NexLiving communities inc.

Unaudited Interim Condensed Consolidated Financial Statements

September 30, 2023 and 2022

(expressed in Canadian dollars)

November 27, 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 September 30, 2023 and December 31, 2022

(expressed in Canadian dollars)

	September 30, 2023 $	December 31, 2022 $
Assets		
Current assets		
Cash	1,316,483	813,765
Accounts receivable	191,469	587,065
Deposits and prepaids	1,410,355	1,243,253
	2,918,307	2,644,083
Investment properties (note 4)	243,736,000	203,071,000
	246,654,307	205,715,083
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	1,251,686	1,279,884
Current portion of mortgage payables (note 6)	38,737,744	34,030,964
	39,989,430	35,310,848
Mortgages payable (note 6)	128,303,420	99,907,410
Deferred income taxes	600,000	600,000
	168,892,850	135,818,258
Equity (note 7)	77,761,457	69,896,825
	246,654,307	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 and Loss

For the three and nine month periods ended September 30, 2023 and 2022

(expressed in Canadian dollars)

	Three months ended September 30, 2023 $	Three months ended September 30, 2022 $	Nine months ended September 30, 2023 $	Nine months ended September 30, 2022 $
Revenue	4,747,734	3,088,988	13,664,596	8,564,162
Property operating expenses	(1,785,089)	(1,292,328)	(5,533,789)	(3,701,803)
Net property operating income	2,962,645	1,796,660	8,130,807	4,862,359
Administrative expenses	(377,750)	(446,569)	(1,255,359)	(1,234,397)
Stock-based compensation (note 7)	(87,600)	(66,500)	(210,800)	(203,000)
	(465,350)	(513,069)	(1,466,159)	(1,437,397)
Finance costs				
Interest expense	(1,563,654)	(680,088)	(4,384,633)	(1,744,594)
Amortization expense (note 6)	(103,699)	(126,939)	(302,409)	(370,345)
Accretion expense	–	(119,005)	–	(310,315)
	(1,667,353)	(926,032)	(4,687,042)	(2,425,254)
Other income (loss)				
Interest income	3,029	18,217	3,573	50,005
Fair value adjustment to investment properties	(4,192,667)	2,629,006	(1,145,305)	4,096,872
	(4,189,638)	2,647,223	(1,141,732)	4,146,877
Net income (loss) before income taxes	(3,359,696)	3,004,782	835,874	5,146,585
Deferred income tax (expense) recovery	350,000	–	–	–
Net income (loss) and comprehensive income (loss)	(3,009,696)	3,004,782	835,874	5,146,585
Net income (loss) per share – basic	$(0.18)	$0.20	$0.05	$0.35
Net income (loss) per share – diluted	$(0.18)	$0.20	$0.05	$0.35

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 nine month periods ended September 30, 2023 and 2022

(expressed in Canadian dollars)

	Number of shares	Share capital $	Warrants $	Convertible debentures $	Contributed surplus $	Retained earnings (deficit) $	Total $
Balance – December 31, 2022	14,664,133	56,391,078	913,537	–	3,738,742	8,853,468	69,896,825
Net income and comprehensive income	–	–	–	–	–	835,874	835,874
Shares issued pursuant to acquisition, net of issue costs (note 7)	1,875,000	7,465,006	–	–	–	–	7,465,006
Expiration of warrants (note 7)	–	–	(913,537)	–	913,537	–	–
Repurchase of common shares (note 7)	(64,650)	(249,608)			98,147		(151,461)
Dividends paid	–	–	–	–	–	(495,587)	(495,587)
Stock–based compensation (note 7)	–	–	–	–	210,800	–	210,800
Balance – September 30, 2023	16,474,483	63,606,476	–	–	4,961,226	8,843,755	77,761,457

	Number of shares	Share capital $	Warrants $	Convertible debentures $	Contributed surplus $	Retained earnings (deficit) $	Total $
Balance – December 31, 2021	14,077,474	53,900,266	1,951,592	1,042,729	1,985,900	(1,921,398)	60,801,885
Net income and comprehensive income	–	–	–	–	–	5,146,585	2,141,603
Shares issued for cash, net of issue costs (note 7)	300,000	1,160,583	–	–	–	–	1,160,583
Shares issued pursuant to exercised of warrants (note 7)	200,625	999,729	(297,542)	–	–	–	702,187
Expiration of warrants (note 7)	–	–	(537,513)	–	537,513	–	–
Dividends paid	–	–	–	–	–	(435,337)	(289,556)
Repayment of convertible debentures	–	–	–	(1,042,729)	1,042,729	–	–
Stock-based compensation (note 7)	–	–	–	–	203,000	–	136,500
Balance – September 30, 2022	14,578,099	56,060,578	1,116,537	–	3,769,142	6,632,646	64,653,202

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

The 2022 and 2023 number of shares have been retroactively restated for effect of the twenty-to-one share consolidation (note 2)

NexLiving Communities Inc.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the nine month periods ended September 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	835,874	5,146,585
Charges to income not affecting cash		
Interest on convertible debentures and mortgage payable	438,432	184,171
Stock-based compensation expense	210,800	203,000
Change in fair value of investment properties (note 4)	1,145,305	(4,096,872)
Deferred income tax expense	–	–
Amortization expense	302,409	370,345
Accretion expense	–	310,315
	2,932,820	2,117,544
Net changes in non-cash working capital balances related to operations		
Accounts receivable	395,596	(532,788)
Deposits and prepaid expenses	(167,102)	(1,834,924)
Accounts payable and accrued liabilities	(473,223)	358,729
	2,688,091	108,561
Financing activities		
Proceeds from issuance of common shares and warrants, net of issue costs	–	1,862,770
Repayments of convertible debentures	–	(3,674,000)
Proceeds from mortgage financing, net of costs	48,383,307	31,219,855
Proceeds from capital expenditure facility	429,311	–
Repayments of mortgage principal	(17,187,100)	(1,661,005)
Payment of dividends	(495,587)	(435,337)
	31,129,931	27,312,283
Investing activities		
Acquisition of investment properties (note 4)	(31,513,176)	(35,082,302)
Additions to investment properties (note 4)	(1,802,128)	(243,826)
	(33,315,304)	(35,326,128)
Change in cash during the period	502,718	(7,905,284)
Cash – Beginning of period	813,765	17,695,837
Cash – End of period	1,316,483	9,790,553

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 and 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 November 27, 2023.

Effective August 3, 2023, the Company completed a consolidation of all of the issued and outstanding common shares of the Company on the basis of one post-consolidation common share for every twenty pre-consolidation common shares. All common share, per common share and share-related amounts disclosed herein reflect the post-consolidation common shares for the periods presented, unless otherwise noted.

3 Significant accounting policies

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 September 30, 2023 and December 31, 2022:

	September 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	1,802,128	729,814
Fair value adjustments	(1,145,305)	6,563,657
Balance – End of period	243,736,000	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 and 2261 Mountain Road, Moncton, New Brunswick. The purchase price for the acquisition was settled by the issuance of 1,875,000 common shares at a price of $4.00 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 September 30, 2023 capitalization rates used to value the Company's investment properties ranged from 4.40% to 5.25%, and the weighted average capitalization rate was 4.74% (December 31, 2022 – ranged from 4.00% to 5.00% with a weighted average capitalization rate of 4.69%).

(expressed in Canadian dollars)

The September 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)%	23,278,000	26,003,000	28,727,000	31,452,000	34,177,000
	(0.25)%	8,418,000	10,991,000	13,564,000	16,137,000	18,710,000
	–	(4,875,000)	(2,437,000)	–	2,437,000	4,875,000
	0.25%	(16,836,000)	(14,521,000)	(12,206,000)	(9,890,000)	(7,575,000)
	0.50%	(27,657,000)	(25,452,000)	(23,247,000)	(21,043,000)	(18,838,000)

5 Accounts payable and accrued liabilities

	September 30, 2023 $	**December 31, 2022** $
Accounts payable	512,510	917,293
Accrued liabilities	739,176	362,591
	1,251,686	1,279,884

6 Mortgages payable

	September 30, 2023 $	**December 31, 2022** $
Mortgages payable	169,321,304	135,267,371
Less: Unamortized deferred financing costs	(2,280,140)	(1,328,997)
	167,041,164	133,938,374
Less: Current portion	(38,737,744)	(34,030,964)
	128,303,420	99,907,410

As at September 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 September 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

(expressed in Canadian dollars)

have fixed interest rates. The Company's mortgages payable and construction loans bear interest at a combined weighted average effective rate of 3.62% (December 31, 2022 – 2.99%) with a remaining weighted average term to maturity of 4.0 years (December 31, 2022 – 2.8 years). The fair value of mortgages payable is approximately $163,000,382 and has been determined by discounting the future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

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

	Principal Payment $	**Maturing Weighted Average Interest Rate %**
2024	38,737,744	4.14%
2025	21,691,176	4.12%
2026	13,202,479	2.13%
2027	57,810,912	3.44%
2028	317,722	–
Thereafter	37,561,271	2.39%

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	14,077,474	53,900,266
Shares issued for cash, net of issue costs	300,000	1,160,583
Shares issued pursuant to the exercise of warrants	200,625	999,729
Balance – September 30, 2022	14,578,099	56,060,578
Balance – December 31, 2022	14,664,133	56,391,078
Shares issued pursuant to acquisitions	1,875,000	7,465,006
Shares repurchased for cancellation	(64,650)	(249,608)
Balance – September 30, 2023	16,474,483	63,606,476

(expressed in Canadian dollars)

b) Share consolidation

The consolidation of the Company's common shares on the basis of one post-consolidation common share for every 20 pre-consolidation shares issued and outstanding was effective as of the opening of TSX Venture Exchange on August 3, 2023. The share consolidation was approved by the Company's shareholders at the annual and special meeting held on June 27, 2023. No fractional shares were issued as a result of the consolidation. Fractional interests were rounded to the nearest whole number of shares without any consideration payable therefor.

c) Equity financings

On February 28, 2023, the Company issued 1,875,000 common shares at a price of $4.00 per share for net proceeds of $7,465,006 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 300,000 common shares at a price of $4.00 per share.

d) 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 September 30, 2023, a total of 426,450 DSUs were outstanding.

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.

(expressed in Canadian dollars)

On August 17, 2023, the Board of Directors approved the issuance of 30,000 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 $2.50.

On May 25, 2023, the Board of Directors approved the issuance of 138,950 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 $2.50.

On May 16, 2022, the Board of Directors approved the issuance of 113,000 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 $2.90.

The Company charged $87,600 in non-cash share-based compensation to operations for the three months ended September 30, 2023 (September 30, 2022 – $66,500), of which $86,500 (September 30, 2022 – $63,600) related to DSUs issued to officers and directors of the Company.

The Company charged $210,800 in non-cash share-based compensation to operations for the nine months ended September 30, 2023 (September 30, 2022 – $203,000), of which $206,100 (September 30, 2022 – $196,800) related to DSUs issued to officers and directors of the Company.

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

	Number of DSUs
Balance – December 31, 2021	242,000
Granted May 16, 2022	113,000
Balance – September 30, 2022	355,000
Balance – December 31, 2022	257,500
Granted May 25, 2023	138,950
Granted August 17, 2023	30,000
Balance – September 30, 2023	426,450

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.

(expressed in Canadian dollars)

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 nine month periods ended September 30, 2023 and 2022. Options granted and outstanding at September 30, 2023, and 2022, totalled 52,500 of which 15,000 have an exercise price of $4.80 and expire May 15, 2030 and 37,500 have an exercise price of $3.80 and expire April 20, 2031.

Options vested and exercisable as at September 30, 2023, totalled 52,500 with a weighted average exercise price of $4.09 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 September 30, 2023, the maximum number of common shares remaining available for issuance under both compensation plans is 1,169,098.

e) Warrants

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

	Expiry date	**Exercise price $**	**Number #**	**Ascribed value $**
Balance – December 31, 2021			1,103,719	1,951,592
Warrants expired	March 16, 2022	3.50	(124,375)	(184,458)
Warrants exercised	March 16, 2022	3.50	(200,625)	(297,542)
Warrants expired	April 27, 2022	5.40	(175,000)	(353,055)
Warrants expired	May 5, 2022	5.00	(2,500)	–
Warrants expired	August 26, 2022	5.00	(14,544)	–
Balance – September 30, 2022			586,675	1,116,537
Balance – December 31, 2022			475,000	913,537
Warrants expired	March 16, 2023	5.40	(350,000)	(641,555)
Warrants expired	August 31, 2023	5.40	(125,000)	(271,982)
Balance – September 30, 2023			-	-

f) Contributed surplus

	$
Balance – December 31, 2021	1,985,900
Expiration of warrants	537,513

(expressed in Canadian dollars)

Repayment of convertible debentures	1,042,729
Stock-based compensation	203,000
Balance – September 30, 2022	3,769,142
Balance – December 31, 2022	3,738,742
Expiration of warrants	913,537
Stock-based compensation	210,800
Stock repurchase	98,147
Balance – September 30, 2023	4,961,226

g) Share repurchases

During the period ended September 30, 2023, the Company purchased for cancellation 64,650 shares at a cost of $151,461. The excess of the historical book value of the shares over the purchase price of $98,147 has been recorded to contributed surplus and $249,608 has been charged to share capital. The share repurchases were completed under the Company's normal course issuer bid ("NCIB").

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 September 30, 2023 $	**Three months ended September 30, 2022 $**
Cash and accrued compensation	138,825	175,625
Stock-based compensation (note 7(d))	86,500	63,600
	225,325	239,225

	Nine months ended September 30, 2023 $	**Nine months ended September 30, 2022 $**
Cash and accrued compensation	548,708	454,750
Stock-based compensation (note 7(d))	206,100	196,800
	754,808	651,550

(expressed in Canadian dollars)

9 Earnings per share

	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Income **$**	**Weighted average shares** **#**	**Per share amount** **$**	**Income** **$**	**Weighted average shares** **#**	**Per share amount** **$**
Income per share – basic	(3,009,696)	16,682,982	(0.18)	3,004,782	14,933,099	0.20
Dilutive impact of stock options, warrants and DSUs	–	62,739	–	–	–	–
Dilutive impact of convertible debentures	–		–	–	–	–
Income per share – diluted	(3,009,696)	16,745,721	(0.18)	3,004,782	14,933,099	0.20

	Nine months ended September 30, 2023			Nine months ended September 30, 2023		
	Income **$**	**Weighted average shares** **#**	**Per share amount** **$**	**Income** **$**	**Weighted average shares** **#**	**Per share amount** **$**
Income per share – basic	835,874	16,266,807	0.05	5,146,585	14,810,327	0.35
Dilutive impact of stock options, warrants and DSUs	–	84,017	–	–	–	–
Dilutive impact of convertible debentures	–		–	–	–	–
Income per share – diluted	835,874	16,350,824	0.05	5,146,585	14,810,327	0.35

The Company’s potentially dilutive instruments include the convertible debentures, stock options, warrants and DSUs. For the three month and nine month periods ended September 30, 2023, all instruments were anti-dilutive. For the three month and nine month periods ended September 30, 2022, the DSUs, stock options, warrants and convertible debentures were anti-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 September 30, 2023 totalled $77,411,457 (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 $1,681,300.

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 $36,887,868 will mature. Management is in discussion with its lenders and expects to close the refinancing of these mortgages as they occur. 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

On October 26, 2023, the Company refinanced its maturing mortgage on the 39 Pleasant property and entered into a new $3,320,000 CMHC insured mortgage for the property for a 10 year term with a fixed interest rate of 3.85%. The new mortgage replaced the maturing $2,418,000 mortgage.

On November 22, 2023, the Company refinanced its maturing mortgage on the 150-154 Lewisville property and entered into a new $12,084,000 CMHC insured mortgage for the property for a 10 year term with a fixed interest rate of 3.85%. The new mortgage replaced the maturing $8,567,000 mortgage.