid-market prices during times of economic uncertainty as they defer major investments like new homes. Management believes it is uniquely positioned to capture foreign workers, students and new migrants as our buildings are strategically located nearby schools and community centers in this lower-cost bracket.

This trend among first-time buyers (which usually come out of the overall rental pool) are underscored by tighter borrowing requirements under the Office of the Superintendent of Financial Institutions, introduced last year, which Management believes will make it more difficult for first-time homebuyers to secure financing. They believe this could be generally supportive of the rental market. The Bank of Canada estimates the new rules could disqualify as much as 10% of new buyers every year.

Lastly, Mainstreet sees an opportunity to extract more value from its existing assets in 2019. Management plans to do this by taking a highly focused approach on stabilizing units, which in turn lowers our overall vacancy rate and boosts NOI and FFO which they believe will further strengthen their future balance sheet. This stabilization process is already well underway as they enter 2019, and they have already seen a gradual increase in their NOI due to a continued improvement in their occupancy rates and higher rental income in BC.

RUNWAY ON EXISTING PORTFOLIO

- 1) Pursuing Mainstreet's organic, non-dilutive growth model: Using its strong potential liquidity position of approximately \$120 million, Management believes there is significant opportunity to continue acquiring new assets at low cost. Mainstreet's business strategy will continue to boost NOI and FFO while improving quality of living standards for middle class Canadians.
- 2) Closing the NOI gap: In Q4 2018, 15% of the Mainstreet portfolio was going through the stabilization process, even with achieved lower overall vacancy rates compared to 2017. This inherent challenge in the business model is further increased by high volume of acquisitions in recent years, which causes higher rates of unstabilized properties that decreases the NOI, FFO and margins. However, Management plans to focus efforts on stabilizing units through 2019.
- 3) Buying back common shares at a discount to NAV: Management believes MEQ shares continue to trade well below their NAV. Management will therefore continue to buy back Mainstreet's own common shares on an opportunistic basis under the normal course issuer bid.

ADDITIONAL INFORMATION

Additional information about Mainstreet is available on the Corporation's website at www.mainst.biz and on Sedar at www.sedar.com. The Corporation's Annual Information Form dated December 11, 2018 for the year ended September 30, 2018 has been filed on SEDAR.

MANAGEMENT'S REPORT

To the Shareholders of Mainstreet Equity Corp.

The management of Mainstreet Equity Corp. is responsible for the preparation and content of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards.

Management has implemented a system of internal controls that are designed to provide reasonable assurance that transactions are properly authorized, financial reporting responsibilities are met and assets of the corporation are safeguarded against theft.

The financial statements have been audited by Deloitte LLP, the independent auditors, in accordance with International Financial Reporting Standards. The Audit Committee recommended their approval of the statements to the Board of Directors. The Board of Directors has approved the financial statements on the recommendation of the Audit Committee.

(Signed)

"Bob Dhillon"
Director

December 11, 2018

(Signed)

"Joe Amantea"
Director



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mainstreet Equity Corp.

We have audited the accompanying consolidated financial statements of Mainstreet Equity Corp., which comprise the consolidated statements of financial position as at September 30, 2018 and September 30, 2017, and the consolidated statements of net profit and total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mainstreet Equity Corp. as at September 30, 2018 and September 30, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
December 11, 2018
Calgary, Alberta

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$000s of Canadian dollars)

Year ended September 30,	2018	2017
Assets		
Non-current assets		
Investment properties [Note 4]	\$ 1,865,897	\$ 1,632,235
Property and equipment [Note 5]	5,233	5,235
Intangible assets [Note 6]	143	564
	1,871,273	1,638,034
Current assets		
Prepaid assets [Note 7]	1,952	1,639
Prepaid current income tax	110	110
Trade and other receivables [Note 8]	824	1,004
Restricted cash [Note 13]	3,120	2,730
Inventory [Note 9]	684	244
Cash and cash equivalents	384	24,767
	7,074	30,494
Total Assets	\$ 1,878,347	\$ 1,668,528
Liabilities		
Non-current liabilities		
Mortgages payable [Note 10]	\$ 913,660	\$ 826,116
Deferred tax liabilities [Note 11]	158,639	140,554
	1,072,299	966,670
Current liabilities		
Mortgages payable [Note 10]	43,305	13,865
Trade and other payables [Note 12]	6,798	6,912
Refundable security deposits [Note 13]	4,526	4,108
Bank indebtedness [Note 14]	1,858	–
	56,487	24,885
Total Liabilities	1,128,686	991,555
Equity		
Share capital [Note 15]	24,215	24,225
Contributed surplus	2,382	2,382
Retained earnings	722,964	650,366
Total Equity	749,561	676,973
Total Liabilities and Equity	\$ 1,878,347	\$ 1,668,528

See accompanying notes to these consolidated financial statements.

(Signed)

“Bob Dhillon”

Director

December 11, 2018

(Signed)

“Joe Amantea”

Director

CONSOLIDATED STATEMENTS OF NET PROFIT AND TOTAL COMPREHENSIVE INCOME

(\$000s of Canadian dollars, except per share amounts)

Year ended September 30,	2018	2017
Rental revenue	\$ 114,130	\$ 103,007
Ancillary rental income	1,535	1,653
	115,665	104,660
Property operating expenses	43,444	40,294
Net operating income	72,221	64,366
Interest income	564	581
	72,785	64,947
Mortgage interest	28,662	28,402
Amortization of deferred financing cost	2,796	2,828
General and administrative expenses	10,925	10,265
Depreciation	456	414
Software development cost write off	555	–
	43,394	41,909
Profit before fair value gain and income tax	29,391	23,038
Fair value gain [Note 4]	61,417	82,889
Insurance Settlement	–	2,400
Profit before income tax	90,808	108,327
Deferred income tax expense [Note 11]	18,085	17,392
Net profit and total comprehensive income	\$ 72,723	\$ 90,935
Profit per share		
– Basic [Note 16]	\$ 8.23	\$ 10.25
– Diluted [Note 16]	\$ 7.62	\$ 9.51

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(\$000s of Canadian dollars)

		Share Capital	Contributed Surplus	Retained Earnings	Total Shareholders Equity
Balance, October 1, 2016	\$	24,315	\$ 2,404	\$ 561,257	\$ 587,976
Shares purchased for cancellation		(147)	–	(1,826)	(1,973)
Exercise of Stock Option		57	(22)	–	35
Profit for the period		–	–	90,935	90,935
Balance, September 30, 2017	\$	24,225	\$ 2,382	\$ 650,366	\$ 676,973
Shares purchased for cancellation [Note 15]		(10)	–	(125)	(135)
Exercise of stock option		–	–	–	–
Profit for the period		–	–	72,723	72,723
Balance, September 30, 2018	\$	24,215	\$ 2,382	\$ 722,964	\$ 749,561

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$000s of Canadian dollars)

Year ended September 30,	2018	2017
Cash obtained from (used in) operating activities		
Net profit	\$ 72,723	\$ 90,935
Adjustments for:		
Amortization of deferred financing cost	2,796	2,828
Depreciation	456	414
Fair value gain	(61,417)	(82,889)
Deferred income tax expense	17,985	17,392
Software development cost write off	555	–
Mortgage interest	28,662	28,402
Interest paid on mortgages payable	(28,662)	(28,402)
	33,198	28,680
Change in working capital		
Prepaid assets	(313)	135
Prepaid current income tax	–	1,151
Trade and other receivables	180	610
Inventory	(440)	94
Restricted cash	(390)	128
Trade and other payables	(91)	(7)
Refundable security deposits	418	8
Cash from operating activities	32,562	30,799
Financing activities		
Bank indebtedness	1,858	(40,148)
Financing of investment properties	56,111	193,468
Mortgage payments upon refinancing	–	(62,219)
Mortgage principal repayments	(17,574)	(15,368)
Deferred financing costs incurred	(2,139)	(5,805)
Exercise of stock options	–	(22)
Repurchase of shares	(135)	(1,916)
Cash from financing activities	38,121	67,990
Investing activities		
Purchase of and additions to investment properties [Note 4]	(94,478)	(76,649)
Purchase of and additions to property and equipment	(445)	(827)
Purchase of and additions to intangible assets	(143)	(141)
Mortgage receivable	–	2,500
Cash used in investing activities	(95,066)	(75,117)
Net (decrease) increase in cash and cash equivalents	(24,383)	23,672
Cash and cash equivalents, beginning of period	24,767	1,095
Cash and cash equivalents, end of period	\$ 384	\$ 24,767
Cash and cash equivalents are comprised of:		
Cash	\$ 384	\$ 706
Short-term deposits	–	24,061
	\$ 384	\$ 24,767

See accompanying notes to these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2018 and 2017

(Thousands of Canadian dollars, except share and per share amounts and amounts within narrative)

1. GENERAL

Mainstreet Equity Corp. (the "Corporation") is a Canadian real estate corporation, incorporated under the Business Corporations Act (Alberta), focused on acquiring and managing mid-market residential rental apartment buildings in major markets primarily in Western Canada. The registered office and head office of the Corporation are located at 1413 2nd Street SW Calgary, Alberta T2R 0W7 and 305 – 10th Avenue SE Calgary, Alberta T2G 0W2, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The consolidated financial statements of the Corporation have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by Chartered Professional Accountants Canada ("CPA Canada").

b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair value. The consolidated financial statements are prepared on a going concern basis and have been prepared in Canadian dollars rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects.

c) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Mainstreet Equity USA Corp. All inter-company transactions, balances, revenue and expenses have been eliminated on consolidation.

d) Revenue recognition

Rental revenue from an investment property is recognized on a monthly straight line basis when a tenant begins occupancy of a rental unit, and rent is due. Any rental incentive offered is amortized over the term of the tenancy lease. All residential leases are for one-year terms or less and the Corporation retains all of the benefits and risks of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases.

Realized gain or loss from the sale of investment properties is recognized in the period of disposal.

Ancillary rental income comprises income from laundry machines, income from telephone and cable providers and other miscellaneous income and is recognized as earned.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and applicable effective interest rates.

e) Investment properties

Investment properties include multi-family residential properties held to earn rental income and are initially measured at cost. Cost includes purchase price, and any direct attributable expenditure related to the acquisition (excluding transaction costs related to a business combination) and improvement of the properties. All costs associated with upgrading the quality and extending the economic life of the investment properties are capitalized as additional cost of investment properties.

Subsequent to initial recognition, investment properties are recorded at fair value, determined based on valuations performed by independent third party qualified appraisers or available market evidence, in accordance with International Accounting Standard ("IAS") 40-Investment Property ("IAS 40"). Fair value is determined based on a combination of internal and external valuation processes. Gains and losses arising from differences between current period fair value and the sum of previous measured fair value and capitalized costs as described above are recorded in profit and loss in the period in which they arise.

For the Corporation's annual and interim financial reporting, external valuations were obtained from independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in relevant locations. In addition, the Corporation has established an internal valuation model, which is based on the same assumptions and valuation techniques used by the external valuation professionals.

The Corporation grouped its investment properties in each city by their types and geographic locations. Samples were selected in each group for independent appraisal. The appraised values of the samples selected were compared with their appraised values as of June 30, 2018. The percentage changes in values of those samples selected were applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of September 30, 2018.

Investment properties are reclassified to 'Non-Current Assets held for sale' when the criteria set out in IFRS 5- Non-Current Assets Held for Sale and Discontinued Operations ("IFRS 5") are met.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Prior to its disposal, the carrying value is adjusted to reflect the fair value as outlined in the purchase and sale agreement. This adjustment is recorded as a fair value gain (loss). Any remaining gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Excess land

Excess land represents land owned by the Corporation located contiguous to land included as investment property. The Corporation has the ability to develop additional multi-family residential buildings on this land or sell it separately from the investment property at a later date. Excess land is held for capital appreciation, and therefore is treated as Investment Property and recorded in accordance with IAS 40 as outlined above.

f) Non-current assets held for sale

Non-current assets held for sale include assets or groups of assets and liabilities ("disposal groups") that are available for sale in their present condition and the sale is highly probable and expected to be completed within one year from the date of classification. From time to time the Corporation also purchases properties with the intention of selling the property within a pre-determined period of time. The property is classified as an asset held for sale if the disposal is expected to take place within one year of the acquisition. The gains or losses arising on a sale of assets or group of assets that does not meet the definition of discontinued operations will be recognized as part of continuing operations.

g) Property and equipment

Tangible assets that are held for use in the production or supply of goods and services, for rent to others, or for administrative purposes and are expected to be used during more than one period, except when other accounting standards require or permit a different accounting treatment, are recorded using the cost model in accordance with IAS 16 – Property, Plant and Equipment ("IAS 16") which requires, after initial recognition, that the tangible assets be carried at their cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized in a manner that reflects the pattern in which the future economic benefits of the assets are expected to be realized and consumed by the Corporation. IAS 16 also requires that the cost and useful economic life of each significant component of a depreciable real estate property be determined based on the circumstances of each property.

Property and equipment are amortized at rates designed to amortize the cost of the properties over their estimated useful lives as follows:

Administrative building	over the estimated useful life, not exceeding 40 years	– straight line
Building improvements	20%–40%	– declining balance
Equipment	4% to 30%	– declining balance
Furniture	20%	– declining balance
Vehicle	40%	– declining balance
Computer	30%	– declining balance

The method of depreciation and estimated useful lives of property and equipment are periodically evaluated by management and any changes are accounted for as a change in accounting estimates in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8").

h) Impairment of assets

All assets, except for those identified as not within the scope of IAS 36 –Impairment of Assets ("IAS 36") are assessed for indications of impairment at the end of each financial reporting period. Should an indication of impairment exist, the recoverable amount of the asset is estimated. The recoverable amount is defined in IAS 36 as the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted. Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the statement of comprehensive income and the remaining useful life of the assets will be re-assessed. Should this impairment loss be determined to have reversed in a future period, a reversal of the impairment loss is recorded in profit or loss. However, in accordance with IAS 36, the reversal of an impairment loss will not increase the carrying value of the assets to a value greater than its original carrying value (net of amortization).

i) Income taxes

Income taxes include current and deferred income taxes.

Current tax is the expected tax payable or receivable in the taxable profit or loss for the current reporting period and any changes in estimates in respect of previous periods. Taxable profit differs from profit as reported in the statement of net profit and total comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The tax rates used in calculating current income tax have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability settled, based on tax rates and laws that have been enacted or substantively enacted at the reporting date. In addition, deferred income tax assets and liabilities are measured using the rate that is consistent with the expected manner of recovery (i.e. using the asset versus selling the asset). Where applicable, current and deferred income taxes relating to items recognized directly in equity or comprehensive income are also recognized directly in equity or comprehensive income respectively.

j) Provision

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a discounted rate that reflects current market assessment of the time value of money and the risks and uncertainties specific to the obligation. Provisions are re-measured at each reporting date using a current and relevant discount rate. The increase in the provision due to the passage of time is recognized as a interest expense.

k) Financial instruments

Financial instruments are initially recognized at fair values. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss, which are recognized immediately in profit and loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories, which are defined and measured as follows:

Classification	Definition	Measurement
Financial assets at fair value through profit or loss ("FVTPL")	Either held for trading or designated as at FVTPL as discussed below: -Classified as held for trading if it has been acquired principally for the purpose of selling it in the near future term, or on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument. -Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss. Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.
Held-to-maturity	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity.	Measured at amortized cost using the effective interest rate method less impairment (See footnote 1 and 2).
Available for sale	Non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivable, (b) held-to-maturity investments or (c) financial assets at FVTPL	Measured at fair value through other comprehensive income.
Loans and receivables	Non-derivative financial assets with fixed determinable payments that are not quoted in an active market.	Measured at amortized cost using the effective interest rate method less any impairment. (See footnote 1 and 2).

Note (1) - The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Note (2) - Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Generally, the carrying amount of the financial asset is reduced by the impairment loss.

The Corporation's financial assets are as follows:

Financial assets	Classification	Measurement
Trade and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the assets to another entity or when the carrying value is reduced by impairment loss.

Financial liabilities

Financial liabilities are classified into the following specified categories which are defined and measured as follows:

FVTPL	Either held for trading or designated as at FVTPL as discussed below: – Classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near future term, or on initial recognition, it is part of portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument. – Classified as FVTPL upon initial recognition if : such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liabilities form part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss. Stated at fair value, with gains or losses arising in measurement recognized in profit or loss.
Other financial liabilities	All other liabilities	Measured at amortized cost using the effective interest rate method-(see foot note 1).

Note (1) - The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimates future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Corporation's financial liabilities are as follows:

The Corporation's financial liabilities are as follows:

Financial liabilities	Classification	Measurement
Mortgages payable	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Refundable security deposits	Other financial liabilities	Amortized cost

The Corporation derecognizes a financial liability when the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term interest bearing deposits with an original maturity date of 90 days or less.

m) Stock option plan

The Corporation has a stock option plan, which is described in Note 17.

The fair value of the stock options is determined at the date of grant using the Black-Scholes Model. The assumptions used in determining the fair value of the stock options included estimated risk free interest rate; expected life of the stock options; expected volatility rate and expected dividend rate. The fair value is recognized as stock compensation expense over the vesting period of the options with a corresponding increase to contributed surplus. Any consideration received by the Corporation on exercise of stock options is credited to share capital as well as the amounts previously credited to contributed surplus for services rendered that were charged to compensation cost.

For stock options of which the holders have the intent to exercise the options by selecting cash settlement, those stock options will be classified as liabilities instead of equity in the financial statement and measured at fair value.

n) Profit (Loss) per share

Basic profit (loss) per share is calculated based on the weighted average number of shares outstanding. Diluted earnings per share reflect the possible dilutive effect of the exercise of the options outstanding as at the balance sheet date. The dilutive effect of outstanding share purchase options is computed using the "treasury stock" method whereby the proceeds that would be received from the exercise of options are assumed to be used to repurchase outstanding shares of the Corporation.

o) Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 2(p) below) that have been made in applying the Corporation's accounting policies that have the most significant effect on the reported amounts in the financial statements:

- i) Determining the extent and frequency of obtaining independent, third party appraisals and establishing an internal valuation model to measure fair value of investment properties;
- ii) Determining a classification between investment properties, and property and equipment for the administrative building;
- iii) Determining the useful lives for the property and equipment based on their estimated useful lives;
- iv) Assessing potential impairments based on management's judgment of whether there are sufficient internal and external factors that indicate that the Corporation's administrative assets are impaired;
- v) Determining the nature of expenses to be capitalized as capital improvement; and
- vi) Determining the tax rate applicable to the Corporation's current and deferred income taxes and identifying the temporary differences in respect of which deferred income taxes are recognized.

p) Key accounting estimates and assumptions

The following are the key accounting estimates and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- i) Significant estimates used in determining the fair value of investment properties include capitalization rates, market rent, vacancy rate and operating expenses. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to Note 4 for sensitivity analysis;
- ii) Significant estimates used in determining the fair value of financial instruments include the discount rate used to discount the future cash flows for similar loans with similar credit ratings and the same maturities are outlined in Note 18;
- iii) Allocation of purchase cost in the acquisition of property and equipment into different components, estimation of their useful life and impairment on property and equipment are based on information from industry practice and entity specific history; and
- iv) The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax basis values and the future income tax rate at which these differences will be realized. Please refer to Note 11 for detailed analysis.

Actual results could differ from estimates.

3. NEW ACCOUNTING POLICIES AND CHANGES TO ACCOUNTING POLICIES

The new IFRS policies which are effective for annual periods beginning on or after January 1, 2018 are discussed below.

Certain new IFRSs which are related to accounting periods beginning on January 1, 2018 or later are not expected to have a significant effect on the consolidated financial statements. The following accounting policies have not yet been adopted by Mainstreet.

IFRS 9 – Financial Instruments – Effective for periods beginning on or after January 1, 2018

The Corporation has reviewed IFRS 9 "Financial Instruments", which is the result of the first phase of the International Accounting Standards Board ("IASB") project to replace IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives". The new standard replaced the former multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Amendments to IFRS 7 "Financial Instruments: Disclosures" will also be required to be adopted by the Corporation simultaneously with IFRS 9. The Corporation believes the adoption of IFRS 9 does not have material impact on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers – Effective for periods beginning on or after January 1, 2018

The Corporation has reviewed IFRS 15 "Revenue from Contracts with Customers". IFRS 15 was issued in May 2014 and replaced IAS 11 "Construction Contracts", IAS 18 "Revenue Recognition", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 provides a single and comprehensive revenue recognition model. The Corporation's

assessment included a review of relevant contracts for the following key areas, but not limited to, laundry, cable and telephone providers, common area maintenance recoveries. The Corporation has determined that the pattern of revenue recognition remains unchanged following the adoption of IFRS 15.

IFRS 16 – Leases – Effective for periods beginning on or after January 1, 2019

The new standard on leases supersedes IAS 17, Leases and related interpretations. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. From a lessee perspective, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17. From a lessor perspective, the accounting remains similar to current practice of classifying leases as finance and operating leases. The Corporation is currently evaluating the impact of this new standard on its financial statements.

4. INVESTMENT PROPERTIES

(000s of dollars)

Year ended September 30,	2018	2017
Balance, beginning of year	\$ 1,632,235	\$ 1,460,080
Additions related to acquisitions	150,315	65,630
Building improvements	21,930	23,636
Fair value gain (loss)	61,417	82,889
Balance, end of year	\$ 1,865,897	\$ 1,632,235

The fair value of investment properties held by the Corporation as of September 30, 2017 were determined by independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in relevant locations. The direct capitalization method was used to convert an estimate of a single year's income (net operating income) expectancy into an indication of value in one direct step by dividing the income (net operating income) estimated by an appropriate capitalization rate. The appraisers then compared the value determined under the direct capitalization method with the value determined under comparable sales method to conclude the final fair value of investment properties. The appraisers also assessed the market conditions of the underlying assumptions used for the fair value assessments and estimated the fair value of the investment properties as at September 30, 2017.

To determine the fair value of investment properties held by the Corporation as of September 2018, external valuations were obtained from independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in relevant locations. In addition, the Corporation has established an internal valuation model, which is based on the same assumptions and valuation techniques used by the external valuation professionals. The Corporation grouped its investment properties in each city by their types and geographic locations. Samples were selected in each group for independent appraisal. The appraised values of the samples selected were compared with their appraised values as of June 30, 2018. The percentage changes in values of those samples selected were applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of September 30, 2018.

The fair value of Mainstreet's investment properties as of September 30, 2018, was determined by the following qualified appraisers:

Location	Name of Appraisers	Qualification	Firm
Vancouver/Lower Mainland (Abbotsford & Surrey)	James Glen	AACI, P.App.	Colliers International
Calgary	Jamie Wingrowich	BBA	Colliers International
Edmonton	Ryan Miller	AACI	Colliers International
Saskatoon	Mark Berestiansky	CPA CMA, AACI, P. App	Colliers International
Regina	Mark Berestiansky	CPA CMA, AACI, P. App	Colliers International

The average capitalization rates used in determining the fair value of investment properties are set out below:

Year ended September 30,	2018	2017
Surrey, BC	4.13%	4.05%
Abbotsford, BC	4.65%	4.70%
Calgary, Alberta	4.84%	4.81%
Edmonton, Alberta	5.69%	5.74%
Saskatoon, Saskatchewan	6.63%	6.64%
Regina, Saskatchewan	5.81%	NA
Investment properties	5.19%	5.17%

The direct capitalization method requires that an estimated forecasted net operating income ("NOI") be divided by a capitalization rate ("Cap Rate") to determine a fair value. As such, changes in both NOI and Cap Rate would significantly alter the fair value of investment properties. The tables below set out the impact of changes in both NOI and Cap Rate on the Corporation's fair values.

As at September 30, 2018

Net operating income		-3%	-1%	As estimated	+1%	+3%
	\$	94,013	\$ 95,952	\$ 96,921	\$ 97,890	\$ 99,829
Capitalization rate						
-0.25%	4.94%	\$ 37,208	\$ 76,447	\$ 96,067	\$ 115,686	\$ 154,925
Cap rate used	5.19%	\$ (54,464)	\$ (17,115)	\$ 1,865,897	\$ 20,234	\$ 57,583
+0.25%	5.44%	\$ (137,710)	\$ (102,077)	\$ (84,261)	\$ (66,445)	\$ (30,812)

As at September 30, 2017

Net operating income		-3%	-1%	As estimated	+1%	+3%
	\$	81,930	\$ 83,619	\$ 84,464	\$ 85,309	\$ 86,998
Capitalization rate						
-0.25%	4.92%	\$ 33,011	\$ 67,345	\$ 84,513	\$ 101,680	\$ 136,015
Cap rate used	5.17%	\$ (47,514)	\$ (14,839)	\$ 1,632,235	\$ 17,835	\$ 50,510
+0.25%	5.42%	\$ (120,610)	\$ (89,442)	\$ (73,859)	\$ (58,275)	\$ (27,107)

Investment properties with a fair value of \$1,706 million (September 30, 2017 – \$1,496 million) are pledged as security against the Corporation's mortgages payable.

For the year ended September 30, 2018, investment properties earned rental income (excluding ancillary rental income) of \$114.1 million (2017 – \$103.0 million).

For the year ended September 30, 2018, operating expenses relating to investment properties were \$43.4 million (2017 – \$40.3 million).

5. PROPERTY AND EQUIPMENT

The carrying amounts of property and equipment were as follows:

(000s of dollars)

	September 30, 2018			September 30, 2017		
	Cost	Accum. Deprec.	Net book value	Cost	Accum. Deprec.	Net book value
Land	\$ 2,159	\$ –	\$ 2,159	\$ 2,159	\$ –	\$ 2,159
Building	3,094	969	2,125	2,959	817	2,142
Equipment	242	125	117	237	96	141
Furniture	494	276	218	479	223	256
Vehicles	274	204	70	223	175	48
Computers	2,224	1,680	544	1,976	1,487	489
	\$ 8,487	\$ 3,254	\$ 5,233	\$ 8,033	\$ 2,798	\$ 5,235

The changes of the carrying amount of the property and equipment for the year ended September 30, 2018 were as follows:

(000s of dollars)

	Opening net book value	Additions	Depreciation	Closing net book value
Land	\$ 2,159	\$ —	\$ —	\$ 2,159
Building	2,142	135	(152)	2,125
Equipment	141	5	(29)	117
Furniture	256	15	(53)	218
Vehicles	48	51	(29)	70
Computers	489	248	(193)	544
	\$ 5,235	\$ 454	\$ (456)	\$ 5,233

The changes of the carrying amount of the property and equipment for the year ended September 30, 2017 were as follows:

(000s of dollars)

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Land	\$ 2,080	\$ 79	\$ —	\$ —	\$ 2,159
Building	1,947	343	—	(148)	2,142
Equipment	92	76	—	(27)	141
Furniture	281	37	—	(62)	256
Vehicles	38	35	(6)	(19)	48
Computer	384	258	—	(153)	489
	\$ 4,822	\$ 828	\$ (6)	\$ (409)	\$ 5,235

6. INTANGIBLE ASSETS

The carrying amount of the intangible asset was as follows:

(000s of dollars)

Year ended September 30,	2018	2017
Balance, beginning of year	\$ 564	\$ 423
Additions related to software development	134	141
Software development write off	(555)	—
Balance, end of year	\$ 143	\$ 564

7. PREPAID ASSETS

Prepaid assets comprise prepaid expenses and utility deposits:

(000s of dollars)

Year ended September 30,	2018	2017
Prepaid expenses	\$ 1,948	\$ 1,629
Utility deposits	4	10
	\$ 1,952	\$ 1,639

8. TRADE AND OTHER RECEIVABLES

Trade receivables comprise amounts due from tenants and other receivables mainly comprise refundable mortgage commitment fees:

(000s of dollars)

Year ended September 30,	2018	2017
Trade receivables	\$ 627	\$ 697
Other receivables	197	307
	\$ 824	\$ 1,004

9. INVENTORY

Inventories are measured at the lower of cost and net realizable value:

(000s of dollars)

Year ended September 30,	2018	2017
Inventory	\$ 684	\$ 244

10. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average interest rate of 3.01% (September 30, 2017 – 3.07%) per annum and are payable in monthly principal and interest installments totaling \$3.9 million (September 30, 2017 – \$3.6 million), maturing from 2018 to 2028 and are secured by specific charges against specific investment properties, having a fair value of \$1,706 million (September 30, 2017 – \$1,478 million).

(000s of dollars)

Year ended September 30,	2018	2017
Non-current	\$ 913,660	\$ 826,116
Current	43,305	13,865
	\$ 956,965	\$ 839,981

Estimated principal payments required to retire the mortgage obligations as of September 30, 2018 are as follows:

(000s of dollars)

Years ending September 30,	Amount
2019	\$ 46,263
2020	98,855
2021	95,725
2022	91,570
2023	104,975
Subsequent	538,102
	975,490
Deferred financing cost	(18,525)
	\$ 956,965

11. DEFERRED INCOME TAX

Income tax expense comprises:

(000s of dollars)

Year ended September 30,	2018	2017
Deferred Income Tax	\$ 18,085	\$ 17,392

No current or deferred income taxes were recognized in equity for the years ended September 30, 2018 and 2017. The income tax expense differs from the results that would be obtained by applying the combined federal and provincial income tax rate to income before income taxes. Non-taxable income includes the non-taxable portion of capital gains. This difference results from the following:

(000s of dollars)

Year ended September 30,	2018	2017
Profit from operations before income tax	\$ 90,808	\$ 108,327
Non taxable income/(expenses)	30,761	41,485
	60,047	66,842
Statutory tax rate	26.94%	26.76%
Computed expected tax	16,177	17,887
Increase (decrease) in deferred tax liabilities for changes in future tax rate	1,913	(446)
Other	(5)	(49)
	\$ 18,085	\$ 17,392

As of September 30, 2018 and September 30, 2017, the Corporation does not have any unrecognized deductible temporary differences.

The deferred tax liabilities components and their changes were as follows:

(000s of dollars)

	September 30, 2017	Recognized in profit	September 30, 2018
Deferred tax liabilities			
Differences in tax and book carrying amounts of investment properties and property, plant and equipment	\$ 138,199	\$ 17,585	\$ 155,784
Differences in tax and book carrying amounts of deferred financing cost	2,355	500	2,855
Deferred tax liabilities	\$ 140,554	\$ 18,085	\$ 158,639

(000s of dollars)

	September 30, 2016	Recognized in profit	September 30, 2017
Deferred tax liabilities			
Differences in tax and book carrying amounts of investment properties and property, plant and equipment	\$ 121,253	\$ 16,946	\$ 138,199
Differences in tax and book carrying amounts of deferred financing cost	1,909	446	2,355
Deferred tax liabilities for operations	\$ 123,162	\$ 17,392	\$ 140,554

12. TRADE AND OTHER PAYABLES

Trade and other payables comprise trade payables, accrued liabilities and deferred revenue:

(000s of dollars)

Year ended September 30,	2018	2017
Trade payables and accrued liabilities	\$ 5,597	\$ 5,706
Deferred revenue	1,201	1,206
	\$ 6,798	\$ 6,912

13. REFUNDABLE SECURITY DEPOSITS

Refundable security deposits for Alberta and Saskatchewan are considered as restricted cash as they are held in trust bank accounts and subject to the contingent rights of third parties:

(000s of dollars)

Year ended September 30,	2018	2017
Refundable Security Deposit	\$ 4,526	\$ 4,108

14. BANK INDEBTEDNESS

Effective January 2014, the Corporation was granted a banking facility to a maximum of \$85 million with a syndicate of chartered financial institutions. The facility is secured by a floating charge against the Corporation's assets and carries an interest rate of prime plus 1.25%. The facility requires monthly interest payments and is renewable every three years subject to the mutual agreement of the lenders and the Corporation. The Corporation has extended the maturity date to December 6, 2019. As at September 30, 2018, the Corporation has drawn \$1.9 million (September 30, 2017 – \$Nil) against this credit facility. The facility contains financial covenants to maintain an overall funded debt to gross book value ratio of not more than 65% and debt service ratio of not less than 1.2. As of September 30, 2018, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 51% and 1.34, respectively.

15. SHARE CAPITAL

Authorized:

Unlimited number of common voting shares with no par value

Unlimited number of preferred shares with no par value

Issued, outstanding and fully paid:

	Year ended September 30, 2018		Year ended September 30, 2017	
	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)
Issued and outstanding,				
– beginning of the period	8,835,964	\$ 24,225	8,883,333	\$ 24,315
Shares purchased for cancellation	(3,659)	(10)	(53,569)	(147)
– exercise of stock options	–	–	6,200	57
Issued and outstanding,				
– end of the period	8,832,305	\$ 24,215	8,835,964	\$ 24,225

All common shares have an equal right to dividends.

In the fiscal year 2017, a director of the Corporation exercised 6,200 stock options to purchase 6,200 common shares at the exercise price of \$5.51 per common share.

On May 21, 2018, Mainstreet obtained approval from the Toronto Stock Exchange ("TSX") to repurchase up to 478,664 common shares of the Corporation under a Normal Course Issuer Bid ("NCIB") commencing June 1, 2018. The current NCIB expires on May 31, 2019. The Corporation's previous NCIB expired on May 31, 2018.

During the Fiscal year 2018, the Corporation purchased and cancelled 3,659 (2017–53,569) common shares under the NCIB at an average price of \$37.02 per common share (2017–\$36.83). It is anticipated that the Corporation will make application to the TSX to renew the current NCIB upon expiration thereof.

16. PROFIT PER SHARE

Basic profit per share is calculated using the weighted average number of common shares outstanding during the period.

The treasury stock method of calculating the diluted profit per share is used.

The following table sets forth the computation of basic and diluted profit per share:

(000s of dollars, except share and per share amounts)

Year ended September 30,	2018	2017
Numerator		
Net profit	\$ 72,723	\$ 90,935
Denominator		
For basic profit per share		
Weighted average shares	8,832,472	8,870,871
Dilutive effect of stock options	715,819	694,239
For diluted profit per share	9,548,291	9,565,110
Profit per share		
– Basic	\$ 8.23	\$ 10.25
– Diluted	\$ 7.62	\$ 9.51

17. STOCK OPTION PLAN

A summary of the Corporation's outstanding stock options plan as of September 30, 2018 and September 30, 2017, and changes during the period, are presented below:

Stock option	September 30, 2018		September 30, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding and exercisable,				
– beginning of the period	822,000	\$ 5.51	828,200	\$ 5.51
Exercised	–	–	(6,200)	5.51
Outstanding and exercisable,				
– end of the period	822,000	\$ 5.51	822,000	\$ 5.51
Weighted average contractual life-years	0.44		1.44	
Prices	\$ 5.51		\$ 5.51	

During the fiscal year 2018, no stock options were granted, exercised or cancelled. Since March 24, 2017 no stock options may be granted under the Corporation's stock option plan.

18. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Fair value of financial assets and liabilities

The Corporation's financial assets and liabilities comprise restricted cash, cash and cash equivalents, trade and other receivables, bank indebtedness, mortgages payable, trade and other payables, and refundable security deposits. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows.

The fair values of restricted cash, cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables, and refundable security deposits approximate their carrying amounts due to the short-term maturity of those instruments.

The fair values of mortgage payable are determined using the current market interest rates as discount rates, the net present value of principal balances and future cash flows over the terms of the mortgages. In identifying the appropriate level of fair value, the Corporation performs a detailed analysis of the financial assets and liabilities. The inputs used to measure fair value determine different levels of the fair value hierarchy categorized as follows:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3: Values based on valuation techniques for which any significant input is not based on observable market data.

The fair values of financial assets and liabilities were as follows:

(000s of dollars)

	September 30, 2018		September 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Restricted cash	\$ 3,120	\$ 3,120	\$ 2,730	\$ 2,730
Cash and cash equivalents	384	384	24,767	24,767
Trade and other receivables	824	824	1,004	1,004
Financial liabilities:				
Bank indebtedness	1,858	1,858	–	–
Mortgages payable	956,965	948,934	839,981	844,147
Trade and other payables	6,798	6,798	6,912	6,912
Refundable security deposits	\$ 4,526	\$ 4,526	\$ 4,108	\$ 4,108

The Corporation's non-financial assets comprise investment properties. The fair values of non-financial assets were as follows:

(000s of dollars)

		September 30, 2018		September 30, 2017	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-financial assets:					
Investment properties	Level 3	\$1,865,897	\$1,865,897	\$1,632,235	\$1,632,235

19. RISK ASSOCIATED WITH FINANCIAL ASSETS AND LIABILITIES

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates, credit risk and liquidity risk.

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.

Interest rate risk

The Corporation is exposed to interest rate risk to the extent of any upward or downward revision in prime lending rates. Mortgages totaling \$28.0 million are subject to renewal before the financial year ending September 30, 2019. Increases in the interest rate have the potential to adversely affect the profitability of the Corporation. However, the Corporation attempts to mitigate this risk by staggering the maturity dates for its mortgages. The majority of the Corporation's mortgages are fixed-rate mortgage financing and insured by Canada Mortgage and Housing Corporation ("CMHC") under the National Housing Association ("NHA") mortgage program. This added level of insurance offered to lenders allows the Corporation to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely. A 1% change in the prime lending rate would have resulted in a change of \$190,000 in interest expense of the floating rate debt for the year ended September 30, 2018.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants and collecting security deposits from tenants. The Corporation's tenants are numerous which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Corporation. As of September 30, 2018, rents due from current tenants amounted to \$371,000 (September 30, 2017 – \$355,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$4.5 million (September 30, 2017 – \$4.1 million) and provisions for bad debts of \$140,000 (September 30, 2017 – \$130,000).

In relation to cash, cash equivalents and restricted cash, the Corporation believes that its exposure to credit risk is low. The Corporation places its cash, cash equivalents, and restricted cash only with reputable Canadian chartered financial institutions.

Liquidity Risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages its liquidity risk by monitoring forecast and cash flows on a regular basis to meet expected operational expenses, by maintaining adequate banking facilities, by managing mortgage debt secured by its investment properties, and by matching the maturity profiles of financial assets and liabilities.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

(000's of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	\$ 46,263	98,855	95,725	91,570	643,077	\$ 975,490
Mortgage interest payable	28,881	26,923	24,053	20,461	54,966	155,284
Bank indebtedness	1,858	–	–	–	–	1,858
Trade and other payables	6,798	–	–	–	–	6,798
Refundable security deposits	\$ 4,526	–	–	–	–	\$ 4,526

20. GUARANTEES, CONTINGENCIES, COMMITMENTS

In the normal course of business, the Corporation may enter into various agreements that may contain features that meet the definition of guarantees, contingencies or commitments in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") that contingently require the Corporation to make payments to the guaranteed party based on: (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty; (ii) failure of another party to perform under an obligating agreement; or (iii) failure of a third party to pay its indebtedness when due.

In the ordinary course of business, the Corporation provides indemnification commitments to counterparties in transactions such as credit facilities, leasing transactions, service arrangements, director and officer indemnification agreements and sales of assets. These indemnification agreements require the Corporation to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based on the contract and do not provide any limit on the maximum potential liability. Historically, the Corporation has not made any significant payments under such indemnifications and no amount has been accrued in these consolidated financial statements with respect to these indemnification commitments.

In the normal course of operations, the Corporation will become subject to a variety of legal and other claims against the Corporation. Management and the Corporation's legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Corporation will not be material.

As of September 30, 2018 and September 30, 2017, no amounts have been recorded and none are required to be disclosed in the consolidated financial statements with respect to guarantees, contingencies and commitments.

21. RELATED PARTY TRANSACTIONS

- a) The President and Chief Executive Officer receives commissions at commercial rates in his capacity as a licensed broker for the property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. Except in limited circumstance, these commissions are generally incurred or paid by the other selling party or parties to the transaction. The commissions received during the year ended September 30, 2018 amounted to \$1,234,800 (2017 – \$282,000) and formed part of the President and Chief Executive Officer's total remuneration for the year.
- b) The Corporation paid legal and professional fees and reimbursements for the year ended September 30, 2018 amounting to \$295,377 (2017 – \$240,000) to a law firm of which a director and officer of the Corporation is a partner. As at September 30, 2018, the amounts payable to the law firm were \$346 (2017 – \$Nil).

22. KEY MANAGEMENT PERSONNEL

Key management personnel of the Corporation during the year ended September 30, 2018, were:

Navjeet (Bob) Dhillon, President and Chief Executive Officer

Johnny C.S. Lam, Chief Operating Officer

Trina Cui, Chief Financial Officer

Sheena Keslick, Vice President Operations

Anthony Lam, Assistant Chief Operating Manager

The remuneration of the Corporation's key management personnel was as follows:

(000s of dollars)

Year ended September 30,	2018	2017
Short-term benefits	\$ 3,437	\$ 3,044

The remuneration of the Corporation's key management personnel excludes the commissions received by the President and Chief Executive Officer during the year ended September 30, 2018 which amounted to \$1,234,800 (2017 – \$828,000).

In addition, there are 772,000 option-based awards outstanding at the end of the financial years ended September 30, 2018 and 2017 to the key management personnel of the Corporation.

23. SEGMENTED INFORMATION

The Corporation specializes in multi-family residential housing and operates primarily within one business segment in three provinces located in Canada. The following summary presents segmented financial information for the Corporation's continuing operations by geographic location:

RENTAL OPERATIONS

(000s of dollars)

Year ended September 30,	2018	2017
BRITISH COLUMBIA		
Rental revenue	\$ 30,886	\$ 29,345
Ancillary rental income	528	510
Fair value gain	39,452	78,264
Property operating expenses	8,290	9,534
Net operating income	23,124	20,321
ALBERTA		
Rental revenue	\$ 63,775	\$ 60,764
Ancillary rental income	868	1,040
Fair value gain	16,523	1,652
Property operating expenses	26,617	25,411
Net operating income	38,026	36,393
SASKATCHEWAN		
Rental revenue	\$ 19,469	\$ 12,898
Ancillary rental income	139	103
Fair value gain	5,442	2,973
Property operating expenses	8,537	5,349
Net operating income	11,071	7,652
TOTAL		
Rental revenue	\$ 114,130	\$ 103,007
Ancillary rental income	1,535	1,653
Net operating income	72,221	64,366
Fair value gain	61,417	82,889
Property operating expenses	43,444	40,294
Unallocated revenue*	564	2,981
Unallocated expenses**	61,479	59,301
Profit for the year	\$ 72,723	\$ 90,935

* Unallocated revenue represents interest income and insurance settlement.

** Unallocated expenses include general and administrative expenses, mortgage interest, financing cost, depreciation, income taxes and software development cost write off.

IDENTIFIABLE ASSETS AND LIABILITIES

(000s of dollars)

September 30,	2018	2017
BRITISH COLUMBIA		
Investment properties	\$ 525,405	\$ 482,825
Property and equipment	9	14
Mortgages payable	236,315	240,236
Refundable security deposits	1,357	1,330
ALBERTA		
Investment properties	\$ 1,043,009	\$ 954,710
Property and equipment	5,188	5,208
Mortgages payable	536,656	494,080
Refundable security deposits	2,423	2,160
SASKATCHEWAN		
Investment properties	\$ 297,483	\$ 194,700
Property and equipment	36	13
Mortgages payable	183,994	105,665
Refundable security deposits	746	618
TOTAL		
Investment properties	\$ 1,865,897	\$ 1,632,235
Property and equipment	5,233	5,235
Mortgages payable	956,965	839,981
Refundable security deposits	4,526	4,108

IDENTIFIABLE CAPITAL EXPENDITURES

(000s of dollars)

Year ended September 30,	2018	2017
BRITISH COLUMBIA	\$ 3,128	\$ 4,162
ALBERTA	\$ 72,329	\$ 61,540
SASKATCHEWAN	\$ 97,375	\$ 24,535
TOTAL	\$ 172,832	\$ 90,237

24. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as the aggregate of its shareholders' equity and mortgages payable and, on occasion, bank loans or lines of credit when drawn on. The Corporation's total capital resources as at September 30, 2018 amounted to \$1,708 million (September 30, 2017 – \$1,517 million).

The Corporation aims to manage its capital resources to maintain financial strength and to maximize its financial flexibility by maintaining strong liquidity and by utilizing alternative sources of capital including equity and mortgages.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The total managed capital for the Corporation is summarized below:

(000s of dollars)

Year ended September 30,	2018	2017
Mortgages payable	\$ 956,965	\$ 839,981
Bank indebtedness	1,858	–
Total equity	749,561	676,973
Total capital	\$ 1,708,384	\$ 1,516,954

The Corporation's policy for capital risk management is to maintain a debt to fair value of investment properties ratio, as defined below, of no greater than 70%. The ratio as at September 30, 2018 is approximately 51% (September 30, 2017 – 51%) which leaves a sufficient additional capacity for the Corporation to raise additional funds from refinancing before it reaches its internal target ratio of 70%.

The debt to fair value ratios were as follows:

(000s of dollars)

Year ended September 30,	2018	2017
Mortgages payable	\$ 956,965	\$ 839,981
Bank indebtedness	1,858	–
Total debts	\$ 958,823	\$ 839,981
Investment properties	\$ 1,865,897	\$ 1,632,235
Debt to fair value ratio	51%	51%

In managing the capital requirements of the Corporation, management makes assessments of the capital and liquid resources required to ensure the going concern status of the Corporation. Management believes that the existing liquid resources, funds to be generated from operations, and funds to be raised through the financing and refinancing of debt will be sufficient to support the Corporation's operations on a going concern basis.

25. SUBSEQUENT EVENTS

Subsequent to the year ended September 30, 2018, the Corporation has also financed 5 clear-title properties for \$20.5 million at an interest rate of 3.26%.

Subsequent to the year ended September 30, 2018, the Corporation acquired additional 421 residential units in the province of Alberta and Saskatchewan for a total consideration of \$50.0 million.

26. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on December 11, 2018.

CORPORATE INFORMATION

OFFICERS

President & CEO

Bob Dhillon
Calgary, AB

Chief Financial Officer

Trina Cui
Calgary, AB

Chief Operating Officer

Johnny Lam
Calgary, AB

Secretary

Joe Amantea
Calgary, AB

BOARD OF DIRECTORS

Joe Amantea
Calgary, AB

Ron B. Anderson
Vancouver, BC

Bob Dhillon
Calgary, AB

Karanveer Dhillon
San Francisco, CA

Rich Grimaldi
Westport, CT

John Irwin
London, ON

DIRECTORS' COMMITTEES

Executive Committee

Bob Dhillon
Calgary, AB

Ron B. Anderson
Vancouver, BC

Joe Amantea
Calgary, AB

Audit Committee

Chair

John Irwin
London, ON

Rich Grimaldi
Westport, CT

Ron B. Anderson
Vancouver, BC

Human Resource Committee

Chair

Joe Amantea
Calgary, AB

Ron B. Anderson
Vancouver, BC

REGISTRAR & TRANSFER AGENT

REGISTRAR & TRANSFER AGENT

Computershare o/a
Montreal Trust Company
of Canada
#600, 530 – 8 Ave SW
Calgary, AB

AUDITORS

Deloitte LLP
3000 Scotia Centre
700 – 2 St SW
Calgary, AB

SOLICITORS

Warren Benson Amantea
LLP
1413 – 2 St SW
Calgary, AB

Borden, Ladner & Gervais
1000 Canterra Tower
400 Third Ave SW
Calgary, AB

BANKERS

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Alberta Treasury Branch
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Calgary, AB T2G 0W2

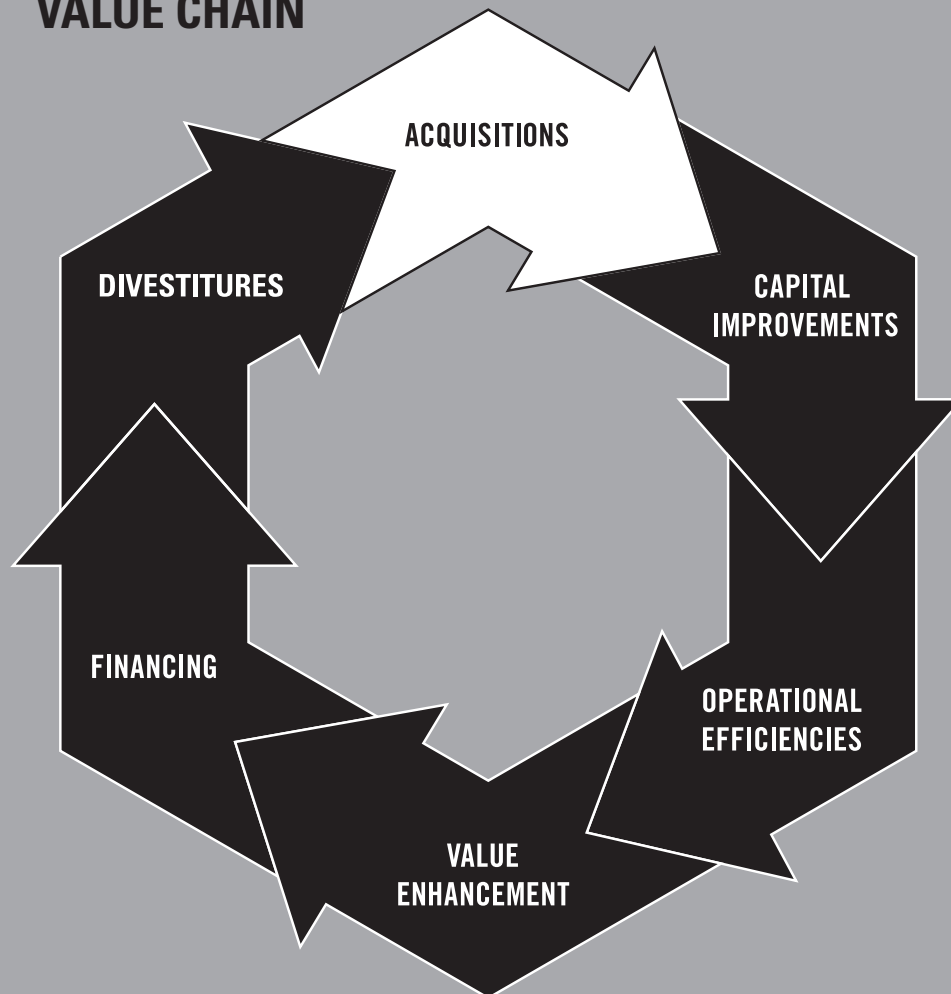
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Web site: www.mainst.biz

STOCK EXCHANGE

Toronto Stock Exchange
Trading symbol: MEQ

The Mainstreet
VALUE CHAIN



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How do we create value? By relying on the business model that Mainstreet pioneered in the mid-market rental apartment space, the “Mainstreet Value Chain”. It focuses on value creation by acquiring underperforming assets, renovating them to our higher standard and repositioning them in the market at a higher rent. As a result, the value of the property increases substantially due to the improved conditions of buildings and the higher rents that they can attract. This enables Mainstreet to unlock the value created by financing the stabilized property using long-term, low-interest CMHC insured mortgages. The capital that is unlocked by that process can then be used to fund additional growth. **Since the day of incorporation in May 1997, we have grown our portfolio from 272 units with appraised values of \$17 million to 12,197 units (YTD) with appraised values of approximately \$1.9 billion with minimal equity dilution.**