

Management Discussion & Analysis

Q3 2023

Period ended September 30th, 2023

Form 51-102F1

MANAGEMENT'S DISCUSSION & ANALYSIS

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Canadian Net Real Estate Investment Trust ("Canadian Net" or the "Trust") is intended to provide readers with an assessment of performance and summarize the results of operations and financial condition for the 9-month period ended September 30, 2023. It should be read in conjunction with the Consolidated Financial Statements for the period ended September 30, 2023 and the Consolidated Financial Statements and MD&A for the period ended September 30, 2022. The financial data contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars. You can find all copies of Canadian Net's recent financial reports on Canadian Net's website cnetreit.com and on sedar.com.

Dated November 22, 2023, this MD&A reflects all significant information available as of that date and should be read in conjunction with the Consolidated Financial Statements for the period ended September 30, 2023 and accompanying notes included in this report.

The audit committee reviewed the contents of this MD&A and the Financial Statements and the Trust's Board of Trustees has approved them.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to present forward-looking information to provide investors with a better understanding of the Trust's future prospects and help them make informed decisions. This MD&A contains forward-looking statements about the Trust's objectives, strategies, financial position, results of operations, cash flows and operations, which are based on management's current expectations, estimates and assumptions about the markets in which it operates.

Statements based on management's current expectations contain known and unknown inherent risks and uncertainties. Forward-looking statements may include verbs such as "believe," "anticipate," "estimate," "expect," "intend" and "assess" or related expressions, used in the affirmative and negative forms. These statements represent the Trust's intentions, plans, expectations, or beliefs and are subject to risks, uncertainties and other factors, many of which are beyond the Trust's control. Actual results may vary from expectations. The reader is cautioned not to place undue reliance on any forward-looking statements.

Please note that the forward-looking statements contained in this MD&A describe our expectations as at November 22, 2023.

NON-IFRS FINANCIAL MEASURES

This document contains various non-IFRS financial measures, which are used to explain the financial results of the Trust. The terms explained in this section do not have any standardized IFRS meaning and as such may not be comparable to other issuers.

Funds From Operations (FFO) is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. FFO is an industry term and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO is calculated largely in accordance with the REALpac publication. FFO, as calculated by Canadian Net, is net income (determined in accordance with IFRS) exclusive of unit-based compensation, interest on the lease liability and unrealized changes in the fair value of investment properties, financial instruments, deferred income taxes and gains or losses on property dispositions. However, under REALpac guidance, only the remeasurement component of unit-based compensation should be added back to profit or loss to arrive at FFO. Unit-based compensation and unrealized changes in fair value of investment properties, deferred income taxes and gains or losses on property dispositions are excluded from net income to arrive at FFO because they are volatile and have no impact on cash and accordingly provide a more meaningful additional measure of the Trust's recurring operating performance compared to profit determined in accordance with IFRS.

The Trust considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an appropriate picture of a Trust's recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS.

FFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure (refer to the *Reconciliation of Net Income to FFO* section).

FFO per unit is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Canadian Net calculates FFO per unit as FFO divided by the weighted average number of units outstanding. Management believes that FFO per unit is a useful measure of operating performance similar to FFO.

Adjusted Funds From Operations (AFFO) is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. It is an industry term used to help evaluate dividend or distribution capacity. AFFO is calculated largely in accordance with the REALpac publication. AFFO primarily adjusts FFO (as calculated by Canadian Net) for capital expenditures that preserve the existing rental stream and straight-line rent. Under REALpac guidance, only the remeasurement component of unit-based compensation should be added back to profit or loss to arrive at FFO and AFFO. Capital expenditures are subtracted from FFO to arrive at AFFO because they are expenditures that relate to sustaining and maintaining existing properties. These expenditures would normally be considered investing activities in the statement of cash flows. Straight line rent is also included as an adjustment to AFFO to better represent rent on a contractual and receivable basis.

The Trust considers AFFO to be a useful measure of recurring economic earnings and relevant in understanding its ability to service its debt, fund capital expenditures and provide distributions to unitholders.

AFFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure (refer to the *Adjusted Funds From Operations* section).

AFFO per unit is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Canadian Net calculates AFFO per unit as AFFO divided by the weighted average number of units outstanding. The Trust believes that AFFO per unit is a useful measure of operating performance similar to AFFO.

Net Operating Income (NOI) is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. NOI is an industry term in widespread use and is defined as total revenues less total operating expenses as shown in the consolidated statements of income and comprehensive income (property revenues less total property operating costs such as property taxes, utilities and insurance). The Trust includes NOI as a non-IFRS measure in its consolidated statement of income and comprehensive income.

The Trust considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations.

NOI is reconciled to Rental income from investment properties, which is the most directly comparable IFRS measure (refer to the *Results of Operations* section).

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. EBITDA is defined as profit before net interest expense, interest on the lease liability and income tax expense because these items are non-operating in nature.

EBITDA is used in calculations that measure the Trust's ability to service debt.

EBITDA is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure (refer to the *Reconciliation of Net Income to EBITDA* section).

Adjusted EBITDA is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Adjusted EBITDA primarily adjusts EBITDA for change in fair value of investment properties, change in fair value of investment properties in joint ventures, change in fair value of convertible debentures, and change in fair value of warrants. The purpose is to allow the Trust to demonstrate how it services its debt by excluding the impacts of fair market gains and losses, which are volatile and have no impact on cash, and certain non-recurring items.

Adjusted EBITDA is used by the Trust to monitor its ability to satisfy and service its debt and to monitor requirements imposed by the Trust's lenders. Specifically, Adjusted EBITDA is used to monitor the Canadian Net's Interest Coverage Ratio based on adjusted EBITDA and Debt Service Coverage Ratio based on adjusted EBITDA.

Adjusted EBITDA is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure (refer to *Reconciliation of Net Income to EBITDA* section).

Adjusted Investment Properties is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Adjusted Investment Properties is defined as investment properties plus the Trust's proportionate share of developed properties and properties under development owned through joint ventures.

The Trust enters into joint arrangements via jointly controlled entities and/or through co-ownerships and accounts for its interest using the equity method of accounting. Accordingly, the Trust's share of investment properties held through these joint ventures is presented under investment in joint ventures on the balance sheet and not as part of investment properties. As such, the Trust believes that Adjusted Investment Properties is a useful measure as it provides a more accurate picture of the entire value of the Trust's portfolio.

Adjusted Investment Properties is reconciled to Investment Properties, which is the most directly comparable IFRS measure (refer to *Reconciliation of Investment Properties to Adjusted Investment Properties* section).

Distributable Income is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Distributable income is defined as FFO adjusted for interest on the lease liability, straight-line rent, distributions from joint ventures, periodic mortgage principal repayments and repayment of long-term debt. The Trust adjusts for these items because it provides a better picture of its distribution capacity and adjusts for other items that affect cash.

The Trust believes distributable income is useful to investors because it is an important measure of the Trust's distribution capacity.

Distributable income is reconciled to FFO and Cash flow from operating activities, which is the most directly comparable IFRS measure (refer to *Reconciliation of Cash Flow Provided from Operating Activities to Distributable Income and Distributions* section).

Distribution as % of FFO is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. It is calculated by dividing the per unit distribution of the period by the FFO per unit of the period.

It is a ratio which measures the sustainability of the Trust's distribution payout. Management believes this ratio is useful to investors since it provides transparency on performance and the overall management of the existing portfolio.

The Trust considers this non-IFRS ratio to be an important measure of the Trust's distribution capacity expressed as a percentage of FFO.

Distribution as % of AFFO is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. It is calculated by dividing the per unit distribution of the period by the AFFO per unit of the period.

It is a ratio which measures the sustainability of the Trust's distribution payout. Management believes this ratio is useful to investors since it provides transparency on performance and the overall management of the existing portfolio.

The Trust considers this non-IFRS ratio to be an important measure of the Trust's distribution capacity expressed as a percentage of AFFO.

The Debt Service Coverage Ratio based on Adjusted EBITDA is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. It is determined by the Trust as Adjusted EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflect principal repayments and interest expenses during the period. Payments related to prepayment penalties or payments upon discharge of a mortgage are excluded from the calculation.

The Debt Service Coverage Ratio is a useful measure and is used by the Trust's management to monitor the Trust's ability to meet annual interest and principal payments.

The Interest Coverage Ratio based on Adjusted EBITDA is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. The Trust calculates its Interest Coverage Ratio by dividing Adjusted EBITDA by the Trust's interest obligations for the period.

It is used by management in determining the Trust's ability to service the interest requirements of its outstanding debt.

The Debt to Total Assets Ratio is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. It is determined by the Trust as the sum of mortgages, long-term debt, current portion of mortgages and long-term debt, balance owing on credit facilities and convertible debentures divided by the total assets of the Trust.

Management uses this ratio to evaluate the leverage of the Trust and the strength of its equity position.

The Debt to Total Assets Ratio – Excluding Convertible Debentures is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. It is determined by the Trust as the sum of mortgages, current portion of mortgages, long-term debts, and balance owing on credit facilities divided by the total assets of the Trust.

Management uses this ratio to evaluate the leverage of the Trust and the strength of its equity position assuming all convertible debentures were converted into units of the Trust.

FFO, FFO per unit, AFFO, AFFO per unit, NOI, EBITDA, Adjusted EBITDA, Adjusted Investment Properties, Distributable Income, Distributions as % of FFO, Distributions as % of AFFO, the Debt Service Coverage Ratio based on Adjusted EBITDA, the Interest Coverage Ratio based on Adjusted EBITDA, the Debt to Total Assets Ratio and the Debt to Total Asset Ratio – Excluding Convertible Debentures are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

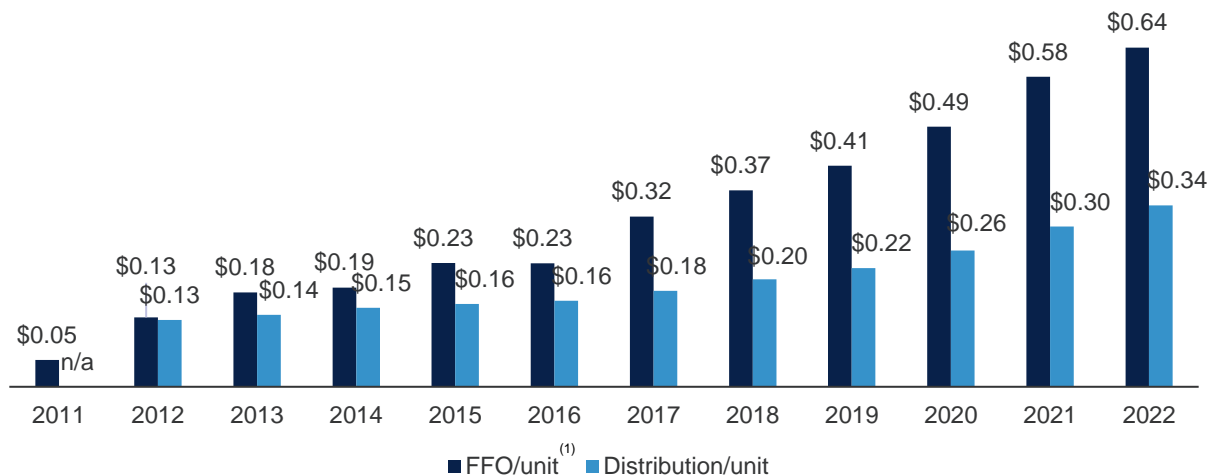


SUMMARY OF SELECTED FINANCIAL INFORMATION

Periods ended September 30	9 months		Δ	%
	2023	2022		
Financial info				
Property rental income	19,301,189	17,676,041	1,625,148	9%
Net income (loss) and comprehensive income (loss)	13,877,829	2,816,358	11,061,471	393%
NOI ⁽¹⁾	14,542,784	13,494,033	1,048,751	8%
FFO ⁽¹⁾	9,723,879	9,709,595	14,284	-
AFFO ⁽¹⁾	8,605,534	9,178,267	(572,733)	(6%)
EBITDA ⁽¹⁾	19,321,643	7,277,200	12,044,443	166%
Adjusted EBITDA ⁽¹⁾	14,735,879	13,658,110	1,077,769	8%
Investment properties	279,046,583	291,358,184	(12,311,601)	(4%)
Adjusted investment properties ⁽¹⁾	330,887,338	338,203,870	(7,316,532)	(2%)
Total assets	307,161,232	312,477,987	(5,316,755)	(2%)
Mortgages	134,038,836	135,331,955	(1,293,119)	(1%)
Long-term debt	30,000	45,000	(15,000)	(33%)
Current portion of mortgages and long term-debt	15,003,476	21,187,436	(6,183,960)	(29%)
Mortgages on investment properties held for sale	2,797,546	-	2,797,546	n/a
Credit facilities	17,470,362	16,435,362	1,035,000	6%
Total convertible debentures	7,264,514	8,442,262	(1,177,748)	(14%)
Total equity	126,914,012	129,746,124	(2,832,112)	(2%)
Weighted average units o/s - basic	20,579,058	20,488,429	90,629	-
Amounts on a per unit basis				
FFO ⁽¹⁾	0.473	0.474	(0.001)	-
AFFO ⁽¹⁾	0.418	0.448	(0.030)	(7%)
Distributions	0.259	0.255	0.004	2%
Financial ratios				
Weighted avg. interest rate	3.80%	3.63%	0.17%	
Debt to total assets ⁽¹⁾	57%	58%	(1%)	
Debt to total assets - Excluding convertible debentures ⁽¹⁾	54%	55%	(1%)	
Interest coverage ratio based on adjusted EBITDA ⁽¹⁾	2.6x	2.9x	(0.3x)	
Debt service coverage ratio based on adjusted EBITDA ⁽¹⁾	1.6x	1.7x	(0.1x)	
Distributions as a % of FFO ⁽¹⁾	55%	54%	1%	
Distributions as a % of AFFO ⁽¹⁾	62%	57%	5%	
Leasing information				
Occupancy	100%	99%	1%	
Mix of tenancy based on NOI ⁽¹⁾				
National	90%	90%	-	
Regional	8%	8%	-	
Local	2%	2%	-	
Breakdown of NOI ⁽¹⁾ per property type				
Retail	61%	60%	1%	
National service-station and c-store chains	22%	23%	(1%)	
Quick Service Restaurants	14%	15%	(1%)	
Other	3%	2%	1%	
	100%	100%	-	
Number of properties	99	101	(2)	
Other				
Average term to maturity – mortgages (years)	4.6	5.2	(0.6)	
Average term to maturity – leases (years)	6.6	6.8	(0.2)	
IFRS capitalization rate	6.41%	6.17%	0.24%	

(1) This is a non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures".

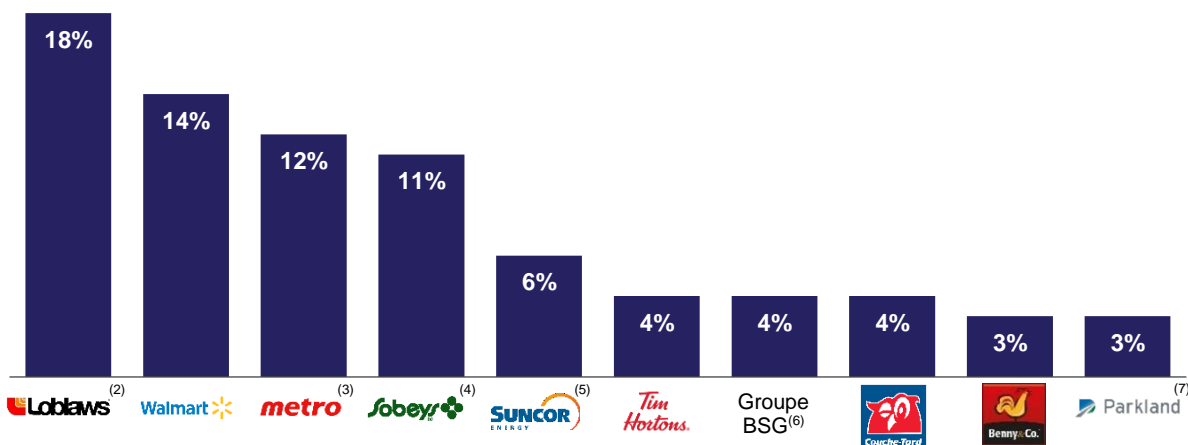
HISTORICAL SELECTED FINANCIAL PERFORMANCE



(1) This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to section "Non-IFRS financial measures".

TENANT OVERVIEW – PERIOD ENDED SEPTEMBER 30, 2023

TOP 10 TENANTS (79%)⁽¹⁾



Notes:

- (1) Based on NOI; Includes the Trust's proportionate share of NOI from properties held through joint ventures. NOI is a non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures"
- (2) Loblaws operates Pharmaprix pharmacies and the Provigo, Maxi, Independent's and Atlantic Superstore grocery banners
- (3) Metro operates grocery stores under the Metro, Super C and Food Basics banners and pharmacies under the Brunet banner
- (4) Sobey's operates IGA grocery stores, Shell service-stations and Sobey's Fast Fuel service-stations
- (5) Suncor operates Petro-Canada service-stations
- (6) Groupe BSG is a large regional service-station operator operating under various banners
- (7) Parkland Corporation operates service-stations under the Ultramar banner

BREAKDOWN OF PROPERTIES & OPERATING SECTORS

#	Address	City/Province	Type	Ownership	Area (sf)			Status
					Land	Building	CNET %	
1	40-50 Brunet Street	Mont St-Hilaire, QC	QSR, gas, c-store	100%	69 K	5,452	5,452	Income producing
2	230 St-Luc Blvd.	St-Jean-sur-Richelieu, QC	Gas, c-store	100%	65 K	8,359	8,359	Income producing
3	196 Hôtel-de-Ville Blvd.	Rivière-du-Loup, QC	Gas, c-store	100%	14 K	2,400	2,400	Income producing
4	1349-1351 Road 117	Val-David, QC	QSR, gas, c-store	100%	36 K	4,748	4,748	Income producing
5	275 Barkoff Street	Trois-Rivières, QC	Gas, c-store	65%	60 K	2,400	1,560	Income producing
6	530 Barkoff Street	Trois-Rivières, QC	Gas, c-store	50%	30 K	2,641	1,321	Income producing
7	340-344 Montée du Comté	Les Coteaux, QC	QSR, gas, c-store	100%	67 K	8,071	8,071	Income producing
8	1440-50 St-Laurent East Blvd.	Louiseville, QC	QSR, gas, c-store	50%	115 K	6,132	3,066	Income producing
9	1460 St-Laurent East Blvd.	Louiseville, QC	QSR	50%	37 K	4,841	2,421	Income producing
10	490-494 De L'Atrium Blvd.	Québec City, QC	Gas, c-store	100%	34 K	6,574	6,574	Income producing
11	7335 Guillaume Couture Blvd.	Lévis, QC	QSR	100%	30 K	2,860	2,860	Income producing
12	1319 Brookdale Avenue	Cornwall, ON	QSR	100%	33 K	3,127	3,127	Income producing
13	4200 Bernard-Pilon Street	St-Mathieu de Beloeil, QC	Gas, c-store	100%	20 K	1,200	1,200	Income producing
14	1901 Raymond Blais Street	Sainte-Julie, QC	Gas, c-store	100%	27 K	1,392	1,392	Income producing
15	2000 Leonard de Vinci Street	Sainte-Julie, QC	QSR	100%	39 K	4,575	4,575	Income producing
16	2050 Leonard de Vinci Street	Sainte-Julie, QC	Gas	100%	86 K	1,255	1,255	Income producing
17	2051 Nobel Street	Sainte-Julie, QC	QSR	100%	50 K	5,975	5,975	Income producing
18	16920-16930 St-Louis Ave.	St-Hyacinthe, QC	QSR, gas, c-store	100%	70 K	6,290	6,290	Income producing
19	2871-2885 Des Prairies Street	Trois-Rivières, QC	QSR, gas, c-store	100%	60 K	6,662	6,662	Income producing
20	2350 Chemin des Patriotes	Richelieu, QC	QSR, gas, c-store	100%	48 K	4,851	4,851	Income producing
21	4932 Des Sources Blvd.	Pierrefonds, QC	QSR	100%	23 K	2,716	2,716	Income producing
22	314 De Montigny Street	St-Jérôme, QC	QSR	100%	24 K	2,832	2,832	Income producing
23	288 Valmont Street	Repentigny, QC	Gas, c-store	100%	22 K	2,400	2,400	Income producing
24	2439 Sainte-Sophie Blvd.	Sainte-Sophie, QC	Gas, c-store	95%	58 K	4,856	4,613	Income producing
25	2429 Sainte-Sophie Blvd.	Sainte-Sophie, QC	QSR	95%	45 K	3,710	3,525	Income producing
26	610 Saint-Joseph Blvd.	Gatineau, QC	Other	100%	13 K	3,372	3,372	Income producing
27	513 Des Laurentides Blvd.	Laval, QC	Other	100%	12 K	3,019	3,019	Income producing
28	123 St-Laurent East Blvd	St-Eustache, QC	Gas, c-store	100%	22 K	3,846	3,846	Income producing
29	4 North Street	Waterloo, QC	Gas, c-store	100%	14 K	2,845	2,845	Income producing
30	3355 de la Pérade Street	Quebec City, QC	Retail	100%	142 K	28,894	28,894	Income producing
31	2555 Montmorency Blvd	Quebec City, QC	Retail	100%	110 K	25,480	25,480	Income producing
32	3592 Laval Street	Lac Mégantic, QC	Gas, c-store	100%	20 K	1,777	1,777	Income producing
33	1730 Jules Vernes Ave.	Cap Rouge, QC	QSR	50%	38 K	4,100	2,050	Income producing
34	235 Montée Paiement	Gatineau, QC	Retail	100%	149 K	25,706	25,706	Income producing
35	510 Bethany Ave.	Lachute, QC	QSR, gas, c-store	50%	113 K	11,910	5,955	Income producing
36	1337 Iberville Blvd.	Repentigny, QC	Retail	100%	57 K	17,050	17,050	Income producing
37	222 St-Jean-Baptiste Blvd.	Mercier, QC	QSR, gas, c-store	82.5%	70 K	9,488	7,828	Income producing
38	230 St-Jean-Baptiste Boul.	Mercier, QC	QSR	82.5%	33 K	4,165	3,436	Income producing
39	101 Hébert Street	Mont-Laurier, QC	Retail	100%	350 K	37,530	37,530	Income producing
40	290 Mgr. Langlois Blvd.	Valleyfield, QC	QSR, gas, c-store	50%	107 K	10,114	5,057	Income producing
41	510 Portland Street ⁽¹⁾	Dartmouth, NS	QSR	100%	32 K	4,631	4,631	Income producing
42	20 Frontenac Ouest Blvd.	Thetford Mines, QC	QSR	100%	30 K	2,400	2,400	Income producing
43	975 Wilkinson Ave.	Dartmouth, NS	QSR, gas, c-store	50%	85 K	7,975	3,988	Income producing
44	1501 Jacques Bedard Street	Quebec City, QC	Retail	100%	152 K	24,652	24,652	Income producing
45	852 Laure Boulevard	Sept Iles, QC	QSR	100%	28 K	3,239	3,239	Income producing
46	87-91 Stars Road	Yarmouth, NS	Gas, c-store	100%	62 K	3,335	3,335	Income producing

Canadian Net Real Estate Investment Trust

#	Address	City/Province	Type	Ownership	Area (sf)			Status
					Land	Building	CNET %	
47	4675 Shawinigan Sud Blvd.	Shawinigan, QC	QSR, gas, c-store	50%	101 K	7,126	3,563	Income producing
48	480 Bethany Ave.	Lachute, QC	Retail	100%	492 K	75,681	75,681	Income producing
49	484 Bethany Ave.	Lachute, QC	QSR	100%	32 K	3,037	3,037	Income producing
50	2077 Laurentides Blvd.	Laval, QC	Retail	100%	31 K	9,462	9,462	Income producing
51	111-117 Desjardins Blvd.	Maniwaki, QC	Retail	100%	45 K	16,085	16,085	Income producing
52	550 Laffèche Boulevard	Baie-Comeau, QC	Retail	100%	102 K	19,676	19,676	Income producing
53	304 LaSalle Boulevard	Baie-Comeau, QC	QSR	100%	13 K	3,300	3,300	Income producing
54	35 route 201	Coteau-du-Lac, QC	QSR, gas, c-store	50%	31 K	4,500	2,250	Income producing
55	835 Lucien Chenier	Farnham, QC	QSR, gas, c-store	100%	89 K	7,000	7,000	Income producing
56	24 Miikana Way	Kenora, ON	Retail	100%	534 K	80,881	80,881	Income producing
57	1410 Principale Street	St-Etienne-des-Grès, QC	QSR, gas, c-store	75%	26 K	4,122	3,092	Income producing
58	2505 Saint-Louis Street	Gatineau, QC	Retail	100%	88 K	25,389	25,389	Income producing
59	124 Beech Hill Road	Antigonish, NS	QSR, gas, c-store	50%	176 K	4,040	2,020	Income producing
60	16670 Des Acadiens Blvd.	Bécancour, QC	QSR, gas, c-store	75%	14 K	3,600	2,700	Income producing
61	1875 Sainte-Marguerite Street	Trois-Rivières, QC	Gas, c-store	75%	19 K	2,400	1,800	Income producing
62	5100 Wilfrid Hamel Blvd.	Quebec City, QC	Gas, c-store	50%	26 K	3,077	1,539	Income producing
63	369 St-Charles Street West	Longueuil, QC	Gas, c-store	50%	15 K	2,578	1,289	Income producing
64	1305-1375 Sherbrooke Street	Magog, QC	QSR, gas, c-store	50%	38 K	8,900	4,450	Income producing
65	250 Saint-Antoine Nord Street	Lavaltrie, QC	Retail	100%	87 K	22,794	22,794	Income producing
66	524-534 Saint-Joseph Blvd.	Drummondville, QC	QSR	50%	26 K	7,684	3,842	Income producing
67	570 Saint-Joseph Blvd.	Drummondville, QC	QSR	50%	52 K	3,855	1,928	Income producing
68	491 Seigneuriale Street	Quebec City, QC	Retail	100%	103 K	21,303	21,303	Income producing
69	150 St-Alphonse Blvd.	Roberval, QC	Retail	100%	207 K	43,378	43,378	Income producing
70	15 McChesney Ave.	Kirkland Lake, ON	Retail	100%	200 K	45,157	45,157	Income producing
71	394 Westville Road	New Glasgow, NS	Retail	100%	487 K	90,800	90,800	Income producing
72	1225 Kings Street	Sydney, NS	Retail	100%	155 K	47,189	47,189	Income producing
73	476-478 Ch. Knowlton	Lac-Brome, QC	QSR, gas, c-store	100%	51 K	4,500	4,500	Income producing
74	14 Sunset Road	Pictou, NS	QSR, gas, c-store	50%	129 K	5,460	2,730	Income producing
75	7301 Laurier Boulevard	Terrebonne, QC	QSR	40%	35 K	3,885	1,554	Income producing
76	7751-7811 Roi-Rene Blvd.	Anjou, QC	QSR	40%	33 K	5,800	2,320	Under development
77	10 700 Ch. Cote-de-Liesse	Lachine, QC	Gas	100%	37 K	395	395	Income producing
78	860 rue d'Alma	Saguenay, QC	QSR	40%	40 K	3,885	1,554	Income producing
79	135 Barton Street East	Hamilton, ON	Retail	100%	153 K	37,509	37,509	Income producing
80	95-103 Water Street North	Cambridge, ON	Retail	100%	122 K	38,500	38,500	Income producing
81	107 Bridge Street	Dunnville, ON	Retail	100%	91 K	27,651	27,651	Income producing
82	199 Simcoe Avenue	Keswick, ON	Retail	100%	106 K	27,838	27,838	Income producing
83	1035 Wilfrid-Hamel Blvd.	Quebec City, QC	Retail	100%	98 K	27,400	27,400	Income producing
84	2 Saint-Martin Street	Bromont, QC	QSR	100%	6 K	5,703	5,703	Income producing
85	Rue Serge Pepin	Beloeil, QC	QSR	40%	25 K	3,885	1,554	Under development
86	Montée des Pionniers	Lachenaie, QC	QSR	40%	24 K	3,885	1,554	Under development
87	160 Chem. Du Lac Millette	St-Sauveur, QC	Retail	40%	4 K	4,376	1,750	Income producing
88	3718 Harvey Blvd.	Saguenay, QC	QSR	40%	46 K	4,400	1,760	Income producing
89	10 Cambridge Street	Collingwood, ON	Retail	100%	496 K	111,118	111,118	Income producing
90	617 -639 Duvernay Street	Verchères, QC	Retail	100%	105 K	29,904	29,904	Income producing
91	320 Albiny-Paquette Blvd.	Mont-Laurier, QC	QSR	40%	68 K	3,885	1,554	Income producing
92	2085 Mellon Blvd.	Saguenay, QC	Retail	100%	159 K	38,064	38,064	Income producing
93	2095 Mellon Blvd.	Saguenay, QC	Other	100%	33 K	4,016	4,016	Income producing
94	46 Robie St.	Truro, NS	Retail	100%	163 K	30,500	30,500	Income producing

Canadian Net Real Estate Investment Trust

#	Address	City/Province	Type	Ownership	Area (sf)			Status
					Land	Building	CNET %	
95	45 Albert Ferland St.	Chénéville, QC	Retail	100%	213 K	29,698	29,698	Income producing
96	110 Principale St.	St-André-Avellin, QC	Retail	100%	157 K	35,991	35,991	Income producing
97	1535 St-Antoine Blvd.	St-Jérôme, QC	Gas, c-store	100%	35 K	3,500	3,500	Income producing
98	1165 Smythe St.	Fredericton, NB	Other	100%	18 K	4,400	4,400	Income producing
99	41 St-Jean-Baptiste Blvd.	Chateauguay, QC	Retail	100%	217 K	53,151	53,151	Income producing
QSR: Quick Service Restaurant					8,652 K	1,454,160	1,380,105	

(1) The property was sold after September 30, 2023

DESCRIPTION OF THE ISSUER'S BUSINESS

Canadian Net is an active Trust operating in the Canadian commercial real estate market. The Trust currently trades on the TSX Venture using the ticker symbol NET.UN. The Trust owns and rents commercial real estate properties directly, through its wholly owned subsidiaries and joint ventures.

Prior to June 17, 2021, the Trust operated under the name of Fronsac Real Estate Investment Trust and ticker "FRO.UN".



The principal registered and head office of the Trust is located at 106 Gun Avenue, Pointe Claire, QC, H9R 3X3.

As at September 30, 2023 the Trust held 99 investment properties, 82 residing in the province of Quebec, 8 in the province of Ontario, 8 in the province of Nova Scotia and 1 in the province of New Brunswick. The properties are occupied by 4 distinct groups of tenants composed of: (1) retailers, (2) national service station and convenience store chains, (3) quick-service restaurant chains, and (4) others.

The quality of the properties in the portfolio allows Canadian Net to maintain a best-in-class occupancy level. As at September 30, 2023, the Trust's occupancy was at 100%.

The Trust management is entirely internalized, and no service agreements or asset management agreements are in force between Canadian Net and its officers and trustees. The Trust, therefore, ensures that the interests of management and of its employees are aligned with those of the unitholders.

These properties are leased to tenants on a management-free basis with triple net leases. Under this type of arrangement, the tenant is responsible for paying real estate taxes, insurance and any general maintenance required, in addition to the base rent already stipulated in the lease terms. These types of leases ensure stable recurring cash flows with an opportunity for growth.

¹ This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to section "Non-IFRS financial measures"

MAJOR EVENT OF THE QUARTER

On September 11th, 2023, the Trust announced the disposition of a single-tenant restaurant property in Trois-Rivières, Quebec, for total consideration of \$1,300,000.

OUTLOOK 2023 & SUBSEQUENT EVENT

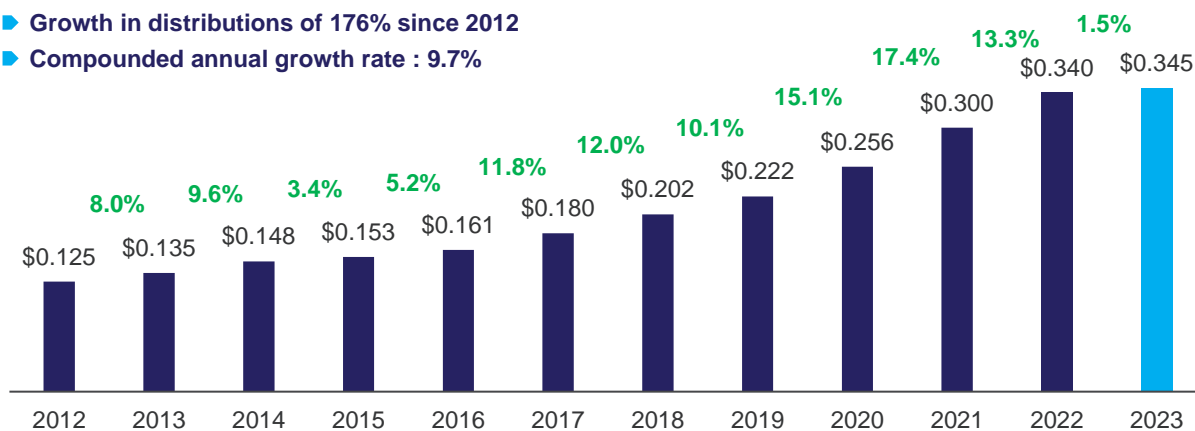
Canadian Net is constantly looking for acquisitions of commercial real estate properties that have triple net leases and are management-free. These types of acquisitions limit the overhead required to run the business and in turn allow management to focus on adding value through strategic acquisitions that are accretive to the Trust’s FFO and AFFO per unit¹.

On October 5th, 2023, the Trust sold a single-tenant restaurant property in Dartmouth, Nova Scotia, for total consideration of \$1,650,000.

The Trust believes in a long-term growth strategy through acquiring properties that will increase its funds from operations per unit¹, distributions per unit and as a result increase total unitholders value.

ANNUAL CASH DISTRIBUTION PER UNIT

- ▶ Growth in distributions of 176% since 2012
- ▶ Compounded annual growth rate : 9.7%



¹ This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to section "Non-IFRS financial measures"

FINANCIAL HIGHLIGHTS

	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Rental income	6,398,506	6,486,300	6,416,383	7,052,983	6,369,404	5,874,942	5,431,695	4,932,753
Net Operating Income ⁽¹⁾	4,821,422	4,865,418	4,855,944	4,878,281	4,773,698	4,512,576	4,207,759	3,904,277
Net income (loss)								
to unitholders	3,036,948	6,010,921	4,829,960	(9,309,990)	(540,958)	1,876,330	1,480,986	7,453,246
FFO ⁽¹⁾	3,181,261	3,309,843	3,232,775	3,329,459	3,347,120	3,292,197	3,070,278	2,971,560
FFO per unit ⁽¹⁾	0.155	0.161	0.157	0.162	0.163	0.160	0.151	0.147
Value of investment								
properties (000's)	279,047	280,076	276,659	275,425	291,358	284,910	267,390	252,948
Adjusted investment								
properties (000's) ⁽¹⁾	330,887	331,912	329,171	326,898	338,204	331,777	314,071	298,466
Total assets (000's)	307,161	307,898	304,646	303,060	315,185	309,659	293,285	278,166
Total liabilities (000's)	180,247	182,124	182,770	184,372	185,439	177,591	162,154	148,351
Equity (000's)	126,914	125,774	121,876	118,688	129,746	132,068	131,131	129,814
Weighted avg. units o/s								
Basic (000's)	20,531	20,604	20,603	20,593	20,593	20,550	20,320	20,193

(1) This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures"

RECONCILIATION OF INVESTMENT PROPERTIES TO ADJUSTED INVESTMENT PROPERTIES

As at September 30	2023	2022	Δ
Investment Properties			
Developed properties	279,046,583	291,358,184	(4%)
Investment properties held for sale	4,825,309	-	n/a
Joint Venture Ownership⁽¹⁾			
Developed properties	44,997,909	43,999,121	2%
Properties under development	2,017,537	2,846,565	(29%)
Adjusted Investment Properties⁽²⁾	330,887,338	338,203,870	(2%)

(1) Represents Canadian Net's proportionate share

(2) This is a non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures"

RECONCILIATION OF NET INCOME TO FFO

Periods ended September 30	3 months			9 months		
	2023	2022	Δ	2023	2022	Δ
Net income (loss) attributable to unitholders	3,036,948	(540,958)	3,577,906	13,877,829	2,816,358	11,061,471
Δ in value of investment properties	99,885	3,295,446	(3,195,561)	(3,881,780)	6,353,047	(10,234,827)
Δ in value of investment properties in joint ventures	(18,222)	591,229	(609,451)	(500,427)	418,539	(918,966)
Unit-based compensation	97,327	115,865	(18,538)	427,375	507,176	(79,801)
Δ fair value adjustments on derivative financial instruments	(34,677)	(112,130)	77,453	(203,557)	(390,676)	187,119
Accretion of lease payments	-	-	-	-	7,483	(7,483)
Income taxes	-	(2,332)	2,332	4,439	(2,332)	6,771
FFO ⁽¹⁾	3,181,261	3,347,120	(5%)	9,723,879	9,709,595	-
FFO per unit ⁽¹⁾	0.155	0.163	(5%)	0.473	0.474	-
Distributions	1,770,629	1,748,368	22,261	5,324,382	5,218,536	105,846
Distributions per unit	0.086	0.085	1%	0.259	0.255	2%
FFO per unit ⁽¹⁾ - after distributions	0.069	0.078	(12%)	0.214	0.219	(2%)
Distributions as a % of FFO ⁽¹⁾	56%	52%	4%	55%	54%	1%
Weighted avg. units o/s						
Basic	20,531,490	20,592,733	(61,243)	20,579,058	20,488,429	90,629

(1) This is a non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures"

ADJUSTED FUNDS FROM OPERATIONS

Periods ended September 30	3 months			9 months		
	2023	2022	Δ	2023	2022	Δ
FFO ⁽¹⁾	3,181,261	3,347,120	(165,859)	9,723,879	9,709,595	14,284
Amortization of finance charges included in interest expense	-	-	-	-	-	-
Straight-line rent adjustment ⁽²⁾	(83,913)	(119,325)	35,412	(293,850)	(362,280)	68,430
Maintenance/cap-ex on existing properties ⁽³⁾	(321,235)	(85,072)	(236,163)	(824,495)	(169,048)	(655,447)
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	-	-	-	-	-
AFFO ⁽¹⁾	2,776,113	3,142,723	(12%)	8,605,534	9,178,267	(6%)
AFFO per unit ⁽¹⁾	0.135	0.153	(12%)	0.418	0.448	(7%)
Distributions per unit	0.086	0.085	1%	0.259	0.255	2%
AFFO per unit ⁽¹⁾ - after distributions	0.049	0.068	(28%)	0.159	0.193	(17%)
Distributions as a % of AFFO ⁽¹⁾	64%	56%	8%	62%	57%	5%
Weighted avg. units o/s						
Basic	20,531,490	20,592,733	(61,243)	20,579,058	20,488,429	90,629

(1) This is a non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures"

(2) Adjusted for the proportionate share of equity-accounted investments

(3) The maintenance/cap-ex on existing properties for 2023 includes a charge of \$805,000 that will generate additional income for the Trust

CASH FLOW AND LIQUIDITY

Periods ended September 30	3 months			9 months		
	2023	2022	Δ	2023	2022	Δ
Cash flow from:						
Operating activities	1,972,613	2,693,942	(721,329)	7,908,689	8,089,237	(180,548)
Investing activities	645,265	(8,630,154)	9,275,419	2,172,590	(41,170,414)	43,343,004
Financing activities	(3,064,860)	5,807,423	(8,872,283)	(9,342,932)	33,114,397	(42,457,329)
Increase (decrease) in cash & cash equivalents	(446,982)	(128,789)	(318,193)	738,347	33,220	705,127
Cash & cash equivalents						
- Beginning of period	1,390,763	768,748	622,015	205,434	606,739	(401,305)
Cash & cash equivalents						
- End of period	943,781	639,959	303,822	943,781	639,959	303,822

The Trust's rental income revenues are used to pay down various working capital obligations. These funds are the primary source to fund mortgage/loan and other debt payments, with the residual used to fund distributions to unit holders.

For the nine-month period ended September 30, 2023, Canadian Net has decreased its cash from operating activities. These were mostly impacted by the growth in rental revenues, which was offset by higher interest rate expenses on mortgage renewals, variable-rate mortgages and credit facilities, and by the timing of cash receipts related to the recoveries of operating expenses as well as payments of certain operating expenses.

Cash generated by investing activities in 2023 can be mainly attributed to the sale of the Timmins and Trois-Rivières properties and distributions from joint ventures, partially offset by capital expenditures. For 2022, cash spent on investing activities can be attributed to the acquisitions of properties and participations in joint ventures that took place over the course of the period. For more details regarding these acquisitions over the 9-month period ended September 30, 2023, please refer to Note 3 "Investment Properties", and Note 4 "Joint Arrangements" in the Financial Statements.

For the nine-month period ended September 30, 2023, there was a decrease in cash derived from financing activities since the Trust paid down capital on existing loans, repurchased Trust units on public markets, and settled convertible debentures.

The Trust expects to be able to meet all its obligations as they become due in the short term and the long term. Canadian Net expects to have sufficient liquidity as a result of cash on hand, cash flow from operating activities, and operating facilities, the ability to refinance properties when required as well as the ability to raise equity and debt in the capital markets when deemed necessary.

RECONCILIATION OF CASH FLOW PROVIDED FROM OPERATING ACTIVITIES TO DISTRIBUTABLE INCOME AND DISTRIBUTIONS

Periods ended September 30	3 months			9 months		
	2023	2022	Δ	2023	2022	Δ
Cash flow provided						
from operating activities	1,972,613	2,693,942	(721,329)	7,908,689	8,089,237	(180,548)
Net change in non-cash asset and liability items	666,518	22,064	644,454	178,907	51,722	127,185
Income taxes	-	(2,332)	2,332	4,439	(2,332)	6,771
Accretion of lease payments	-	-	-	-	7,483	(7,483)
Straight-line rent adjustment ⁽²⁾	83,913	119,325	(35,412)	293,850	362,280	(68,430)
Δ in accrued interest	(65,300)	(12,200)	(53,100)	(65,400)	(41,900)	(23,500)
Δ in value of investment properties in joint ventures	(18,222)	591,229	(609,451)	(500,427)	418,539	(918,966)
Share of net income (loss) from investments in joint ventures ⁽²⁾	457,268	(146,047)	603,315	1,788,468	850,318	938,150
Unit-based compensation	-	-	-	148,393	-	148,393
Accretion of the non-derivative liability component of convertible debentures	84,471	81,139	3,332	(33,040)	(25,752)	(7,288)
FFO ⁽¹⁾	3,181,261	3,347,120	(5%)	9,723,879	9,709,595	-
Interest on the lease liability	-	-	-	-	(7,483)	7,483
Straight-line rent adjustment ⁽²⁾	(83,913)	(119,325)	35,412	(293,850)	(362,280)	68,430
Distributions from joint ventures	10,500	160,500	(150,000)	644,000	2,729,500	(2,085,500)
Periodic mortgage principal repayments	(1,105,286)	(1,145,038)	39,752	(3,425,772)	(3,249,980)	(175,792)
Repayment of long-term debt	-	-	-	(15,000)	(15,000)	-
Distributable income ⁽¹⁾	2,002,562	2,243,257	(11%)	6,633,257	8,804,352	(25%)
Distributions to unitholders	(1,770,629)	(1,748,368)	1%	(5,324,382)	(5,218,536)	2%
Cash surplus after distributions	231,933	494,889	(53%)	1,308,875	3,585,816	(63%)

(1) This is a non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures"

(2) Adjusted for the proportionate share of equity accounted investments

RESULTS OF OPERATIONS

Periods ended September 30	3 months			9 months		
	2023	2022	Δ	2023	2022	Δ
Rental Income	6,398,506	6,369,404	29,102	19,301,189	17,676,041	1,625,148
Operating expenses	(1,577,084)	(1,595,706)	18,622	(4,758,405)	(4,182,008)	(576,397)
Net Operating Income ⁽¹⁾	4,821,422	4,773,698	47,724	14,542,784	13,494,033	1,048,751
Share of net income (loss) from investments in joint ventures	491,824	(119,309)	611,133	1,889,515	935,231	954,284
Increase/(decrease) in fair values of investment properties	(99,885)	(3,295,446)	3,195,561	3,881,780	(6,353,047)	10,234,827
Unit-based compensation	(97,327)	(115,865)	18,538	(427,375)	(507,176)	79,801
Administrative expenses	(232,944)	(222,210)	(10,734)	(761,767)	(672,702)	(89,065)
Financial expenses	(1,846,142)	(1,561,826)	(284,316)	(5,247,108)	(4,079,981)	(1,167,127)
Net income (loss) attributable to unitholders	3,036,948	(540,958)	3,577,906	13,877,829	2,816,358	11,061,471
FFO ⁽¹⁾	3,181,261	3,347,120	(5%)	9,723,879	9,709,595	-
FFO per unit ⁽¹⁾	0.155	0.163	(5%)	0.473	0.474	-
Weighted avg. units o/s						
Basic	20,531,490	20,592,733	(61,243)	20,579,058	20,488,429	90,629

(1) This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to section "Non-IFRS financial measures"

RECONCILIATION OF NET INCOME TO EBITDA

Periods ended September 30	3 months			9 months		
	2023	2022	Δ	2023	2022	Δ
Net income attributable to unitholders	3,036,948	(540,958)	3,577,906	13,877,829	2,816,358	11,061,471
Net interest expense	1,877,370	1,671,201	206,169	5,439,375	4,463,664	975,711
Accretion of lease payments	-	-	-	-	(7,483)	7,483
Income taxes	-	(2,332)	2,332	4,439	(2,332)	6,771
Other financial charges	-	2,755	(2,755)	-	6,993	(6,993)
EBITDA ⁽¹⁾	4,914,318	1,130,666	3,783,652	19,321,643	7,277,200	12,044,443
Δ in value of investment properties	99,885	3,295,446	(3,195,561)	(3,881,780)	6,353,047	(10,234,827)
Δ in value of investment properties in joint ventures	(18,222)	591,229	(609,451)	(500,427)	418,539	(918,966)
Δ in value of convertible debentures	(34,677)	(112,130)	77,453	(203,557)	(317,496)	113,939
Δ in value of warrants	-	-	-	-	(73,180)	73,180
Adjusted EBITDA ⁽¹⁾	4,961,304	4,905,211	1%	14,735,879	13,658,110	8%
Interest expense	1,963,877	1,751,404	212,473	5,742,695	4,694,763	1,047,932
Principal repayments	1,105,286	1,145,038	(39,752)	3,425,772	3,249,980	175,792
Debt service requirements	3,069,163	2,896,442	6%	9,168,467	7,944,743	15%
Interest coverage ratio based on adjusted EBITDA ⁽¹⁾	2.5x	2.8x	(0.3x)	2.6x	2.9x	(0.3x)
Debt service coverage based on adjusted EBITDA ⁽¹⁾	1.6x	1.7x	(0.1x)	1.6x	1.7x	(0.1x)

(1) This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to section "Non-IFRS financial measures"

RESULTS OF OPERATIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2023

For the quarter ended September 30, 2023, the Trust had rental income of \$6,398,506 (\$6,369,404 in Q3 2022). This increase in rental income is due to the addition of new properties and the increases in rent of certain existing properties, partially offset by property dispositions. These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

The change in fair value of investment properties is based on the change in capitalization rates applied to each property's adjusted net operating income as well as post-acquisition adjustments (see *Significant Accounting Policies and Estimates* section for more details). As at September 30, 2023, the Trust has estimated that a 0.25% decrease in the capitalization rate applied to the overall portfolio would increase the fair value of the investment properties by approximately \$8,301,111 (\$10,122,917 in Q3 2022) while an increase in the capitalization rate would decrease the fair value of the investment properties by approximately \$13,915,293 (\$13,696,031 in Q3 2022). The weighted average capitalization rate used in the calculation of the fair value of investment property is 6.41% (6.17% in Q3 2022) while the range of capitalization rates used is 4.75% to 7.50% (4.50% to 7.25% in Q3 2022). The capitalization rates used in the calculation of the change in fair value of investment properties are provided by a third-party firm specializing in the appraisal of commercial properties. The adjusted rental income is adjusted to take into consideration provision for vacancies, administrative fees, structural reserves and discounts on variable income.

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages, line of credits, convertible debentures and change in fair value of convertible debentures and warrants, which amounted to \$1,846,142 in Q3 2023 compared to \$1,561,826 for the same quarter last year. For the quarter ended September 30, 2023, the change in fair value of convertible debentures and warrants decreased financial expenses by \$34,677 compared to a decrease of \$112,130 for the same quarter in 2022. Excluding this change in fair value, net financial expenses for the quarter ended September 30, 2023 were \$1,880,819 compared to \$1,673,956, for the same quarter in 2022. This increase in financial expenses is because of an increase in interest expense, which is due to the increase in the number of mortgages as well as higher interest charges on mortgage renewals, variable rate mortgages and credit facilities.

For the quarter ended September 30, 2023, the Trust recorded FFO¹ of \$3,181,261 in comparison to \$3,347,120 in Q3 2022. FFO per unit¹ decreased from \$0.163 to \$0.155. The change in FFO¹ is mainly derived from the addition of rental

¹ This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to section "Non-IFRS financial measures"

revenues of newly acquired properties and contractual rent step-ups, which was offset by higher interest charges on mortgage renewals, variable rate mortgages and credit facilities.

RESULTS OF OPERATIONS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023

For the period ended September 30, 2023, the Trust had rental income of \$19,301,189 (\$17,676,041 for the same period in 2022). This increase in rental income is due to the addition of new properties and the increases in rent of certain existing properties, partially offset by property dispositions. These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

The change in fair value of investment properties is based on the change in capitalization rates applied to each property's adjusted net operating income as well as post-acquisition adjustments (see *Significant Accounting Policies and Estimates* section for more details).

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages, line of credits, convertible debentures and change in fair value of convertible debentures and warrants, which amounted to \$5,247,108 for the period ended September 30, 2023 compared to \$4,079,981 for the same period last year. For the period ended September 30, 2023, the change in fair value of convertible debentures and warrants decreased financial expenses by \$203,557 compared to a decrease of \$390,676 for the same period in 2022. Excluding this change in fair value, net financial expenses for the period ended September 30, 2023 were \$5,450,665 compared to \$4,470,657 for the same period in 2022. This increase in financial expenses is because of an increase in interest expense, which is due to the increase in the number of mortgages as well as higher interest charges on mortgage renewals, variable rate mortgages and credit facilities.

For the period ended September 30, 2023, the Trust recorded FFO¹ of \$9,723,879 in comparison to \$9,709,595 for the same period in 2022. FFO per unit¹ decreased slightly from \$0.474 to \$0.473 for the same period last year. The change in FFO¹ is mainly derived from the addition of rental revenues of newly acquired properties and contractual rent step-ups, which was offset by higher interest charges on mortgage renewals, variable rate mortgages and credit facilities.

CAPITAL STRUCTURE

The real estate business requires capital in order to continue to fund acquisitions, which is a key part of growth and success. The Trust is authorized to issue an unlimited number of trust units. During the 9-month period ended September 30, 2023, the Trust issued units as follows:

On March 23rd, 2023, the Trust announced the issuance of 13,329 units of the Trust at a price of \$5.88 per unit, which equates to \$78,375, and 41,524 deferred trust units as partial compensation for the services rendered by certain members of management and the board of trustees during the fiscal year ended on December 31st, 2022.

The issuance of the units and deferred trust units of Canadian Net constitutes a portion of salaries as per the Equity Incentive Plan approved by unitholders on May 25, 2022 (the "Equity Incentive Plan").

The Trust also announces the grant of 175,584 performance units ("Performance Units") to certain members of management under the Equity Incentive Plan. These units will vest in accordance with the criteria set forth in the Equity Incentive Plan and the achievement of performance targets, set by the board of trustees.

On May 24th, 2023, the Trust announced that following the changes in management, it cancelled of 92,143 performance units ("Performance Units") and granted of 25,766 Performance Units, resulting in a net decrease of 66,377 Performance Units granted. The grant of Performance Units of Canadian Net constitutes a portion of salaries as per the Equity Incentive Plan approved by unitholders on May 25, 2022. These units will vest in accordance with the criteria set forth in the Equity Incentive Plan and the achievement of performance targets, set by the board of trustees.

¹ This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to section "Non-IFRS financial measures"

Canadian Net Real Estate Investment Trust

On July 19th, 2023, the Trust announced that it received approval from the TSX Venture Exchange (“TSX”) for the annual renewal of its normal course issuer bid (“NCIB”).

For its NCIB that expired on July 31, 2023, the Trust previously sought and received approval from the TSX to repurchase up to 1,029,636 units of Canadian Net. The Trust purchased 99,400 units over the course of this NCIB at an average price of \$5.04 per unit.

Under the renewed NCIB, Canadian Net may purchase for cancellation, through the facilities of TSX Venture Exchange, other designated exchanges and/or alternative Canadian trading systems, if in the best interest of the Trust, a maximum of 1,026,425 units, which represents approximately 5% of the units in circulation. As of July 19th, 2023, the Trust had 20,528,502 units issued and outstanding. Over the course of any 30-day period, the Trust will not purchase more than 410,570 units in total, which represents 2% of the units issued and outstanding at that date.

All purchases and settlements of said securities are to be made through the facilities of TSX Venture Exchange, other designated exchanges and/or alternative Canadian trading systems in accordance with their rules and regulations. All units redeemed by the Trust pursuant to the NCIB will be cancelled. National Bank Financial will be handling the offer on behalf of the Trust. The price paid by the Trust for the redemption of these units will be the price of the units at the time of acquisition. The renewed normal course issuer bid will begin on August 1, 2023 and will expire on July 31, 2024.

TRUST UNITS

Units issued (redeemed):	# of units	
Units as at December 31, 2021	20,274,602	
January 21, 2022 (warrants)	26,663	
January 25, 2022 (warrants)	5,102	
February 14, 2022 (warrants)	10,204	
February 15, 2022 (warrants)	6,850	
February 28, 2022 (units for services)	18,350	
March 4, 2022 (warrants)	10,204	
March 25, 2022 (warrants)	25,510	
March 28, 2022 (warrants)	35,714	
March 30, 2022 (warrants)	51,020	
March 31, 2022 (warrants)	22,959	
April 11, 2022 (warrants)	5,118	
April 28, 2022 (warrants)	30,612	
May 10, 2022 (warrants)	5,102	
May 13, 2022 (warrants)	54,520	
May 16, 2022 (warrants)	10,203	
Units as at December 31, 2022	20,592,733	
January 12, 2023 (options)	10,000	
March 22, 2023 (units for services)	13,329	
May 4, 2023 (units for service)	11,840	
May 31, 2023 (units buy back)	(20,000)	
June 8, 2023 (units buy back)	(54,400)	
July 7, 2023 (units buy back)	(5,000)	
July 11, 2023 (units buy back)	(10,000)	
July 13, 2023 (units buy back)	(10,000)	
Units as at September 30, 2023	20,528,502	
Potential dilutive impact of financial instruments as at September 30, 2023		Exercise price
Deferred Trust Units	42,322	N/A
Conversion of convertible debentures (in units)	975,267	\$7.30 to \$8.13 per unit

Convertible debentures

The nominal value of convertible debentures outstanding as of September 30, 2023 is \$7,732,000 and their conversion prices range from \$7.30 to \$8.13 per unit. During the 9 months, the Trust repaid \$1,404,000 in convertible debentures bearing a 6.00% interest rate and with a conversion price of \$7.30. There was no conversion over the 9 months ended September 30, 2023.

Options

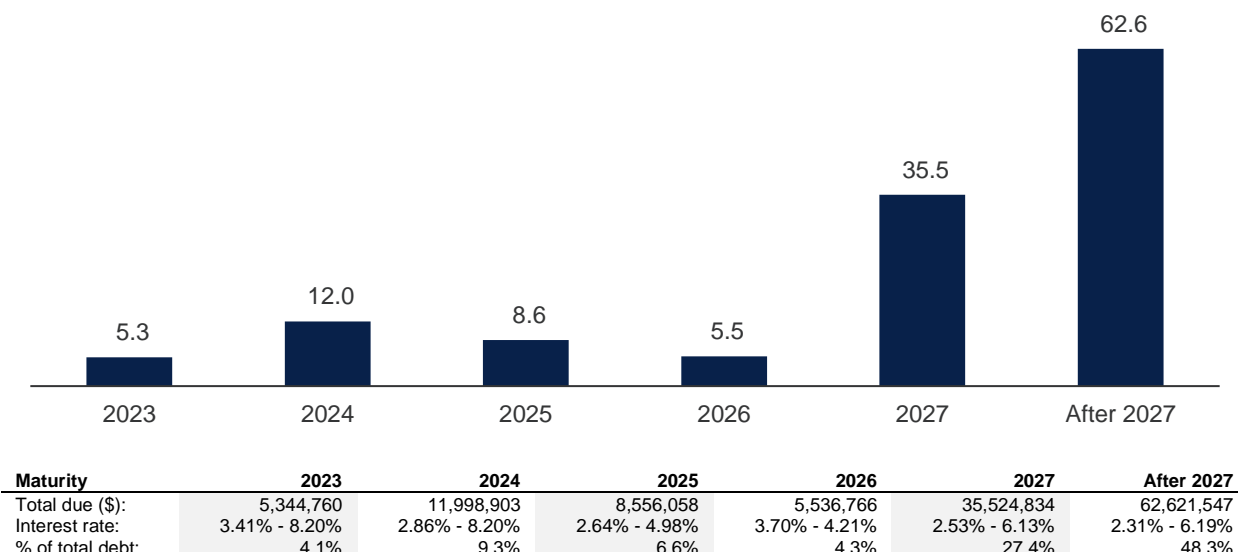
Over the 9 months ended September 30, 2023, the Trust issued 10,000 units at \$3.80 following the exercise of the remaining options outstanding.

Unit buy back

Over the 9 months ended September 30, 2023, the Trust used its NCIB to purchase and cancel 99,400 units at an average price of \$5.04 per unit.

The total number of units outstanding as at September 30, 2023 was 20,528,502.

MORTGAGE BALANCES DUE AT MATURITY (in \$M)



Debts are composed of mortgages, loans, convertible debentures and secured credit facilities, and exclude Canadian Net's interest in mortgages and loans held through joint ventures.

As at September 30, 2023, the Trust had mortgages with Canadian financial institutions with a total carrying value of \$151,824,858 (\$155,680,797 at December 31, 2022). These mortgages require the Trust to make principal payments of \$84,255,652 over the next 5 year and \$67,568,915 thereafter. The mortgages outstanding currently have an average term to maturity of 4.6 years (5.0 years at December 31, 2022). Convertible debentures in circulation as at September 30, 2023 have a carrying value of \$7,264,514 (\$8,635,474 at December 31, 2022). The Trust currently has 3 secured lines of credit with authorized limits of \$13,160,000, \$6,000,000 and \$1,400,000. These lines of credit have a balance of \$17,470,362 as at September 30, 2023 (\$15,725,362 at December 31, 2022).

Management believes that Canadian Net's blend of debt and equity in its capital base provides stability and reduces risk, while generating an acceptable return on investment. This complements the long-term business strategy of the Trust, which is to grow its presence in the commercial real estate market in Canada.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Trust's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgments include assessing the nature of an acquisition and whether it represents a business combination or an acquisition of assets and liabilities, whether a joint arrangement structured through a separate vehicle is a joint operation or a joint venture, the assessment of the fair values of investment properties and the assessment of the unit-based compensation and derivative financial instruments where the fair value cannot be derived from active markets.

One significant judgment and key estimate that affects the reported amounts of assets at the date of the consolidated financial statements and the reported amounts of profit or loss during the period relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued by the Trust. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates. Investment properties are appraised primarily based on adjusted cash flows obtained from existing tenants since market participants focus more on expected income. The fair value of investment properties indicated in the consolidated financial statements has been calculated internally using the direct capitalization method based on rental income. This fair value has been

calculated by using a capitalization rate, provided by qualified independent professional appraisers, and applied on adjusted rental income. Rental income is adjusted to take into consideration provisions for vacancies, administrative fees, structural reserves and discounts on variable income.

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. As at September 30, 2023 the Trust held interests in 99 properties in Quebec, Ontario, Nova Scotia and New Brunswick, across 4 market segments. The Trust is exposed to credit risk, interest rate risk and liquidity risk. In order to limit the effects of changes in interest rates on its expenses and cash flows, the Trust constantly follows the evolution of the market interest rate risk and consequently determines the composition of its debts.

Credit Risk

Credit risk comes primarily from the potential inability of customers to discharge their rental obligations. Canadian Net strives to obtain rent payments every month to limit this risk while maintaining a limited receivable balance (\$1,313,515 at September 30, 2023 compared to \$1,344,738 as at December 31, 2022). The composition of this balance mostly includes major Canadian companies with small credit risk.

The Trust has a portfolio of loans receivable from joint venture partners. These loans are secured by interest in said joint ventures. As at September 30, 2023, loans receivable amount to \$3,645,058 (\$4,274,895 as at December 31, 2022).

Interest Rate Risk

Interest rate risk affects the Trust through its loans receivable, mortgages, long-term debt, and convertible debentures. These instruments bear fixed interest rates and as such expose the Trust to fair value risk. Lines of credit with a floating interest rate expose the Trust to a cash flow risk. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. The Trust has an ongoing requirement to access debt makers and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Each change of 1% of the interest rates would have an impact of \$445,122 on the financial expenses for the quarter.

Liquidity Risk

Liquidity risk is the risk of being unable to honour financial commitments by the deadlines set out under the terms of such commitments. Senior management manages the Trust's cash resources with respect to financial forecasts and anticipated cash flows.

The Trust has cash availability which allows it to control its current liquidity risks, mainly composed of accounts payable, current portion of mortgages and long-term debt.

Lease Roll-over Risk

Lease roll-over risk arises from the possibility that Canadian Net may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants. Canadian Net's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer-term leases and significant pre-leasing of development space.

Development and Acquisition Risk

The Trust's external growth prospects will depend in large part on identifying suitable acquisition opportunities and conducting necessary due diligence. If the Trust is unable to manage its growth and integrate its acquisitions and developments effectively, its business operating results, and financial condition could be adversely affected. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Trust's performance. An increase in interest rates could also adversely impact the Trust's ability to acquire and develop real estate that satisfies its investment criteria and as such, adversely impact the Trust's growth profile.

Environmental Risk

Canadian Net is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such as petroleum products. Environmental risk is relevant to Canadian Net's ability

to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against Canadian Net. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Canadian Net's portfolio, or of any material pending or threatened actions, investigations or claims against Canadian Net relating to environmental matters. Canadian Net manages environmental exposures in a proactive manner by conducting thorough due diligence before the acquisition of each property and by taking environmental insurance coverage on properties where risk could potentially arise.

Status of the REIT

The Trust is required to comply with specific restrictions regarding its activities and the investments held by it in order to maintain its real estate investment trust status ("REIT"). Should the Trust cease to qualify as a REIT, the consequences could be material and adverse. As well, the Trust conducts its affairs in order to qualify as a REIT under applicable tax statutes so that it retains its status as a flowthrough vehicle for the particular year. Should the Trust not meet the conditions to qualify as a REIT in a particular year, it may be subject to tax similar to a corporation, which may have an adverse impact on it and its unitholders, on the value of the units and on its ability to undertake financings and acquisitions. This could also materially reduce its distributable cash. Management believes that it complies with the REIT rules.

Access to Capital

The Trust's growth prospects depend on its ability to access capital, mainly debt and equity. Adverse market conditions could lead to a negative capital markets environment in which the Trust might not be able to issue units, debentures or any other financial instruments in order to raise capital. Access to debt, mainly through mortgages, is also crucial for financing purposes, and the unavailability of the debt market would make it harder for Canadian Net to acquire real estate assets that satisfy its investment criteria.

Market events and conditions, including disruptions that sometimes affect international and regional credit markets and other financial systems and global economic conditions, could impede the Trust's access to capital (including debt financing) or increase the cost of such capital. Failure to raise or access capital in a timely manner or under favourable terms could have a material adverse effect on the Trust's financial position and results of operations, including on its acquisition and development plan and growth strategy.

RELATED PARTY TRANSACTIONS

The loans receivable include an amount of \$190,000 (2022: \$100,000) due from officers of the Trust. The loans were granted for a term of 5 years, and bears interest at rates between the prescribed rate and prime plus 0.75% per annum. Interest income on the loans amount to \$3,130 (Q3 2022: \$1,385) for which no amount is receivable as at September 30, 2023 (2022: \$0).

During the period ended September 30, 2023, loans receivable due from a former officer of the Trust was repaid and cancelled (2022: \$110,000). There is no interest revenue on these loans (Q3 2022: \$1,523) and for which no amount is receivable as at September 30, 2023 (2022: \$0).

During the period ended September 30, 2023, a former officer of the Trust exercised 10,000 options at an exercise price of \$3.80 per unit for aggregate gross proceeds of \$38,000.

During the year ended December 31, 2022, certain trustees of the Trust exercised 40,832 warrants at an exercise price of \$6.10 per unit for aggregate gross proceeds of \$249,075.

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Officers and Trustees Compensation

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. Key management personnel are comprised of the Trust's executive officers and Trustees and their compensation is as follows:

Period ended September 30	3 months		9 months	
	2023	2022	2023	2022
Salaries and benefits	82,131	117,653	295,754	341,205
Unit-based compensation	70,852	141,757	536,411	569,618
Total	152,983	259,410	832,165	910,823