

24
YEARS of

Organic Growth Discipline Focus



	IFRS value (\$ million)	Year-over-year % change	Revenue (\$ million)	Year-over-year % change	Stock price (\$)	Year-over-year % change
2000	90	n/a	7.7	n/a	4.9	n/a
2001	105	17%	11.1	44%	5.4	10%
2002	145	38%	15.2	37%	3.1	(43%)
2003	170	17%	17.0	12%	3.9	25%
2004	178	5%	19.7	16%	6.1	57%
2005	309	74%	23.5	19%	5.2	(14%)
2006	520	68%	30.9	31%	9.9	89%
2007	710	37%	40.4	31%	16.1	62%
2008	625	(12%)	46.3	15%	12.1	(25%)
2009	679	9%	50.8	10%	7.9	(34%)
2010	752	11%	53.1	5%	11.4	44%
2011	911	21%	56.9	7%	17.2	50%
2012	1,052	15%	66.9	18%	31.5	83%
2013	1,149	9%	78.2	17%	30.2	(4%)
2014	1,259	10%	90.6	16%	40.7	35%
2015	1,386	10%	100.4	11%	31.4	(23%)
2016	1,460	5%	100.3	0%	31.1	(1%)
2017	1,632	12%	104.7	4%	37.0	19%
2018	1,866	14%	115.7	11%	48.0	30%
2019	2,040	9%	137.6	19%	63.6	33%
2020	2,183	7%	149.8	9%	71.9	13%
2021	2,616	20%	159.9	7%	104.25	45%
2022	2,818	8%	180.6	13%	106.0	2%
2023	3,052	8%	210.0	13%	133	2%
	16%		15%		15%	

	NOI (\$ million)	Year-over-year % change	FFO (\$ million)	Year-over-year % change	FFO per share (\$)	Year-over-year % change
2000	5.7	n/a	1.5	n/a	0.18	n/a
2001	7.9	39%	2.1	40%	0.22	22%
2002	11.1	41%	3.0	43%	0.24	9%
2003	10.9	(2%)	2.3	(23%)	0.33	38%
2004	11.6	6%	2.2	(4%)	0.26	(21%)
2005	13.8	19%	1.0	(55%)	0.11	(58%)
2006	18.3	33%	1.3	30%	0.14	27%
2007	24.7	35%	5.0	285%	0.46	229%
2008	26.6	8%	3.8	(24%)	0.20	(57%)
2009	31.3	18%	5.5	45%	0.46	130%
2010	33.2	6%	7.7	40%	0.75	63%
2011	37.3	12%	11.4	48%	1.08	44%
2012	44.9	20%	15.2	33%	1.45	34%
2013	52.0	16%	19.1	26%	1.83	26%
2014	60.0	15%	25.6	34%	2.45	34%
2015	67.3	12%	30.0	17%	3.06	25%
2016	64.0	(5%)	26.2	(13%)	2.74	(11%)
2017	64.4	1%	25.6	(2%)	2.91	6%
2018	72.2	12%	29.6	16%	3.35	15%
2019	86.3	20%	39.3	33%	4.27	27%
2020	93.0	8%	43.7	11%	4.66	9%
2021	97.8	5%	47.5	9%	5.08	9%
2022	109.7	12%	52.8	11%	5.65	11%
2023	131.3	12%	68.7	11%	7.37	11%
	14%		17%		17%	

DOUBLE-DIGIT
year-over-year growth
FY 2022 vs. FY 2023

▲
16%
**RENTAL
REVENUE**

▲
20%
NOI

▲
30%
FFO

AR 2023

For the years ended
Sept. 30, 2023 and 2022

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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 the effect of rising interest rates on the Corporation, the effect that inflation will have on: (i) the Corporation's tenants and the effect on credit risk; and (ii) the cost of renovations and other expenses, disruptions effecting the global supply chain and energy and agricultural markets (including as a result of geopolitical turmoil including Russia's invasion of Ukraine and other geopolitical conflicts), future acquisitions, dispositions and capital expenditures, future 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, the potential changes in interest and mortgage rates, the potential changes in inflation rates, completion timing and costs of renovations, benefits of renovations, funds to be expended on renovations in fiscal year 2024 and the sources thereof, increased funds from operations and cash flow, minimization of operating costs, the Corporation's liquidity and financial capacity, the Corporation's intention and ability to make distributions to shareholders in fiscal 2024, improved rental conditions and decreased vacancy rates, the period of time required to stabilize a property, future climate change 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 attraction and hiring of additional personnel, the effect of changes in legislation on the rental market, expected cyclical changes in cash flow, net operating income and operating margins, the effect of environmental regulations on financial results, the handling of any future conflicts of interests of directors or officers, the effects of cyber incidents on the Corporation 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 AIF, dated November 30, 2023 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, , the effect of inflation on consumers and tenants, the effect of rising mortgage and interest rates on the Corporation, including its financing costs, public health measures (including travel and post-secondary restrictions), disruptions in global supply chains, labour shortages, the length and severity of geopolitical conflict and the occurrence of additional global turmoil and its effects on global markets and supply chains, 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, supply chain issues, fluctuations in vacancy rates, general economic conditions, competition for tenants, unoccupied units during renovations, rent control, fluctuations in utility and energy costs, carbon tax increases, environmental and other liabilities, effects of climate change, credit risks of tenants, fluctuations in interest and mortgage rates, availability of capital, changes in legislation and regulatory regime applicable to the corporation, loss of key personnel, a failure to realise the benefit of acquisitions and/or renovations, the effects of severe weather events on the Corporation's properties, cyber-incidents, climate change, uninsured losses, fluctuations in the capital markets and the trading price of the Common Shares, conflicts of interest of the Corporation's directors and officers, and other such business risks as discussed herein. This is not an exhaustive list of the factors that may affect Mainstreet's forward-looking statements. Other risks and uncertainties not presently known to the Corporation could also cause actual results or events to differ materially from those expressed in its forward-looking statements.

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 impact of economic conditions in Canada and globally including as a result of inflation, interest rate increases, pandemics, supply shortages and geopolitical turmoil, the Corporation's future growth potential, prospects and opportunities, the direction of the residential rental environment, trends in interest and mortgage costs, access to capital markets to fund (at acceptable costs), the future growth program to enable the Corporation to refinance debts as they mature, changes in tax laws, mortgage rules and other temporary legislative changes in respect of pandemics or otherwise, and the availability of purchase opportunities for growth in Canada.

Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance actual results will be consistent with these forward-looking statements and no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur at all, or if any of them do so, what benefits that Mainstreet will derive from them. As such, undue reliance should not be placed on forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.

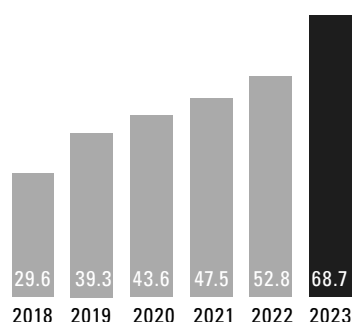
Forward-looking statements are based on management's beliefs, estimates and opinions on the date the statements are made, and the Corporation undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions should change except as required by applicable securities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

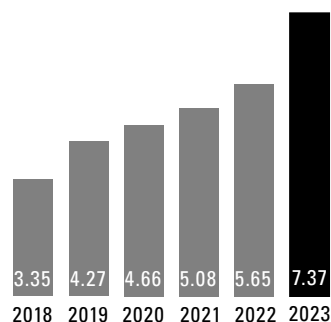
This MD&A includes forward-looking information about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action and that is not presented in the format of a historical balance sheet, income statement or cash flow statement ("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 November 30, 2023. The 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.

2023 KEY PERFORMANCE INDICATORS

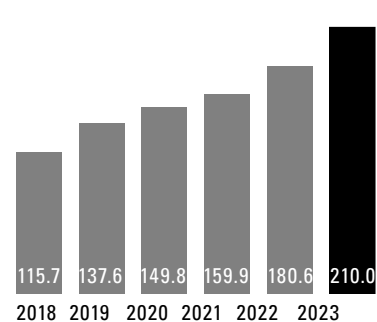
Funds from Operations (FFO)
(Before one-time items)
(\$ millions)



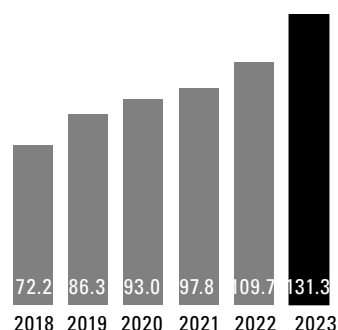
Funds from Operations (FFO) per share
(Before gain on disposal)



Rental Revenue
(\$ millions)



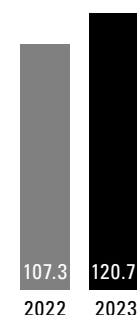
Net Operating Income (NOI)
(\$ millions)



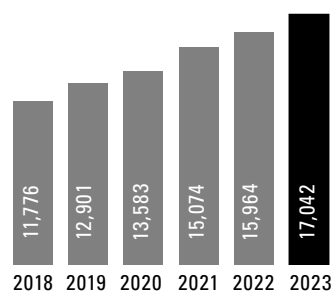
Rental Revenue – Same Assets
(\$ millions)



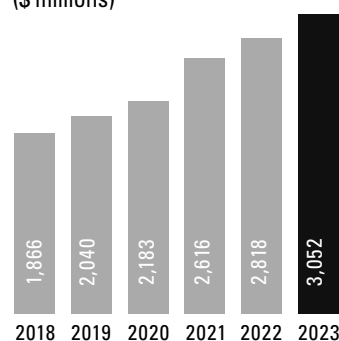
Net Operating Income (NOI) – Same Assets
(\$ millions)



Total number of suites
(Including assets held for sale)



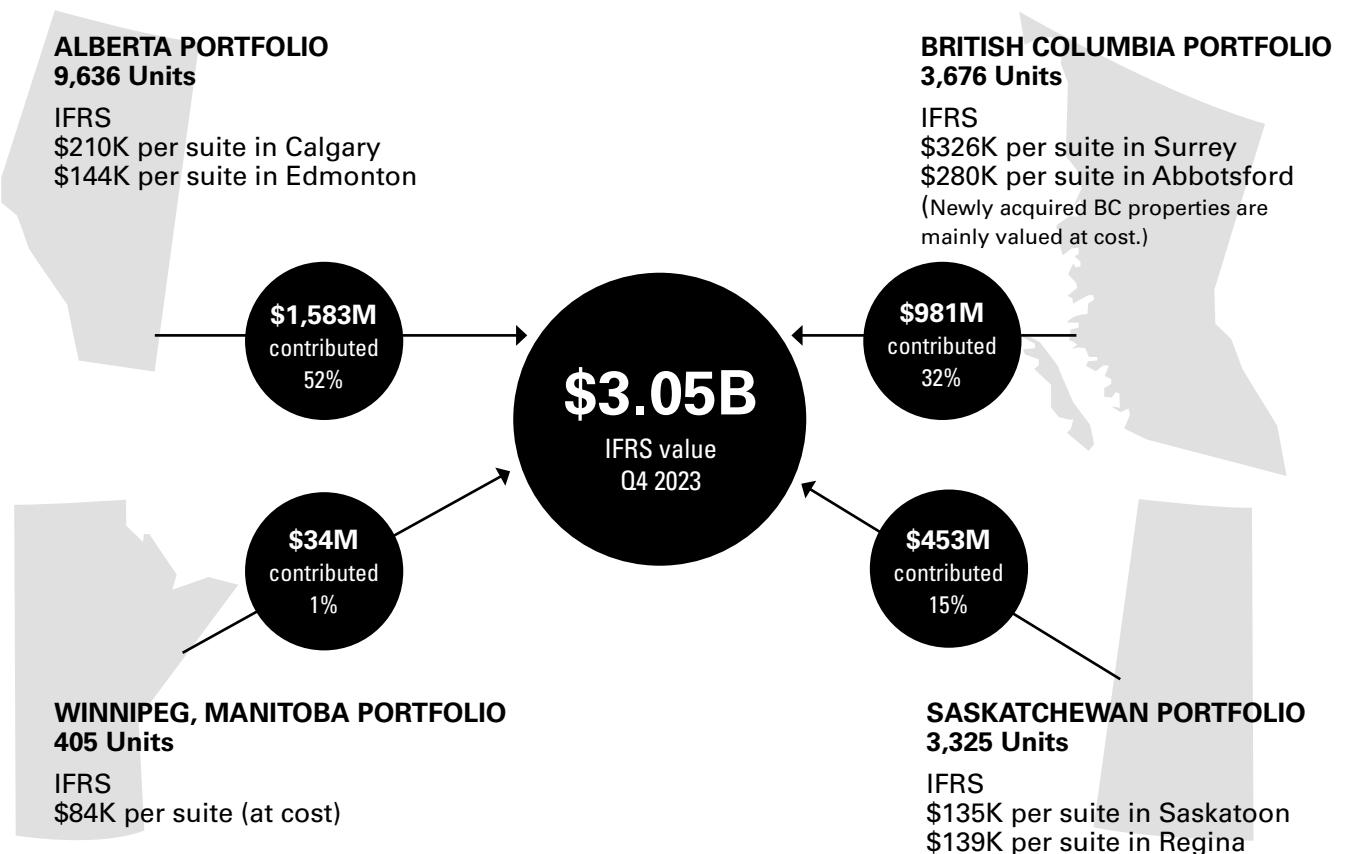
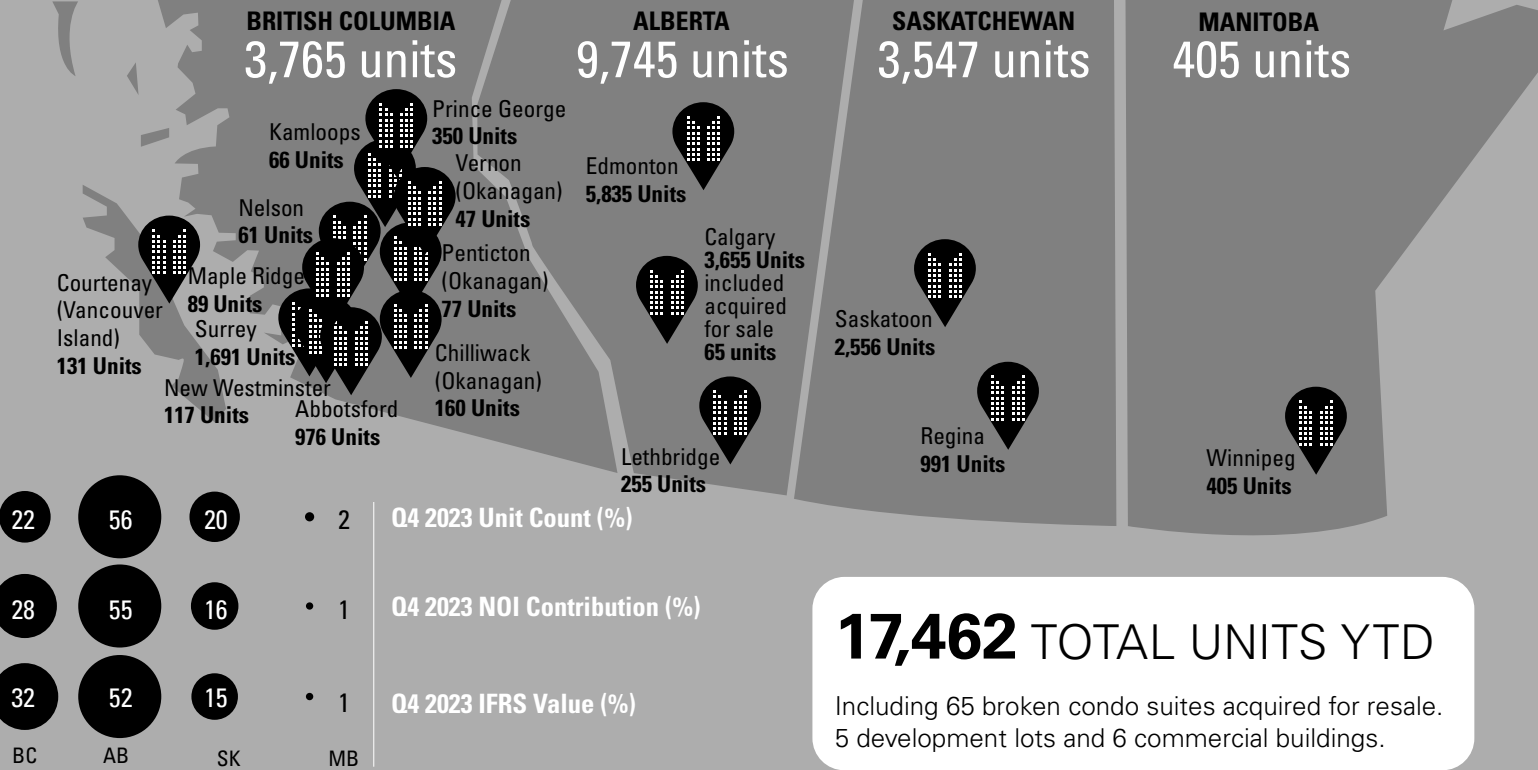
Market value of Investment Properties
(\$ millions)



Mainstreet Equity Corp. (“Mainstreet” or the “Corporation”) is a Canadian real estate company focused on acquiring and managing mid-market rental apartment buildings primarily in Western Canada. Listed on the TSX since 2000, 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. And, improving the lives of Canadians through affordable housing.

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

DIVERSIFIED PORTFOLIO YTD



KEY METRICS | FY2023 PERFORMANCE HIGHLIGHTS

Rental Revenue

From operations | Up 16% to \$210.0 million (vs. \$180.6 million in 2022)

From same asset properties | Up 9% to \$191.2 million (vs. \$175.2 million in 2022)

Net Operating Income (NOI)

From operations | Up 20% to \$131.3 million (vs. \$109.7 million in 2022)

From same asset properties | Up 12% to \$120.7 million (vs. \$107.3 million in 2022)

Funds from operations (FFO)¹

FFO | Up 30% to \$68.7 million (vs. \$52.8 million in 2022)

FFO per basic share | Up 30% to \$7.37 (vs. \$5.65 in 2022)

Operating Margin

From operations | 63% (vs. 61% in 2022)

From same asset properties | 63% (vs. 61% in 2022)

Net Profit

| Net profit of \$109.4 million (vs. \$120.5 million in 2022, including change in fair value of \$69.5 million in 2023 vs. \$86.9 million in 2022)

Net profit per basic share | \$11.74 (vs. \$12.90 in 2022)

Total Capital Expenditures | \$25.5 million (vs. \$23.9 million in 2022)

Stabilized Units | 392 properties (14,880 units) out of 448 properties (17,042 units)

Vacancy rate

From operations | 4.5% (vs. 7.2% in 2022)

From same asset properties | 4.2% (vs. 6.8% in 2022)

Vacancy rate as of November 30, 2023 | 3.4% excluding unrentable units

Total Acquisitions

FY2023 | \$136 million (1,145 units) vs. \$91 million (815 units) in 2022

Subsequent to FY2023 | \$44 million (355 units) in Alberta, British Columbia and Saskatchewan

Total YTD acquisitions | \$180 million² (1,500 units) in Alberta, British Columbia, Saskatchewan and Manitoba

Total Units

As of September 30, 2023 | 17,042 units (vs. 15,964 units in 2022)

As of November 30, 2023 | 17,462 units²

Fair Market Value | Up 8% to \$3.05 billion (vs. \$2.82 billion in 2022)

Q4 2023 PERFORMANCE HIGHLIGHTS

From operations | Up 18% to \$56.6 million (vs. \$47.8 million in Q4 2022)

From same asset properties | Up 9% to \$49.7 million (vs. \$45.4 million in Q4 2022)

Net Operating Income (NOI)

From operations | Up 20% to \$36.8 million (vs. \$30.1 million in Q4 2022)

From same asset properties | Up 14% to \$33.2 million (vs. \$29.1 million in Q4 2022)

Funds from operations (FFO)¹

FFO | Up 36% to \$21.1 million (vs. \$15.5 million in Q4 2022)

FFO per basic share | Up 36% to \$2.26 (vs. \$1.66 in Q4 2022)

Operating Margin

From operations | 65% (vs. 63% in Q4 2022)

From same asset properties | 67% (vs. 64% in Q4 2022)

Vacancy Rate

From operations | 4.3% (vs. 5.5% in Q4 2022)

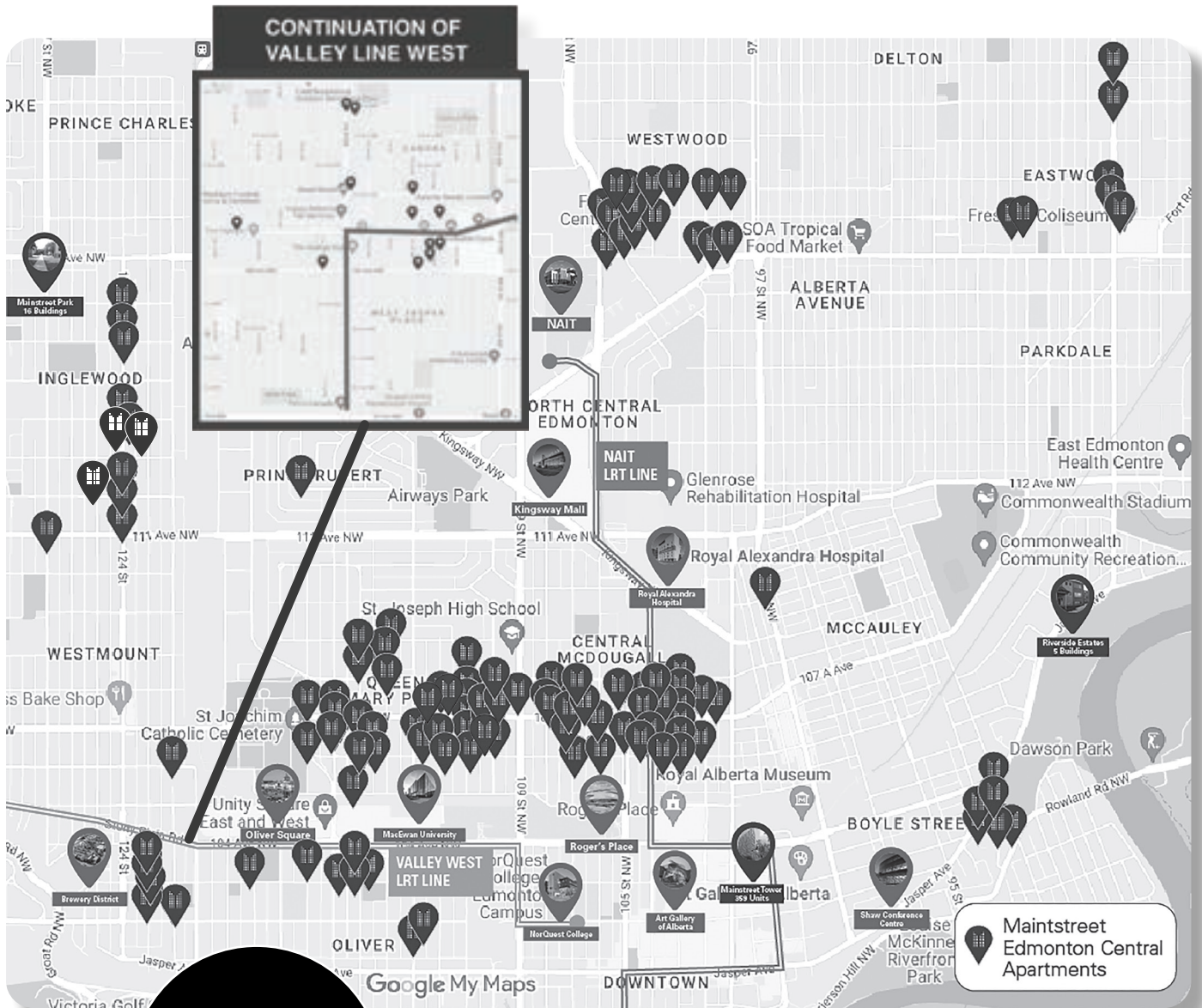
1. See "Non-IFRS Measures" and Note (1) in MANAGEMENT'S DISCUSSION AND ANALYSIS to the table titled "Summary of Financial Results" for additional information regarding FFO and a reconciliation of FFO to net profit, the most directly comparable IFRS measurement.

2. Including 65 condo units acquired and held for resale

CLUSTER STRATEGY

Edmonton // ICE DISTRICT

This map displays Mainstreet's Edmonton holdings, the largest in Mainstreet's portfolio. Strategically concentrated in the most popular areas of inner-city Edmonton, our clusters include properties in the city's famous ICE District and the Arts District, high-density student housing by the University of Alberta and student housing near NAIT, MacEwan University, and NorQuest College, and every other part of the inner city where millennials want to be. Property clusters are also on major transit routes and along the LRT lines.



5,835

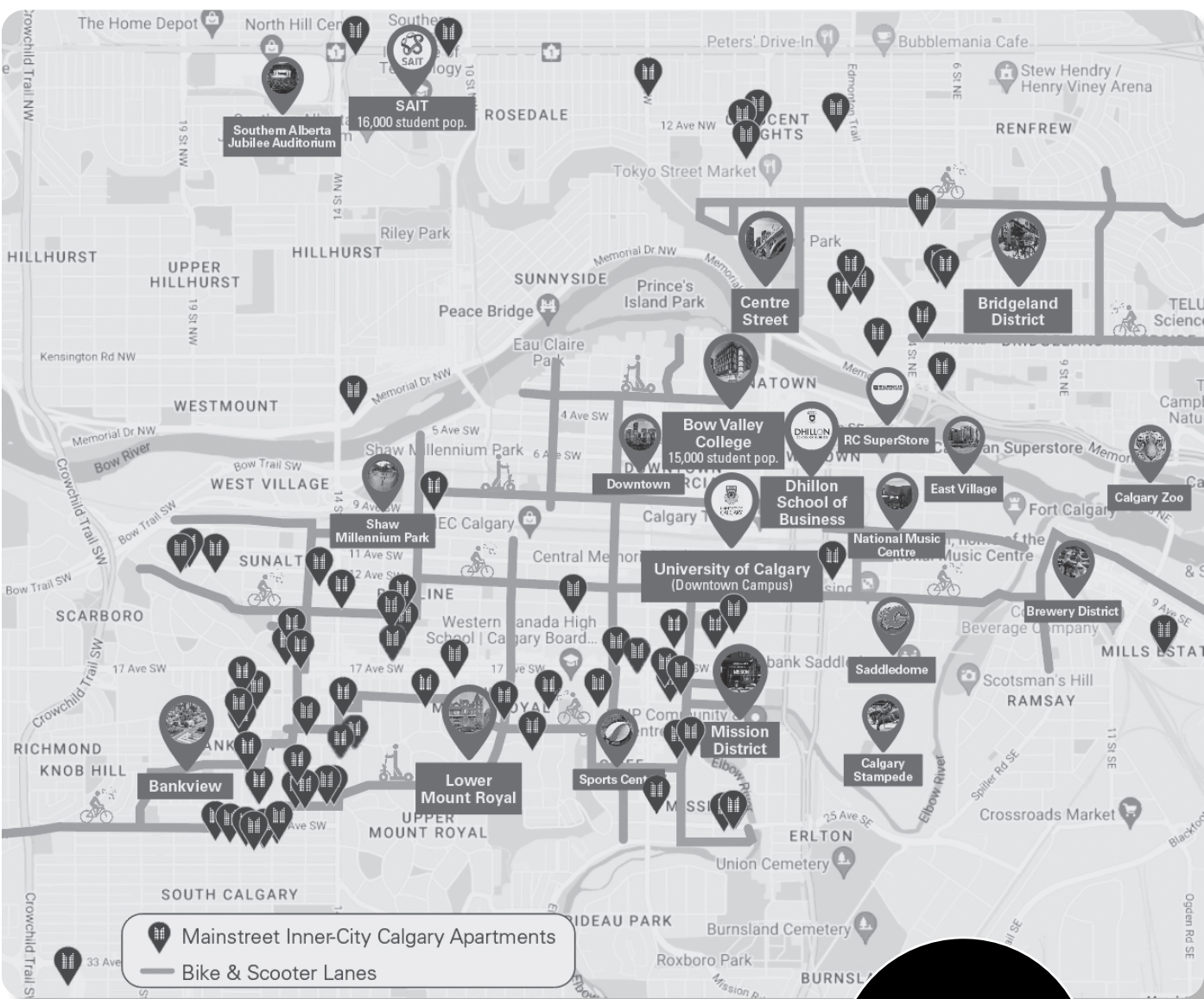
YTD TOTAL UNITS
EDMONTON*

* Includes Fort Saskatchewan

CLUSTER STRATEGY

Calgary // INNER-CITY

Looking at this map of Mainstreet's Calgary properties, the strategic value of clustering is clear. Our holdings are concentrated in the areas of the city that our customers care most about: the city core where all of the nightlife and dining is; close to schools where students need to be; and throughout central communities where our customer's lives are taking place, from work to school. Properties are on major transit routes, LRT lines, and on Calgary's extensive bike paths.



*Includes 65 condo units acquired for resale.

3,655
YTD TOTAL UNITS
CALGARY*

CLUSTER STRATEGY

Regina // GOLDEN MILE

Map of Mainstreet's Regina portfolio. Mainstreet's Regina holdings are concentrated in the city center, specifically in the popular Golden Mile area near great shopping and amenities, and within a short trip to post-secondary institutions. These are very walkable and cyclable areas where customers can park their cars and forget about them.



991
YTD TOTAL UNITS
REGINA

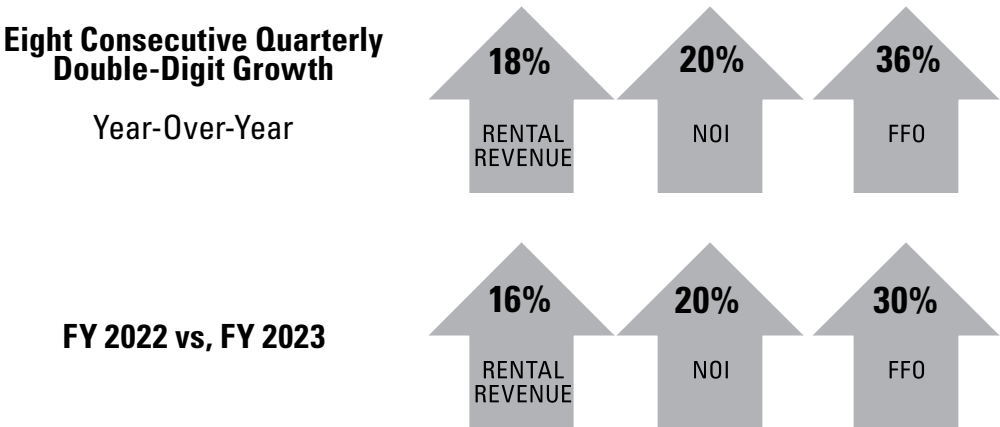
MESSAGE FROM THE PRESIDENT & CEO | For the years ended Sept 30, 2023 and 2022

The Mainstreet Mission: We are passionately committed to our role as a crucial provider of quality, affordable homes for Canadians, offering renovated apartments and customer services at a mid-market rental rate.

In Q4, Mainstreet posted our eighth consecutive quarter of double-digit, year-over-year growth across key operating metrics. We view these results as a significant achievement given that Mainstreet has been operating through successive quarters of historically severe headwinds. Capping off this highly successful fiscal year, we are looking forward to strong tailwinds in fiscal 2024.

Performance Highlights For FY 2023

- **Drove significant shareholder value** by achieving double-digit growth in FFO (30%), NOI (20%) and rental revenues (16%). We also achieved significant growth on a same-asset basis (NOI increased 12%, revenues 9%).
- **Improved efficiencies** by boosting operating margins to 63% (up from 61% in 2022) and same-asset operating margins to 63% (up from 61% in 2022).
- **Enhanced value creation and diversification** by growing our portfolio. Mainstreet now operates 17,042 (YTD 17,462) residential apartment units in 20 cities across Western Canada, with total asset value exceeding \$ 3 billion.
- **Maintained strong liquidity** of \$430 million¹.
- **Bolstered operational and vacancy gains** by repositioning units at an accelerated pace, reducing vacancy rates to 4.5% (down from 7.2% in 2022) despite high levels of unstabilized recent acquisitions that make up 13% of Mainstreet's portfolio.



We believe these highly positive results yet again demonstrate the viability of Mainstreet's value-add business model. Since Mainstreet began trading on the TSX in 2000, our management team has continued to generate shareholder value by adhering to our proven countercyclical growth strategy, leveraging low cost of capital and our sizable liquidity position to acquire underperforming rental properties at attractive prices. Over the last 24 years, we have expanded our portfolio from a handful of rental units to more than 17,400, and built up a \$3-billion asset base while avoiding equity dilution. Our share value has increased 5,000% over that period.

2000 Listed on TSX	\$0.9 million in cash	No equity dilution except exercised options	2023	\$82 million in cash
	529 units			17,042 units
	Fair market value of \$90 million			Fair market value of \$3.05 billion
	Share price: \$4.9 as at Sep. 30, 2000			Share price: \$133 as at Sep. 30, 2023

1. Including \$82 million cash-on-hand, \$220million expected funds to be raised through up-financing of maturing mortgages and financing of clear titled assets after stabilization and a \$130 million line of credit.

CONTINUED STRONG MARKET CONDITIONS

Mainstreet's strong performance also comes at a time when rental markets have tightened to new, historically low levels. Sharp population growth in Canada, combined with a lack of new apartment spaces, continues to intensify a structural supply-demand imbalance in the market, pushing vacancies down to record lows. Across Canada's entire rental universe of 2.2 million apartments, vacancy rates in 2022 were the lowest in decades at 1.9%, according to CMHC data. That trend is particularly visible in some of Mainstreet's main operating hubs like Vancouver (0.9%), Calgary (2.7%), Edmonton (4.3%, down from 7.3% in 2021), Saskatoon (3.2%, down from 4.6% in 2021) and Regina (3.0%, down from 6.8% in 2021), according to CMHC data. Meanwhile, high immigration levels have raised Canada's population at the steepest rate since the 1950s. As of July 1, 2023, Canada's population was 40,097,761, marking a 2.9% increase from a year earlier, according to Statistics Canada. About 98% of Canada's population increase over that period was due to a major influx in international migrants, particularly non-permanent residents (697,701), immigrants (468,817) and international students (551,405 in 2022). We believe the current macroeconomic environment is just the beginning of a multi-year cycle that will provide ample opportunity for Mainstreet to pursue our growth strategy.

In 2023, the Western Canadian rental housing market once again proved to be among the most resilient asset classes, offering stability at a time of elevated economic uncertainty. And while robust market fundamentals are beneficial to Mainstreet, they also underscore our corporate objective of improving the lives of middle-class Canadians. At a mid-market average rental rate of just \$1,050, Mainstreet apartments provide affordable, quality, renovated housing during a period when high inflation has pinched the pocketbooks of every Canadian family, worker and student.

CHALLENGES

Inflation and cost pressures

Despite promising macroeconomic tailwinds, rising costs continue to pose a challenge to Mainstreet. Primarily, inflation and associated higher interest rates increase the cost of Mainstreet debt, our single-largest expense. Mainstreet has locked in 99% of our debt into CMHC-insured mortgages with an average interest rate of 2.79%, maturing in 5.37 years, to proactively protect us against any eventual rate increases—see Outlook section below. Smaller line items including everything from labour to materials are also impacted by inflation, elevating operating costs.

Combatting higher expenses

Mainstreet works tirelessly on multiple fronts to counteract rising expenses. By securing longer-term natural gas contracts, we substantially reduced energy costs across a large portion of Mainstreet buildings. We also managed to reduce our insurance costs—a sizable Mainstreet expense—by more than 13% for fiscal 2023 by obtaining improved premium rates and coverage. Still, major fixed expenses like maintenance and utilities, property taxes and apartment repairs remain high. Carbon taxes, which place the financial burden on property owners, are scheduled to rise annually, from \$65 per tonne today to \$170 by 2030. Despite our best efforts to control costs where possible, inflationary pressures nonetheless introduce added financial burdens that will, in some cases, be passed onto tenants through soft rent increases. Mainstreet has reignited our supply chain, aiming to further reduce capital costs in 2024.

Improving capital market exposure

Due to the success of our non-dilutive growth model, Mainstreet stock has always attracted high levels of interest on public markets. While this is an unmitigated achievement, we believe that high investor appetite combined with Mainstreet's relatively narrow equity shareholder base has at times restricted MEQ trading volume, in turn limiting our market value (see next section).

OUTLOOK

Mainstreet introduces new nominal dividend policy

Backed by our enviable liquidity position (\$430 million) and strong cashflow position (per-share FFO of \$7.37), Mainstreet continues to see an abundant pipeline of acquisitions for generating organic, non-dilutive growth. We plan to introduce a nominal dividend—\$0.11 per share starting in Q1 2024—for the sole purpose of widening our shareholder base and increasing trading volume. This decision comes after significant numbers of fund managers expressed interest in investing in Mainstreet, but said they were prohibited from taking positions in non-dividend paying corporations. By

offering a small dividend, we believe we can satisfy the requirements of more investors while also leaving ample capital available for countercyclical growth opportunities.¹

A shift toward shorter-term debt

As debt markets shift due to rising interest rates, Mainstreet continues to take an adaptive approach to our mortgage positions. In the past, when interest rates were lower, Mainstreet locked in its mortgages at longer-term, 10-year maturities to maximize savings. Now that rates are higher, we have shifted toward shorter-term debt obligations, which will yield more cost reduction should interest rates eventually fall.

Turning intangibles to tangibles

To combat the ongoing housing shortage, Canadian municipalities are increasingly increasing density through rezoning efforts. Mainstreet, with an extensive portfolio of more than 800 low density buildings, is well placed to similarly extract more value out of existing assets and land titles at no cost. To that end, Management is in the early stages of developing a three-point plan to 1) turn unused or residual space within existing buildings into new units 2) explore zoning and density relaxations to potentially build new capacity within existing land footprints and 3) subdivide residual lands to maximize useable space. While the plan is currently conceptual in nature, we view this as a major driver of future growth in the long-term, and further evidence of Mainstreet’s inherent intangible value.

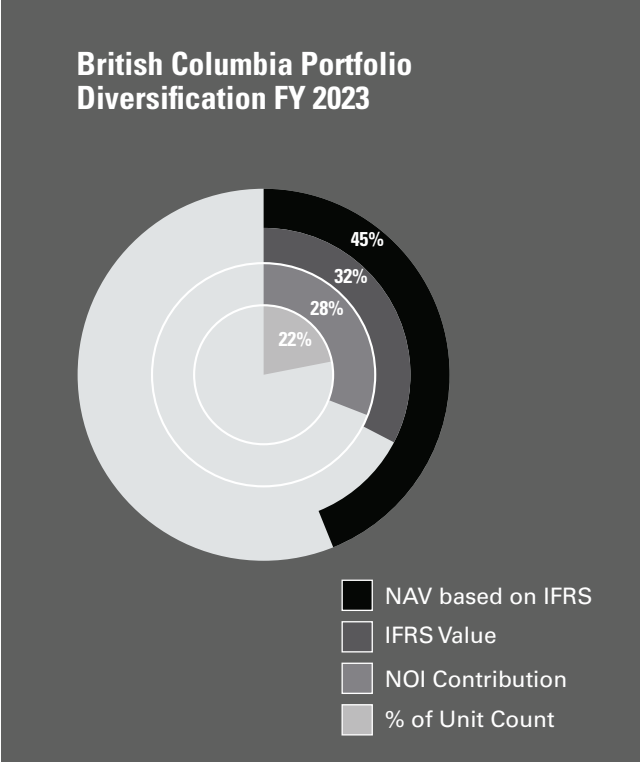
BC remains a standout

We expect Vancouver/Lower Mainland will continue to provide growth and performance. British Columbia has become central to Mainstreet’s portfolio, accounting for approximately 45% of our estimated net asset value (“NAV”) based on IFRS value. With an average monthly mark-to-market gap of \$621 per suite per month, 98% of our customers in the region are below the average market rent. According to our estimates, that translates into approximately \$25 million in same-store NOI growth potential after accounting for tenancy turnover and mark-to-market gaps.

Alberta and Saskatchewan prosper

We believe Edmonton, which makes up the largest portion of Mainstreet’s portfolio, could be a major performer in 2024. Concession rates in the city continue to fall as vacancy rates hit an all-time low. Rental rates are beginning to grow as Edmonton’s economy and population rises.

A similar trend is taking shape across Mainstreet’s entire prairie portfolio. In the year ended July 1, 2023, Alberta’s population expanded by about 184,000 people, or 4.1%. This represents the highest annual growth rate since 1981 and is also significantly higher than the national rate of 2.98%. Over the same period, 56,245 more people moved to the province than left it, the highest annual net inter-provincial gains in Alberta’s history and the highest ever recorded in any single province or territory since comparable data are available (1971/1972). Meanwhile, Saskatchewan’s population increased by 30,685 over the past year representing a 2.6% rise, compared with 10,711 (0.92%) in the previous 12 months. We believe high in-migration numbers in Alberta, combined with robust economic activity, could continue to nudge rental rates upward.



1. We note that any decision to pay dividends, and the amount of any such dividends on the shares, will be made by the Board of Directors at the relevant time, on the basis of Mainstreet’s earnings, financial requirements and other conditions existing at such future time. The dividend policy of Mainstreet is established by the Directors and is subject to change at the discretion of the Directors.

RUNWAY ON EXISTING PORTFOLIO

1. Pursuing our 100% organic, non-dilutive growth model: Using our strong liquidity position, estimated at \$430 million, we believe there is significant opportunity to continue acquiring underperforming assets at attractive valuations. As such, Mainstreet will solidify its position as the leader in the add-value, mid-market rental space in Western Canada.
2. Closing the NOI gap: As of Q4 2023, 13% of Mainstreet's portfolio was going through the stabilization process (recent acquisitions). Once stabilized, we remain confident same-asset revenue, vacancy rates, NOI and FFO will be meaningfully improved. We are cautiously optimistic that we can increase cash flow in coming quarters. The Alberta market in particular also has substantial room for mark-to-market catch up.
3. Buying back shares at a discount: We believe MEQ shares continue to trade below their true NAV, and that ongoing macroeconomic volatility could intensify that trend.



Bob Dhillon
President & CEO

Calgary, Alberta
November 30, 2023

5 YEAR TRENDS

(\$ millions except number of units, percentages and per share amount)

	% change 2023 vs. 2022	2023	2022	2021	2020	2019
Total number of units	7%	17,042	15,964	15,074	13,583	12,901
Market value of the portfolio	8%	3,052	2,818	2,616	2,183	2,040
Rental revenue	16%	210.0	180.6	159.9	149.8	137.6
Same assets rental revenue	9%	191.2	175.2	153.8	146.2	131.4
Net operating income	20%	131.3	109.7	97.8	93.0	86.3
Same assets net operating income	12%	120.7	107.3	94.4	91.0	82.7
Funds from operations	30%	68.7	52.8	47.5	43.7	39.3
FFO from operations per share	30%	7.37	5.65	5.08	4.66	4.29
Operating margins	200bps	63%	61%	61%	62%	63%



Mainstreet: a model of security in times of inflation

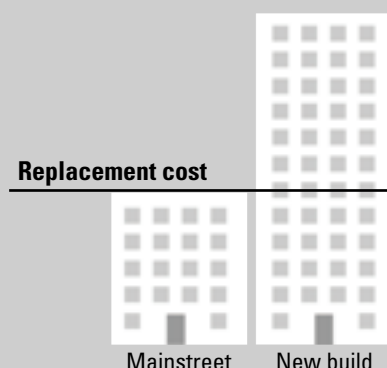
Our management team has taken decisive steps to protect against rising interest rates, to the extent that 99% of Mainstreet debt is locked in at low rates (average 2.79%) and over longer-term maturities (average 5.4 years). That included making critical decisions years ago to pay higher up-front costs for CMHC-insured mortgages in exchange for longer, more secure maturities that would extend our fiscal vantage point (see 'Challenges' section).

Total number of
outstanding shares
9,318,818

Management,
Directors,
& Officers
shareholder
ownership
49%

Leveraging the supply-demand imbalance

Inflation, like everything else, drives up the cost of building new rental properties. We believe this only deepens Mainstreet's leading position in the rental market, given that we have built our portfolio through the acquisition of existing properties at prices well below replacement cost. That market dynamic is central to the value-add proposition that Mainstreet offers.



A key provider of Millennial living

Mainstreet's apartment portfolio is built around centralized, inner-city clusters that are highly appealing to students and young people given their close proximity to transit, entertainment, essential services and other amenities. These areas include Edmonton's ICE district and university hubs, Calgary's inner city and Mission districts, Regina's Parliament neighbourhood and key neighbourhoods in Surrey and Abbotsford, BC.



Embracing technology

Mainstreet has continued to create efficiencies through investments in digital platforms and other software-enabled technology that improves our operations.



A RESPONSIBLE CORPORATE CITIZEN, DEDICATED TO EQUALITY AND INCLUSIVENESS

Mainstreet is deeply committed to maintaining the highest standards of social responsibility. Throughout the ongoing war in Ukraine, we have taken in displaced refugees. During the Covid-19 pandemic, we waived rental payments for struggling tenants; delayed rent increases; halted evictions; and allocated additional financial resources toward safety provisions to support our customers. We believe the social benefits of such actions far outweighed any short-term financial losses. Ever since Mainstreet's inception, diversity and inclusion has been a key pillar of our identity, lending us a highly dynamic and unified workforce.

Decade of Dedication

We deeply appreciate our people, and want thank some of our most dedicated for a decade of team work.

OVER 24 YEARS >

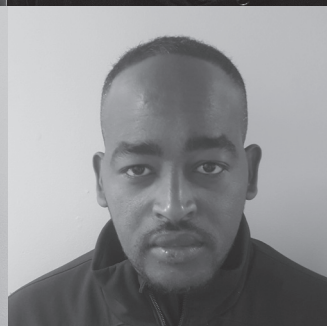
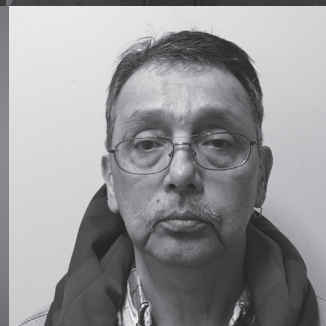
"At Mainstreet, we don't have staff or employees; we have a team. Not just people working in the same building, but people working together for the same purpose: providing quality affordable homes. Our team's dedication is reflected in the optimistic faces of refugee families starting over, in those of young students just starting out who have found an affordable place to call home with Mainstreet. Our team makes home happen. We are proud to have built one of the world's most inclusive companies, a place with an open-door policy that ensures transparency and open communication across our team because we know you win the game by passing the ball over, not up or down.

We are proud of our team."



Bob Dhillon

Founder, President
& CEO



CREE ENGLISH MANDARIN CANTONESE ARABIC FRENCH RUSSIAN POLISH CROATIAN GRE
TAGALOG SOMALI SHANGHAINES AMHARICA TIGRINYA TELUGU BANGALA ITALIA



PUNJABI HINDI URDU GERMAN SPANISH KOREAN JAPANESE PORTUGUESE NEPALESE
 THAI GUJARATI CZECH ROMANIAN PATOIS HAKKA ARMENIAN UKRAINIAN KAZAKH

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 the fiscal years ended September 30, 2023 and 2022. 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, 2023 and 2022. The audited consolidated financial statements of the Corporation have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("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 November 30, 2023. All amounts are expressed in Canadian dollars. Additional information regarding the Corporation including the Corporation's annual information form ("AIF") is available under the Corporation's profile at SEDAR (www.sedar.com).

Unless indicated otherwise, reference herein to 2023 and 2022 refers to the fiscal years ended September 30, 2023 and 2022, respectively.

NON-IFRS MEASURES

Mainstreet prepares and releases unaudited interim condensed consolidated financial statements and audited consolidated annual financial statements in accordance with IFRS. In this MD&A and in any earnings releases, as a complement to results provided in accordance with IFRS, Mainstreet also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These non-IFRS measures are recommended by the Real Property Association of Canada's ("REALPAC"), a leading national industry association of investment real estate. These include funds from operations ("FFO") and FFO per share. FFO is widely accepted as a supplemental measure of the performance of Canadian real estate entities, and management believes these non-IFRS measures are relevant measures to maintain comparability in operating performance. FFO is defined as profit before change in fair value, deferred income taxes and depreciation of property and equipment excluding depreciation of items which are not uniquely significant to the real estate industry (for example, computers or vehicles).

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 profit (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of Mainstreet's performance. Reconciliation of FFO to profit, the most directly comparable IFRS measure is provided in the table and the footnotes thereto, under the heading "Review of Financial & Operating Results – Summary of Financial Results".

OPERATIONS OVERVIEW

Rent collection: Mainstreet's rent collection remains strong and are generally in line with the average rent collected by the same day of the previous month. Two months subsequent to year end, Mainstreet has collected 98.7% of total rents for November 2023 and 99.8% of total rents for October 2023.

Leasing and tenant support: Mainstreet has leveraged its technological investment in the Yardi System which enables paperless leasing processes. The Yardi System significantly improved Mainstreet's operational efficiencies and competitive edge. Mainstreet believes in timely, transparent communication and provides regular updates to both its tenants and team members, through various channels.

Team Member Support: The Corporation maintains a high level of personal protective equipment for its team members. Mainstreet continues to utilize virtual showing capabilities and ensures on-going regular communication with its leadership and operational teams to assess and support any needs of its team members.

Acquisitions: Mainstreet continued its acquisition activity in 2023 and has actively taken advantage of opportunities to acquire undervalued assets. In 2023, Mainstreet acquired \$136.0 million (1,145 units including 5 commercial units) in new acquisitions in Alberta, British Columbia, Manitoba and Saskatchewan. Subsequent to year end 2023, Mainstreet acquired an additional \$44.4 million (355 units) in new acquisitions in the Province of Alberta, British Columbia and Saskatchewan.

Refinancing: Mainstreet continues to reposition its unstabilized properties and continues to have access to mortgage debt. In 2023, the Corporation financed 6 maturing and 40 clear title properties for an additional net funding of \$204.9

million at an average interest rate of 4.35%.

Liquidity: Liquidity is an important measure of the availability of sufficient cash to fund ongoing business activities, and capital and liability commitments. Liquidity is defined to include cash and cash equivalents on hand plus estimated new financings of clear title assets and upfinancings of maturing mortgages, assuming current lending criteria remains mainly unchanged and available line of credit granted. Mainstreet estimates it will have access to approximately \$430 million in available liquidity in FY2024, which management believes is sufficient for its operations, including to address any remaining inherent uncertainty surrounding disruption from the pandemic, supply chain disruptions, inflation, interest rate increases and rent control measures, all while continuing to support its stakeholders.

EFFECT OF MARKET FORCES ON MAINSTREET

The Corporation saw substantial improvement in its overall occupancy in 2023, mainly as a result of an increase in rentals in all markets and is cautiously optimistic that this trend will continue for following periods. There is a risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, labour force, interest rates and regional rent controls. Canada saw significant inflation in the latter part of 2022, effects of which have continued to be felt in 2023. In addition, sustained higher housing process, substantial supply constraints and geopolitical conflicts, have increased prices for energy and agricultural markets and there has also been significant disruption to the global supply chain in recent years, including as a result of Russia's ongoing invasion of Ukraine. Further, as labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. All of this increases the supply risk to the Corporation.

Please refer to the section titled "Risk Assessment and Management" in this MD&A.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RESPONSIBILITY

Sustainability and social responsibility have been an important part of Mainstreet's culture and values for many years. Mainstreet continues to take steps to: (i) ensure it is a responsible steward of the environment by improving the energy efficiency of its properties and reducing its environmental footprint, (ii) attract and retain the best employees, (iii) create a safe and healthy environment for all of its employees and residents, (iv) build strong relationships with its tenants and the communities in which they live, and (v) maintain transparent and open communication with its employees, tenants and investors.

The following sets forth some of the programs and practices that Mainstreet already has in place to foster a positive impact in its business.

ENVIRONMENTAL

The Corporation is continuously looking for ways to make its operations more sustainable and has taken positive steps in furtherance of this goal, including:

- Adopting a policy to obtain a Phase 1 environmental report conducted by independent environmental consultants for newly acquired and financed buildings and committing to implement the recommendations wherever possible to improve its environmental practices;
- Decreasing energy and water consumption by utilizing LED lights, as well as low flush toilets and water conserving shower heads;
- Replacing windows, roofs, sidings, old appliances and boilers with new energy efficient alternatives whenever possible, to further reduce water and energy consumption;
- Utilizing sub-metering to encourage residents to be more efficient in utility usage;
- Currently conducting a review in respect of installing charging stations for electric vehicles on Mainstreet's properties; and
- Continuously looking for, and participating in, new energy saving programs, including utilizing new energy saving devices wherever possible and working towards further quantifying the results with certain applied metrics.



Bird e-Scooters parked on a branded parking pad outside an inner-city Calgary Mainstreet building.

Mainstreet's partnership with Bird drives home our commitment to sustainability.



Mainstreet purchases buildings along bike paths and retrofit the properties with bike racks and scooter parking pads to empower our tenants to live sustainably without sacrificing convenience, and demonstrate that we understand what they're looking for.

SOCIAL COMMUNITY INVESTMENT

The Corporation strives to give back in a number of meaningful ways, including the following initiatives:

- Participating in various housing assistance programs designed to assist those who have lost their homes due to natural disasters, such as wildfires or through conflicts, such as Syrian, Afghan and Ukrainian refugees;
- Partnering with various social organizations such as Calgary Housing, the Mustard Seed and the Homeless Society, to provide affordable housing for those members of the community who may not otherwise be able to access affordable and secure housing; and
- Working with various social assistant program such as, Calgary's Love with Humanity Association, to make food donations and install food banks in Mainstreet's buildings to provide supports to residents and communities experiencing financial challenges;



July 2023, Mainstreet partnerships with **Telus** and volunteered in giving back to our community program.



In July 2023, Mainstreet partnership with **Love with Humanity** Association to distribute free fresh produce for low-income families to strengthen our community and make Calgary a better place for everyone.



TEAM ENGAGEMENT

The Corporation creates a positive experience for team members through numerous programs, including:

- Prioritizing training and development, by offering learning opportunities to team members both internally, through on the job training, and in academic settings, to facilitating internal advancement and promotions wherever possible;
- Providing annual evaluations of its team member's performance, for the purpose of identifying and supporting career growth and development

opportunities for such team members;

- Offering a healthy and safe work environment by providing all team members with competitive medical benefits, short and long-term disability plans, and life insurance plans. The Corporation has set up occupational health and safety committees with representatives in all cities where the Corporation's team members are located that meet regularly to

assist in safety trainings and inspections;

- Working to ensure that all human resource policies and practices are non-discriminatory and actively promote a diverse workforce, as evidenced by the diversity of the Corporation's management team; and
- Adopting a whistle-blower policy, the details of which can be found in each employee's handbook, to empower and encourage its team members to report their concerns and complaints regarding the accuracy and integrity of the Corporation's accounting, auditing and financial reporting or any violations or possible violations of applicable laws,

rules or regulations or the Corporation's Code of Business Conduct and Ethics, in a confidential manner without fear of reprisal;

GOVERNANCE

The Corporation is committed to maintaining the highest ethical standards through a strong governance framework and an experienced Board of Directors. The Corporation has a diverse and gender-balanced executive leadership team and a well-rounded and experienced Board of Directors, which adheres to the highest standards of governance.

The Corporation has developed a clear business strategy and organizational structure, which sets out clearly the roles and accountabilities of each team member of the organization. The Corporation has ensured that it has the proper resources for its members to succeed in implementing its business strategy, including in respect of human resources, specialized skills, organizational infrastructure, technology and financial resources.

The Board of Directors has constituted a number of committees to assist it in achieving the highest standards of governance, including an audit committee, executive committee, a human resources committee, a risk management committee, a safety committee and a cyber security committee.

In addition, the Corporation has set up internal health and safety committees in each location it operates out of to ensure the healthiest environment possible in all of the properties owned by the Corporation.

BUSINESS OVERVIEW

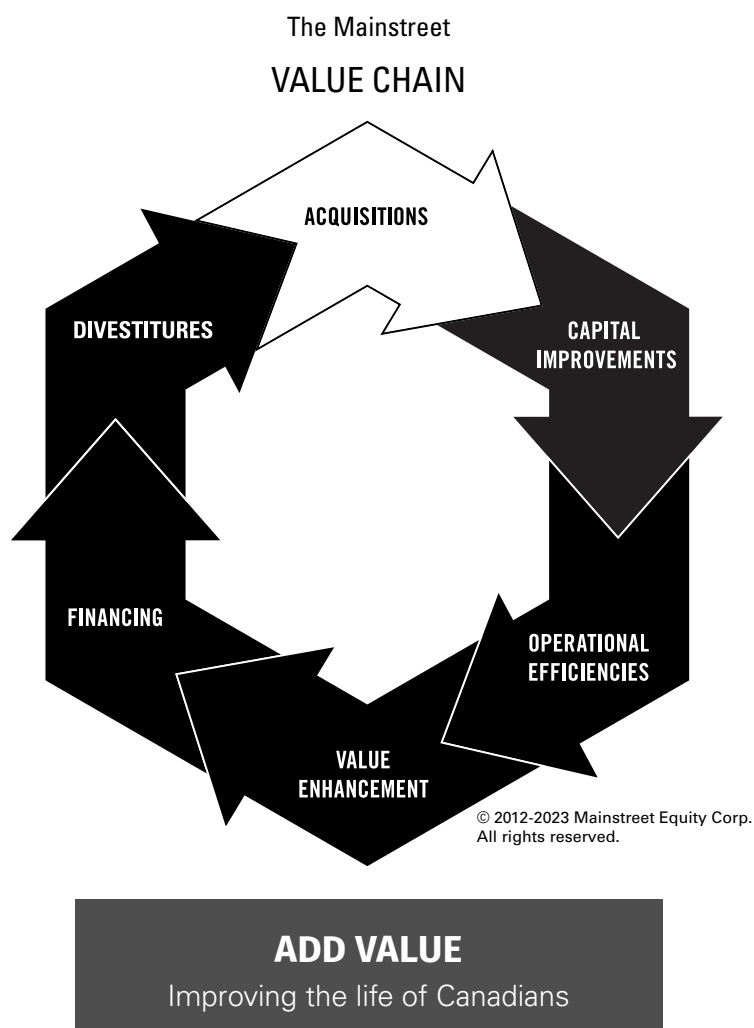
Based in Calgary, Alberta, Mainstreet is a Canadian real estate corporation focused on the acquisition, redevelopment, repositioning and management of mid-market rental apartment buildings in six major Canadian markets: British Columbia (including Vancouver Lower Mainland, Vancouver Island, Okanagan,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

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; and
- **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 International Financial Reporting Standards as issued by the International Accounting Standard Board ("IFRS").

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 financial reporting, external valuations are 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 the 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 groups its investment properties in each city by their types and geographic locations. Samples are selected in each group for independent appraisal. The appraised values of the samples selected are compared with their carrying values. The percentage changes in values of those samples selected were reviewed and applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of September 30, 2023 and September 30, 2022. Properties are selected on a rotational basis and approximately 40% of the Corporation's portfolio is externally valued annually.

The fair values are most sensitive to changes in net operating income and capitalization rates. Mainstreet's total portfolio is valued at \$3.0 billion as of September 30, 2023 (\$2.8 billion as of September 30, 2022). 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, 2023 and September 30, 2022, respectively.

As at September 30, 2023	Number of properties	Number of units	Market value (\$ million)	Average value per unit (\$000)	Average capitalization rate as at Sep. 30, 2023
Lower Mainland, British Columbia (Note 1)	30	2,944	\$ 885	\$ 301	3.77%
British Columbia excluding Lower Mainland (Note 2)	15	732	96	131	4.87%
Calgary, Alberta (Note 3)	112	3,837	761	198	5.94%
Edmonton, Alberta (Note 4)	166	5,799	822	142	5.71%
Saskatoon, Saskatchewan	59	2,334	315	135	5.82%
Regina, Saskatchewan	62	991	138	139	6.01%
Winnipeg, Manitoba	4	405	35	86	5.81%
Total investment properties	448	17,042	\$ 3,052	\$ 179	5.20%

Note (1) – includes the City of Abbotsford, the City of Chilliwack, the City of New Westminster and the City of Surrey

Note (2) – includes the City of Courtenay, the City of Kamloops, the City of Penticton, the City of Prince George, the City of Vernon and the City of Nelson.

Note (3) – includes the City of Lethbridge, the Town of Cochrane and the City of Airdrie

Note (4) – includes the City of Fort Saskatchewan

As at September 30, 2022	Number of properties	Number of units	Market value (\$ million)	Average value per unit (\$000)	Average capitalization rate as at Sep. 30, 2022
Lower Mainland, British Columbia (Note 1)	30	2,944	\$ 863	\$ 293	3.68%
British Columbia excluding Lower Mainland (Note 2)	9	480	63	131	4.35%
Calgary, Alberta (Note 3)	101	3,537	686	194	5.07%
Edmonton, Alberta (Note 4)	157	5,496	752	137	5.42%
Saskatoon, Saskatchewan	59	2,333	318	136	5.47%
Regina, Saskatchewan	62	991	126	127	5.48%
Winnipeg, Manitoba	3	114	10	88	5.79%
Total investment properties	421	15,895	\$ 2,818	\$ 177	4.79%

Note (1) – includes the City of Abbotsford, the City of Chilliwack, the City of New Westminister and the City of Surrey

Note (2) – includes the City of Courtenay, the City of Kamloops, the City of Penticton, the City of Prince George and the City of Vernon

Note (3) – includes the City of Lethbridge, the Town of Cochrane and the City of Airdrie

Note (4) – includes the City of Fort Saskatchewan

Acquisitions & Growth

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
	Calgary, Edmonton, Penticton, Prince George, Nelson, Saskatoon and Winnipeg	Calgary, Edmonton Fort Saskatchewan, Lethbridge, Prince George, Regina, Saskatoon and Winnipeg
Number of rental units	1,145	815
Total costs	\$ 136,042	\$ 90,573
Average price per apartment unit	\$ 119	\$ 111

Employing a strict set of criteria, Mainstreet identifies and acquires underperforming rental properties in major residential centres in Western Canada that offer the potential to enhance the Corporation's asset value and its long-term revenues through increased rental rates. In 2023, Mainstreet acquired 1,145 investment property units in the Provinces of Alberta, British Columbia, Manitoba, and Saskatchewan for a total consideration of \$136.0 million. Since Mainstreet's previous financial year-end (September 30, 2022), the Corporation has grown its portfolio of investment properties by 7%.

As of September 30, 2023, Mainstreet's portfolio included 17,033 units in its investment properties, 9 units in freestanding commercial properties and 65 units in a property being held for sale. The portfolio excludes two regional office buildings and two warehouses which are classified as property and equipment. Mainstreet's investment properties include townhouses, garden-style apartments, concrete mid-rise and high-rise apartments and condo suites. As of September 30, 2023, a total of 97% of Mainstreet's units in its investment properties were rented, while 1% were being renovated and the remaining 2% were left vacant, primarily in the Province of Saskatchewan.

Since 1997, the Corporation's investment property portfolio has increased from 10 to 448 buildings, while the fair value of the investment properties within this portfolio has grown from approximately \$17 million to \$3.0 billion as of September 30, 2023.

The following table demonstrates the growth of the Corporation by region since the end of the previous financial year ended September 30, 2022.

	Number of units as at Oct. 1, 2022	Acquisitions/ disposition 12 months ended Sep. 30, 2023	units created 12 months ended Sep. 30, 2023	Additional Number of units as at Sep. 30, 2023	% Growth
Lower Mainland, British Columbia (Note 1)	2,944	159	–	3,103	5%
British Columbia excluding Lower Mainland (Note 2)	480	93	–	573	19%
Calgary, Alberta (Note 3)	3,537	298	2	3,837	8%
Edmonton, Alberta (Note 4)	5,496	303	–	5,799	6%
Saskatoon, Saskatchewan	2,333	1	–	2,334	–
Regina, Saskatchewan	991	–	–	991	–
Winnipeg, Manitoba	114	291	–	405	255%
Investment properties	15,895	1,145	2	17,042	7%
Property held for sale					
– Calgary, Alberta	69	(4)	–	65	-6%

Note (1) – includes the City of Abbotsford, the City of Chilliwack, the City of New Westminster and the City of Surrey

Note (2) – includes the City of Courtenay, the City of Kamloops, the City of Penticton, the City of Prince George, the City of Vernon and the City of Nelson

Note (3) – includes the City of Lethbridge, the Town of Cochrane and the City of Airdrie

Note (4) – includes 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 brand 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 2023, the Corporation spent \$25.5 million (2022 - \$23.9 million) on capital improvements, of which \$22.2 million (2022 - \$18.4 million) was for upgrading stabilized properties and improving other holdings – specifically for exterior upgrades such as new roofs, windows, balconies, siding and insulation. These expenditures also covered mechanical and 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 currently plans to spend an estimated total of \$28 million on capital improvement during the 2024 fiscal year, however these plans may be revised depending upon economic conditions during fiscal year 2024. 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, supply chain disruptions, increased inflation, the availability of renovation workers and building materials, increases in labour and material costs, and increases in interest rates. All of these uncertainties could have a material impact on the timing and cost of completing these capital improvements.

REVIEW OF FINANCIAL & OPERATING RESULTS

Summary of financial results

(000s of dollars except per share amounts)

For the year ended	2023	2022	2021	% change 2023	% change 2022
Gross revenue	\$ 212,461	\$ 181,349	\$ 160,351	17%	13%
Net profit and total comprehensive income	109,413	120,536	225,534	-9%	-47%
Change in fair value	69,512	86,890	212,003	-20%	-59%
Gain from disposal of assets	443	4,166	113	-89%	3587%
Depreciation	806	714	712	13%	0%
Deferred income tax expense	28,457	22,630	33,368	26%	-32%
Funds from operations					
– Non IFRS Measurement (Note 1)	\$ 68,721	\$ 52,824	\$ 47,498	30%	11%
Interest income	(2,433)	(776)	(426)	214%	82%
General and administrative expenses	17,230	14,937	12,240	15%	22%
Financing costs	47,600	42,475	38,343	12%	11%
Depreciation (computer and vehicle)	189	205	193	-8%	6%
Net operating income	\$ 131,307	\$ 109,665	\$ 97,848	20%	12%
Operating margin from operations	63%	61%	61%		
Profit per share					
Basic and fully diluted	\$ 11.74	\$ 12.90	\$ 24.13	-9%	-47%
Funds from operations per share					
Basic and fully diluted	\$ 7.37	\$ 5.65	\$ 5.08	30%	11%
Weighted average number of shares					
Basic and fully diluted	9,320,447	9,341,683	9,345,350		
Total Assets	\$3,164,992	\$2,893,492	\$2,674,569		
Total Long term liabilities	\$1,680,799	\$1,554,631	\$1,485,691		

1. FFO is calculated as profit before change in fair value, deferred income taxes and depreciation of property and equipment excluding depreciation of items which are not uniquely significant to the real estate industry (such as computers or vehicles). 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 operating performance. This information is critical for the Corporation to maintain comparability in operating performance.

REVENUE

In 2023, revenue primarily consisted of rental and ancillary revenue totalling \$210.0 million (2022 - \$180.6 million) and interest income. Overall, rental revenue increased 16% as compared to 2022, which is discussed and analysed in the session entitled "Rental Operations" below.

NET PROFIT

For the year ended September 30, 2023, Mainstreet reported a net profit of \$109.4 million (\$11.74 per basic share) as compared to a net profit of \$120.5 million (\$12.90 per basic share) in 2022, including a fair value gain of \$69.5 million in 2023 compared to a fair value gain of \$86.9 million in 2022, which will be further discussed and analysed below.

Net profit is further analysed as follows:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022	% change
Funds from operations			
– Non IFRS measurement (see Note 1 previous table)	\$ 68,721	\$ 52,824	30%
Change in fair value	69,512	86,890	-20%
Gain from disposal of assets	443	4,166	-89%
Depreciation	(806)	(714)	13%
Deferred income tax expense	(28,457)	(22,630)	26%
Net profit and total comprehensive income			
– IFRS measurement	\$ 109,413	\$ 120,536	-9%

Funds from operations in 2023 are further discussed and analysed below.

In 2023, Mainstreet realized a fair value gain of \$69.5 million, compared with a fair value gain of \$86.9 million in 2022. This was mainly due to changes as identified below:

(000s of dollars)

Change in Fair value	2023	2022
Lower Mainland, BC (Note 1)	\$ 21,730	\$ 46,040
BC excluding Lower Mainland (Note 2)	5,383	(81)
Calgary (Note 3)	25,192	12,131
Edmonton (Note 4)	33,835	31,567
Saskatoon	(3,731)	17,895
Regina	12,780	2,638
Winnipeg	(212)	(7)
	94,977	110,183
Reclass to property and equipment	-	580
Capital expenditure	(25,465)	(23,873)
Change in fair value	\$ 69,512	\$ 86,890

Note (1) – includes the City of Abbotsford, the City of Chilliwack, the City of New Westminister and the City of Surrey

Note (2) – includes the City of Courtenay, the City of Kamloops, the City of Penticton, the City of Prince George, the City of Vernon and the City of Nelson

Note (3) – includes the City of Lethbridge, the Town of Cochrane and the City of Airdrie

Note (4) – includes the City of Fort Saskatchewan

The fair value gain represented the change in the market value of the Corporation's investment properties over the fiscal periods ended September 30, 2023 and 2022. The amount of change was determined by the market value of Mainstreet's investment properties at the year-end dates of September 30, 2023 and 2022, which was regarded as a non-operating expense.

FUNDS FROM OPERATIONS – NON IFRS MEASUREMENT

Management believes that FFO is also a meaningful performance measurement for a real estate company's operating performance. FFO excludes changes in fair value, deferred income taxes and depreciation of property and equipment excluding depreciation of items which are not uniquely significant to the real estate industry (for example, computers and vehicles). Mainstreet generates FFO from three sources: rental and ancillary revenue 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 increased by 30% to \$68.7 million in 2023, compared with \$52.8 million in 2022. The increase in FFO for 2023 was mainly attributable to increased rental revenue, which will be discussed and analysed in the following section entitled "Rental Operations".

See “Non-IFRS Measures” and Note (1) to the table titled “Summary of Financial Results” for additional information regarding FFO and a reconciliation of FFO to net profit, the most directly comparable IFRS measurement.

GENERAL & ADMINISTRATIVE (“G&A”) EXPENSES

G&A expenses mainly include corporate costs such as office overhead, legal and professional fees and salaries. G&A expenses increased by 15% to \$17.2 million in 2023 as compared to \$14.9 million in 2022, mainly due to increased professional and personnel expenses. The Corporation continues to build up its management team in anticipation of continued growth in its core operating regions.

FINANCING COSTS

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022	% Change
Mortgage interest	\$ 40,954	\$ 36,566	12%
Amortization of deferred financing cost	6,646	5,909	12%
Financing costs	\$ 47,600	\$ 42,475	12%

Mortgage interest expenses increased by 12% to \$41.0 million in 2023 from \$36.6 million in 2022.

The rise was mainly attributable to an increase in mortgage loans from refinancing of maturing and new clear title mortgages after the completion of stabilization process. In 2023, the Corporation financed 6 maturing and 40 clear title properties for an additional net funding of \$204.9 million at an average interest rate of 4.35%.

The mortgage rate for a 5-year fixed CHMC mortgage has increased by almost 150 basis points since the end of the prior financial year.

RENTAL OPERATIONS

(000s of dollars except per unit data)

	Total Portfolio			Same Asset			Acquisition		
For the year ended September 30,	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
Rental and ancillary revenue	\$210,028	\$180,573	16%	\$191,230	\$175,165	9%	\$ 18,798	\$ 5,408	248%
Operating expenses	78,721	70,908	11%	70,551	67,869	4%	8,170	3,039	169%
Net operating income	\$131,307	\$109,665	20%	\$120,679	\$107,296	12%	\$ 10,628	\$ 2,369	349%
Operating margin	63%	61%		63%	61%		57%	44%	
Average vacancy rate	4.5%	7.2%	-38%	4.2%	6.8%	-38%	7.3%	23.1%	-68%
Weighted average number of units	16,584	15,551	7%	15,081	15,081	–	1,503	470	220%
Average rental rate per unit per month	\$ 1,055	\$ 968	9%	\$ 1,057	\$ 968	9%	\$ 1,042	\$ 959	9%
Average operating expense per unit per month	\$ 396	\$ 380	4%	\$ 390	\$ 375	4%	\$ 453	\$ 539	-16%

The vacancy rate decreased to 4.5% in 2023, from 7.2% in 2022, mainly due to strong rental demand in the Corporation’s operating markets. In 2023, the Corporation had seen strong rental housing demand throughout its overall portfolio, as a result of a significant increase in inter-provincial migration, immigration, and foreign and domestic students, especially in the provinces of Alberta and Saskatchewan. As of September 30, 2023, overall vacancy in Mainstreet’s portfolio was at 3.4%, which was composed of 1.5% in Calgary, 5.8% in Edmonton, 3.6% in Saskatoon, 1.1% in Regina and 1.4% in British Columbia.

As an overall result, the average monthly rental rate increased 9% to \$1,055 per unit in 2023, compared with \$968 per unit in 2022. Overall rental and ancillary revenue increased 16% to \$210.0 million in 2023 as compared to \$180.6 million in 2022. This was mainly due to the decrease in vacancy rate, the rental rate increase, reduced tenant concessions and the continued growth of the Corporation’s portfolio as the average number of units owned by the Corporation increased 7% over the year.

For same asset properties, which refer to properties owned by the Corporation for the entire twelve-month periods

ended September 30, 2023 and 2022, rental and ancillary revenue increased 9% to \$191.2 million in 2023 from \$175.2 million in 2022. The average monthly rental rate increased by 9% to \$1,057 per unit in 2023, from \$968 per unit in 2022. The vacancy rate decreased to 4.2% in 2023, from 6.8% in 2022, mainly due to strong demand in the provinces of Alberta and Saskatchewan.

Mainstreet's overall operating expenses increased 11% to \$78.7 million in 2023, from \$70.9 million in 2022, due mainly to the increased number of apartment units.

Both the overall and same asset operating expenses on a per unit basis increased by 4%, mainly as a result of higher utilities and repair and maintenance expenses in 2023.

As a result, overall net operating income increased 20% to \$131.3 million in 2023, from \$109.7 million in 2022, and net operating margins increased to 63% in 2023, from 61% in 2022.

For same asset properties, net operating income increased 12% to \$120.7 million in 2023, from \$107.3 million in 2022. The net operating margins increased to 63% in 2023, from 61% in 2022.

RENTAL OPERATIONS BY PROVINCE

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

BRITISH COLUMBIA

Mainstreet achieved an 11% increase in rental revenue in its British Columbia portfolio in 2023 primarily due to the Corporation's diversification strategy and an increase in monthly rents on turnovers of units. The Corporation continued its expansion into British Columbia's market in 2022 and 2023, and achieved 7% growth of average unit count in its BC portfolio in 2023. The average vacancy rate increased to 1.4% in 2023 from 0.9% in 2022 due mainly to acquisition of unstabilized assets in 2023. This is still an above-average occupancy rate, which can be largely attributed to the overall economic performance of British Columbia, which is among the strongest in the country, according to data published by Statistics Canada. As a result, due to this high occupancy rate, rental revenue per unit increased to \$1,190 per month in 2023 from \$1,141 per month in 2022.

Operating expenses per unit increased 4% to \$314 per month in 2023 compared with \$303 per month in 2022, due mainly to increased repair and maintenance expenses of newly acquired unstabilized properties and higher property tax and utility expense. As a result, net operating income increased 11%, and net operating margins increased to 74% in 2023 from 73% in 2022.

(000s of dollars except per unit data)

	Sep. 30, 2023	Sep. 30, 2022	% change
Rental and ancillary revenue	\$ 50,833	\$ 45,751	11%
Operating expenses	13,436	12,167	10%
Net operating income	\$ 37,397	\$ 33,584	11%
Weighted average number of units	3,561	3,342	7%
Average rent per unit per month	\$ 1,190	\$ 1,141	4%
Operating cost per unit per month	\$ 314	\$ 303	4%
Average vacancy rate	1.4%	0.9%	
Operating margin	74%	73%	

ALBERTA

Mainstreet achieved 6% growth in its Alberta portfolio in 2023, with the weighted average number of rental units growing to 9,403 units, compared with 8,830 units in 2022. The rental income increased by 18% to \$119.3 million in 2023 from \$100.8 million in 2022. The average vacancy rate decreased to 4.6% in 2023 from 8.9% in 2022, mainly due to strong demand for apartment rentals in the province. Rental revenue per unit increased 11% to \$1,057 per month in 2023 from \$951 per month in 2022 mainly due to improved occupancy rates and increased rental rates in 2023.

Operating expenses per unit increased 3% to \$422 per month in 2023 compared to \$410 per month in 2022 due mainly to increased utility expenses in 2023. As a result, net operating income increased by 25% to \$71.7 million in 2023 from \$57.4 million in 2022, and net operating margin increased to 60% in 2023 from 57% in 2022.

(000s of dollars except per unit data)

	Sep. 30, 2023	Sep. 30, 2022	% change
Rental and ancillary revenue	\$ 119,311	\$ 100,779	18%
Operating expenses	47,635	43,404	10%
Net operating income	\$ 71,676	\$ 57,375	25%
Weighted average number of units	9,403	8,830	6%
Average rent per unit per month	\$ 1,057	\$ 951	11%
Operating cost per unit per month	\$ 422	\$ 410	3%
Average vacancy rate	4.6%	8.9%	
Operating margin	60%	57%	

SASKATCHEWAN

Mainstreet achieved an 11% increase in its rental revenues in its Saskatchewan portfolio in 2023. The average vacancy rate was 6.5% in 2023 compared to 8.9% in 2022. As a result, rental revenue per unit increased 10% to \$925 per month in 2023 from \$844 per month in 2022.

Operating expenses per unit increased 7% to \$408 per month in 2023, from \$380 per month in 2022 due mainly to increased utility and repair and maintenance expenses in 2023. As a result, net operating income increased 13% and net operating margins increased to 56% in 2023 from 55% in 2022.

(000s of dollars except per unit data)

	Sep. 30, 2023	Sep. 30, 2022	% change
Rental and ancillary revenue	\$ 36,908	\$ 33,248	11%
Operating expenses	16,263	14,980	9%
Net operating income	\$ 20,645	\$ 18,268	13%
Weighted average number of units	3,324	3,281	1%
Average rent per unit per month	\$ 925	\$ 844	10%
Operating cost per unit per month	\$ 408	\$ 380	7%
Average vacancy rate	6.5%	8.9%	
Operating margin	56%	55%	

MANITOBA

In 2023, Mainstreet successfully expanded further into the Manitoba market with the acquisition of a 291 unit complex building in downtown Winnipeg. The Corporation has subsequently reduced the vacancy rate of this property from 23.4% to 1.4% as of September 2023. The overall average vacancy rate in Manitoba decreased to 13.6% in 2023 from 15.4% in 2022. The rental revenue per unit was \$838 per month in 2023 compared to \$676 per month in 2022.

Operating expenses per unit increased to \$390 per month in 2023 compared to \$304 in 2022 due to stabilization of the unstabilized properties, and as a result net operating income increased by 263% to \$1.6 million in 2023 from \$0.4 million in 2022 and net operating margin decreased to 53% in 2023 from 55% in 2022.

(000s of dollars except per unit data)

	Sep. 30, 2023	Sep. 30, 2022	% change
Rental and ancillary revenue	\$ 2,976	\$ 795	274%
Operating expenses	1,387	357	289%
Net operating income	\$ 1,589	\$ 438	263%
Weighted average number of units	296	98	202%
Average rent per unit per month	\$ 838	\$ 676	24%
Operating cost per unit per month	\$ 390	\$ 304	28%
Average vacancy rate	13.6%	15.4%	
Operating margin	53%	55%	

SUMMARY OF QUARTERLY RESULTS¹

(000s of dollars except per share amounts)

	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Rental revenue								
British Columbia	\$ 13,033	\$ 12,762	\$ 12,258	\$ 11,865	\$ 11,666	\$ 11,498	\$ 11,015	\$ 10,698
Alberta	31,150	30,096	29,064	27,472	26,357	25,117	24,338	23,774
Saskatchewan	9,690	9,236	8,857	8,680	8,380	8,116	8,157	8,123
Manitoba	941	897	549	253	254	228	160	133
Total rental revenue	\$ 54,814	\$ 52,991	\$ 50,728	\$ 48,270	\$ 46,657	\$ 44,959	\$ 43,670	\$ 42,728
Ancillary revenue	901	907	825	592	746	538	753	522
Interest income	905	876	117	535	425	220	75	56
Total revenue								
from operations	\$ 56,620	\$ 54,774	\$ 51,670	\$ 49,397	\$ 47,828	\$ 45,717	\$ 44,498	\$ 43,306
Change in fair value	\$ 30,782	\$ 23,821	\$ 11,986	\$ 2,923	\$ 50,710	\$ 10,896	\$ 24,191	\$ 1,093
Profit (loss)								
from operations	\$ 39,495	\$ 34,196	\$ 20,720	\$ 15,002	\$ 56,315	\$ 21,835	\$ 29,982	\$ 12,404
Net profit (loss) per share								
– Basic & Diluted	\$ 4.24	\$ 3.67	\$ 2.22	\$ 1.61	\$ 6.03	\$ 2.34	\$ 3.21	\$ 1.33
Same assets rental and ancillary revenue								
British Columbia	\$ 12,184	\$ 12,015	\$ 11,893	\$ 11,596	\$ 11,503	\$ 11,258	\$ 11,174	\$ 10,881
Alberta	27,647	26,840	26,262	25,748	25,182	24,181	23,674	23,463
Saskatchewan	9,685	9,189	8,825	8,650	8,469	8,190	8,306	8,198
Manitoba	134	177	193	192	198	192	163	133
Total same assets rental and ancillary revenue	\$ 49,650	\$ 48,221	\$ 47,173	\$ 46,186	\$ 45,352	\$ 43,821	\$ 43,317	\$ 42,675
Same assets vacancy rate	4.1%	4.3%	4.2%	4.2%	4.9%	6.7%	7.8%	7.6%
Same assets net operating income								
British Columbia	\$ 9,565	\$ 9,043	\$ 8,484	\$ 8,639	\$ 8,720	\$ 8,488	\$ 8,000	\$ 7,766
Alberta	17,723	16,242	15,050	15,270	15,097	14,045	12,891	13,657
Saskatchewan	5,866	5,288	4,508	4,718	5,095	4,559	4,376	4,243
Manitoba	74	74	41	94	141	125	52	41
Total same assets net operating income	\$ 33,228	\$ 30,647	\$ 28,083	\$ 28,721	\$ 29,053	\$ 27,217	\$ 25,319	\$ 25,707
Net operating income	\$ 36,848	\$ 33,999	\$ 30,357	\$ 30,103	\$ 30,109	\$ 27,912	\$ 25,728	\$ 25,916
Funds from operations of stabilized properties - Non-IFRS measurement (Note 1)	\$ 18,045	\$ 15,382	\$ 11,838	\$ 12,868	\$ 13,085	\$ 11,521	\$ 9,730	\$ 11,016
Funds from operations - Non-IFRS measurement	\$ 21,062	\$ 17,845	\$ 14,144	\$ 15,670	\$ 15,538	\$ 13,474	\$ 11,342	\$ 12,470
Funds from operations of stabilized properties per share - Non-IFRS measurement								
– Basic & Diluted	\$ 1.94	\$ 1.65	\$ 1.27	\$ 1.38	\$ 1.40	\$ 1.23	\$ 1.04	\$ 1.18
Funds from operations per share - Non-IFRS measurement (Note 1)								
– Basic & Diluted	\$ 2.26	\$ 1.91	\$ 1.52	\$ 1.68	\$ 1.66	\$ 1.44	\$ 1.21	\$ 1.33
Average vacancy rate								
British Columbia	1.7%	1.8%	1.3%	0.8%	1.1%	0.8%	0.7%	0.8%
Alberta	4.8%	4.6%	4.4%	4.4%	5.6%	8.8%	11.0%	10.3%
Saskatchewan	4.5%	6.3%	7.3%	7.8%	9.6%	9.9%	8.3%	7.8%
Manitoba	12.0%	17.3%	14.8%	10.2%	10.2%	9.5%	17.2%	24.5%
Total average vacancy rate	4.3%	4.7%	4.5%	4.4%	5.5%	7.3%	8.3%	7.8%

¹ See “Non-IFRS Measures” and Note (1) to the table titled “Summary of Financial Results” for additional information regarding FFO and a reconciliation of FFO to net profit, the most directly comparable IFRS measurement.

Highlights of the Corporation's financial results for the fourth quarter ended September 30, 2023:

- Rental and ancillary revenue increased to \$55.7 million, compared to \$53.9 million in Q3 2023 and \$47.4 million in Q4 2022.
- Average vacancy rate for the quarter was 4.3%, compared with 4.7% in Q3 2023 and 5.5% in Q4 2022.
- Change in fair value for the quarter was a gain of \$30.8 million, compared with a gain of \$23.8 million in Q3 2023 and a gain of \$50.7 million in Q4 2022.
- Funds from operations for the quarter were \$21.1 million, an 18% increase from \$17.8 million in Q3 2023 and a 36% increase from \$15.5 million in Q4 2022. See "Non-IFRS Measures".
- Net operating income for the quarter was \$36.8 million, an 8% increase from \$34.0 million in Q3 2023 and a 22% increase from \$30.1 million in Q4 2022.
- Mainstreet's same asset vacancy rate was 4.1% in Q4 2023, a decrease from 4.3% in Q3 2023 and 4.9% in Q4 2022. Same asset revenues were \$49.7 million in Q4 2023, an increase from \$48.2 million in Q3 2023 and \$45.4 million in Q4 2022.
- Net operating income on a same asset basis for the quarter was \$33.2 million, an 8% increase from \$30.6 million in Q3 2023 and a 4% increase from \$29.1 million in Q4 2022.
- Funds from operations related to stabilized properties were \$18.0 million in Q4 2023, a 17% increase from \$15.4 million in Q3 2023 and a 38% increase from \$13.1 million in Q4 2022. See "Non-IFRS Measures".

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 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, 2023, 392 properties (14,880 units) out of 448 properties (17,042 units) were stabilized. The following table summarizes the change of the Corporation's stabilized and unstabilized units since the beginning of fiscal year 2023.

	Oct. 1, 2022	%	Acquisition/ Creation	Number of units stabilized	Sep. 30, 2023	%
Stabilized Units	13,618	86%	–	1,262	14,880	87%
Unstabilized Units	2,277	14%	1,147	(1,262)	2,162	13%
Total Investment Properties Units	15,895	100%	1,147	–	17,042	100%

The following table summarizes the Corporation's stabilization progress since the beginning of fiscal year 2023.

	Oct. 1, 2022	No. of units stabilized during the period	No. of unstabilized units acquired/ created during the period	Sep. 30, 2023
Numbers of unstabilized units held for renovation	2,277	(1,262)	1,147	2,162
Number of months				
Average time spent on stabilization	13	23	7	16
Estimated remaining time for stabilization	15	–	22	16

During the year ended September 30, 2023, the Corporation acquired 298 and completed and added 2 additional units in previously unstabilized space in Calgary, Alberta; acquired 303 unstabilized units in Edmonton, Alberta; acquired 15 unstabilized units in Penticton, British Columbia; acquired 176 unstabilized units in Prince George, British Columbia; acquired 61 unstabilized units in Nelson, British Columbia; acquired 1 unstabilized unit in Saskatoon, Saskatchewan; and acquired 291 unstabilized units in Winnipeg, Manitoba. Some acquired assets require substantial renovation and had rental rates that are considered well below the market for stabilized units. The Corporation has stabilized 1,262 units in 2023, meaning that renovation work is substantially completed, resulting in rent increases to or near current market levels.

FUNDS FROM OPERATIONS OF STABILIZED PROPERTIES

For 2023, FFO of Mainstreet's stabilized property portfolio amounted to \$61.5 million (\$6.59 per basic share and per fully diluted share). See "Non-IFRS Measures".

(000s of dollars except per share amounts)

For the year ended September 30, 2023	Stabilized properties	Non-stabilized properties	Total
Rental and ancillary rental income	\$ 189,271	\$ 20,757	\$ 210,028
Property operating expenses	69,379	9,342	78,721
Net operating income	\$ 119,892	\$ 11,415	\$ 131,307
Operating margin	63%	55%	63%
Vacancy rate	4.2%	5.8%	4.5%
Interest income	\$ (2,100)	\$ (333)	\$ (2,433)
General & administrative expenses	15,039	2,191	17,230
Financing cost	45,337	2,263	47,600
Depreciation (computer and vehicle)	162	27	189
Funds from operations – Non-IFRS measurement	\$ 61,454	\$ 7,267	\$ 68,721
Depreciation			\$ 806
Fair value gain			69,512
Gain on disposal			443
Deferred income tax expense			28,457
Net profit and total comprehensive income			\$ 109,413
Funds from operations per share – Non-IFRS measurement			
Funds from operations per share			
– basic & diluted	\$ 6.59	\$ 0.78	\$ 7.37
Weighted average number of shares			
– basic & diluted			9,320,447

(000s of dollars except per share amounts)

For the year ended September 30, 2022	Stabilized properties	Non-stabilized properties	Total
Rental and ancillary rental income	\$ 159,745	\$ 20,828	\$ 180,573
Property operating expenses	60,842	10,066	70,908
Net operating income	\$ 98,903	\$ 10,762	\$ 109,665
Operating margin	62%	52%	61%
Vacancy rate	6.6%	11.7%	7.2%
Interest income	\$ (677)	\$ (99)	\$ (776)
General & administrative expenses	13,167	1,770	14,937
Financing cost	40,527	1,948	42,475
Depreciation (computer and vehicle)	176	29	205
Funds from operations – Non-IFRS measurement	\$ 45,710	\$ 7,114	\$ 52,824
Depreciation			\$ 714
Fair value gain			86,890
Gain on disposal			4,166
Deferred income tax expense			22,630
Net profit and total comprehensive income			\$ 120,536
Funds from operations per share – Non-IFRS measurement			
Funds from operations per share			
– basic & diluted	\$ 4.89	\$ 0.76	\$ 5.65
Weighted average number of shares			
– basic & diluted			9,341,683

In 2023, FFO of the stabilized property portfolio increased 34% to \$61.5 million as compared to \$45.7 million in 2022, while the number of stabilized units increased 9% to 14,880 units as of September 30, 2023 compared to 13,618 units as of September 30, 2022. The increase in FFO for stabilized properties was due to the improved vacancy rates during the quarter.

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022	% change
FFO of stabilized properties (Note 2)	\$ 61,454	\$ 45,710	34%
Number of stabilized units	14,880	13,618	9%

² See “Non-IFRS Measures” and Note (1) to the table titled “Summary of Financial Results” for additional information regarding FFO and a reconciliation of FFO to net profit, the most directly comparable IFRS measurement.

LIQUIDITY & CAPITAL RESOURCES

Access to liquidity is important as it allows the Corporation to implement its overall strategy. Liquidity is an important measure of the availability of sufficient cash to fund ongoing business activities and capital and liability commitments. Liquidity is defined to include cash and cash equivalents on hand plus estimated new financings of clear title assets and up-financings of maturing mortgages, assuming current lending criteria remains mainly unchanged and available line of credit granted. With the current inflation and the increase in interest rates, the importance of liquidity has been magnified even more.

The mortgage rate for a 10-year fixed CHMC mortgage has increased by almost 150 basis points since the end of the prior financial year. The Corporation will continue to cautiously monitor this trend in interest rates and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

Working Capital Requirement

Mainstreet requires sufficient working capital to cover day-to-day operating and mortgage expenses as well as income tax payments. In 2023, after payments of all required expenses, the Corporation generated funds from operations of \$68.7 million.

Management expects funds generated from operations will continue to grow in the long term 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, 2023, potential working capital deficiency is being managed through the available liquidity under banking facilities as well as the ongoing financing of mortgages 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 2023, the Corporation spent approximately \$165.2 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.

In 2023, the Corporation financed 6 maturing and 40 clear title properties for an additional net funding of \$204.9 million at an average interest rate of 4.35%.

The mortgage rate for a 10-year fixed CMHC mortgage has increased by almost 150 basis points since the end of the prior financial year. The Corporation will continue to cautiously monitor this trend in interest rates and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

As of September 30, 2023, the Corporation owned title to 82 clear title properties and five development lots having an aggregate fair value of approximately \$468 million.

High commodity prices and global supply chain constraints have pushed inflation up, with the consumer price index (CPI) being 3.1% in October 2023. In response the Bank of Canada has significantly increased interest rates during the current financial year. It remains unclear if further increases in the interest rates will occur and for how long higher interest rates will continue for. Mainstreet has attempted to deal with the risk of inflation and the correlated increase in interest rates by locking its debt into long-term maturities.

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 49%, 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 1.15%. 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 2, 2025. As at September 30, 2023, the Corporation has drawn \$Nil (September 30, 2022 - \$Nil) against this credit facility.

Additionally, the Corporation entered into a \$45 million revolving credit facility with a third-party financial institution, which carries an interest rate equal to the prime rate. As at September 30, 2023, the Corporation has drawn \$Nil million (September 30, 2022 - \$Nil) against this credit facility.

Both facilities contain 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, 2023, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 48% and 1.69, respectively.

CONTRACTUAL OBLIGATIONS

As of September 30, 2023, 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, 2023 are as follows:

(000s of dollars)

12 months ending September 30,	Amount
2024	\$ 154,097
2025	161,320
2026	266,548
2027	88,329
2028	122,357
Subsequent	811,729
	1,604,380
Deferred financing cost	(38,567)
	<u>\$ 1,565,813</u>

LONG-TERM DEBT

(000s of dollars)

	Amount	% of Debt	Average interest rate (%)
Fixed rate debt			
– CMHC-insured	\$ 1,589,273	99%	2.79%
– non-CMHC-insured	15,107	1%	3.47%
Total debt	1,604,380	100%	2.79%
Deferred financing costs	(38,567)		
	<u>\$ 1,565,813</u>		

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, 2023, total mortgages payable were \$1,565 million compared to \$1,433 million on September 30, 2022, an increase resulting from financing and acquisition activity during the year ended September 30, 2023.

As of September 30, 2023, Management believes the Corporation's financial position to be stable, with overall mortgage levels reported at 49% of the fair value of investment properties. About 99% 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 (%)
2023	128,874	8%	3.36%
2024	140,067	9%	3.63%
2025	261,439	16%	2.37%
2026	75,584	5%	3.13%
2027	112,181	7%	3.61%
Subsequent	886,235	55%	2.57%
	\$ 1,604,380	100%	2.79%

The average maturing term of mortgage loans is 5.37 years as of September 30, 2023, compared to 6.15 years as of September 30, 2022.

INTERNAL CONTROLS

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that information required to be disclosed by the Corporation in its 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. DC&P are also designed to include controls and procedures designed to ensure that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Corporation's Management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

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".

As at September 30, 2023, Mainstreet determined that there were no material weaknesses in the design of its ICFR or DC&P.

Mainstreet's Management evaluated, or caused to be evaluated under its supervision, the effectiveness of its ICFR and DC&P as at September 30, 2023. Based on this evaluation, Management has concluded that the Corporation's ICFR and DC&P were effective as at September 30, 2023.

As at September 30, 2023, Mainstreet has confirmed that it has designed DC&P to provide reasonable assurance that information required to be disclosed by Mainstreet in its 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 and includes controls and procedures designed to ensure that information required to be disclosed by Mainstreet in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to Mainstreet's management, including its certifying officer, as appropriate to allow timely decisions regarding required disclosure. No changes were made to the Corporation's DC&P during the year ended September 30, 2023.

As at September 30, 2023, Mainstreet confirmed it had designed its ICFR to provide reasonable assurances regarding the reliability of the financial reporting and the preparation of financial statements and information for external purposes in accordance with IFRS and that the ICFR operated effectively throughout the reported period. The Corporation may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that these systems evolve with the Corporation's business. There were no changes in the Corporation's ICFR during the year ended September 30, 2023, which have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

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 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, 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)

			Sep. 30, 2023		Sep. 30, 2022	
			Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Restricted cash	Level 2	\$ 4,982	\$ 4,982	\$ 3,901	\$ 3,901	
Cash and cash equivalents	Level 2	81,762	81,762	44,560	44,560	
Trade and other receivables	Level 2	1,640	1,640	1,547	1,547	
Financial liabilities:						
Mortgages payable	Level 2	1,565,813	1,457,667	1,433,453	1,359,828	
Trade and other payables	Level 2	10,873	10,873	9,909	9,909	
Refundable security deposits	Level 1	\$ 7,046	\$ 7,046	\$ 5,821	\$ 5,821	

* Refundable security deposits for Alberta, Manitoba 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, 2023 and 2022 (the "Annual Financial Statements") for additional information regarding financial assets and the risks associated therewith.

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:

	Sep. 30, 2023		Sep. 30, 2022	
	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)
Issued and outstanding				
– beginning of the period	9,326,718	\$ 26,441	9,345,218	\$ 26,494
Shares purchased for cancellation	(7,900)	(22)	(18,500)	(53)
Issued and outstanding,				
– end of the period	9,318,818	\$ 26,419	9,326,718	\$ 26,441

All common shares share an equal right to dividends.

On June 1, 2023, Mainstreet announced that it had obtained approval from the Toronto Stock Exchange ("TSX") to repurchase up to 474,499 common shares of the Corporation under a Normal Course Issuer Bid ("NCIB") commencing June 3, 2023. The current NCIB expires on June 2, 2024. The Corporation's previous NCIB expired on May 31, 2023.

During 2023 and 2022, the Corporation purchased and cancelled 7,900 (2022 – 18,500) common shares at an average price of \$116.33 (2022 – \$113.24) respectively, per common share under its NCIB.

From time to time the market price of the common shares may not reflect their underlying value, and in such circumstances, Management believes that the acquisition of its common shares for cancellation is in the best interest of Mainstreet. The acquisition returns capital to shareholders in a tax-efficient manner that is accretive to net asset value. Mainstreet will continue to assess on an ongoing basis whether purchases of its common shares under the NCIB are warranted.

STOCK OPTIONS

The Corporation has no issued and outstanding stock options. Since March 24, 2017, the Corporation was unable to grant any further options under the Corporation's prior stock option plan. Upon the expiration or exercise of all remaining issued and outstanding stock options under the Corporation's prior stock option plan, the plan expired in accordance with the terms thereof. The Corporation has not adopted a new stock option plan at this time.

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, March 29, 2019 and March 11, 2022. The Rights Plan was most recently amended to amend the definition of "Expiration Time" from 2022 to 2025. The Rights Plan will expire at the termination of the annual general meeting of shareholders of the Corporation scheduled for the 2025 fiscal year unless otherwise renewed at or prior to that time.

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, net operating income 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 3 to the annual financial statements for a 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 of mortgages for similar loans with similar credit ratings and the same maturities. Please refer to Note 21 of the annual financial statements;
- iii) Allocation of purchase cost in the acquisition of investment properties is based on information from industry practice and entity specific history;
- iv) Allocation of purchase cost in the acquisition of property and equipment into different components, estimation of useful life and impairment, are based on information from industry practice and entity specific history; and
- v) 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 12 of the annual financial statements for a detailed analysis.

Actual results could differ from estimates.

Transactions with Related Parties

- a) The President and Chief Executive Officer is paid a commission at commercial rates in his capacity as a licensed broker for certain property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. Except in very limited circumstances, these commissions are paid by the selling third party or third parties to the transaction. The commissions received by the President and Chief Executive Officer during the year ended September 30, 2023, amounted to \$356,027 (2022 – \$343,893).

These commissions form part of the CEO's annual compensation. Each year the Chief Executive Officer is entitled to receive an annual performance bonus based upon pre-determined performance goals and discretionary bonus amounts determined by the board of directors. In making such determination, the board of directors takes in consideration the amount of commissions paid to the Chief Executive Officer during each year, such that once determined, that portion of the annual performance bonus paid in cash to the CEO by the Corporation amounts to the difference between the amount of the CEO's annual performance bonus determined by the board of directors, if any, less the amount of commissions paid to the Chief Executive Officer during that year.

As a result, the actual portion of the discretionary bonus, if any, paid by the Corporation each year to the Chief Executive Officer will be reduced by the amount of third party paid commissions to the Chief Executive Officer during that year.

- b) The Corporation paid legal and professional fees and reimbursements for the year ended September 30, 2023, amounting to \$457,831 (2022 - \$473,096) to a law firm of which a director and officer of the Corporation is a Senior Associate. As at September 30, 2023, the amounts payable to the law firm were \$Nil (September 30, 2022 – \$315). These fees were incurred at amounts which in management's opinion approximate fair market value that would be incurred by a third-party law firm.

Off Balance Sheet Arrangements

No off balance sheet arrangements were made by the Corporation for 2023.

Subsequent Events

Subsequent to year-ended September 30, 2023, the Corporation acquired an additional 355 residential units in the Province of Alberta, British Columbia and Saskatchewan for a total consideration of \$44.4 million.

Subsequent to year-ended September 30, 2023, the Corporation financed 21 clear title properties for an additional net funding of \$76.7 million at an average rate of 4.53%.

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. Please also see the risks which are summarized in the Corporation's Annual Information Form for the year ended September 30, 2023 ("AIF").

Inflation, Labour Shortages and Supply Chain Risk

There is a risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, interest rates and regional rent controls. Canada saw significant inflation in the latter part of 2022, effects of which have continued to be felt in 2023. In addition, sustained higher housing process, substantial supply constraints and geopolitical conflicts, have increased prices for energy and agricultural markets, and there has also been significant disruption to the global supply chain in recent years, including as a result of Russia's ongoing invasion of Ukraine. Further, as labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. All of this increases the supply risk to the Corporation.

Interest Rate Risk

The Corporation is exposed to interest rate risk to the extent of any upward or downward revision in prime lending rates. Increases in the interest rate, such as those seen throughout 2022 and 2023, have the potential to adversely affect the profitability of the Corporation. The Corporation attempts to mitigate this risk by staggering the maturity dates for its mortgages. The majority of Mainstreet's mortgages and fixed-rate mortgage financings are 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.

Previously, the Corporation had seen the mortgage interest rate for a 10-year fixed CHMC mortgage remain at a low level which has provided an opportunity for the Corporation to obtain financing at lower interest rates when mortgages matured and needed to be renewed. The Corporation took advantage of this opportunity and fixed 100% of its long-term debt into fixed rate debts, of which 99% are fixed as CMHC insured mortgages at an average interest rate of 2.79%. However, the mortgage rate for a 10-year fixed CHMC mortgage has increased by almost 150 basis points since the beginning of the financial year. The Corporation will continue to cautiously monitor this trend in interest rates, and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

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, capital 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.

In addition, various geopolitical conflicts have contributed to global economic uncertainty, including further disruptions to the global supply chain and increased prices for energy and agricultural markets, further disrupting global recovery and increasing inflation.

While it appears that Western Canada's economic growth rate is starting to recover, it is uncertain how strong this recovery will be in the short term, which may result in 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. Another unknown is the impact of various recently enacted or pending government initiatives, including increases to operating costs resulting from carbon tax legislation and the implementation of new climate change plans at both the provincial and federal government levels. However, the prairie provinces have seen some economic growth in recent months, with increased oil prices and a diversification of their economy.

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 have other forms of direct and indirect "taxes" imposed by various municipalities. 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 fixed rate natural gas contract at \$2.66 per GJ in Alberta with a maturity date of February 1, 2024, and 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 revaluations of municipal properties and their inherent tax rates. These revaluations 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 and material 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 delays, 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.

In addition, high commodity prices and global supply chain constraints have pushed inflation up, with the consumer price index (CPI) being 3.1% in October 2023, and it is unclear how long this upward pressure will continue. This may result in higher costs in respect of renovations.

Pandemic and Other Diseases Risk

The COVID-19 pandemic has illustrated the substantial impact a pandemic can have on the economy. Uncertain economic conditions resulting from this or any pandemic may, in the short or long term, have a materially adverse impact on the Corporation's tenants and/or capital markets, both of which could materially adversely affect the Corporation's operations and financial performance. It remains difficult to reliably estimate the impact of pandemics or other diseases on the financial results and condition of the Corporation in future periods.

In particular: (i) in the event that new travel bans or limitations on in person post-secondary classes are implemented in the future as a result of pandemics, similar decreases in the operations and financial performance of the Corporation may occur; (ii) in the event of any requirements to defer the eviction of tenants who do not pay their rent, or an inability by the Corporation to increase rent in certain of its markets, imposed by government authorities in response to future pandemics or other health emergencies, there may result in an increase in its bad debt expense and the Corporation be exposed to an increased credit risk; (iii) future pandemics may result in uncertainty and impact valuations of the Corporation's properties; and (iv) should the Corporation be required to take actions as a result of a future pandemic, such actions may cause interruption to the Corporation's business; these actions may include increased administration, maintenance and repair expenses, increased cleaning and maintenance of the property, increased communication and technology costs and increased costs related to obtaining personal protection equipment for team members, temporary closures of the Corporation's administrative offices and moves to remote working, temporary or long-term adverse impacts on the Corporation's supply chain and labour and the potential of increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from the Corporation's facilities.

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 in the current economic environment. 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, 2023, rents due from current tenants amounted to \$665,000 (September 30, 2022 - \$1,080,000). As of September 30, 2023, the possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$7.0 million (September 30, 2022 - \$5.8 million) and provisions for bad debts of \$160,000 (September 30, 2022 - \$160,000).

The aging bands of rents due from current tenants as at September 30, 2023 and September 30, 2022 are outlined in the table below:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
0-30 days	\$ 468	\$ 699
31-60 days	105	171
61-90 days	21	24
Over 90 days	71	186
Total rents due from current tenants	\$ 665	\$ 1,080

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 Schedule 1 and provincial crown corporation Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial 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. Please see "Liquidity and Capital Resources" above.

An investment in real estate is relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the Corporation's ability to divest itself of certain of its properties promptly in response to changing economic, investment or other conditions. If the Corporation was to be required to quickly liquidate its real property, the proceeds to the Corporation might be significantly less than the aggregate carrying or net asset value of its properties or less than what would be expected to be received under normal circumstances, which could have an adverse effect on the Corporation's financial condition and financial performance. Illiquidity may also result from legal or contractual restrictions on the resale of properties. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and, during an economic recession, the Corporation may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the Corporation to dispose of properties at lower prices in order to generate sufficient cash for operations. There can be no assurance that the fair market value of any properties held by the Corporation will not decrease in the future.

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.

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.

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.

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, Saskatchewan and Manitoba. 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 guideline amount effective January 1, 2023 was 2% and effective January 1, 2024 is 3.5%. When a unit is vacant, however, the landlord is entitled to lease the unit to a new tenant at market 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.

Under Manitoba's rent control legislation, a landlord is entitled to increase the rent for existing and new tenants once every twelve months at the set anniversary date of the particular unit, by no more than the "guideline limit" established by the provincial government. During COVID-pandemic, the rent amounts were frozen with the rent increase guideline limit set at 0% until December 31, 2023. Effective January 1, 2024 the guideline limit will increase to 3%.

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.

Cyber Security Risk

Cyber security has become an increasingly important issue for corporations and businesses. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the Corporation's information resources. More specifically, a cyber incident is an intentional attack or an unintentional event which can include gaining unauthorized access to information systems to disrupt business operations, corrupt data or steal confidential information. As Mainstreet's reliance on technology has increased, so have the risks posed to its systems. 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 incident can be totally avoided and that the Corporation's business and financial condition will not be negatively impacted by such an incident. The significance of any event is difficult to quantify, but may in certain circumstances be material.

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. In addition, third parties may seek recovery from the Corporation in the event of an outbreak of COVID-19 or other illness in a property owned by the Corporation. 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 advisable.

Climate Change Risk

There is growing risk 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. In recent years, certain areas of British Columbia, Alberta and Saskatchewan have been negatively impacted by wildfires, and in certain areas flooding. 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, increases in the costs of insurance if they result in significant loss of property or other insurable damage, and the introduction of or increases in climate change taxes such as provincial or federal carbon taxes or cap and trade taxes.

Aging Portfolio Risk

Aging portfolio risk is the risk that there is decreased demand for Mainstreet's assets as a result of the age of its assets, as well as an increase in capital expenditures to maintain or enhance these assets in order to remain competitive. This risk is partially mitigated due to the fact that older assets tend to be in more desirable locations and may have larger suite sizes. In addition, this is mitigated through Mainstreet's stabilization process.

Disclosure Controls & Procedures on Internal Control over Financial Reporting Risk

Mainstreet's business could be adversely impacted if it has deficiencies in its disclosure controls and procedures or

internal control over financial reporting. The design and effectiveness of Mainstreet's disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While Management continues to review the design and effectiveness of Mainstreet's disclosure controls and procedures and internal control over financial reporting, Mainstreet provides no assurance that its disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of Mainstreet's results of operations, restatements of its financial statements, a decline in the share price, or otherwise materially adversely affect Mainstreet's business, reputation, results of operation, financial condition or liquidity.

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.

No History of Dividends

To date, Mainstreet has not declared or paid any dividends on its common shares since its incorporation. Mainstreet anticipates that it will commence paying a small quarterly dividend (currently expected to be approximately \$0.11 per share) in the 2024 fiscal year, with the first dividend being paid at the end of Q1 2024. However, there is no guarantee that this dividend will be paid at all, or that it will continue to be paid at any specific future times, and any decision to pay dividends on the shares will be made by the board of directors on the basis of the Mainstreet's earnings, financial requirements and other conditions existing at such future time. The dividend policy of Mainstreet is established by the directors and is subject to change at the discretion of the directors. The recourse of shareholders who disagree with the dividend policy or any change in policy is limited and could require such shareholders to seek to replace the directors. Other than pursuant to corporate law and compliance with the provisions of its banking facility, there is no restriction that could prevent Mainstreet from paying dividends or another form of distribution in respect of the common shares.

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 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 or illness, 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 and Adverse Changes in Law

The Corporation is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord/tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, municipal or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Corporation (including with retroactive effect). Any changes in the laws to which the Corporation is subject could materially affect its rights and title to its assets. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the Corporation is subject or the effect of any such changes on its business.

Increases in real estate taxes and income, service and transfer taxes, or introductions of new taxes such as previously or to be enacted carbon taxes, 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. Further, residential landlord/tenant laws in certain provinces may provide tenants with the right to bring certain claims to the applicable judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Corporation may, in the future, incur capital expenditures, which may not be fully recoverable from tenants.

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 and "Interests of Management and Others in Material Transaction" in Mainstreet's AIF.

CHALLENGES

Inflation and cost pressures

Despite promising macroeconomic tailwinds, rising costs continue to pose a challenge to Mainstreet. Primarily, inflation and associated higher interest rates increase the cost of Mainstreet debt, the Corporation's single-largest expense. (Mainstreet has locked in 99% of its debt into CMHC-insured mortgages with an average interest rate of 2.79%, maturing in 5.37 years, to proactively protect against any eventual rate increases—see Outlook section below). Smaller line items including everything from labour to materials are also impacted by inflation, elevating operating costs.

Combatting higher expenses

Mainstreet works tirelessly on multiple fronts to counteract rising expenses. By securing longer-term natural gas contracts, the Corporation substantially reduced energy costs across a large portion of Mainstreet buildings. The Corporation also managed to reduce its insurance costs—a sizable Mainstreet expense—by more than 13% for fiscal 2023 by obtaining improved premium rates and coverage. Still, major fixed expenses like maintenance and utilities, property taxes and apartment repairs remain high. Carbon taxes, which place the financial burden on property owners, are scheduled to rise annually, from \$65 per tonne today to \$170 by 2030. Despite management's best efforts to control costs where possible, inflationary pressures nonetheless introduce added financial burdens that will, in some cases, be passed onto tenants through soft rent increases. Mainstreet has reignited our supply chain, aiming to further reduce capital costs in 2024.

Improving capital market exposure

Due to the success of Mainstreet's non-dilutive growth model, Mainstreet stock has always attracted high levels of interest on public markets. While this is an unmitigated achievement, management believes that high investor appetite combined with Mainstreet's relatively narrow equity shareholder base has at times restricted MEQ trading volume, in turn limiting the Corporation's market value (see next section).

OUTLOOK

Mainstreet introduces new nominal dividend policy

Backed by its enviable liquidity position (\$430 million) and strong cashflow position (per-share FFO of \$7.37), Mainstreet continues to see an abundant pipeline of acquisitions for generating organic, non-dilutive growth. Management plans to introduce a nominal dividend—\$0.11 per share starting in Q1 2024—for the sole purpose of widening Mainstreet's shareholder base and increasing trading volume. This decision comes after significant numbers of fund managers expressed interest in investing in Mainstreet, but said they were prohibited from taking positions in non-dividend paying corporations. By offering a small dividend, Mainstreet believes it can satisfy the requirements of more investors while also leaving ample capital available for countercyclical growth opportunities.³

A shift toward shorter-term debt

As debt markets shift due to rising interest rates, Mainstreet continues to take an adaptive approach to its mortgage positions. In the past, when interest rates were lower, Mainstreet locked in its mortgages at longer-term, 10-year maturities to maximize savings. Now that rates are higher, Mainstreet has shifted toward shorter-term debt obligations, which will yield more cost reduction should interest rates eventually fall.

Turning intangibles to tangibles

To combat the ongoing housing shortage, Canadian municipalities are increasingly increasing density through rezoning efforts. Mainstreet, with an extensive portfolio of more than 800 low density buildings, is well placed to similarly extract more value out of existing assets and land titles at no cost. To that end, Management is in the early stages of developing a three-point plan to 1) turn unused or residual space within existing buildings into new units 2) explore zoning and density relaxations to potentially build new capacity within existing land footprints and 3) subdivide residual lands to maximize useable space. While the plan is currently conceptual in nature, Mainstreet views this as a major driver of future growth in the longer-term, and further evidence of Mainstreet's inherent intangible value.

BC remains a standout

Mainstreet expects Vancouver/Lower Mainland will continue to provide growth and performance. British Columbia has become central to Mainstreet's portfolio, accounting for approximately 45% of its estimated net asset value ("NAV") based on IFRS value. With an average monthly mark-to-market gap of \$621 per suite per month, 98% of Mainstreet's customers in the region are below the average market rent. According to estimates, that translates into approximately \$25 million in same-store NOI growth potential after accounting for tenancy turnover and mark-to-market gaps.

Alberta and Saskatchewan prosper

Management believes Edmonton, which makes up the largest portion of Mainstreet's portfolio, could be a major performer in 2024. Concession rates in the city continue to fall as vacancy rates hit an all-time low. Rental rates are beginning to grow as Edmonton's economy and population rises.

A similar trend is taking shape across Mainstreet's entire prairie portfolio. In the year ended July 1, 2023, Alberta's population expanded by about 184,000 people, or 4.1%. This represents the highest annual growth rate since 1981 and is also significantly higher than the national rate of 2.98%. Over the same period, 56,245 more people moved to the province than left it, the highest annual net inter-provincial gains in Alberta's history and the highest ever recorded in any single province or territory since comparable data are available (1971/1972). Meanwhile, Saskatchewan's population increased by 30,685 over the past year representing a 2.6% rise, compared with 10,711 (0.92%) in the previous 12 months. Management believes high in-migration numbers in Alberta, combined with robust economic activity, could continue to nudge rental rates upward.

3. The Corporation notes that any decision to pay dividends, and the amount of any such dividends on the shares, will be made by the Board of Directors at the relevant time, on the basis of Mainstreet's earnings, financial requirements and other conditions existing at such future time. The dividend policy of Mainstreet is established by the Directors and is subject to change at the discretion of the Directors.

RUNWAY ON EXISTING PORTFOLIO

1. Pursuing its 100% organic, non-dilutive growth model: Using Mainstreet's strong liquidity position, estimated at \$430 million, management believes there is significant opportunity to continue acquiring underperforming assets at attractive valuations. As such, Mainstreet will solidify its position as the leader in the add-value, mid-market rental space in Western Canada.
2. Closing the NOI gap: As of Q4 2023, 13% of Mainstreet's portfolio was going through the stabilization process (recent acquisitions). Once stabilized, management remains confident same-asset revenue, vacancy rates, NOI and FFO will be meaningfully improved. The Corporation is cautiously optimistic that it can increase cash flow in coming quarters. The Alberta market in particular also has substantial room for mark-to-market catch up.
3. Buying back shares at a discount: The Corporation believes MEQ shares continue to trade below its true NAV, and that ongoing macroeconomic volatility could intensify that trend.

ADDITIONAL INFORMATION

Additional information about Mainstreet, including its AIF, is available on the Corporation's website at www.mainst.biz and on SEDAR at www.sedar.com.

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 PwC, 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.



Bob Dhillon
Director

November 30, 2023



Joe Amantea
Director



Independent auditor's report

To the Shareholders of Mainstreet Equity Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mainstreet Equity Corp. and its subsidiaries (together, the Company) as at September 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at September 30, 2023 and 2022;
- the consolidated statements of net profit and total comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

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*PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties <i>Refer to note 2 – Significant accounting policies and note 3 – Investment properties to the consolidated financial statements.</i> The Company's total investment properties as at September 30, 2023 were valued at \$3.0 billion. Investment properties are initially measured at cost and subsequently recorded at fair value. The fair value is determined through internal and external valuation processes. External valuations are obtained from independent qualified real estate appraisers (management's experts). Internal valuations are based on the same assumptions and valuation techniques used by management's experts. The Company groups its investment properties in each city by their types and geographic locations and selects samples in each group for independent appraisal. The fair values of the samples selected are compared with their carrying values. The fair value of investment properties is determined using the direct capitalization method which requires that an estimated forecasted net operating income (NOI) be divided by a capitalization rate (cap rate). The model requires certain key assumptions and estimates, which include cap rates and NOI for the property. Critical judgments were made by management in respect of these key assumptions and estimates.	Our approach to addressing the matter included the following procedures among others: • Used the work of management's experts in performing the procedures to evaluate the reasonableness of the fair value of investment properties. As a basis for using this work, management experts' competence, capability and objectivity were evaluated, their work performed was understood, and the appropriateness of the experts' work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions and methods and findings. • For a sample of investment properties, tested how management determined fair value, which included the following: - Evaluated the appropriateness of the method used. - Tested the underlying data used in the model. - Evaluated the reasonableness of key assumptions used in determining the grouping of investment properties and inspected management's appraisal schedule to assess the coverage of appraisals across each grouping throughout the year. - Evaluated the reasonableness of cap rates by comparing them to external market and industry data.



Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the critical judgments required by management, including the use of management's experts, in determining the fair values of the investment properties and the high degree of complexity in assessing audit evidence related to the key assumptions made by management. In addition, the audit effort required the use of professionals with specialized skill and knowledge in the field of real estate valuations.	- Compared the NOI used in the model to accounting records and evaluated, as applicable, whether the forecasted NOI is reasonable considering (i) the current and past leasing activity of the investment properties; (ii) the comparability with external market and industry data; and (iii) whether this assumption was aligned with evidence obtained in other areas of the audit. - Professionals with specialized skill and knowledge in the field of real estate valuations further assisted us in assessing the cap rates by (i) comparing them to externally available market data and (ii) evaluating whether the allocation of cap rates to investment properties is reasonable based on location, current leases in place and the type of investment property.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or



conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Harris.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

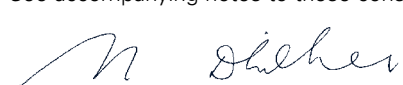
Calgary, Alberta
December 4, 2023

MAINSTREET EQUITY CORP. **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(000s of Canadian dollars)

	Sep. 30, 2023	Sep. 30, 2022
Assets		
Non-current assets		
Investment properties [Note 3]	\$ 3,051,665	\$ 2,817,905
Property and equipment [Note 4]	7,020	7,346
Intangible assets [Note 5]	949	1,031
	3,059,634	2,826,282
Current assets		
Property held for sale [Note 6]	11,994	12,508
Prepaid assets [Note 7]	3,056	2,725
Prepaid current income tax	110	110
Trade and other receivables [Note 8]	1,640	1,547
Restricted cash [Note 9]	4,982	3,901
Inventory [Note 10]	1,814	1,859
Cash and cash equivalents	81,762	44,560
	105,358	67,210
Total Assets	\$ 3,164,992	\$ 2,893,492
Liabilities		
Non-current liabilities		
Mortgages payable [Note 11]	\$ 1,418,783	\$ 1,321,072
Deferred tax liabilities [Note 12]	262,016	233,559
	1,680,799	1,554,631
Current liabilities		
Mortgages payable [Note 11]	147,030	112,381
Trade and other payables [Note 13]	10,873	9,909
Refundable security deposits [Note 14]	7,046	5,821
Bank indebtedness [Note 15]		–
	164,949	128,111
Total Liabilities	1,845,748	1,682,742
Equity		
Share capital [Note 16]	26,419	26,441
Retained earnings	1,292,825	1,184,309
Total Equity	1,319,244	1,210,750
Total Liabilities and Equity	\$ 3,164,992	\$ 2,893,492

See accompanying notes to these consolidated financial statements.



Bob Dhillon, Director



Joe Amantea, Director

November 30, 2023

MAINSTREET EQUITY CORP.

CONSOLIDATED STATEMENTS OF NET PROFIT AND TOTAL COMPREHENSIVE INCOME

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

	Sep. 30, 2023	Sep. 30, 2022
Rental revenue [Note 17]	\$ 206,803	\$ 178,014
Ancillary revenue	3,225	2,559
Total rental and ancillary revenue	210,028	180,573
Property operating expenses [Note 18]	78,721	70,908
Net operating income	131,307	109,665
Financing costs [Note 19]	47,600	42,475
General and administrative expenses [Note 18]	17,230	14,937
Depreciation	995	919
Interest income	(2,433)	(776)
Profit before change in fair value, gain from disposal and income tax	67,915	52,110
Change in fair value [Note 3]	69,512	86,890
Gain from disposal of assets	443	4,166
Profit before income tax	137,870	143,166
Deferred income tax expense (recovery) [Note 12]	28,457	22,630
Net profit and total comprehensive income	\$ 109,413	\$ 120,536
Profit per share		
– basic and fully diluted [Note 20]	\$ 11.74	\$ 12.90

See accompanying notes to these consolidated financial statements.

MAINSTREET EQUITY CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(000s of Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total Shareholders' Equity
Balance, October 1, 2021	\$ 26,494	\$ -	\$ 1,065,815	\$ 1,092,309
Shares purchased for cancellation	(53)	-	(2,042)	(2095)
Profit for the period	–	-	120,536	120,536
Balance, September 30, 2022	\$ 26,441	\$ -	\$ 1,184,309	\$ 1,210,750
Balance, October 1, 2022	\$ 26,441	\$ -	\$ 1,184,309	\$ 1,210,750
Shares purchased for cancellation [Note 16]	(22)	-	(897)	(919)
Profit for the period	–	-	109,413	109,413
Balance, September 30, 2023	\$ 26,419	\$ -	\$ 1,292,825	\$ 1,139,244

See accompanying notes to these consolidated financial statements.

MAINSTREET EQUITY CORP.

CONSOLIDATED STATEMENTS OF CASHFLOWS

(000s of Canadian dollars)

	Sep. 30, 2023	Sep. 30, 2022
Cash obtained from (used in) operating activities		
Net profit	\$ 109,413	\$ 120,536
Adjustments for:		
Depreciation	995	919
Change in fair value [Note 3]	(69,512)	(86,890)
Deferred income tax expense [Note 12]	28,457	22,630
Gain from disposal of assets	(443)	(4,166)
Financing costs [Note 19]	47,600	42,475
Deferred financing costs incurred	(6,303)	(6,614)
Interest paid on mortgages [Note 19]	(40,954)	(36,566)
Cash from operating activities before changes in non-cash working capital	69,253	52,324
Change in working capital		
Prepaid assets	(331)	(633)
Trade and other receivables	(93)	(352)
Inventory	45	40
Restricted cash	(1,081)	(256)
Trade and other payables	1,740	1,126
Refundable security deposits	1,225	434
Cash from operating activities	70,758	52,683
Financing activities		
Financing of investment properties	244,894	144,688
Mortgage principal repayments	(28,415)	(27,354)
Mortgage payments upon refinancing	(90,529)	(40,353)
Repurchase of shares	(919)	(2,095)
Cash from financing activities	125,031	74,886
Investing activities		
Purchase of and additions to investment properties [Note 3]	(158,957)	(115,425)
Purchase of and additions to property and equipment	(188)	(566)
Purchase of and additions to intangible assets	(399)	(202)
Proceeds from disposal	1,105	14,164
Purchase of and additions to property held for sale	(148)	(204)
Cash used in investing activities	(158,587)	(102,233)
Net increase in cash and cash equivalents	37,202	25,336
Cash and cash equivalents, beginning of period	44,560	19,224
Cash and cash equivalents, end of period	\$ 81,762	\$ 44,560
Cash and cash equivalents are comprised of:		
Cash	\$ –	\$ –
Short-term deposits	81,762	44,560
	\$ 81,762	\$ 44,560

See accompanying notes to these consolidated financial statements.

MAINSTREET EQUITY CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2023 and 2022

(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. Navjeet (Bob) Dhillon, President and Chief Executive Officer of the Corporation, owns approximately 46% of the outstanding common shares of the Corporation.

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 as issued by the International Accounting Standards Board ("IFRS").

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 which is the functional currency 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, MEQ Asset Management 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.

Ancillary revenue 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 40-Investment Property ("IAS 40"). Fair value represents an estimate of the amount at which the properties could be exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arm's-length transaction at the date of valuation.

Mainstreet's investment properties have been valued on a highest and best use basis and do not include any portfolio premium that may be associated with economies of scale from owning a large portfolio or the consolidation value from having compiled a large portfolio of properties over a long period of time, often through individual property acquisitions. 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 financial reporting, external valuations were obtained throughout the year 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 carrying values. The percentage changes in values of those samples selected were reviewed and applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of September 30, 2023.

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 change in fair value. 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) Current assets held for resale

Current assets held for resale include assets or groups of assets and liabilities ("disposal groups") that are available for resale 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 a current asset held for resale if the disposal is expected to take place within one year of the acquisition. Assets held for resale are valued at the lower of their carrying amount and fair value less costs to sell, unless they are investment properties accounted for in accordance with the fair value model, in which case they remain at fair value. 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) Provisions

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 an interest expense.

k) Financial instruments

Financial instruments are initially recognized at fair values. Transaction 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. Subsequent measurement is dependent on the financial instrument's classification.

Financial assets other than equity instruments

Under IFRS 9, Financial assets other than equity instruments are classified and measured at three categories: (i) amortized cost, (ii) fair value through other comprehensive income (FVTOCI), or (iii) fair value through profit and loss (FVTPL).

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

Classification IFRS 9	Definition	Measurement – IFRS 9
Amortized cost	Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.	Measured at amortized cost using the effective interest rate method less any expected credit loss. (See footnote 1 and 2).
FVTPL	Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets.	Measured at fair value with gains or losses recognized in profit or loss.
FVTOCI	Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.	Measured at fair value with gains or losses recognized in other comprehensive income.

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 using an expected credit loss impairment model, which requires the use of the lifetime expected loss provisions for expected credit losses. Generally, the carrying amount of the financial asset is reduced through the use of an allowance account.

The Corporation's financial assets are as follows:

Financial assets	Classification - IFRS 9
Trade and other receivables	Amortized cost
Restricted cash	Amortized cost
Cash and cash equivalents	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 expected credit loss.

Financial liabilities

Under IFRS 9, Financial liabilities are classified and measured as either amortized cost or FVTPL. Currently, Mainstreet carries all non-derivative financial liabilities at amortized cost. Derivative financial liabilities, if any, are measured at FVTPL:

Classification – IFRS 9	Definition	Measurement – IFRS 9
Amortized cost	If a financial liability is not held-for-trading, a derivative, or designated as FVTPL on initial recognition then it is measured at amortized cost. The classification of a financial liability is irrevocable.	Measured at amortized cost using the effective interest rate method (See footnote 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 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.

The Corporation's financial liabilities are as follows:

Financial liabilities	Classification – IFRS 9
Mortgages payable	Amortized cost
Bank indebtedness	Amortized cost
Trade and other payables	Amortized cost
Refundable security deposits	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. Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, short-term interest bearing deposits qualify as a cash equivalent as they have a maturity of 90 days or less from the date of acquisition.

Certain cash balances have restricted use and have been classified as restricted cash on the statement of financial position. Refundable security deposits for Alberta, Manitoba and Saskatchewan are considered as restricted cash as they are held in trust bank accounts and subject to the contingent rights of third parties.

m) Stock option plan

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 can elect to exercise the options by selecting cash settlement, those stock options will be classified as liabilities instead of equity in the financial statements 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 to measure fair value of investment properties;
- ii) Determining the useful lives for the property and equipment based on their estimated useful lives;
- iii) 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;
- iv) Determining the nature of expenses to be capitalized as capital improvement; and
- v) 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, net operating income 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 3 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 of mortgages for similar loans with similar credit ratings and the same maturities. Please refer to Note 21;
- iii) Allocation of purchase cost in the acquisition of investment properties is based on information from industry practice and entity specific history;
- iv) Allocation of purchase cost in the acquisition of property and equipment into different components, estimation of useful life and impairment, are based on information from industry practice and entity specific history; and
- v) 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 12 for detailed analysis.

Actual results could differ from estimates.

q) Government Grants

The Corporation receives government supplement to assist in providing affordable rental suites to low income-earning individuals. Government supplements are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and the grants will be received. In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance (“IAS 20”), the supplement is being recognized in rental revenue on a consistent basis and evenly over the periods of the grant that offered to the affordable suites.

3. Investment properties

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Balance, beginning of year	\$ 2,817,905	\$ 2,616,154
Additions related to acquisitions	138,931	91,772
Building improvements	25,465	23,873
Reclass to property and equipment	–	(580)
Property held for resale	(148)	(204)
Change in fair value	69,512	86,890
Balance, end of year	\$ 3,051,665	\$ 2,817,905

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 groups its investment properties in each city by their types and geographic locations. Samples are selected in each group for independent appraisal. The fair value of the sampled investment properties held by the Corporation as of September 30, 2023 and September 30, 2022, were determined through external valuations 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 the relevant locations. The appraised values of the samples selected are compared with their appraised values of the previous corresponding financial quarters. The percentage changes in values of those samples selected were reviewed and applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of September 30, 2023 and September 30, 2022. Properties are selected on a rotational basis and approximately 40% of the Corporation's portfolio is externally valued annually. For the year ended September 30, 2023, a fair value gain of \$69.5 million was recorded on the financial statement as a result of changes in the fair value of investment properties based on the most recent market conditions in the reporting periods.

In arriving at a capitalization rate for each property, the Corporation has applied qualitative adjustments to the recent sales of comparable properties in a similar market. The average capitalization rates used in determining the fair value of investment properties are set out below:

	Sep. 30, 2023	Sep. 30, 2022
Lower Mainland, BC	3.77%	3.68%
BC excluding Lower Mainland	4.87%	4.35%
Calgary, Alberta	5.94%	5.07%
Edmonton, Alberta	5.71%	5.42%
Saskatoon, Saskatchewan	5.82%	5.47%
Regina, Saskatchewan	6.01%	5.48%
Winnipeg, Manitoba	5.81%	5.79%
Investment properties-weighted average capitalization rate	5.20%	4.79%

The Corporation uses the direct capitalization method to determine a fair value, which requires that an estimated forecasted net operating income ("NOI") be divided by a capitalization rate ("Cap Rate"). 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 Sep 30, 2023

Net operating income		-3%		-1%		As estimated		+1%		+3%
	\$	153,738	\$	156,908	\$	158,493		\$ 160,078		\$ 163,248
Capitalization rate										
-0.25%	4.95%	\$ 54,157	\$	118,195	\$	150,214		\$ 182,233		\$ 246,270
Cap rate used	5.20%	\$ (95,161)	\$	(34,202)	\$	3,051,665		\$ 26,757		\$ 87,716
+0.25%	5.45%	\$ (230,780)	\$	(172,618)	\$	(143,537)		\$ (114,755)		\$ (56,293)

As at September 30, 2022

Net operating income		-3%		-1%		As estimated		+1%		+3%
	\$	130,682	\$	133,377	\$	134,724		\$ 136,071		\$ 138,766
Capitalization rate										
-0.25%	4.54%	\$ 60,559	\$	119,909	\$	149,584		\$ 179,259		\$ 238,609
Cap rate used	4.79%	\$ (89,674)	\$	(33,421)	\$	2,817,905		\$ 22,831		\$ 79,083
+0.25%	5.04%	\$ (225,003)	\$	(171,541)	\$	(144,810)		\$ (118,079)		\$ (64,617)

Investment properties with a fair value of \$2,584 million (September 30, 2022 - \$2,486 million) are pledged as security against the Corporation's mortgages payable.

For the year ended September 30, 2023, investment properties earned rental income (excluding ancillary revenue) of \$206.8 million (2022 - \$178.0 million).

For the year ended September 30, 2023, operating expenses relating to investment properties were \$78.7 million (2022 - \$70.9 million).

4. PROPERTY AND EQUIPMENT

The carrying amounts of property and equipment were as follows:

(000s of dollars)		September 30, 2023			September 30, 2022		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value	
Land	\$ 2,454	\$ -	\$ 2,454	\$ 2,454	\$ -	\$ 2,454	
Building	5,443	1,934	3,509	5,408	1,745	3,663	
Equipment	563	323	240	546	264	282	
Furniture	961	649	312	954	573	381	
Vehicles	462	392	70	439	359	80	
Computers	2,886	2,451	435	2,781	2,295	486	
	\$ 12,769	\$ 5,749	\$ 7,020	\$ 12,582	\$ 5,236	\$ 7,346	

The changes of the carrying amount of the property and equipment for the year ended September 30, 2023 were as follows:

(000s of dollars)

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Land	\$ 2,454	\$ -	\$ -	\$ -	\$ 2,454
Building	3,663	35	-	(189)	3,509
Equipment	282	17	-	(59)	240
Furniture	381	7	-	(76)	312
Vehicles	80	23	-	(33)	70
Computers	486	106	-	(157)	435
	\$ 7,346	\$ 188	\$ -	\$ (514)	\$ 7,020

The changes of the carrying amount of the property and equipment for the year ended September 30, 2022 were as follows:

(000s of dollars)

	Opening net book value	Additions	Dispositions	Depreciation	Closing net book value
Land	\$ 2,397	\$ 57	\$ -	\$ -	\$ 2,454
Building	3,231	631	-	(199)	3,663
Equipment	196	143	-	(57)	282
Furniture	460	14	-	(93)	381
Vehicles	108	28	(33)	(23)	80
Computers	373	275	-	(162)	486
	\$ 6,765	\$ 1,148	\$ (33)	\$ (534)	\$ 7,346

5. INTANGIBLE ASSETS

The carrying amount of the intangible asset was as follows:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Balance, beginning of year	\$ 1,031	\$ 1,193
Additions related to software development	399	202
Depreciation	(481)	(364)
Balance, end of year	\$ 949	\$ 1,031

6. PROPERTY HELD FOR SALE

During the year ended September 30, 2021, the Corporation acquired a property with 136 units for resale purposes in Calgary, Alberta. The Corporation has sold 71 units as of September 30, 2023. The Corporation expects to dispose of the remaining units within the next 12 months, and consequently, the asset is presented within the current assets section.

7. PREPAID ASSETS

Prepaid assets comprise prepaid property tax, license expenses and utility deposits:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Prepaid expenses	\$ 3,052	\$ 2,721
Utility Deposits	4	4
	\$ 3,056	\$ 2,725

8. TRADE AND OTHER RECEIVABLES

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

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Trade Receivables	\$ 406	\$ 848
Other Receivables	1,234	699
	\$ 1,640	\$ 1,547

9. RESTRICTED CASH

Certain cash balances have restricted use are classified as restricted cash on the statement of financial position. Refundable security deposits for Alberta, Manitoba 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)

	Sep. 30, 2023	Sep. 30, 2022
Restricted refundable security deposits	\$ 4,931	\$ 3,852
Restricted Cash	51	49
	\$ 4,982	\$ 3,901

10. INVENTORY

Inventories consists of renovation materials such as carpet, flooring and appliances which the Corporation uses to upgrade its investment properties. Inventories are measured at the lower of cost and net realizable value. No amount of write-down of inventory was recognized for the years ended September 30, 2023 and 2022:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Inventory	\$ 1,814	\$ 1,859

11. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average interest rate of 2.79% (September 30, 2022 – 2.57%) per annum and are payable in monthly principal and interest installments totaling \$6.0 million (September 30, 2022 - \$5.4 million), maturing from 2024 to 2032 and are secured by specific charges against specific investment properties, having a fair value of \$2,584 million (September 30, 2022 - \$2,486 million).

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Non-current	\$ 1,418,783	\$ 1,321,072
Current	147,030	112,381
	\$ 1,565,813	\$ 1,433,453

The following table reconciles the changes in cash flows from financing activities for long-term debt:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Opening balance	\$ 1,433,453	\$ 1,357,177
Financing of investment properties	244,894	144,688
Mortgage assumed to purchase investment properties	6,067	–
Mortgage principal repayments	(28,415)	(27,354)
Mortgage payments upon refinancing	(90,529)	(40,353)
Deferred financing cost	343	(705)
Closing balance	\$ 1,565,813	\$ 1,433,453

Estimated principal payments required to retire the mortgage obligations as of September 30, 2023 are as follows:

(000s of dollars)

Years ending September 30,	Amount
2024	\$ 154,097
2025	161,320
2026	266,548
2027	88,329
2028	122,357
Subsequent	811,729
	1,604,380
Deferred financing cost	(38,567)
	\$ 1,565,813

12. DEFERRED INCOME TAX

Income tax expense comprises:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Deferred income tax	\$ 28,457	\$ 22,630

No current or deferred income taxes were recognized in equity for the years ended September 30, 2023 and 2022. 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)

	Sep. 30, 2023	Sep. 30, 2022
Profit from operations before income tax	\$ 137,870	\$ 143,166
Statutory tax rate	24.47%	24.56%
Computed expected tax	33,737	35,162
Increase (Decrease) in deferred tax liabilities for non-taxable portion of capital gain	(5,337)	(10,660)
Increase (Decrease) in deferred tax liabilities for changes in future tax rate	1,048	(1,987)
Other	(991)	115
	\$ 28,457	\$ 22,630

As of September 30, 2023, and September 30, 2022, the Corporation does not have any unrecognized deductible temporary differences.

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

(000s of dollars)

Deferred tax liabilities	Sep. 30, 2022	Recognized in profit	Sep. 30, 2023
Differences in tax and book carrying amounts of investment properties and property, plant and equipment	\$ 229,002	\$ 27,918	\$ 256,920
Differences in tax and book carrying amounts of deferred financing cost	4,557	539	5,096
Deferred tax liabilities	\$ 233,559	\$ 28,457	\$ 262,016

(000s of dollars)

Deferred tax liabilities	Sep. 30, 2021	Recognized in profit	Sep. 30, 2022
Differences in tax and book carrying amounts of Investment properties and property, plant and equipment	\$ 206,863	\$ 22,139	\$ 229,002
Differences in tax and book carrying amounts of deferred financing cost	4,066	491	4,557
Deferred tax liabilities	\$ 210,929	\$ 22,630	\$ 233,559

13. TRADE AND OTHER PAYABLES

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

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Trade payables and accrued liabilities	\$ 9,394	\$ 8,328
Deferred revenue	1,479	1,581
	\$ 10,873	\$ 9,909

14. REFUNDABLE SECURITY DEPOSITS

Refundable security deposits for Alberta, Manitoba 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)

	Sep. 30, 2023	Sep. 30, 2022
Refundable security deposit	\$ 7,046	\$ 5,821

15. 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 1.15%. 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 2, 2025. As at September 30, 2023, the Corporation has drawn \$Nil (September 30, 2022 - \$Nil) against this credit facility.

Additionally, in 2022, the Corporation entered a \$45 million revolving credit facility with a third-party financial institution, which carries an interest rate equal to the prime rate. As at September 30, 2023, the Corporation has drawn \$Nil (September 30, 2022 - \$Nil) against this credit facility.

Both facilities contain 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, 2023, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 48% and 1.69, respectively.

16. 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 Sep. 30, 2023		Year ended Sep. 30, 2022	
	Number of common shares	Amount (000s)	Number of common shares	Amount (000s)
Issued and outstanding				
– beginning of the period	9,326,718	\$ 26,441	9,345,218	\$ 26,494
Shares purchased for cancellation	(7,900)	(22)	(18,500)	(53)
Issued and outstanding				
– end of the period	9,318,818	\$ 26,419	9,326,718	\$ 26,441

All common shares have an equal right to dividends.

On June 1, 2023, Mainstreet announced that it had obtained approval from the Toronto Stock Exchange ("TSX") to repurchase up to 474,499 common shares of the Corporation under a Normal Course Issuer Bid ("NCIB") commencing June 3, 2023. The current NCIB expires on June 2, 2024. The Corporation's previous NCIB expired on May 31, 2023.

During 2023 and 2022, the Corporation purchased and cancelled 7,900 (2022 – 18,500) common shares at an average price of \$116.33 (2022 – \$113.24) respectively, per common share under its NCIB.

17. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Rental revenue	\$ 204,925	\$ 176,659
Other rental revenue (1) (2)	1,878	1,355
	\$ 206,803	\$ 178,014

(1) Consists of revenues from parking and recovery of certain operating costs.

(2) The Corporation recognized a government grant of \$300,000 for rental supplement purposes from The Manitoba Housing and Renewal Corporation during 2023. The rental supplement is recognized as other rental revenue on a consistent basis and recognized evenly over the periods.

18. EXPENSES BY NATURE

The components of property operating expenses and general and administrative expenses are as follows:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Salaries, wages and employee benefits	\$ 32,301	\$ 27,607
Utility	26,539	23,225
Property tax	17,675	16,588
Repair and maintenance	6,666	6,006
Insurance	4,953	5,305
Other	3,941	3,905
Legal and other professional expenses	2,655	2,100
Advertising and Marketing	1,221	1,109
Total Operating and G&A expenses	\$ 95,951	\$ 85,845

19. FINANCING COSTS

The components of financing costs are as follows:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Mortgage interest	\$ 40,954	\$ 36,566
Amortization of deferred of financing cost	6,646	5,909
Financing costs	\$ 47,600	\$ 42,475

20. 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)

	Sep. 30, 2023	Sep. 30, 2022
Numerator		
Net profit	\$ 109,413	\$ 120,536
Denominator		
For basic profit per share		
Weighted average shares	109,413	\$ 120,536
Dilutive effect of stock options	–	–
For diluted profit per share	9,320,447	9,341,683
Profit per share		
– basic	\$ 11.74	\$ 12.90
– diluted	\$ 11.74	\$ 12.90

21. 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, 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, 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)

		Sep. 30, 2023		Sep. 30, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Restricted cash	Level 2	\$ 4,982	\$ 4,982	\$ 3,901	\$ 3,901
Cash and cash equivalents	Level 2	81,762	81,762	44,560	44,560
Trade and other receivables	Level 2	1,640	1,640	1,547	1,547
Financial liabilities:					
Mortgages payable	Level 2	1,565,813	1,457,667	1,433,453	1,359,828
Trade and other payables	Level 2	10,873	10,873	9,909	9,909
Refundable security deposits	Level 1	\$ 7,046	\$ 7,046	\$ 5,821	\$ 5,821

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

(000s of dollars)

		Sep. 30, 2023		Sep. 30, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-financial assets:					
Investment properties	Level 3	\$3,051,665	\$3,051,665	\$ 2,817,905	\$ 2,817,905

22. 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.

Inflation, Labour Shortages and Supply Chain Risk

There is a risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, interest rates and regional rent controls. Canada saw significant inflation in the latter part of 2022 with the effects of inflation continuing to be felt in the first half of 2023, against the backdrop of sustained higher housing process, substantial supply constraints and geopolitical conflicts, all of which have increased prices for energy and agricultural markets. There has also been significant disruption to the global supply chain in the past year, including as a result of Russia's ongoing invasion of Ukraine, further disrupting global recovery as economies emerge from the impact of the pandemic. Further, as labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. All of this increases the supply risk to the Corporation.

Interest rate risk

The Corporation is exposed to interest rate risk to the extent of any upward or downward revision in prime lending rates. Increases in the interest rate, such as those seen throughout 2022 and 2023, have the potential to adversely affect the profitability of the Corporation. The Corporation attempts to mitigate this risk by staggering the maturity dates for its mortgages. The majority of Mainstreet's mortgages and fixed-rate mortgage financings are 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.

Previously, the Corporation had seen the mortgage interest rate for a 10-year fixed CHMC mortgage remain at a low level which has provided an opportunity for the Corporation to obtain financing at lower interest rates when mortgages matured and needed to be renewed. The Corporation took advantage of this opportunity and fixed 100% of its long-term debt into fixed rate debts, of which 99% are fixed as CMHC insured mortgages at an average interest rate of 2.79%. However, the mortgage rate for a

10-year fixed CHMC mortgage has increased by almost 150 basis points since the beginning of the financial year. The Corporation will continue to cautiously monitor this trend in interest rates and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

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, 2023, rents due from current tenants amounted to \$665,000 (September 30, 2022 - \$1,080,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$7.0 million (September 30, 2022 - \$5.8 million) and provisions for bad debts of \$160,000 (September 30, 2022 - \$160,000).

The aging bands of rents due from current tenants as at September 30, 2023 and September 30, 2022 are outlined in the table below:

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
0-30 days	\$ 468	\$ 699
31-60 days	105	171
61-90 days	21	24
Over 90 days	71	186
Total rents due from current tenants	\$ 655	\$ 1,080

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

Liquidity Risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial 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 as at September 30, 2023 are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	\$ 154,097	161,320	266,548	88,329	934,086	\$1,604,380
Mortgage interest payable	44,841	39,875	34,281	27,951	71,100	218,048
Trade and other payables	10,873	—	—	—	—	10,873
Refundable security deposits	\$ 7,046	—	—	—	—	\$ 7,046

The timing of cash outflows relating to financial liabilities as at September 30, 2022 are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	\$ 118,619	152,357	84,429	265,178	851,780	\$1,472,363
Mortgage interest payable	37,828	34,050	29,154	26,970	79,230	207,232
Trade and other payables	9,909	—	—	—	—	9,909
Refundable security deposits	\$ 5,821	—	—	—	—	\$ 5,821

Pandemic and Other Disease Risk

The COVID-19 pandemic has illustrated the substantial impact a pandemic can have on the economy. Uncertain economic conditions resulting from this or any pandemic may, in the short or long term, have a materially adverse impact on the

Corporation's tenants and/or capital markets, both of which could materially adversely affect the Corporation's operations and financial performance. It remains difficult to reliably estimate the impact of pandemics or other diseases on the financial results and condition of the Corporation in future periods.

23. GUARANTEES, CONTINGENCIES AND 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, 2023, and September 30, 2022, no amounts have been recorded and none are required to be disclosed in the consolidated financial statements with respect to guarantees, contingencies and commitments.

24. RELATED PARTY TRANSACTIONS

- a) The President and Chief Executive Officer is paid a commission at commercial rates in his capacity as a licensed broker for certain property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. Except in very limited circumstances, these commissions are paid by the selling third party or third parties to the transaction. The commissions received by the President and Chief Executive Officer during the year ended September 30, 2023, amounted to \$356,027 (2022 – \$343,893).

These commissions form part of the CEO's annual compensation. Each year the Chief Executive Officer is entitled to receive an annual performance bonus based upon pre-determined performance goals and discretionary bonus amounts determined by the board of directors. In making such determination, the board of directors takes in consideration the amount of commissions paid to the Chief Executive Officer during each year, such that once determined, that portion of the annual performance bonus paid in cash to the CEO by the Corporation amounts to the difference between the amount of the CEO's annual performance bonus determined by the board of directors, if any, less the amount of commissions paid to the Chief Executive Officer during that year.

As a result, the actual portion of the discretionary bonus, if any, paid by the Corporation each year to the Chief Executive Officer will be reduced by the amount of third party paid commissions to the Chief Executive Officer during that year.

- b) The Corporation paid legal and professional fees and reimbursements for the year ended September 30, 2023, amounting to \$457,831 (2022 - \$473,096) to a law firm of which a director and officer of the Corporation is a Senior Associate. As at September 30, 2023, the amounts payable to the law firm were \$Nil (September 30, 2022 – \$315). These fees were incurred at amounts which in management's opinion approximate fair market value that would be incurred by a third-party law firm.

25. KEY MANAGEMENT PERSONNEL

Key management personnel of the Corporation during the year ended September 30, 2023, were:

Navjeet (Bob) Dhillon, President and Chief Executive Officer

Trina Cui, Chief Financial Officer

Sheena Keslick, Vice President Operations

Anthony Lam, Operating Officer

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

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
Short-term benefits	\$ 4,249	\$ 3,235

The remuneration paid by the Corporation to the Corporation's key management personnel excludes the commissions received by the President and Chief Executive Officer during the year ended September 30, 2023 which amounted to \$356,027 (2021 – \$343,893).

Unless Mr. Dhillon's employment is terminated for cause, as defined under the employment agreement, the Corporation shall, upon termination, or within two (2) years if he voluntarily resigns after a change of control or if he becomes permanently disabled:

- pay, in lieu of reasonable notice an amount equal to his monthly salary at the highest rate in effect during the twenty (24) months immediately preceding the date of termination multiplied by 36 months;
- cause all outstanding options to purchase shares of the Corporation granted to Mr. Dhillon pursuant to any stock option plan of the Corporation to vest and become exercisable;
- pay reasonable cost of financial, estate and career counseling and related expenses in connection with such termination to a maximum amount of \$10,000.

26. 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)

	Sep. 30, 2023	Sep. 30, 2022
BRITISH COLUMBIA		
Rental revenue	\$ 49,333	\$ 44,344
Other rental revenue	585	533
Ancillary revenue	915	874
Property operating expenses	13,436	12,167
Net operating income	37,397	33,584
Change in fair value	22,355	43,060
ALBERTA		
Rental revenue	\$ 116,838	\$ 98,798
Other rental revenue	944	788
Ancillary revenue	1,529	1,193
Property operating expenses	47,635	43,404
Net operating income	71,676	57,375
Change in fair value	43,280	28,285
SASKATCHEWAN		
Rental revenue	\$ 36,420	\$ 32,744
Other rental revenue	43	32
Ancillary revenue	445	472
Property operating expenses	16,263	14,980
Net operating income	20,645	18,268
Change in fair value	4,586	15,723
MANITOBA		
Rental revenue	\$ 2,334	\$ 733
Other rental revenue	306	2
Ancillary revenue	336	20

Property operating expenses	1,387	357
Net operating income	1,589	438
Change in fair value	(709)	(178)
TOTAL		
Rental revenue	\$ 204,925	\$ 176,659
Other rental revenue	1,878	1,355
Ancillary revenue	3,225	2,559
Property operating expenses	78,721	70,908
Net operating income	131,307	109,665
Change in fair value	69,512	86,890
Gain from disposal of assets	443	4,166
Unallocated revenue*	2,433	776
Unallocated expenses**	94,282	80,961
Profit for the period	\$ 109,413	\$ 120,536

* Unallocated revenue represents interest income and other income.

** Unallocated expenses include general and administrative expenses, mortgage interest, financing cost, depreciation and deferred income taxes.

IDENTIFIABLE ASSETS AND LIABILITIES

(000s of dollars)

	Sep. 30, 2023	Sept. 30, 2022
BRITISH COLUMBIA		
Investment properties	\$ 980,731	\$ 925,867
Property and equipment	20	28
Mortgages payable	314,110	337,356
Refundable security deposits	2,115	1,927
ALBERTA		
Investment properties	\$ 1,582,910	\$ 1,437,752
Property and equipment	6,111	6,403
Mortgages payable	970,773	818,649
Refundable security deposits	3,809	3,156
SASKATCHEWAN		
Investment properties	\$ 453,395	\$ 444,315
Property and equipment	886	914
Mortgages payable	280,930	277,448
Refundable security deposits	969	696
MANITOBA		
Investment properties	\$ 34,629	\$ 9,971
Property and equipment	3	1
Mortgages payable	—	—
Refundable security deposits	153	42
TOTAL		
Investment properties	\$ 3,051,665	\$ 2,817,905
Property and equipment	7,020	7,346
Mortgages payable	1,565,813	1,433,453
Refundable security deposits	7,046	5,821

IDENTIFIABLE ACQUISITION AND CAPITAL EXPENDITURES

(000s of dollars)

	Sep. 30, 2023	Sep. 30, 2022
BRITISH COLUMBIA	\$ 32,511	\$ 23,752
ALBERTA	102,819	79,863
SASKATCHEWAN	4,514	9,745
MANITOBA	25,369	2,820
TOTAL	\$ 165,213	\$ 116,180

27. 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, 2023 amounted to \$2,885 million (September 30, 2022 - \$2,644 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 adjusts 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)

	Sep. 30, 2023	Sep. 30, 2022
Mortgages payable	\$ 1,565,813	\$ 1,433,453
Total equity	1,319,244	1,210,750
Total capital	\$ 2,885,057	\$ 2,644,203

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, 2023 is approximately 49% (September 30, 2022 – 49%) 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)

	Sep. 30, 2023	Sep. 30, 2022
Mortgages payable	\$ 1,565,813	\$ 1,433,453
Cash and cash equivalents	81,915	44,560
Total debts	\$ 1,483,898	\$ 1,388,893
Investment properties	\$ 3,051,665	\$ 2,817,905
Debt to fair value ratio	49%	49%

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.

28. SUBSEQUENT EVENTS

Subsequent to year-end September 30, 2023, the Corporation acquired additional 355 residential units in the Provinces of Alberta, British Columbia and Saskatchewan for a total consideration of \$44.4 million.

Subsequent to year-ended September 30, 2023, the Corporation financed 21 clear title properties for an additional net funding of \$76.7 million at an average rate of 4.53%.

29. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on November 30, 2023.

CORPORATE INFORMATION

OFFICERS

President & CEO

Bob Dhillon
Calgary, AB

Chief Financial Officer

Trina Cui
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

Joe Amantea
Calgary, AB

Ron B. Anderson
Vancouver, BC

Bob Dhillon
Calgary, AB

Audit Committee

Chair

John Irwin
London, ON

Rich Grimaldi
Westport, CT

Ron B. Anderson
Vancouver, BC

Executive Compensation Committee

Chair

Ron B. Anderson
Vancouver, BC

Joe Amantea
Calgary, AB

Risk Management Committee

Chair

Ron B. Anderson
Vancouver, BC

Rich Grimaldi
Westport, CT

Safety Committee

Chair

John Irwin
London, ON

Joe Amantea
Calgary, AB

Cyber Security Committee

Chair

Karanveer Dhillon
San Francisco, CA

Rich Grimaldi
Westport, CT

REGISTRAR & TRANSFER AGENT

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Suite 3100, East Tower
Calgary, AB

SOLICITORS

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Centennial Place, East Tower
1900, 520 – 3 Avenue SW
Calgary, AB

BANKERS

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Calgary, AB

ATB
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Calgary, AB

TD Canada Trust
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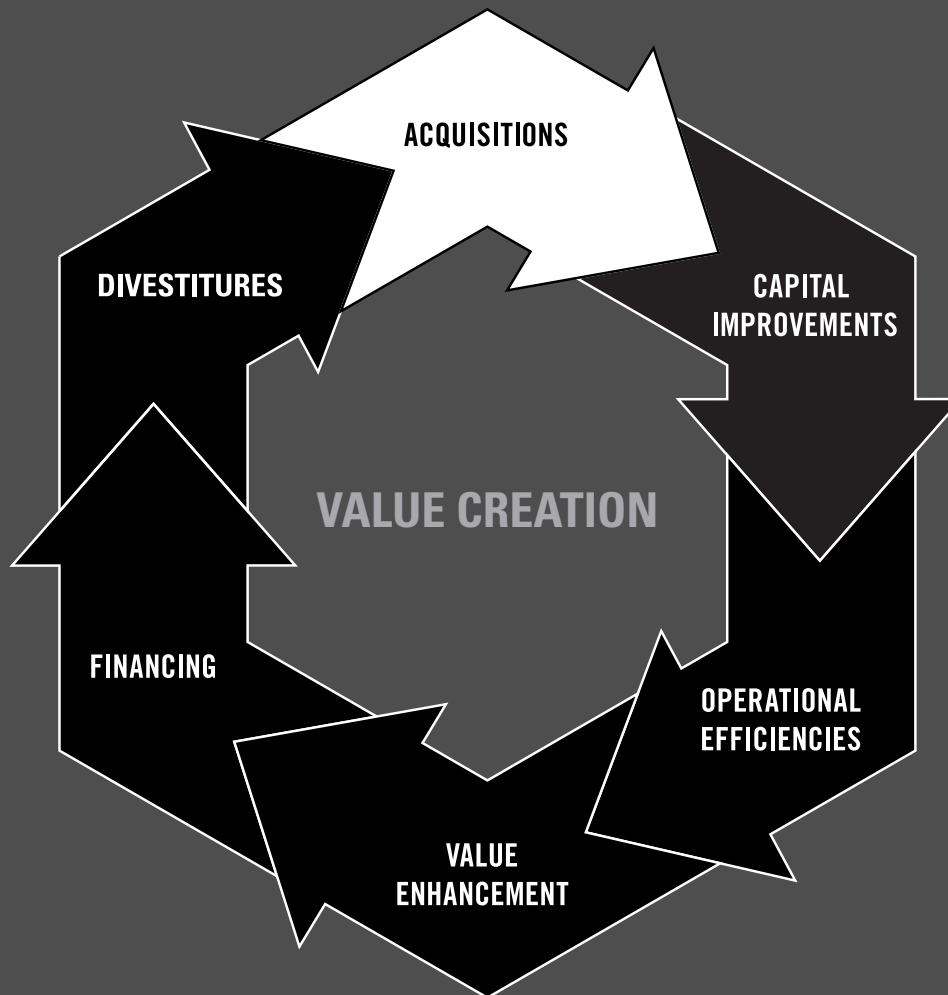
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STOCK EXCHANGE

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 17,462 units (YTD) with appraised values of approximately \$3.0 billion with minimal equity dilution.**