NexLiving communities inc.

Unaudited Interim Condensed Consolidated Financial Statements

June 30, 2023 and 2022

(expressed in Canadian dollars)

August 17, 2023

Management's Report

The accompanying unaudited interim condensed consolidated financial statements of NexLiving Communities Inc. are the responsibility of management and have been approved by the Board of Directors. The unaudited condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The unaudited condensed consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparation of the unaudited condensed consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's unaudited condensed consolidated financial statements and recommended their approval by the Board of Directors.

These financial statements have not been reviewed by the external auditors of the Company.

(signed) *"Stavro Stathonikos"*
Chief Executive Officer
Toronto, Ontario

(signed) *"Glenn Holmes"*
Chief Financial Officer
Halifax, Nova Scotia

NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at June 30, 2023 and December 31, 2022

(expressed in Canadian dollars)

	June 30, 2023 $	December 31, 2022 $
Assets		
Current assets		
Cash	1,555,089	813,765
Accounts receivable	100,827	587,065
Deposits and prepaids	1,950,266	1,243,253
	3,606,182	2,644,083
Investment properties (note 4)	246,998,000	203,071,000
	250,604,182	205,715,083
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	1,100,088	1,279,884
Current portion of mortgage payable (note 6)	38,883,090	34,030,964
	39,983,178	35,310,848
Mortgages payable (note 6)	128,671,185	99,907,410
Deferred income taxes	950,000	600,000
	169,604,363	135,818,258
Equity (note 7)	80,999,819	69,896,825
	250,604,182	205,715,083

Subsequent events (note 12)

The accompanying notes are an integral part of these consolidated financial statements.

NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Income

For the three month periods ended June 30, 2023 and 2022

(expressed in Canadian dollars)

	Three months ended June 30, 2023 $	Three months ended June 30, 2022 $	Six months ended June 30, 2023 $	Six months ended June 30, 2022 $
Revenue	4,711,653	2,921,829	8,916,862	5,475,174
Property operating expenses	(1,872,655)	(1,134,219)	(3,748,700)	(2,409,475)
Net property operating income	2,838,998	1,787,610	5,168,162	3,065,699
Administrative expenses				
Management wages and consulting fees	(344,745)	(299,047)	(610,840)	(560,647)
Filing and other fees	(33,120)	(17,077)	(41,195)	(28,071)
Insurance	(11,939)	(7,125)	(23,877)	(14,250)
Office and other	(38,646)	(27,401)	(62,073)	(46,101)
Professional fees	(79,813)	(64,026)	(139,623)	(138,959)
Stock-based compensation (note 7)	(61,800)	(74,000)	(123,200)	(136,500)
	(570,063)	(488,676)	(1,000,808)	(924,528)
Finance costs				
Interest expense	(1,583,465)	(579,571)	(2,820,980)	(1,064,506)
Amortization expense (note 6)	(92,878)	(139,397)	(198,710)	(243,406)
Accretion expense	–	(104,864)	–	(191,310)
	(1,676,343)	(823,832)	(3,019,690)	(1,499,222)
Other income				
Interest income	4	14,566	545	31,788
Fair value adjustment to investment properties	808,194	472,953	3,047,362	1,467,866
	808,198	487,519	3,047,907	1,499,654
Net income before income taxes	1,400,790	962,621	4,195,571	2,141,603
Deferred income tax expense	(200,000)	–	(350,000)	–
Net income and comprehensive income for the periods	1,200,790	962,621	3,845,571	2,141,603
Net income per share – basic	$0.004	$0.003	$0.012	$0.007
Net income per share – diluted	$0.004	$0.003	$0.012	$0.007

The accompanying notes are an integral part of these consolidated financial statements.

NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the six month periods ended June 30, 2023 and 2022

(expressed in Canadian dollars)

	Number of shares	Share capital $	Warrants $	Convertible debentures $	Contributed surplus $	Retained Earnings $	Total $
Balance – December 31, 2022	293,282,648	56,391,078	913,537	–	3,738,742	8,853,468	69,896,825
Net income and comprehensive income for the period	–	–	–	–	–	3,845,571	3,845,571
Shares issued pursuant to acquisition, net of issue costs (note 7)	37,500,000	7,465,006	–	–	–	–	7,465,006
Expiration of warrants (note 7)	–	–	(641,555)	–	641,555	–	–
Dividends paid	–	–	–	–	–	(330,783)	(330,783)
Stock–based compensation (note 7)	–	–	–	–	123,200	–	123,200
Balance – June 30, 2023	330,782,648	63,856,084	271,982	–	4,503,497	12,368,256	80,999,819

	Number of shares	Share capital $	Warrants $	Convertible debentures $	Contributed surplus $	Retained earnings (deficit) $	Total $
Balance – December 31, 2021	281,549,482	53,900,266	1,951,592	1,042,729	1,985,900	(1,921,398)	60,801,885
Net income and comprehensive income for the period	–	–	–	–	–	2,141,603	2,141,603
Shares issued for cash, net of issue costs (note 7)	6,000,000	1,160,583	–	–	–	–	1,160,583
Shares issued pursuant to exercised of warrants (note 7)	4,012,500	999,729	(297,542)	–	–	–	702,187
Expiration of warrants (note 7)	–	–	(537,513)	–	537,513	–	–
Dividends paid	–	–	–	–	–	(289,556)	(289,556)
Stock-based compensation (note 7)	–	–	–	–	136,500		136,500
Balance – June 30, 2022	291,561,982	56,060,578	1,116,537	1,042,729	2,659,913	3,773,445	64,653,202

The accompanying notes are an integral part of these consolidated financial statements.

NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the six month periods ended June 30, 2023 and 2022

(expressed in Canadian dollars)

	2023 $	2022 $
Cash provided by (used in)		
Operating activities		
Net income and comprehensive income for the periods	3,845,571	2,141,603
Charges to income not affecting cash		
Interest on convertible debentures and mortgage payable	411,447	241,768
Stock-based compensation expense	123,200	136,500
Change in fair value of investment properties (note 4)	(3,047,362)	(1,467,866)
Deferred income tax expense	350,000	–
Amortization expense	198,710	243,406
Accretion expense	–	191,310
	1,881,566	1,486,721
Net changes in non-cash working capital balances related to operations		
Accounts receivable	486,238	(39,501)
Deposits and prepaid expenses	(707,013)	(1,889,300)
Accounts payable and accrued liabilities	(588,520)	(165,556)
	1,072,271	(607,636)
Financing activities		
Proceeds from issuance of common shares and warrants, net of issue costs	–	1,862,770
Repayments of convertible debentures	–	(1,075,000)
Proceeds from mortgage financing, net of costs	48,383,307	20,475,538
Proceeds from capital expenditure facility	429,311	–
Repayments of mortgage principal	(16,428,145)	(1,189,332)
Payment of dividends	(330,783)	(289,556)
	32,053,690	19,784,420
Investing activities		
Acquisition of investment properties (note 4)	(31,513,176)	(25,490,721)
Additions to investment properties (note 4)	(871,461)	(40,413)
	(32,384,637)	(25,531,134)
Change in cash during the period	741,324	(6,354,350)
Cash – Beginning of period	813,765	17,695,837
Cash – End of period	1,555,089	11,341,487

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in Canadian dollars)

1 Nature of operations

NexLiving Communities Inc. (the Company) was incorporated under the Canada Business Corporations Act on August 9, 2011. Its registered office is located at 45 Alderney Drive, Dartmouth, Nova Scotia, B2Y 2N6, Canada. The Company's business is the ownership and management of multi-unit residential real estate with a focus on low and mid-rise properties in bedroom communities across Canada. The common shares of the Company are listed on the TSX Venture Exchange (TSXV or the Exchange) under the symbol NXLV.

2 Basis of presentation

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, has been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2022.

These unaudited interim condensed consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

The Board of Directors approved the consolidated financial statements for issue on August 17, 2023.

3 Significant accounting policies

Basis of consolidation

These financial statements have been prepared using the same accounting policies and methods of computation as the annual financial statements of the Company for the year ended December 31, 2022. Refer to note 3 Significant Accounting Policies, of the Company's annual consolidated financial statements for the year ended December 31, 2022 for information on accounting policies, as well as, new accounting standards not yet effective.

4 Investment properties

Each of the investment properties acquired by the Company was not considered a business for accounting purposes and, therefore, the acquisitions were asset purchases. No personnel or processes were acquired, and processes in support of the acquired properties are being created rather than integrated. Furthermore, the acquired investment properties do not have any processes to support the revenue being generated as there is a contract in place with external parties to provide property management services.

(expressed in Canadian dollars)

The following table summarizes the changes in investment properties for the periods ended June 30, 2023 and December 31, 2022:

	June 30, 2023 $	**December 31, 2022 $**
Balance – Beginning of period	203,071,000	125,162,000
Acquisitions during the period	40,008,177	70,615,529
Additions during the period	871,461	729,814
Fair value adjustments	3,047,362	6,563,657
Balance – End of period	246,998,000	203,071,000

On February 28, 2023, the Company completed the acquisition of a 100% interest in Northpoint Management Inc. (Northpoint) from Sheaco Holdings Inc. for $40,008,177 including closing costs. Northpoint's assets consist of two multi-family buildings comprising 75 units each located at 2251 Mountain Road and 2261 Mountain Road, Moncton, New Brunswick. The purchase price for the acquisition was settled by the issuance of 37,500,000 common shares at a price of $0.20 per share, $31,700,000 in mortgage debt and with the remainder using cash on hand.

On December 16, 2022, the Company completed the acquisition of a 67-unit building located at 5 Woodhollow Park and an 82-unit building located at 50 Via Calabria Street with an adjacent parcel of vacant land in Saint John, New Brunswick, for $35,350,481, including closing costs.

On August 9, 2022, the Company completed the acquisition of a 40-unit building in Strathroy, Ontario located at 294 Saulsbury Street for $9,683,090 including closing costs.

On April 14, 2022, the Company completed the acquisition of a 58-unit building in Lindsay, Ontario located at 35 Angeline Street for $13,746,804 including closing costs.

On April 5, 2022, the Company completed the acquisition of a 64-unit building in Riverview, New Brunswick located at 1009 Cleveland Avenue for $11,835,154 including closing costs.

The fair value of investment properties is a Level 3 fair value measurement. The fair value represents the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investment properties acquired to date were arm's length transactions and the purchase prices were supported by independent appraisals. Fair value is estimated using the capitalized net operating income method with the 12-month forward net operating income stabilized for any non-recurring expenses divided by a market capitalization rate. Key assumptions include the capitalization rate, forecasted rental income and vacancies and forecasted operating expenses for each specific property. For properties acquired close to a period-end, the purchase price, which is supported by an independent appraisal, is determined to approximate fair value.

The June 30, 2023 capitalization rates used to value the Company's investment properties ranged from 4.35% to 5.05%, and the weighted average capitalization rate was 4.68% (December 31, 2022 – ranged from 4.00% to 5.00% with a weighted average capitalization rate of 4.69%).

(expressed in Canadian dollars)

The June 30, 2023 net operating income (NOI) used to value the Company’s investment properties ranged from $240,000 to $1,814,000, and the weighted average NOI was $891,000 (December 31, 2022 – ranged from $234,000 to $1,187,000 with a weighted average NOI of $550,000).

The following table summarizes the impact of changes in capitalization rates and stabilized net operating income on the fair value of the Company’s investment properties.

		Change in stabilized NOI				
		(2.00)%	**(1.00)%**	**–**	**1.00%**	**2.00%**
		$	**$**	**$**	**$**	**$**
Change in capitalization rate	(0.50)%	24,017,000	26,783,000	29,548,000	32,314,000	35,079,000
	(0.25)%	8,721,000	11,331,000	13,940,000	16,550,000	19,159,000
	–	(4,940,000)	(2,470,000)	–	2,470,000	4,940,000
	0.25%	(17,216,000)	(14,871,000)	(12,526,000)	(10,182,000)	(7,837,000)
	0.50%	(28,306,000)	(26,075,000)	(23,843,000)	(21,612,000)	(19,380,000)

5 Accounts payable and accrued liabilities

	June 30, 2023	**December 31, 2022**
	$	**$**
Accounts payable	466,617	917,293
Accrued liabilities	633,471	362,591
	1,100,088	1,279,884

6 Mortgages payable

	June 30, 2023	**December 31, 2022**
	$	**$**
Mortgages payable	169,938,115	135,267,371
Less: Unamortized deferred financing costs	(2,383,840)	(1,328,997)
	167,554,275	133,938,374
Less: Current portion	(38,883,090)	(34,030,964)
	128,671,185	99,907,410

As at June 30, 2023, all of the Company’s investment properties had been pledged as security against the mortgages payable.

The Company has access to two variable rate non-revolving demand construction loans for the purpose of funding capital improvements with a maximum balance available for drawing of $2,175,000. As at June 30, 2023, $429,311 was drawn on the construction facilities (December 31, 2022 – $nil). Payments are to be made monthly on an interest-only basis. On completion of the Company’s repositioning program, the construction loans are expected to be replaced with permanent mortgage financing. Excluding the aforementioned construction loans, the Company’s remaining mortgages all have fixed

(expressed in Canadian dollars)

interest rates and bear interest at a weighted average effective rate of 3.62% (December 31, 2022 – 2.99%) with a remaining weighted average term to maturity of 4.3 years (December 31, 2022 – 2.8 years). The fair value of mortgages payable is approximately $164,523,811 and has been determined by determined by discounting the future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

The following table summarizes the changes in the aggregate mortgage values for the six months ended June 30, 2023 and the year ended December 31, 2022:

	June 30, 2023 $	**December 31, 2022 $**
Balance – Beginning of period	133,938,374	78,941,598
Mortgages assumed	–	33,454,371
Mortgage proceeds	32,488,313	23,093,878
Mortgages refinanced, net of costs	3,416,747	–
Repayments	(1,234,316)	(2,186,071)
Finance costs, net of amortization	(1,054,843)	634,598
Balance – End of period	167,554,275	133,938,374

The annual principal payments in relation to the mortgages payable over the 12-month periods ending June 30 are as follows:

	Principal Payment $	**Weighted Average Interest Rate %**
2024	38,883,090	4.14%
2025	21,768,334	4.12%
2026	9,340,284	1.90%
2027	14,206,931	2.86%
2028	30,142,670	3.37%
Thereafter	55,596,806	3.69%

(expressed in Canadian dollars)

7 Share capital

a) Authorized capital stock

Unlimited number of common shares, without nominal or par value
Unlimited number of preferred shares, without nominal or par value, issuable in one or more series

Common shares issued and fully paid

	Number of shares	Amount $
Balance – December 31, 2021	281,549,482	53,900,266
Shares issued for cash, net of issue costs	6,000,000	1,160,583
Shares issued pursuant to the exercise of warrants	4,012,500	999,729
Balance – June 30, 2022	291,561,982	56,060,578
Balance – December 31, 2022	293,282,648	56,391,078
Shares issued pursuant to acquisitions	37,500,000	7,465,006
Balance – June 30, 2023	330,782,648	63,856,084

b) Equity financings

On February 28, 2023, the Company issued 37,5000,000 common shares at a price of $0.20 per share for proceeds of $7,467,075 (net of costs) as part of the acquisition of a 100% interest in Northpoint (note 4).

On January 7, 2022, the Company completed a $1,200,000 private placement and issued 6,000,000 common shares at a price of $0.20 per share.

c) Security-based Compensation Plans

The Company has a deferred share unit plan (DSU Plan) and a common share purchase option plan (SOP). Pursuant to the DSU Plan, participants may elect to receive all or a portion of their annual compensation or bonus compensation, if any, in DSUs. The election, if it is made, must be for a minimum of 10%, or a multiple thereof, of such compensation in DSUs. The number of DSUs received is equal to the amount of compensation elected to be received in DSUs, divided by the volume-weighted average trading price of the common shares on the TSXV for the five trading days immediately prior to the payment date. DSUs awarded under the DSU Plan in lieu of annual or bonus compensation will vest immediately.

In addition, the Board of Directors has the authority to make discretionary awards of DSUs to participants under the DSU Plan. DSUs granted pursuant to discretionary awards will vest in accordance with the vesting schedule determined by the Board of Directors. Generally, DSUs will vest equally over three years, with one-third of the awarded DSUs vesting on each of the first, second and third anniversaries of the date of the award. As at June 30, 2023, a total of 7,929,000 DSUs were outstanding.

(expressed in Canadian dollars)

All unvested DSUs will vest immediately in the case of a change of control of the Company. In addition, in the event of the death or termination without cause of a participant who received DSUs, the participant's DSUs will vest immediately. The Board of Directors may at any time shorten the vesting period of any or all DSUs.

Each DSU held by a participant must be redeemed by the Company within ten years of grant for DSU Plan shares issued from treasury. Each vested DSU held by a participant who ceases to be an eligible employee, director or officer shall be redeemed by the Company effective as at the separation date for DSU Plan shares issued from treasury.

On May 25, 2023, the Board of Directors approved the issuance of 2,779,000 DSUs to directors and management of the Company. The DSUs vest over three years in accordance with the provisions of the Company's DSU Plan. The fair value per DSU granted was $0.125.

On May 16, 2022, the Board of Directors approved the issuance of 2,260,000 DSUs to directors, management and consultants of the Company. The DSUs vest over three years in accordance with the provisions of the Company's DSU Plan. The fair value per DSU granted was $0.145.

The Company charged $61,800 in non-cash share-based compensation to operations for the three months ended June 30, 2023 (June 30, 2022 – $74,000), of which $60,300 (June 30, 2022 – $72,100) related to DSUs issued to officers and directors of the Company.

The Company charged $123,200 in non-cash share-based compensation to operations for the six months ended June 30, 2023 (June 30, 2022 – $136,500), of which $121,100 (June 30, 2022 – $133,200) related to DSUs issued to officers and directors of the Company.

The following table summarizes the changes in the Company's DSUs for the six month periods ended June, 2023 and 2022:

	Number of DSUs
Balance – December 31, 2021	4,840,000
Granted May 16, 2022	2,260,000
Balance – June 30, 2022	4,960,000
Balance – December 31, 2022	5,150,000
Granted May 25, 2023	2,779,000
Balance – June 30, 2023	7,929,000

(expressed in Canadian dollars)

The Company has a SOP for directors, officers, employees and consultants. The exercise price of the stock options is determined by the Board of Directors when the options are granted, but it cannot be less than the closing price of the Company's shares on the TSXV on the business day immediately preceding the day on which the option is granted. The maximum exercise period of the stock options is ten years.

In determining the stock-based compensation expense, the fair value of options issued is estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility.

No options were issued during the three month and six month periods ended June 30, 2023 and 2022. Options granted and outstanding at June 30, 2023, and 2022, totalled 1,050,000 of which 300,000 have an exercise price of $0.24 and expire May 15, 2030 and 750,000 have an exercise price of $0.19 and expire April 20, 2031.

Options vested and exercisable as at June 30, 2023, totalled 1,050,000 with a weighted average exercise price of $0.20 per share.

The maximum number of common shares issuable under the two compensation plans is equal to 10% of the total issued and outstanding common shares. As at June 30, 2023, the maximum number of common shares remaining available for issuance under both compensation plans is 22,029,265.

d) Warrants

The following table summarizes the changes in the Company's warrants for the six month periods ended June 30, 2023 and 2022:

	Expiry date	**Exercise price $**	**Number #**	**Ascribed value $**
Balance – December 31, 2021			22,074,377	1,951,592
Warrants expired	March 16, 2022	0.175	(2,487,500)	(184,458)
Warrants exercised	March 16, 2022	0.175	(4,012,500)	(297,542)
Warrants expired	April 27, 2022	0.27	(3,500,000)	(353,055)
Warrants expired	May 5, 2022	0.25	(50,000)	–
Balance – June 30, 2022			12,024,377	1,116,537
Balance – December 31, 2022			9,500,000	913,537
Warrants expired	March 16, 2023	0.27	(7,000,000)	(641,555)
Balance – June 30, 2023			2,500,000	271,982

(expressed in Canadian dollars)

e) Contributed surplus

	$
Balance – December 31, 2021	1,985,900
Expiration of warrants	537,513
Stock-based compensation	136,500
Balance – June 30, 2022	2,659,913
Balance – December 31, 2022	3,738,742
Expiration of warrants	641,555
Stock-based compensation	123,200
Balance – June 30, 2023	4,503,497

8 Related party transactions

Management compensation

Key management includes the Company’s President & Chief Executive Officer, Chief Financial Officer & Corporate Secretary and Executive Vice Chair.

	Three months ended June 30, 2023 $	**Three months ended June 30, 2022 $**
Cash and accrued compensation	263,600	109,201
Stock-based compensation (note 7(c))	60,300	72,100
	323,900	181,301

	Six months ended June 30, 2023 $	**Six months ended June 30, 2022 $**
Cash and accrued compensation	409,883	279,125
Stock-based compensation (note 7(c))	121,100	133,200
	530,983	412,325

(expressed in Canadian dollars)

9 Earnings per share

	Three months ended June 30, 2023			Three months ended June 30, 2022		
	Income $	**Weighted average shares #**	**Per share amount $**	**Income $**	**Weighted average shares #**	**Per share amount $**
Income per share – basic	1,200,790	333,685,762	0.004	962,621	297,519,564	0.003
Dilutive impact of stock options, warrants and DSUs	–	1,126,984	–	–	–	–
Dilutive impact of convertible debentures	–	–	–	43,600	10,829,166	–
Income per share – diluted	1,200,790	334,812,746	0.004	1,006,221	308,348,730	0.003

	Six months ended June 30, 2023			Six months ended June 30, 2023		
	Income $	**Weighted average shares #**	**Per share amount $**	**Income $**	**Weighted average shares #**	**Per share amount $**
Income per share – basic	3,845,571	321,120,678	0.012	2,141,603	294,958,336	0.007
Dilutive impact of stock options, warrants and DSUs	–	1,124,202	–	–	–	–
Dilutive impact of convertible debentures	–	–	–	86,336	10,829,166	–
Income per share – diluted	3,845,571	322,244,880	0.012	2,227,939	305,787,502	0.007

The Company's potentially dilutive instruments include the convertible debentures, stock options, warrants and DSUs. For the three month and six month periods ended June 30, 2023, all instruments were anti-dilutive. For the three month and six month periods ended June 30, 2022, the DSUs, stock options and warrants were anti-dilutive and the convertible debentures were dilutive.

10 Capital management

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company. The Company considers capital to be shareholders' equity, which at June 30, 2023 totalled $81,036,858 (December 31, 2022 – $69,896,825). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

(expressed in Canadian dollars)

11 Financial instruments and other

Interest rate risk

The Company is exposed to interest rate risks on its borrowings and could be adversely affected if it were unable to obtain cost-effective financing. This risk is mitigated as the majority of the Company’s interest bearing financial liabilities have fixed rates of interest and a staggered maturity schedule. Assuming a 100 basis point increase in interest rates, the Company’s net income and equity would decrease by $1,687,400.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Company attempts to mitigate its credit risk by ensuring its tenant mix is heavily weighted to creditworthy tenants. The Company further manages credit risk by holding its cash with high quality financial institutions in Canada, where management believes the risk of loss to be low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company has financed acquisitions of investment properties with mortgages, which are periodically required to be refinanced based on the prevailing market conditions at the end of the mortgage term. Within the next 12 months mortgages totalling $37,063,780 will mature. Management is in discussion with its lenders and expects to close the refinancing of these mortgages as they occur. Although there can be no assurance, management anticipates a net cash inflow of a minimum of $5.0 million, over and above the current principal, on close of the refinancing of these mortgages. Management believes it has access, through its working capital, operating cash flows and expected mortgages renewals, to sufficient capital to meet the Company’s obligations for the next 12 months.

12 Subsequent events

The shares of the Company commenced trading on the TSX Venture Exchange on a one-new-for-20-old consolidated basis effective August 3, 2023. As a result, the number of issued and outstanding shares was reduced to 16,539,133 from 330,782,648. Unless otherwise specified, all share, per share and share-related amounts disclosed herein reflect the pre-consolidation shares for all periods presented.

Subsequent to June 30, 2023, the Company repurchased 34,850 common shares under its Normal Course Issuer Bid at a weighted average price of $2.49 per share on a post-consolidation basis.