



**YORKTON**  
E Q U I T Y G R O U P I N C .

**Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

## Management's Responsibility for Condensed Interim Consolidated Financial Statements

### For the third quarters ended September 30, 2022 and 2021

The accompanying unaudited condensed interim consolidated financial statements and all of the data included in this quarterly report have been prepared by and are the responsibility of the Board of Directors and management of Yorkton Equity Group Inc. and reflect management's best estimates and judgments based on currently available information.

The Audit Committee, comprised of non-management directors, acts on behalf of the Board of Directors to ensure that management fulfills its financial reporting and internal control responsibilities. In performing its duties, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of Yorkton Equity Group Inc.'s management.

Signed "Ben Lui"

Ben Lui, Chief Executive Officer

Signed "William Harper"

William Harper, Acting Chief Financial Officer

Dated: November 24, 2022

## **Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Yorkton Equity Group Inc. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Yorkton Equity Group Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

<b>As at</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>		
Non-current assets		
Investment properties (Note 4)	\$ 54,007,053	\$ 42,550,000
Investment	40,495	40,174
Equipment (Note 5)	14,870	12,113
	<b>54,062,418</b>	<b>42,602,287</b>
Current assets		
Cash	2,353,126	2,180,351
Restricted cash	194,698	131,116
Accounts receivable	373,242	29,947
Sales taxes receivable	47,239	14,439
Promissory note receivable	202,092	202,092
Due from related parties (Note 7)	726,993	-
Prepays and deposits	131,516	551,984
Investment in Yorkton 108 LP	-	149,438
	<b>4,028,906</b>	<b>3,259,367</b>
<b>Total assets</b>	<b>\$ 58,091,324</b>	<b>\$ 45,861,654</b>
<b>Liabilities</b>		
Non-current liabilities		
Mortgages payable (Note 8)	\$ 29,565,066	\$ 10,242,340
Convertible debentures (Note 9)	2,290,129	-
Deferred income taxes	1,090,793	1,064,089
	<b>32,945,988</b>	<b>11,306,429</b>
Current liabilities		
Mortgages payable - current portion (Note 8)	3,652,586	11,328,195
Accounts payable and accrued liabilities	317,388	482,533
Due to related parties (Note 7)	-	124,221
Refundable security deposits	194,698	131,116
Convertible debentures to be issued	-	1,978,000
	<b>4,164,672</b>	<b>14,044,065</b>
<b>Shareholders' equity</b>		
Common shares (Note 13)	14,222,796	14,200,857
Warrants (Note 13)	1,435,775	1,273,395
Contributed surplus	1,509,029	1,509,029
Equity component of convertible debentures (Note 9)	529,677	-
Retained earnings	3,283,387	3,527,879
	<b>20,980,664</b>	<b>20,511,160</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 58,091,324</b>	<b>\$ 45,861,654</b>

See accompanying notes to the condensed interim consolidated financial statements

Approved by the Board of Directors:

(signed) "Ben Lui"  
 \_\_\_\_\_  
 Director (signed by)

(signed) "Jason Theiss"  
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 Director (signed by)

## Yorkton Equity Group Inc.

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

For the three and nine months ended September 30,	2022	Three Months 2021	2022	Nine Months 2021
<b>Rental revenue (Note 10)</b>	<b>\$ 828,788</b>	\$ 308,849	<b>\$ 2,256,380</b>	\$ 579,667
<b>Recovery of operating expenses</b>	<b>104,108</b>	116,344	<b>323,335</b>	334,454
<b>Direct operating costs</b>	<b>(359,780)</b>	(202,108)	<b>(1,148,012)</b>	(509,121)
<b>Net rental income</b>	<b>573,116</b>	223,085	<b>1,431,703</b>	405,000
<b>Expenses</b>				
Financing costs (Note 12)	436,278	132,313	1,149,604	252,137
General and administration (Note 11)	105,138	286,614	511,981	608,543
Property tax	4,382	16,485	14,850	33,722
Depreciation (Note 5)	1,144	480	2,624	1,448
Bad debt (recovery)	-	-	-	(3,233)
	<b>546,942</b>	435,892	<b>1,679,059</b>	892,617
<b>Income (loss) before other income</b>	<b>26,174</b>	(212,807)	<b>(247,356)</b>	(487,617)
<b>Other income</b>				
Interest income	8,223	-	29,568	-
<b>Income (loss) before income taxes</b>	<b>34,397</b>	(212,807)	<b>(217,788)</b>	(487,617)
<b>Income tax recovery (expense)</b>				
Current income tax recovery	-	(8,043)	-	(189)
Deferred income tax expense	-	-	(26,704)	-
	<b>-</b>	<b>(8,043)</b>	<b>(26,704)</b>	<b>(189)</b>
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 34,397</b>	\$ (220,850)	<b>\$ (244,492)</b>	\$ (487,806)
<b>Basic and diluted earnings (loss) per common share</b>	<b>\$ 0.00</b>	\$ (0.00)	<b>\$ (0.00)</b>	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>				
Basic and diluted	112,677,427	112,142,509	112,621,228	93,896,895

See accompanying notes to the condensed interim consolidated financial statements

## Yorkton Equity Group Inc.

### Condensed Interim Consolidated Statements of Changes in Equity (Expressed in Canadian Dollars) (Unaudited)

	Common Shares	Warrants	Contributed Surplus	Equity component of convertible debentures	Retained Earnings	Equity
Balance December 31, 2020	\$ 4,070,264	\$ 537,176	\$ 1,469,629	\$ -	\$ 4,784,405	\$ 10,861,474
Subscription proceeds	40,000	-	-	-	-	40,000
Private placement	2,437,159	757,242	-	-	-	3,194,401
Share issuance costs	(143,227)	(49,530)	-	-	-	(192,757)
Finder's warrants	(3,859)	3,859	-	-	-	-
Share-based payments	-	-	36,238	-	-	36,238
Shares issued for investment in associate	2,617,413	-	-	-	-	2,617,413
Shares issued on asset acquisition	3,719,592	-	-	-	-	3,719,592
Net loss and comprehensive loss	-	-	-	-	(487,806)	(487,806)
Balance September 30, 2021	\$ 12,737,342	\$ 1,248,747	\$ 1,505,867	\$ -	\$ 4,296,599	\$ 19,788,555

	Common Shares (Note 13)	Warrants (Note 13)	Contributed Surplus	Equity component of convertible debentures (Note 9)	Retained Earnings	Equity
Balance December 31, 2021	\$ 14,200,857	\$ 1,273,395	\$ 1,509,029	\$ -	\$ 3,527,879	\$ 20,511,160
Issuance of convertible debentures (Note 9)	-	162,380	-	529,677	-	692,057
Share-based payments (Note 13)	-	-	1,617	-	-	1,617
Exercise of common share purchase options	21,939	-	(1,617)	-	-	20,322
Net loss and comprehensive loss	-	-	-	-	(244,492)	(244,492)
Balance September 30, 2022	\$ 14,222,796	\$ 1,435,775	\$ 1,509,029	\$ 529,677	\$ 3,283,387	\$ 20,980,664

See accompanying notes to the condensed interim consolidated financial statements

**Yorkton Equity Group Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

<b>For the nine months ended September 30,</b>	<b>2022</b>	<b>2021</b>
<b>Operating Activities</b>		
Net loss	\$ (244,492)	\$ (487,806)
Adjustments for:		
Financing costs	1,059,743	252,137
Interest accretion	63,873	-
Deferred income tax expense	26,704	-
Share-based payments	1,617	36,238
Depreciation and amortization	2,624	1,448
Accrued interest receivable	(28,027)	(1,063)
Accrued rent receivable	-	(6,291)
Restricted cash	(63,582)	-
	<b>818,460</b>	<b>(205,337)</b>
Change in non-cash operating working capital (Note 14)	<b>(196,343)</b>	<b>(172,563)</b>
<b>Cash provided by (used in) operating activities</b>	<b>622,117</b>	<b>(377,900)</b>
<b>Financing Activities</b>		
Proceeds from private placements (net of share issue costs)	-	3,041,644
Proceeds from exercise of common share purchase options	20,322	-
Proceeds from issuance of convertible debentures (net of transaction costs)	933,800	-
Proceeds from mortgages payable (net of transaction costs)	18,934,015	12,438,345
Mortgage repayments	(7,475,757)	(135,319)
Advances from related parties	1,167,867	761,910
Repayments of due to related parties	(1,991,375)	(960,353)
Interest paid	(725,218)	(252,137)
<b>Cash provided by financing activities</b>	<b>10,863,654</b>	<b>14,894,090</b>
<b>Investing Activities</b>		
Acquisition of investment properties	(11,368,410)	(15,501,126)
Improvements to investment properties	(88,643)	-
Acquisition of equipment	(5,381)	-
Return of capital on investment in associate	149,438	-
Repayment from related party	-	243,974
Advances to related party	-	(111,641)
Transaction costs on investment in associate	-	(35,851)
Cash acquired on acquisition	-	3,096
<b>Cash provided by (used in) investing activities</b>	<b>(11,312,996)</b>	<b>(15,401,548)</b>
<b>Net increase in cash</b>	<b>172,775</b>	<b>(885,358)</b>
Cash, beginning of period	2,180,351	1,059,018
<b>Cash, end of the period</b>	<b>\$ 2,353,126</b>	<b>\$ 173,660</b>

See accompanying notes to the condensed interim consolidated financial statements

## **YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### **1. Nature of Business**

Yorkton Equity Group Inc. (the “Company” or “Yorkton”) was incorporated on March 4, 2016 under the Business Corporations Act (Alberta). The Company is a growth-oriented real estate company which primarily owns a portfolio of mid-market multi-unit residential rental properties in British Columbia and Alberta.

The Company’s shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the symbol “YEG”. The Company’s registered office is located at Suite 3165, 10180 – 101 Street, Edmonton, Alberta, T5J 3S4.

### **2. Basis of Presentation**

#### ***a) Statement of Compliance***

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (the “IASB”). Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed and accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2021.

These condensed interim consolidated financial statements were authorized for issue by the Company’s board of directors on November 24, 2022.

#### ***b) Basis of Measurement***

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for investment properties that have been measured at fair value. These consolidated financial statements were prepared on a going concern basis.

#### ***c) Functional Currency***

The consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

## **YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2022

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(Unaudited)

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### **2. Basis of Presentation (continued)**

#### ***d) Use of management critical judgment, estimates and assumptions***

The preparation of condensed interim consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses recorded during the reporting period. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The critical accounting estimates and judgments made by management in applying the Company's accounting policies were the same as those described in Note 2 to the Company's consolidated financial statements for the years ended December 31, 2021 and 2020 with the addition of the below:

#### ***i) Compound financial instruments***

The fair value of convertible debentures units issued, comprised of convertible debentures and common shares purchase warrants, is allocated to each respective component on a relative fair value basis. The fair value of a convertible debenture is allocated between the liability and equity components with the fair value of the liability component determined first, based on a discounted cash flow approach using the interest rate estimated to be equal to the rate of interest of a similar debt instruments without a conversion feature, and with the residual value being assigned to the equity component.

#### ***ii) Warrants***

The fair value of common share purchase warrants issued is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the common share purchase warrants, the expected volatility of the Company's shares, the expected life of the common share purchase warrants, expected dividends and the risk-free rate of return. The Company estimates volatility based on historical volatilities of peer companies that are publicly traded. The expected life of the common share purchase warrants is based on historical experience and estimates of the holder's behaviour. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future.

## **YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### **2. Basis of Presentation (continued)**

#### ***d) Use of management critical judgment, estimates and assumptions (continued)***

In addition, at this time, the duration and future impact of the COVID-19 pandemic still remains uncertain, given the unprecedented nature of the pandemic, which uncertainty may impact certain of the Company's significant judgments and estimates. Specifically, the Company has had to make assumptions with respect to the length and severity of the recovery period, as well as the severity and duration of future waves of the pandemic, in estimating the ongoing impact on the Company. Specifically, significant judgement was required when measuring the Company's investment properties which are carried at fair value using assumptions based on market conditions, which currently have limited long-term visibility. The full long-term impact of the COVID-19 pandemic on the valuation of investment properties remains unknown. Furthermore, judgement was required in assessing the collectability of outstanding tenant receivables and the consideration of applying an allowance for estimated credit losses to these balances. As government financial supports, which assisted the Company's tenants with their essential needs such as rental payments throughout the pandemic, are reduced or eliminated, and as inflation continues to rise, the Company may see an increase in its bad debt expense and be exposed to an increased credit risk.

### **3. Significant Accounting Policies**

The significant accounting policies applied by the Company in these condensed interim consolidated financial statements are consistent with those applied by the Company in its annual consolidated financial statements for the years ended December 31, 2021 and 2020 with the addition of the below:

#### ***a) Basis of Consolidation***

These condensed interim consolidated financial statements consist of Yorkton Equity Group Inc. and its wholly-owned subsidiaries:

- 1421526 Alberta Ltd.
- 1205946 Alberta Ltd.
- 1305271 B.C. Ltd.
- Pacific Central Properties Ltd.
- Pacific Central Holdings Ltd.
- Larson Nickel Properties Ltd.
- Larson Nickel Holdings Ltd.
- Winton Terrace Properties Ltd.
- Winton Terrace Holdings Ltd.
- Canterbury YXJ Properties Ltd.
- Canterbury YXJ Holdings Ltd.
- Midtown YXJ Properties Ltd.
- Midtown YXJ Holdings Ltd.
- Windsor Shamrock Properties Ltd.
- Windsor Holdings Ltd.
- Shamrock Holdings Ltd.

## **YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### **3. Significant Accounting Policies (continued)**

#### **a) Basis of Consolidation (continued)**

Subsidiaries are entities over which the Company has control and are consolidated from the date control commences until control ceases. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts, circumstances and events indicate that there are changes to one or more of the three elements of control listed above.

All intercompany balances and transactions are eliminated on consolidation.

#### **b) Compound Financial Instruments**

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to common shares of the Company at the option of the holder, when the number of common shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in the condensed interim consolidated statements of loss and comprehensive loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

**YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

**4. Investment Property**

	Land Held for Development	Commercial Property	Residential Properties	Total
Balance, December 31, 2020	\$ 7,000,000	\$ 6,360,000	\$ -	\$ 13,360,000
Acquisition of investment properties	-	-	27,490,009	27,490,009
Capitalized acquisition costs	-	-	773,411	773,411
Additions to investment property	-	110,390	149,358	259,748
Straight-line rents included in revenue	-	93,793	-	93,793
Fair value adjustment	(380,000)	(164,183)	1,117,222	573,039
Balance, December 31, 2021	6,620,000	6,400,000	29,530,000	42,550,000
Acquisition of investment properties	-	-	11,109,800	11,109,800
Capitalized acquisition costs	-	-	250,252	250,252
Additions to investment property	-	(16,510)	113,511	97,001
Straight-line rents included in revenue	-	-	-	-
<b>Balance, September 30, 2022</b>	<b>\$ 6,620,000</b>	<b>\$ 6,383,490</b>	<b>\$ 41,003,563</b>	<b>\$ 54,007,053</b>

Included in investment property is \$158,310 (December 31, 2021 - \$158,310) of rent receivable arising from the recognition of rental revenue on a straight-line basis over the lease term.

**Acquisition of Canterbury Place Property**

On January 31, 2022, the Company acquired a residential 21-unit townhouse complex located in Fort St. John, BC through a holding company, Canterbury YXJ Holdings Ltd., for a purchase price of \$3,619,401. The purchase was funded with mortgage financing, net of financing fees, of \$2,983,244 and cash on hand of \$636,157.

	Amount
Investment property - Residential	\$ 3,579,800
Acquisition costs	39,601
Total purchase price (paid in cash)	\$ 3,619,401
Units acquired - Residential	21

**YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2022

(Expressed in Canadian Dollars)

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**4. Investment Property (continued)****Acquisition of Midtown Property**

On January 31, 2022, the Company acquired a residential 12-unit apartment building located in Fort St. John, BC through a holding company, Midtown YXJ Holdings Ltd., for a purchase price of \$1,070,565. The purchase was funded with mortgage financing, net of financing fees, of \$828,450 and cash on hand of \$242,115.

	<b>Amount</b>
Investment property - Residential	\$ 1,050,000
Acquisition costs	20,565
Total purchase price (paid in cash)	\$ 1,070,565
Units acquired – Residential	12

**Acquisition of Shamrock Townhomes and Windsor Estates**

On April 11, 2022, the Company acquired a residential 50-unit townhouse portfolio located in Fort St. John, BC comprising of two townhouse complexes situated adjacent to each other through two holding companies, Shamrock Holdings Ltd. and Windsor Holdings Ltd., for a total aggregate purchase price of \$6,670,085. The purchase was funded with mortgage financing, net of financing fees, of \$5,113,548 and cash on hand of \$1,556,537.

	<b>Amount</b>
Investment property - Residential	\$ 6,480,000
Acquisition costs	190,085
Total purchase price (paid in cash)	\$ 6,670,085
Units acquired – Residential	50

Investment properties measured at fair value in the condensed interim consolidated statement of financial position are categorized by level according to significance of the inputs used in making the measurements. The level of inputs are as follows:

The Company values its investment property using Level 3 inputs. There have been no transfers during the period between levels.

As at September 30, 2022, the commercial property was valued at \$6,383,490 (December 31, 2021 - \$6,400,000) and the residential properties were valued at \$41,003,563 (December 31, 2021 - \$29,530,000) using a combination of the direct capitalization of income method and the direct comparison approach. In applying the direct capitalization of income method, the stabilized net operating income is capitalized at the requisite overall capitalization rate. In applying the direct comparison method (price per square foot or price per unit), the property was compared to recent sales transactions considered to be similar in terms of location, condition, size, and tenancy.

As at September 30, 2022, the land held for development was valued at \$6,620,000 (December 31, 2021 - \$6,620,000) using the direct comparison approach. The land was compared to recent sales transactions of commercial land sales.

**YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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**4. Investment Property** (continued)

There is increased uncertainty on the valuation of the investment properties as a result of the global effects of the COVID-19 pandemic. Management estimates that there has been no material effect on the valuation of the investment properties at September 30, 2022 due to the COVID-19 pandemic.

The Company leases space in its commercial property to tenants under operating leases. The leases have various terms between 1 and 5 years. The total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

	September 30, 2022	December 31, 2021
One year or less	\$ 373,137	\$ 322,368
2 – 5 years	625,248	600,312
	<b>\$ 998,385</b>	<b>\$ 922,680</b>

**5. Equipment**

	Equipment	
<b>Cost</b>		
Balance December 31, 2020	\$	39,798
Additions		7,991
Balance December 31, 2021		47,789
Additions		5,381
<b>Balance September 30, 2022</b>	<b>\$</b>	<b>53,170</b>
<b>Accumulated depreciation</b>		
Balance December 31, 2020	\$	33,314
Depreciation		2,362
Balance December 31, 2021	\$	35,676
Depreciation		2,624
<b>Balance September 30, 2022</b>	<b>\$</b>	<b>38,300</b>
<b>Carrying value</b>		
December 31, 2021	\$	12,113
<b>September 30, 2022</b>	<b>\$</b>	<b>14,870</b>

**6. Promissory Note Receivable**

On May 31, 2021, the Company received a promissory note of \$250,000 from a tenant for rent receivable in arrears. The promissory note receivable does not bear interest, is due on demand on or before December 31, 2021 and was personally guaranteed by the tenant. As at September 30, 2022, the promissory note receivable was in default and had not been repaid and the Company had not enforced on its repayment rights. An expected credit loss of \$47,908 was recorded during the year ended December 31, 2021.

**YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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**7. Due to/from Related Party and Related Party Transactions**

The Company's related parties are its Board of Directors, key management personnel (Chief Executive Officer "CEO", Acting Chief Financial Officer "CFO" and Executive Vice President "EVP"), as well as any companies controlled by key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

## a) Key management personnel and director remuneration

The remuneration of key management personnel and directors is as follows:

	Three months ended September 30, 2022		2021		Nine months ended September 30, 2022		2021	
Wages and benefits	\$	22,385	\$	-	\$	82,530	\$	-
Share-based compensation		-		12,812		-		36,238
	\$	22,385	\$	12,812	\$	82,530	\$	36,238

## b) Related party transactions

As at September 30, 2022, \$726,993 was receivable from companies directly controlled by the CEO of the Company. These amounts are short term unsecured advances, bear interest at 4.5% per annum and have no specific terms of repayment. These advances were made to deploy excess cash for the purpose of earning income while the Company identifies potential investment property acquisitions. During the three and nine months ended September 30, 2022, \$6,956 and \$27,706, respectively, was recorded as interest income related to these advances (three and nine months ended September 30, 2021 - \$Nil).

As at December 31, 2021, \$37,541 was payable to a company indirectly controlled by the CEO of the Company and \$86,680 was payable to companies directly controlled by the CEO of the Company. These amounts were short term unsecured loans for general working capital purposes, bear no interest and have no specific terms of repayment and amounts payable for property management services.

During the three and nine months ended September 30, 2022, the Company paid property management fees of \$24,484 and \$88,211, respectively (three and nine months ended September 30, 2021 - \$20,446 and \$55,194, respectively). These fees are included in direct operating costs and were incurred under a property management contract with a company directly controlled by the CEO of the Company.

**YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

**8. Mortgages Payable**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Mortgage payable on demand with monthly instalments of approximately \$14,000, variable interest rate of prime plus 0.75% per annum and secured by an investment property with a carrying amount of \$13,018,106, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company	\$ <b>1,836,958</b>	\$ 1,908,904
Mortgage payable with a maximum borrowing limit of \$950,000 due on demand with blended monthly instalments of approximately \$5,000, variable interest rate of prime plus 0.75% per annum and secured by an investment property with a carrying amount of \$13,018,106, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company	<b>617,806</b>	644,538
Mortgage payable on demand with monthly instalments of approximately \$7,000, variable interest rate of prime plus 0.75% per annum and secured by an investment property with a carrying amount of \$13,018,106, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company	<b>970,843</b>	-
Mortgage payable due in July 2022 with monthly interest only payments, variable interest rate at the greater of prime plus 8.8% or 11.25% and secured by a second mortgage on an investment property with a carrying amount of \$8,954,996, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company.	-	2,000,000
Mortgage payable due on demand with blended monthly instalments of approximately \$26,000, variable interest rate of prime plus 0.75% per annum and secured by an investment property with a carrying amount of \$8,954,996, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company.	-	3,169,973

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**8. Mortgages Payable (continued)**

Mortgage payable due in August 2026 with blended monthly instalments of approximately \$22,000, bearing fixed interest of 1.89% per annum and secured by an investment property with a carrying amount of \$9,600,000, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company equal to 40% of the loan.	<b>6,508,577</b>	6,610,715
Mortgage payable due in December 2026 with blended monthly instalments of approximately \$13,000, bearing fixed interest of 1.91% per annum and secured by an investment property with a carrying amount of \$6,050,000, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company.	<b>4,239,288</b>	4,293,739
Mortgage payable due on demand with monthly interest only payments, variable interest rate at the greater of prime plus 2.5% or 4.95% until December 31, 2022 and then greater of prime plus 7.55% or 10% thereafter and secured by an investment property with a carrying amount of \$4,980,000, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company.	-	3,519,000
Mortgage payable due in June 2027 with blended monthly instalments of approximately \$12,000, bearing fixed interest of 2.44% per annum and secured by an investment property with a carrying amount of \$4,980,000, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company equal to 40% of the loan.	<b>3,610,180</b>	-
Mortgage payable due in June 2027 with blended monthly instalments of approximately \$13,000, bearing fixed interest of 2.70% per annum and secured by an investment property with a carrying amount of \$3,619,401, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company equal to 40% of the loan.	<b>3,154,777</b>	-
Mortgage payable due in June 2027 with blended monthly instalments of approximately \$4,000, bearing fixed interest of 2.70% per annum and secured by an investment property with a carrying amount of \$1,070,565, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company equal to 40% of the loan.	<b>903,822</b>	-

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**8. Mortgages Payable (continued)**

Mortgage payable due in June 2027 with blended monthly instalments of approximately \$30,000, bearing fixed interest of 3.15% per annum and secured by an investment property with a carrying amount of \$8,954,996, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company.	<b>7,635,228</b>	-
Mortgage payable due in June 2027 with blended monthly instalments of approximately \$23,000, bearing fixed interest of 3.20% per annum and secured by an investment property with a carrying amount of \$6,670,085, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company.	<b>5,368,278</b>	-
Total mortgages payable	<b>\$ 34,845,757</b>	\$ 22,146,869
Deferred financing costs	<b>(1,628,105)</b>	(576,334)
	<b>33,217,652</b>	21,570,535
Mortgages payable – current portion	<b>\$ (3,652,586)</b>	\$ (11,328,195)
Mortgages payable – non-current portion	<b>\$ 29,565,066</b>	\$ 10,242,340

Estimated future principal payments required to meet mortgage obligations as at September 30, 2022 are as follows:

Years ending September 30,	Amounts
2023	\$ 4,017,012
2024	606,773
2025	622,561
2026	10,513,005
2027 and after	19,086,406
Total mortgage principal outstanding	<b>34,845,757</b>
Deferred financing costs	<b>(1,628,105)</b>
	<b>\$ 33,217,652</b>

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**8. Mortgages Payable (continued)**

The following investment property holding company is required to maintain certain debt service coverage ratio ("DSCR") covenants on its mortgages payable which are measured and tested at December 31<sup>st</sup> of each year, during the term of the mortgages payable, based on the financial results of the previous twelve (12) month period:

<b>Investment property holding company</b>	<b>Funding date</b>	<b>Mortgage balance as at September 30, 2022</b>	<b>Required financial covenant(s)</b>	<b>Actual DSCR at December 31, 2021</b>
1421526 Alberta Ltd.	February 15, 2022	\$1,836,958	1.3x DSCR	1.60 <sup>(1)</sup>
1421526 Alberta Ltd.	January 12, 2022	\$617,806	1.3x DSCR	1.60 <sup>(1)</sup>
1421526 Alberta Ltd.	January 5, 2022	\$970,843	1.3x DSCR	N/A <sup>(2)</sup>
		<b>\$3,425,607</b>		

**Notes:**

(1) These mortgages payable were renewed on the funding dates above for additional one year terms by the lender. The actual covenant presented is calculated and tested based on the financial results for the year ended December 31, 2021.

(2) This is a new mortgage payable originally funded on January 5, 2022. The covenant is assessed by the lender on an annual basis and this mortgage payable has been outstanding for less than one year.

The actual DSCR for the above noted mortgages payable of 1421526 Alberta Ltd. for the nine months ended September 30, 2022 was 1.57.

The above mortgages payable are all short term with maturities of one year or less and therefore have been presented as current liabilities in the condensed interim consolidated statement of financial position.

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**9. Convertible Debentures**

	<b>September 30, 2022</b>
Proceeds from issuance of convertible debenture units	<b>\$ 3,005,000</b>
Amount allocated to fair value of common share purchase warrants	<b>(162,381)</b>
Amount allocated to fair value of convertible debentures	<b>2,842,619</b>
Amount classified as equity for conversion feature	<b>(529,677)</b>
Interest accretion	<b>63,873</b>
Total convertible debentures	<b>2,376,815</b>
Deferred financing costs	<b>(86,686)</b>
	<b>\$ 2,290,129</b>

The fair value allocated to the common share purchase warrants was determined using the Black-Scholes Model using the assumptions identified in Note 13(c). The liability component of the convertible debentures was initially recognized at the fair value of a similar liability that did not have an equity conversion option and using a weighted average discount rate of approximately 14%. The equity component of the convertible debenture was recognized at the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component.

On January 26, 2022, the Company completed a non-brokered private placement of 2,588 unsecured convertible debenture units (the "January 2022 Debenture Units") at an issue price of \$1,000 per January 2022 Debenture Unit for gross proceeds of \$2,588,000. Each January 2022 Debenture Unit was comprised of an unsecured convertible debenture of the Company (the "January 2022 Convertible Debenture") in the principal amount of \$1,000 with an interest rate of 7% per annum payable annually, only in cash without any conversion of that interest component into common shares, together with 600 common share purchase warrants (Note 13(c)). Each common share purchase warrant may be exercisable into one common share of the Company at a price of \$0.60 per common share for a period of 5 years from the date of issuance. Each January 2022 Convertible Debenture will mature on the date that is 5 years from the date of issuance of the January 2022 Convertible Debenture. The principal amount of each January 2022 Convertible Debenture may, at the option of the January 2022 Convertible Debenture holder, be convertible, in whole or in part, into common shares at a conversion price of \$0.60 per common share.

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**9. Convertible Debentures (continued)**

On March 31, 2022, the Company completed a non-brokered private placement of 221 unsecured convertible debentures (the "March 2022 Convertible Debentures") at an issue price of \$1,000 per March 2022 Convertible Debenture for gross proceeds of \$221,000. Each March 2022 Convertible Debenture has a principal amount of \$1,000 with an interest rate of 7% per annum payable annually, only in cash without any conversion of that interest component into common shares. Each March 2022 Convertible Debenture will mature on the date that is 5 years from the date of issuance of the March 2022 Convertible Debenture. The principal amount of each March 2022 Convertible Debenture may, at the option of the March 2022 Convertible Debenture holder, be convertible, in whole or in part, into common shares at a conversion price of \$0.60 per common share.

On June 3, 2022, the Company completed a non-brokered private placement of 196 unsecured convertible debentures (the "June 2022 Convertible Debentures") at an issue price of \$1,000 per June 2022 Convertible Debenture for gross proceeds of \$196,000. Each June 2022 Convertible Debenture has a principal amount of \$1,000 with an interest rate equal to the higher of 7% per annum or the Bank of Canada Prime Rate plus 3.5% per annum as determined on the last business day of the calendar year, to be applied to the subsequent calendar year, payable annually, only in cash without any conversion of that interest component into common shares. Each June 2022 Convertible Debenture will mature on the date that is 5 years from the date of issuance of the June 2022 Convertible Debenture. The principal amount of each June 2022 Convertible Debenture may, at the option of the June 2022 Convertible Debenture holder, be convertible, in whole or in part, into common shares at a conversion price of \$0.60 per common share.

**10. Rental Revenue**

Rental revenue consists of the following components:

	Three months ended September 30, 2022		2021		Nine months ended September 30, 2022		2021	
Residential lease revenue	\$	<b>700,672</b>	\$	211,607	\$	<b>1,912,494</b>	\$	256,817
Commercial lease revenue		<b>98,778</b>		80,303		<b>270,241</b>		276,909
Non-lease revenue <sup>(1)</sup>		<b>29,338</b>		16,939		<b>73,645</b>		45,941
	\$	<b>828,788</b>	\$	308,849	\$	<b>2,256,380</b>	\$	579,667

<sup>(1)</sup> Non-lease revenue comprises parking, commercial common area maintenance and ancillary services.

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**11. General and Administration Expenses**

The components of general and administrative expenses are as follows:

	Three months ended September 30, 2022		2021		Nine months ended September 30, 2022		2021	
Advertising and promotion	\$	10,732	\$	7,744	\$	27,134	\$	9,744
Insurance		18,750		21,178		56,250		69,591
Professional fees		60,270		231,036		380,351		458,306
Office costs		3,496		8,189		9,655		12,459
Travel and meetings		11,238		5,295		31,940		10,439
Share-based compensation		-		12,812		1,617		36,238
Other		652		360		5,034		11,766
	\$	105,138	\$	286,614	\$	511,981	\$	608,543

**12. Financing costs**

The components of financing costs are as follows:

	Three months ended September 30, 2022		2021		Nine months ended September 30, 2022		2021	
Mortgage interest	\$	260,431	\$	91,753	\$	725,218	\$	151,679
Amortization of deferred financing costs		97,823		10,560		195,375		10,560
Interest accretion		26,635		-		63,873		-
Other interest and financing costs		51,389		30,000		165,138		89,898
	\$	436,278	\$	132,313	\$	1,149,604	\$	252,137

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**13. Share Capital**

**Authorized:** Unlimited number of common shares without nominal or par value  
Unlimited number of preferred shares without nominal or par value

**Shares issued:****a) Common Shares**

	Common Shares	
	Number	Amount
Balance, December 31, 2020	68,409,343	\$ 4,070,264
Receipt of subscription proceeds	-	40,000
Shares issued for Yorkton 108 LP	14,593,943	3,436,041
Shares issued for asset acquisition	16,940,000	4,321,671
Private placement	11,300,000	2,194,859
Private placement	1,126,336	228,599
Private placement	105,000	22,490
Share issue costs	-	(135,939)
Finder's warrants	-	(3,859)
Exercise of common share purchase options	101,200	26,731
Balance, December 31, 2021	112,575,822	14,200,857
<b>Exercise of common share purchase options</b>	<b>101,605</b>	<b>21,939</b>
<b>Balance, September 30, 2022</b>	<b>112,677,427</b>	<b>\$ 14,222,796</b>

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**13. Share Capital (continued)****b) Common Share Purchase Options**

The Company's stock option plan (the "Stock Option Plan") provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed twenty percent (20%) of the issued and outstanding common shares exercisable for the period of up to ten (10) years.

In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, and employee and all other terms and conditions of the option, subject to the rules of the TSXV. Common share purchase options have been issued with vesting periods of immediate to one year with terms between 1 and 5 years.

The continuity of the Company's outstanding and exercisable common share purchase options is as follows:

	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of period	<b>584,905</b>	<b>\$0.21</b>	1,166,195	\$0.20
Granted	<b>150,000</b>	<b>\$0.20</b>	50,000	\$0.42
Exercised	<b>(101,605)</b>	<b>\$0.20</b>	(101,200)	\$0.20
Forfeited	-	-	(130,000)	\$0.24
Expired	<b>(73,395)</b>	<b>\$0.27</b>	(400,090)	\$0.20
Outstanding, end of period	<b>559,905</b>	<b>\$0.20</b>	584,905	\$0.21
Exercisable, end of period	<b>559,905</b>	<b>\$0.20</b>	584,905	\$0.21

The following common share purchase options are outstanding as at September 30, 2022:

<b>Expiry date</b>	<b>Exercise Price</b>	<b>Options outstanding</b>	<b>Options exercisable</b>
November 18, 2025	\$0.20	559,905	559,905

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**13. Share Capital** (continued)**b) Common Share Purchase Options** (continued)

The Company determined the fair value of the common share purchase options granted using the Black Scholes Model. The weighted average grant date fair value per common share purchase option granted during the nine months ended September 30, 2022 was \$0.01 using the following assumptions:

	<b>September 30, 2022</b>
Share price	\$0.20
Exercise price	\$0.20
Risk-free interest rate	2.67%
Expected dividend yield	Nil
Estimated common share price volatility	46%
Estimated life in years	0.08

The effects of early exercise were incorporated in the estimate of the expected life of the common share purchase options. Expected volatility was determined based on the historical volatility of the Company's share price. Other features of the common share purchase options did not affect the calculation of grant date fair value.

During the nine months ended September 30, 2022, total share-based payment expense of \$1,617 was recognized and included in general and administration expense.

On May 31, 2022, 101,605 common share purchase options were exercised. The Company's share price on the date of exercise was \$0.20 per common share.

On January 16, and June 30, 2022, 25,000 and 48,395 common share purchase options expired unexercised, respectively.

**c) Common Share Purchase Warrants**

The continuity of the Company's outstanding common share purchase warrants is as follows:

	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	<b>20,377,666</b>	<b>\$0.36</b>	7,804,330	\$0.30
Issued	<b>1,552,800</b>	<b>\$0.60</b>	12,573,336	\$0.40
Outstanding, end of period	<b>21,930,466</b>	<b>\$0.38</b>	20,377,666	\$0.36

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**13. Share Capital (continued)****c) Common Share Purchase Warrants (continued)**

The following common share purchase warrants are outstanding as at September 30, 2022:

<b>Expiry date</b>	<b>Exercise Price</b>	<b>Warrants exercisable</b>
May 12, 2023	\$0.40	11,342,000
July 22, 2023	\$0.45	1,126,336
August 25, 2023	\$0.45	105,000
November 17, 2023	\$0.30	7,804,330
January 26, 2027	\$0.60	1,552,800
		<b>21,930,466</b>

Common share purchase warrants were issued in connection with the January 26, 2022 convertible debenture unit issuance (Note 9). The gross proceeds for the Debenture Units were allocated based on the residual fair values of the convertible debentures and the common share purchase warrants of each Debenture Unit. The fair value of the common share purchase warrants was determined using the Black Scholes Model using the following weighted average assumptions:

	<b>September 30, 2022</b>
Share price	\$0.175
Exercise price	\$0.60
Risk-free interest rate	1.67%
Expected dividend yield	Nil
Estimated common share price volatility	104%
Estimated life in years	5.00

**14. Supplemental Cash Flow Information****a) Net changes in Non-Cash Working Capital Items**

	<b>September 30, 2022</b>	<b>September 30, 2021</b>
Prepaid expenses and deposits	\$ 420,468	\$ (129,612)
Accounts receivable	(343,295)	(188,231)
Sales taxes receivable	(32,800)	-
Trade and other payables	(304,298)	136,926
Security deposit	63,582	50,865
Income taxes payable	-	(42,511)
	<b>\$ (196,343)</b>	<b>\$ (172,563)</b>

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**14. Supplemental Cash Flow Information (continued)**

## b) Reconciliation of Liabilities Arising from Financing Activities

	<b>Amounts Due to Related Parties</b>	<b>Mortgages Payable</b>	<b>Convertible Debentures</b>
Balance, December 31, 2020	\$ 129,642	\$ 2,629,779	\$ -
Advances	828,409	16,550,430	-
Acquired through issuance of common shares	468,801	3,305,892	-
Addition to deferred financing costs	-	(608,895)	-
Amortization of deferred financing costs	-	32,561	-
Repayments	(1,302,631)	(339,232)	-
Balance, December 31, 2021	124,221	21,570,535	-
<b>Advances</b>	<b>263,701</b>	<b>20,174,644</b>	<b>3,005,000</b>
<b>Addition to deferred financing costs</b>	<b>-</b>	<b>(1,240,629)</b>	<b>(93,200)</b>
<b>Amortization of deferred financing costs</b>	<b>-</b>	<b>188,859</b>	<b>6,514</b>
<b>Allocated to equity</b>	<b>-</b>	<b>-</b>	<b>(692,058)</b>
<b>Interest accretion</b>	<b>-</b>	<b>-</b>	<b>63,873</b>
<b>Repayments</b>	<b>(387,922)</b>	<b>(7,475,757)</b>	<b>-</b>
<b>Balance, September 30, 2022</b>	<b>\$ -</b>	<b>\$ 33,217,652</b>	<b>\$ 2,290,129</b>

**15. Financial Instruments****Fair Value**

Financial instruments include cash, restricted cash, accounts receivable, promissory note receivable, due from related parties, refundable security deposits, investment, mortgages payable, convertible debentures, amount due to related parties and accounts payable and accrued liabilities.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

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**15. Financial Instruments (continued)****Fair Value (continued)**

The fair values of the Company's financial instruments are presented in the table below:

	September 30, 2022	December 31, 2021
<b>Financial Assets Measured at Amortized Cost:</b>		
Cash	\$ 2,353,126	\$ 2,180,351
Restricted cash	194,698	131,116
Accounts receivable	373,242	29,947
Promissory note receivable	202,092	202,092
Investment	40,495	40,174
Due from related parties	\$ 726,993	\$ -
<b>Financial Liabilities Measured at Amortized Cost:</b>		
Accounts payable and accrued liabilities	\$ 317,388	\$ 482,533
Refundable security deposits	194,698	131,116
Due to related parties	-	124,221
Mortgage payable	33,217,652	22,146,869
Convertible debentures	\$ 2,290,129	\$ -

The fair value of cash, restricted cash, accounts receivable, promissory note receivable, due from related parties, investment, accounts payable and accrued liabilities, due to related parties and refundable security deposits approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair values of mortgages payable and convertible debentures are determined using level 2 measurements, is determined by discounting the future contractual cash flows under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity.

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**15. Financial Instruments (continued)**

The nature of these financial instruments and the Company's operations expose the Company to certain principal financial risks. The principal financial risks to which the Company is exposed are described below.

**Financial risk management**

The Company's activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

**a. Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is susceptible to interest rate cash flow risk on its mortgages payable that bear interest at a variable rate and fair value risk on its amounts due to related parties and mortgages payable that bear interest at a fixed rate.

As at September 30, 2022, the Company had approximately \$3.4 million (September 30, 2021 – approximately \$7.8 million) of mortgages payable which are carried at variable-rate interest. Each 1% change in market interest rates would, all else being equal, increase or decrease net earnings for the three and nine months ended September 30, 2022 by approximately \$8,600 and \$25,700, respectively (three and nine months ended September 30, 2021 - \$19,500 and \$58,600, respectively).

**b. Credit risk**

The Company is exposed to credit risk due to unexpected losses that could occur if a tenant fails to satisfy its lease obligations and if a borrower fails to repay on the promissory note receivable or the amounts due from related parties. Credit risk for the Company primarily arises from the accounts receivable from tenants and the promissory note receivable. The Company's maximum exposure to credit risk is equal to the carrying value of the financial asset. The Company mitigates its credit risk by attracting tenants with good credit and by limiting exposure to any one tenant. The promissory note receivable is with a current tenant of the commercial investment property. The amounts due from related parties are due from companies directly controlled by the CEO of the Company.

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**15. Financial Instruments (continued)****Financial risk management (continued)****b. Credit risk (continued)****Commercial investment property**

For the commercial investment property, as at September 30, 2022 approximately 90% (December 31, 2021 – 92%) of accounts receivable is from two (2) tenants and for the three and nine months ended September 30, 2022, 77% of commercial rental revenue is from three (3) tenants (three and nine months ended September 30, 2021 – 65%).

The aging of accounts receivable for the commercial investment property is as follows:

	<b>September 30, 2022</b>	December 31, 2021
Current	\$ 19,775	\$ -
31-90 days	-	-
90 + days	<b>372,855</b>	197,990
	<b>392,630</b>	197,990
Allowance for doubtful accounts	<b>(178,412)</b>	(178,412)
	<b>\$ 214,218</b>	\$ 19,578

Certain tenants experienced business difficulty during COVID-19. The company has registered repayment agreements under the Personal Property Security Act and obtained personal guarantees from these tenants.

**c. Liquidity risk**

The Company's exposure to liquidity risk is dependent on generating rental revenue to sustain operations. The Company controls liquidity risk by managing working capital and cash flows. The Company's contractual obligations for its non-derivative financial liabilities as at September 30, 2022 consists of accounts payable and accrued liabilities of \$317,388 (December 31, 2021 - \$482,533) and refundable security deposits of \$194,698 (December 31, 2021 - \$131,116) that have a contractual maturity in the next 12 months. There is no contractual maturity for the amounts due to related parties as there are no terms of repayment. The mortgages payable have terms maturing as disclosed in Note 8 and convertible debentures have terms maturing as disclosed in Note 9.

## YORKTON EQUITY GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

### 16. Capital Management

The primary objectives of the Company's capital management strategy are to:

- a) Provide an adequate return to its shareholders;
- b) Provide adequate and efficient funding for operations;
- c) Finance growth; and
- d) Preserve financial flexibility to benefit from potential opportunities as they arise.

The capital structure of the Company consists of certain liabilities and equity as follows:

	September 30, 2022	December 31, 2021
Mortgages payable	\$ 33,217,652	\$ 21,570,535
Convertible debentures	2,290,129	-
Due to related parties	-	124,221
Shareholders' equity	20,980,664	20,511,160
	\$ 56,488,445	\$ 42,205,916

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities. Historically, funding for the Company's plan is primarily managed through its rental activities and through obtaining financing. There is no assurance that funds will be made available to the Company when required. There have been no changes to the Company's capital management policies during the nine months ended September 30, 2022 and the year ended December 31, 2021.

An individual investment property holding company is required to maintain mortgages payable covenants which are assessed by the lender on an annual basis (Note 8).

### 17. Subsequent Events

On October 21, 2022, the Company announced, subject to TSX Venture Exchange and other regulatory approvals, a non-brokered private placement of up to 2,000 unsecured convertible debentures (the "October 2022 Convertible Debentures") at an issue price of \$1,000 per October 2022 Convertible Debenture for gross proceeds of up to \$2,000,000. Each October 2022 Convertible Debenture has a principal amount of \$1,000 with an interest rate of 8% per annum payable annually, only in cash without any conversion of that interest component into common shares.

Each October 2022 Convertible Debenture will mature on the date that is 5 years from the date of issuance of the October 2022 Convertible Debenture. For a period of thirty (30) calendar days following the third (3rd) and fourth (4th) anniversary after the closing date, the October 2022 Convertible Debenture holder has the right, but not the obligation, to retract the principal amount of the October 2022 Convertible Debenture so that the principal amount owing under the October 2022 Convertible Debenture, and any accrued and unpaid interest thereon, will be payable in cash by the Company on the date that is one hundred and eighty (180) calendar days after receipt of the retraction notice by the Company.

The principal amount of each October 2022 Convertible Debenture may, at the option of the October 2022 Convertible Debenture holder, be convertible, in whole or in part, into common shares at a conversion price of \$0.30 per common share.