

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(\$000s of Canadian dollars)

	Dec. 31, 2023	Sep. 30, 2023
Assets		
Non-current assets		
Investment properties [Note 3]	\$ 3,160,234	\$ 3,051,665
Property and equipment	7,003	7,020
Intangible assets	673	949
	3,167,910	3,059,634
Current assets		
Property held for sale [Note 4]	11,826	11,994
Prepaid assets	6,806	3,056
Prepaid current income tax	-	110
Trade and other receivables	1,981	1,640
Restricted cash	5,174	4,982
Inventory	1,345	1,814
Cash and cash equivalents	142,030	81,762
	169,162	105,358
Total Assets	\$ 3,337,072	\$ 3,164,992
Liabilities		
Non-current liabilities		
Mortgages payable [Note 5]	\$ 1,511,871	\$ 1,418,783
Deferred tax liabilities	269,008	262,016
	1,780,879	1,680,799
Current liabilities		
Mortgages payable [Note 5]	147,099	147,030
Trade and other payables	12,740	10,873
Current income tax payable	1,268	-
Refundable security deposits	7,294	7,046
	168,401	164,949
Total Liabilities	1,949,280	1,845,748
Equity		
Share capital [Note 7]	26,419	26,419
Retained earnings	1,361,373	1,292,825
Total Equity	1,387,792	1,319,244
Total Liabilities and Equity	\$ 3,337,072	\$ 3,164,992

See accompanying notes to these interim condensed consolidated financial statements.



Bob Dhillon, Director

February 5, 2024



Joe Amantea, Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT AND TOTAL COMPREHENSIVE INCOME

Unaudited

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

Three months ended December 31,	2023	2022
Rental revenue [Note 8]	\$ 57,456	\$ 48,270
Ancillary revenue	886	592
Total rental and ancillary revenue	58,342	48,862
Property operating expenses [Note 9]	21,297	18,759
Net operating income	37,045	30,103
Financing costs [Note 10]	13,459	11,057
General and administrative expenses [Note 9]	4,609	3,866
Depreciation	397	193
Interest income	(1,778)	(535)
Profit before change in fair value, gain from disposal, and income tax	20,358	15,522
Change in fair value [Note 3]	56,423	2,923
Gain from disposal of assets	136	-
Profit before income tax	76,917	18,445
Current income tax expense	1,378	-
Deferred income tax expense	6,991	3,443
Net profit and total comprehensive income	\$ 68,548	\$ 15,002
Profit per share		
– basic and fully diluted [Note 11]	\$ 7.36	\$ 1.61

See accompanying notes to these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(\$000s of Canadian dollars)

	Share Capital	Retained Earnings	Total Shareholders' Equity
Balance, October 1, 2022	\$ 26,441	\$ 1,184,309	\$ 1,210,750
Shares purchased for cancellation	(14)	(545)	(559)
Profit for the period	-	15,002	15,002
Balance, December 31, 2022	\$ 26,427	\$ 1,198,766	\$ 1,225,193
Balance, October 1, 2023	\$ 26,419	\$ 1,292,825	\$ 1,319,244
Shares purchased for cancellation [Note 7]	-	-	-
Profit for the period	-	68,548	68,548
Balance, December 31, 2023	\$ 26,419	\$ 1,361,373	\$ 1,387,792

See accompanying notes to these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS

Unaudited

(\$000s of Canadian dollars)

Three months ended December 31,	2023	2022
Cash obtained from (used in) operating activities		
Net profit	\$ 68,548	\$ 15,002
Adjustments for:		
Depreciation	397	193
Change in fair value	(56,423)	(2,923)
Deferred income tax expense	6,991	3,443
Gain from disposal of assets	(136)	-
Financing costs [Note 10]	13,459	11,057
Deferred financing costs incurred	(1,476)	(471)
Interest paid on mortgages [Note 10]	(11,676)	(9,477)
Cash from operating activities before changes in non-cash working capital	19,684	16,824
Change in working capital		
Prepaid assets	(3,750)	(5,476)
Trade and other receivables	(341)	127
Inventory	469	(130)
Restricted cash	(192)	(258)
Trade and other payables	1,274	1,164
Current income tax payable	1,378	-
Refundable security deposits	248	276
Cash from operating activities	18,770	12,527
Financing activities		
Bank indebtedness	-	568
Financing of investment properties	76,712	5,751
Mortgage principal repayments	(7,214)	(6,935)
Mortgage payments upon refinancing	-	-
Repurchase of shares	-	(559)
Cash from financing activities	69,498	(1,175)
Investing activities		
Purchase of and additions to investment properties [Note 3]	(28,200)	(34,217)
Purchase of and additions to property and equipment	(97)	(26)
Purchase of and additions to intangible assets	(7)	(116)
Proceeds from disposal	323	-
Purchase of and additions to property held for sale	(19)	(61)
Cash used in investing activities	(28,000)	(34,420)
Net (decrease) increase in cash and cash equivalents	60,268	(23,068)
Cash and cash equivalents, beginning of period	81,762	44,560
Cash and cash equivalents, end of period	\$ 142,030	\$ 21,492
Cash and cash equivalents are comprised of:		
Cash	\$ 24,156	\$ -
Short-term deposits	117,874	21,492
	\$ 142,030	\$ 21,492

See accompanying notes to these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended December 31, 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 600, 1331 Macleod Trail SE Calgary, Alberta T2G 0k3 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 interim condensed consolidated financial statements of the Corporation have been prepared in compliance with IFRS Accounting Standards (as issued by the International Accounting Standards Board) applicable to preparation of interim financial statements under IAS 34, Interim Financial Reporting. Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with IFRS Accounting Standards have been omitted or condensed and, therefore, these financial statements should be read in conjunction with the annual audited consolidated financial statements for the fiscal year ended September 30, 2023.

b) Basis of presentation

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair value. The interim condensed 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 are same as those used at the fiscal year ended September 30, 2023 and have been applied consistently in all material respects.

c) Basis of consolidation

The interim condensed 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) 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 12;
- 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 future income tax rate used to arrive at future income tax balances.

Actual results could differ from estimates.

e) Government Grant

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 that 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 straight-line basis over the term of the grant that offered to the affordable suites.

3. Investment properties

(000s of dollars)

	Three months ended Dec. 31, 2023	Year ended Sep. 30, 2023
Balance, beginning of year	\$ 3,051,665	\$ 2,817,905
Additions related to acquisitions	44,874	138,931
Building improvements	7,453	25,465
Reclass to property and equipment	—	—
Property held for resale	(181)	(148)
Change in fair value	56,423	69,512
Balance, end of year	\$ 3,160,234	\$ 3,051,665

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 December 31, 2023 and September 30, 2023, 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 applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of December 31, 2023 and September 30, 2023. Properties are selected on a rotational basis and approximately 40% of the Corporation's portfolio is externally valued annually. For the three month period ended December 31, 2023, a fair value gain of \$56.4 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 an appropriate 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:

	Dec. 31, 2023	Sep. 30, 2023
Lower Mainland, BC	4.81%	3.77%
BC excluding Lower Mainland	4.87%	4.87%
Calgary, Alberta	6.03%	5.94%
Edmonton, Alberta	5.73%	5.71%
Saskatoon, Saskatchewan	5.61%	5.82%
Regina, Saskatchewan	5.72%	6.01%
Winnipeg, Manitoba	5.79%	5.81%
Investment properties-weighted average capitalization rate	5.51%	5.20%

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 December 31, 2023

		-3%	-1%	As estimated	+1%	+3%
Net operating income		\$ 168,162	\$ 171,629	\$ 173,363	\$ 175,097	\$ 178,564
Capitalization rate						
-0.25%	4.95%	\$ 236,980	\$ 307,026	\$ 342,049	\$ 377,072	\$ 447,117
Cap rate used	5.20%	\$ 73,653	\$ 140,331	\$ 3,160,234	\$ 207,009	\$ 273,687
+0.25%	5.45%	\$ (74,691)	\$ (11,071)	\$ 20,738	\$ 52,548	\$ 116,168

As at September 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
Cap rate used	5.20%	\$ (95,161)	\$ (34,202)	\$3,051,665	\$ 26,757
+0.25%	5.45%	\$ (230,780)	\$ (172,618)	\$ (143,537)	\$ (114,455)
		\$ (56,293)			

Investment properties with a fair value of \$2,773 million (September 30, 2023 - \$2,584 million) are pledged as security against the Corporation's mortgages payable.

4. 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 72 units as of December 31, 2023. The Corporation is actively selling the remaining units and expects to dispose of the remaining units within the next 12 months, and consequently, the asset is presented within the current assets section.

5. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average interest rate of 2.89% (September 30, 2023 - 2.79%) per annum and are payable in monthly principal and interest installments totaling \$6.5 million (September 30, 2023 - \$6.0 million), maturing from 2024 to 2032 and are secured by specific charges against specific investment properties, having a fair value of \$2,773 million (September 30, 2023 - \$2,584 million).

(000s of dollars)

	Dec. 31, 2023	Sep. 30, 2023
Non-current	\$ 1,511,871	\$ 1,321,072
Current	147,099	112,381
	\$ 1,658,970	\$ 1,565,813

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

(000s of dollars)

	Dec. 31, 2023	Sep. 30, 2023
Opening balance	\$ 1,565,813	\$ 1,433,453
Financing of investment properties	76,712	244,894
Mortgage assumed to purchase investment properties	23,354	6,067
Mortgage principal repayments	(7,214)	(28,415)
Mortgage payments upon refinancing	-	(90,529)
Deferred financing cost	305	343
Closing balance	\$ 1,658,970	\$ 1,565,813

Estimated principal payments required to retire the mortgage obligations as of December 31, 2023 are as follows:

(000s of dollars)

Years ending September 30,	Amount
2024	\$ 147,723
2025	162,174
2026	273,187
2027	88,940
2028	122,996
Subsequent	902,211
	1,697,231
Deferred financing cost	(38,261)
	\$ 1,658,970

6. 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 December 31, 2023, the Corporation has drawn \$Nil (September 30, 2023 - \$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 December 31, 2023, the Corporation has drawn \$Nil (September 30, 2023 - \$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 December 31, 2023, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 48% and 1.74, respectively.

7. 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:

	Three months ended December 31, 2023		Year ended September 30, 2023	
	Number of common shares	Amount	Number of common shares	Amount
Issued and outstanding				
– beginning of the period	9,318,818	\$ 26,419	9,326,718	\$ 26,441
Shares purchased for cancellation	-	-	(7,900)	(22)
Issued and outstanding				
– end of the period	9,318,818	\$ 26,419	9,318,818	\$ 26,419

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 the three months ended December 31, 2023 and 2022, the Corporation purchased and cancelled Nil (2022 – 4,900) common shares under its NCIB.

8. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

(000s of dollars)

Three months ended December 31,	2023	2022
Rental revenue	\$ 56,997	\$ 47,908
Other rental revenue (1) (2)	459	362
	\$ 57,456	\$ 48,270

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

(2) The Corporation recognized a government grant of \$150,000 for rental supplement purposes from The Manitoba Housing and Renewal Corporation during Q1 2024. The rental supplement is recognized as other rental revenue on a straight-line basis and recognized evenly over the periods.

9. EXPENSES BY NATURE

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

(000s of dollars)

Three months ended December 31,	2023	2022
Salaries, wages and employee benefits	\$ 8,724	\$ 7,500
Utility	7,403	5,970
Property tax	4,761	4,403
Repair and maintenance	1,816	1,644
Insurance	1,349	1,183
Other	882	1,155
Legal and other professional expenses	661	463
Advertising and Marketing	310	307
Total Operating and G&A expenses	\$ 25,906	\$ 22,625

10. FINANCING COSTS

The components of financing costs are as follows:

(000s of dollars)

Three months ended December 31,	2023	2022
Mortgage interest	\$ 11,677	\$ 9,477
Amortization of deferred financing cost	1,782	1,580
Financing costs	\$ 13,459	\$ 11,057

11. 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)

Three months ended December 31,	2023	2022
Numerator		
Net profit	\$ 68,548	\$ 15,002
Denominator		
For basic profit per share		
Weighted average shares	9,318,818	9,324,956
Dilutive effect of stock options	–	–
For diluted profit per share	9,318,818	9,324,956
Profit per share		
– basic	\$ 7.36	\$ 1.61
– diluted	\$ 7.36	\$ 1.61

12. 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)

		December 31, 2023		September 30, 2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Restricted cash	Level 2	\$ 5,174	\$ 5,174	\$ 4,982	\$ 4,982
Cash and cash equivalents	Level 2	142,030	142,030	81,762	81,762
Trade and other receivables	Level 2	1,981	1,981	1,640	1,640
Financial liabilities:					
Mortgages payable	Level 2	1,658,970	1,611,926	1,565,813	1,457,667
Trade and other payables	Level 2	12,740	12,740	10,873	10,873
Refundable security deposits	Level 1	\$ 7,294	\$ 7,294	\$ 7,046	\$ 7,046

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

(000s of dollars)

		Decemeber 31, 2023		September 30, 2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-financial assets:					
Investment properties	Level 3	\$3,160,234	\$3,160,234	\$3,051,665	\$3,051,665

13. 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 2023 with the effects of inflation continuing to be felt in the first quarter of 2024, 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 years, 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 5-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 2.88%. 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 December 31, 2023, rents due from current tenants amounted to \$542,000 (September 30, 2023 - \$665,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$7.3 million (September 30, 2023 - \$7.0 million) and provisions for bad debts of \$160,000 (September 30, 2023 - \$160,000).

The aging bands of rents due from current tenants as at December 31, 2023 and September 30, 2022 are outlined in the table below:

(000s of dollars)

	December 31, 2023	September 30, 2023
0-30 days	\$ 374	\$ 468
31-60 days	84	105
61-90 days	11	21
Over 90 days	73	71
Total rents due from current tenants	\$ 542	\$ 665

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 December 31, 2023 are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	\$ 147,723	162,174	273,187	88,940	1,025,207	\$ 1,697,231
Mortgage interest payable	49,043	44,086	35,614	32,042	63,999	224,766
Trade and other payables	12,740	—	—	—	—	12,740
Refundable security deposits	\$ 7,294	—	—	—	—	\$ 7,294

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

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.

14. 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 December 31, 2023, and September 30, 2023, no amounts have been recorded and none are required to be disclosed in the consolidated financial statements with respect to guarantees, contingencies and commitments.

15. 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 three months ended December 31, 2023 amounted to \$320,765 (2022 – \$182,434).

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 three months ended December 31, 2023 amounting to \$156,648 (2022 – \$82,125) to a law firm of which a director and officer of the Corporation is a Senior Associate. As at December 31, 2023, the amounts payable to the law firm were \$ Nil (September 30, 2023 – \$ Nil). 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.

16. 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:

(000s of dollars)

Three months ended December 31,	2023	2022
BRITISH COLUMBIA		
Rental revenue	\$ 13,269	\$ 11,724
Other rental revenue	161	141
Ancillary revenue	233	204
Property operating expenses	3,936	3,185
Net operating income	9,727	8,884
Change in fair value	21,707	4,496
ALBERTA		
Rental revenue	\$ 32,227	\$ 27,262
Other rental revenue	282	210
Ancillary revenue	368	299
Property operating expenses	12,474	11,448
Net operating income	20,403	16,323
Change in fair value	26,702	2,204
SASKATCHEWAN		
Rental revenue	\$ 10,510	\$ 8,670
Other rental revenue	15	10
Ancillary revenue	126	84
Property operating expenses	4,380	3,994
Net operating income	6,271	4,770

Change in fair value	8,303	(3,656)
MANITOBA		
Rental revenue	\$ 991	\$ 252
Other rental revenue	1	1
Ancillary revenue	159	5
Property operating expenses	507	132
Net operating income	644	126
Change in fair value	(289)	(121)
TOTAL		
Rental revenue	\$ 56,997	\$ 47,908
Other rental revenue	459	362
Ancillary revenue	886	592
Property operating expenses	21,297	18,759
Net operating income	37,045	30,103
Change in fair value	56,423	2,923
Gain from disposal of assets	136	-
Unallocated revenue*	1,778	535
Unallocated expenses**	26,834	18,559
Profit for the period	\$ 68,548	\$ 15,002

* 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)

	December 31, 2023	September 30, 2023
BRITISH COLUMBIA		
Investment properties	\$ 1,021,281	\$ 980,731
Property and equipment	23	20
Mortgages payable	328,110	314,110
Refundable security deposits	2,172	2,115
ALBERTA		
Investment properties	\$ 1,619,938	\$ 1,582,910
Property and equipment	6,102	6,111
Mortgages payable	1,034,733	970,773
Refundable security deposits	3,822	3,809
SASKATCHEWAN		
Investment properties	\$ 484,386	\$ 453,395
Property and equipment	875	886
Mortgages payable	296,127	280,930
Refundable security deposits	1,138	969
MANITOBA		
Investment properties	\$ 34,629	\$ 34,629
Property and equipment	3	3
Mortgages payable	—	—
Refundable security deposits	162	153
TOTAL		
Investment properties	\$ 3,160,234	\$ 3,051,665
Property and equipment	7,003	7,020
Mortgages payable	1,658,970	1,565,813
Refundable security deposits	7,294	7,046

IDENTIFIABLE ACQUISITION AND CAPITAL EXPENDITURES

(000s of dollars)

	Three months ended December 31, 2023	Year ended September 30, 2023
BRITISH COLUMBIA	\$ 18,843	\$ 32,511
ALBERTA	10,338	102,819
SASKATCHEWAN	22,688	4,514
MANITOBA	289	25,369
TOTAL	\$ 52,158	\$ 165,213

17. 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 December 31, 2023 amounted to \$3,047 million (September 30, 2023 - \$2,885million).

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

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

The total managed capital for the Corporation is summarized below:

(000s of dollars)

	Dec. 31, 2023	Sep. 30, 2023
Mortgages payable	\$ 1,658,970	\$ 1,565,813
Total equity	1,387,792	1,319,244
Total capital	\$ 3,046,762	\$ 2,885,057

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 December 31, 2023 is approximately 48% (September 30, 2023 – 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)

	Dec. 31, 2023	Sep. 30, 2023
Mortgages payable	\$ 1,658,970	\$ 1,565,813
Cash and cash equivalents	142,030	81,762
Total debts	\$ 1,516,940	\$ 1,484,051
Investment properties	\$ 3,160,234	\$ 3,051,665
Debt to fair value ratio	48%	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.

18. SUBSEQUENT EVENTS

Subsequent to the quarter-ended December 31, 2023, the Corporation acquired additional 147 residential units in the Province of Alberta for a total consideration of \$17.0 million.

On January 9, Mainstreet declared a quarterly dividend amount of \$0.0275 per share for the quarter ended December 31, 2023 on its common shares, with the first dividend being paid at the end of January 2024.

19. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on February 5, 2024.