

CONFIDENTIAL OFFERING MEMORANDUM

This Confidential Offering Memorandum (the “Offering Memorandum”) constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada or elsewhere has reviewed this Offering Memorandum or has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. This Offering Memorandum is not, and under no circumstances is it to be construed as a prospectus or advertisement or a public offering of these securities. No person is authorized to give any information or make any representation not contained in this Offering Memorandum in connection with the offering of these securities and, if given or made, any such information or representation may not be relied upon.



YORKTON EQUITY GROUP INC.

Date: May 2, 2022

The Issuer
Name: Yorkton Equity Group Inc. (“Yorkton” or the “Corporation”)
Head office:
Address: 3165 Manulife Place 10180 – 101 Street NW Edmonton, Alberta T5J 3S4
Phone #: (780) 409-8228
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Fax #: (780) 409-9228

Currently listed or quoted: The common shares of the Corporation (the “Common Shares”) are listed on the TSX Venture Exchange under the trading symbol “YEG”. The Convertible Debentures of the Corporation do not trade on any exchange or market.

Reporting issuer: The Corporation is a reporting issuer in Alberta, British Columbia, and Ontario. The Corporation is a SEDAR filer.

The Offering
Securities offered: Unsecured convertible debentures of the Corporation (the “Convertible Debentures”) which bear interest at a rate equal to the higher of 7.0% 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. See Item 5: Securities Offered.
Price per security: \$1,000 per Convertible Debenture.
Minimum/Maximum offering: The maximum offering (the “Offering”) of Convertible Debentures is \$3,000,000. **There is no minimum. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.**
Minimum subscription amount: \$10,000.
Payment terms: Payment in full of the subscription price is to be made by solicitor’s trust cheque, RRSP, LIRA, DPSP, RESP or RRIF Trustee cheque, TFSA Trustee cheque, certified cheque, bank draft, money order or wire transfer payable to the Corporation, with the delivery of a duly executed and completed Subscription Agreement. See Item 5.2: Subscription Procedure.

Proposed closing date(s): The Convertible Debentures will be offered on a continuous basis, with closing to take place periodically at the Corporation’s discretion.

Income Tax consequences: There are important tax consequences to these securities. See Item 6: Canadian Federal Income Tax Consequences and Deferred Plan Eligibility.

Selling agent: The Corporation has appointed no selling agents in respect of the Offering; however, the Corporation will pay to finders who assist it in finding subscribers under the Offering finders fees of up to 8% of the aggregate gross proceeds from the sale of the Convertible Debentures placed by such finders. See Item 7: Compensation Paid to Sellers and Finders.

Resale restrictions: You will be restricted from selling your securities for 4 months and a day. See Item 10: Resale Restrictions.

Purchaser’s rights: You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11: Purchaser’s Rights.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8: Risk Factors.

All dollar amounts referenced in this Offering Memorandum are expressed in Canadian dollars, unless otherwise indicated.

FORWARD LOOKING STATEMENTS

This Offering Memorandum and the documents incorporated by reference herein contain forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Offering Memorandum and the documents incorporated by reference herein. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect.

Forward-looking statements and information in this Offering Memorandum include, but are not limited to, statements with respect to:

- the use of proceeds of the Offering;
- the Corporation’s future capital and operating costs;
- general business and economic conditions;
- growth expectations within the Corporation;
- capital expenditure programs and the timing and funding thereof;
- expectations regarding the Corporation’s ability to raise capital; and
- realization of the anticipated benefits of acquisitions and dispositions.

Various assumptions are typically applied in drawing conclusions or making the forecasts or projections set out in forward- looking information. Those assumptions are based on information currently available to the Corporation, including information obtained by the Corporation from third-party sources. In some instances, material assumptions are presented or discussed elsewhere in this Offering Memorandum and the documents incorporated by reference herein in connection with the forward-looking information. The Corporation cautions you that the following list of material assumptions is not exhaustive. The assumptions include, but are not limited to:

- the ability of the Corporation to obtain necessary financing at acceptable interest rates;
- assumptions relating to the economy generally;
- assumptions relating to competition; and
- assumptions relating to the anticipated and unanticipated costs of the Offering.

Although the Corporation believes that the expectations reflected in the forward-looking statements and information are reasonable, there can be no assurance that such expectations will prove to be correct. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements and information. Some of the risks and other factors, some of which are

beyond the control of the Corporation, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this Offering Memorandum include, but are not limited to:

- general economic conditions in Canada and globally;
- financing for the Corporation's real estate acquisitions will be available when needed and on terms satisfactory to the Corporation;
- the successful execution of the Corporation's real estate acquisitions;
- stock market volatility and market valuations;
- the availability of capital on acceptable terms; and
- the other factors disclosed under the heading, Item 8: Risk Factors.

Actual results, performance or achievement could differ materially from those expressed herein. While the Corporation anticipates that subsequent events and developments may cause its views to change, the Corporation specifically disclaims any obligation to update these forward-looking statements except as required by applicable securities laws. These forward-looking statements should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this Offering Memorandum. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation.

The forward-looking statements contained in this Offering Memorandum and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and, except as required by law, the Corporation undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. Readers are cautioned against attributing undue certainty to, and placing undue reliance on, forward-looking statements.

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Item 1: Use of Available Funds

1.1 Available Funds

		Assuming min. offering ⁽¹⁾	Assuming max. offering
A	Amount to be raised by this offering	\$0	\$3,000,000
B	Selling commissions and fees ⁽²⁾	\$0	\$240,000
C	Estimated offering costs (e.g., legal, accounting, audit)	\$0	\$100,000
D	Available funds: $D = A - (B+C)$	\$0	\$2,660,000
E.	Additional sources of funding required	\$0	\$0
F.	Working capital deficiency ⁽³⁾⁽⁴⁾	\$0	\$0
G.	Total: $G = (D+E) - F$	\$0	\$2,660,000

Notes:

- (1) There is no aggregate minimum Offering amount.
- (2) The Corporation will pay to finders who assist it in finding subscribers under the Offering finders fees of up to 8% of the aggregate gross proceeds from the sale of the Convertible Debentures placed by such finders. Assumes the maximum finder's fee equal to 8% of the aggregate gross proceeds of this Offering may be paid to finders. See Item 7: Compensations Paid to Sellers and Finders.
- (3) According to International Financial Reporting Standards ("IFRS") the calculation of working capital is determined by current assets minus current liabilities. As a significant portion of the Corporation's land and building mortgages on the Corporation's properties is classified as current liabilities per IFRS, the Corporation has an estimated working capital deficiency of greater than \$5 million. The Corporation expects these land and building mortgages to be renewed upon maturity at terms that are acceptable to the Corporation and the mortgages payable are connected to the investment properties of the Corporation which under IFRS are shown as non-current assets. If the current portion of the mortgages payable were classified as non-current debt according to IFRS, or if the investment properties were classified as current assets according to IFRS, the Corporation would have a working capital surplus as at the date of this Offering Memorandum.
- (4) Due to management's secure and aggressive growth business model it expects to use the available funds for the purchase of new additional properties and the working capital deficiency is not anticipated to be eliminated. Management expects to manage the working capital deficiency through a combination of the cash flows from its operating activities and future fundraising.

1.2 Use of Available Funds

The following table provides a detailed breakdown of how the Corporation will use the net proceeds:

Description of intended use of available funds listed in order of priority.	Assuming min. offering⁽¹⁾	Assuming max. offering
Closing of new property acquisitions	\$0	\$2,460,000
General working capital ⁽²⁾	\$0	\$200,000
Total: Equal to G in the Funds table above	\$0	\$2,660,000

Notes:

- (1) There is no aggregate minimum Offering amount.
- (2) The net proceeds of the Offering will be used primarily by the Corporation to, without limitation, acquire new investment properties and for ongoing operations of the Corporation.

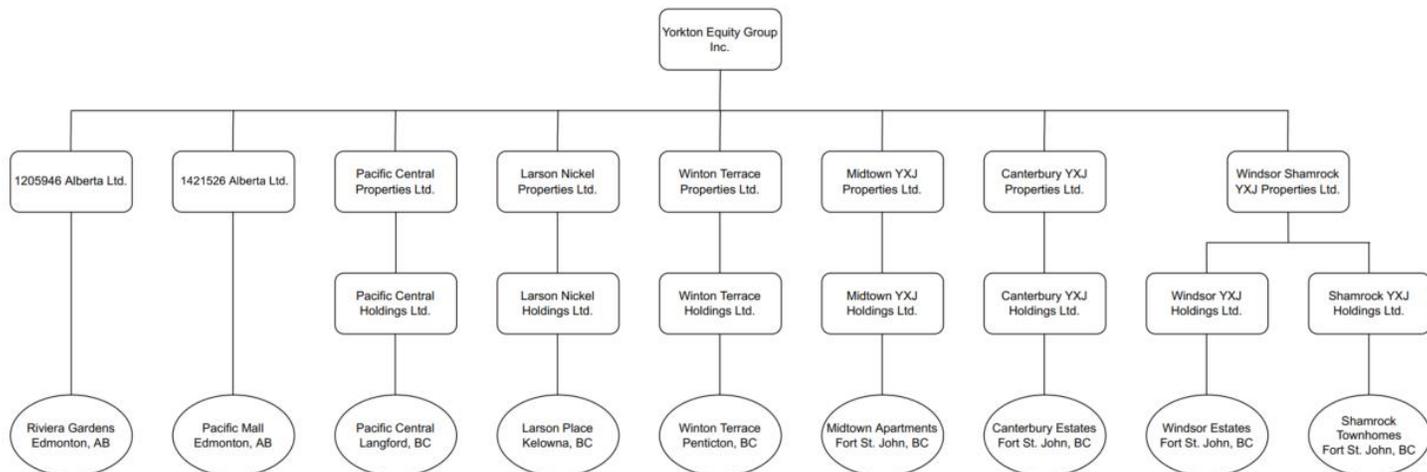
1.3 Reallocation

The Corporation intends to spend the available funds as stated. The Corporation will reallocate funds only for sound business reasons.

Item 2: Information About Yorkton Equity Group Inc.

2.1 Structure

Yorkton Equity Group Inc. was incorporated on March 4, 2016 under the Business Corporations Act (Alberta). The Corporation completed a reverse acquisition of 1421526 Alberta Ltd. (“Yorkton Pacific Mall”) on November 17, 2020. The principal office of the Corporation is located at 3165 Manulife Place, 10180 – 101 Street NW Edmonton, Alberta, T5J 3S4 and its registered office is located at 1700, 10175 – 101 Street NW Edmonton, Alberta, T5J 0H3. The following diagram illustrates the corporation structure as at the date of this Offering Memorandum.



2.2 The Corporation's Business

Overview

The Corporation is growth-oriented real estate company which primarily owns a portfolio of mid-market multi-family residential rental properties in British Columbia and Alberta.

The Corporation's geographical focus is primarily in secondary markets in British Columbia, Canada with diversified, growing economies, and strong population in-migration.

Markets in which the Corporation operates

The Corporation has acquired mid-market multi-family residential real estate in British Columbia and Alberta, which includes apartment buildings and townhouses. The Corporation also wholly-owns a commercial real estate property in Edmonton, Alberta.

The following table illustrates, for the period indicated therein, the annual growth rate in households in Canada, by province, according to Statistics Canada. British Columbia and Alberta have had an average annual growth rate in household formation of 1.4% and 2.0%, respectively, which is higher than the national average of 1.2%.

Province	Total households 2006	Total households 2016	Average annual Growth rate (%)
British Columbia	1,643,150	1,881,970	1.4
Alberta	1,256,200	1,527,680	2.0
Saskatchewan	387,145	432,620	1.1
Manitoba	448,780	489,050	0.9
Ontario	4,555,025	5,169,175	1.3
Quebec	3,189,345	3,531,660	1.0
New Brunswick	295,965	319,775	0.8
Newfoundland and Labrador	197,180	218,675	1.0
Nova Scotia	376,845	401,990	0.6
Prince Edward Island	53,135	59,470	1.1
Yukon	12,615	15,215	1.9
Northwest Territories	14,235	14,980	0.5
Nunavut	7,855	9,820	2.3
Canada	12,437,470	14,072,080	1.2

Census-based estimates of total private households (Statistics Canada – 2006 and 2016 Census)

The following table illustrates, for the period indicated therein, the change in population in Canada, by province, according to Statistics Canada. British Columbia has had a change of 7.6% which is higher than the overall national change of 5.2% and Alberta has had a change of 4.8%.

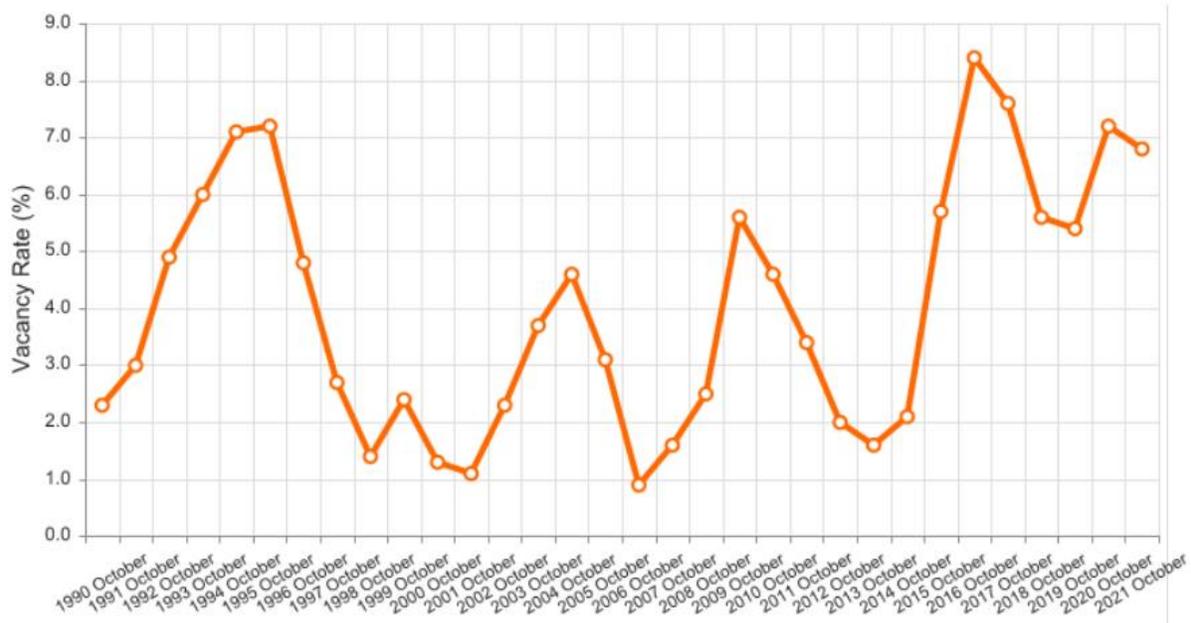
Province	Population 2016	Population 2021	Percentage change
British Columbia	4,648,055	5,000,879	7.6
Alberta	4,067,175	4,262,635	4.8
Saskatchewan	1,098,352	1,132,505	3.1
Manitoba	1,278,365	1,342,153	5.0
Ontario	13,448,494	14,223,942	5.8
Quebec	8,164,361	8,501,833	4.1
New Brunswick	747,101	775,610	3.8
Newfoundland and Labrador	519,716	510,550	-1.8
Nova Scotia	923,598	969,383	5.0
Prince Edward Island	142,907	154,331	8.0
Yukon	35,874	40,232	12.1
Northwest Territories	41,786	41,070	-1.7
Nunavut	35,944	36,858	2.5
Canada	35,151,728	36,991,981	5.2

Census-based estimates of total population (Statistics Canada – 2021 Census)

The Corporation focuses its acquisition efforts in outer lying areas that have a lower cost per unit than in major urban centers, where there is a premium on the cost per unit. Tenant demand and average rents have increased over the years in these areas due to growth in population and household formation without a corresponding increase in rental building construction.

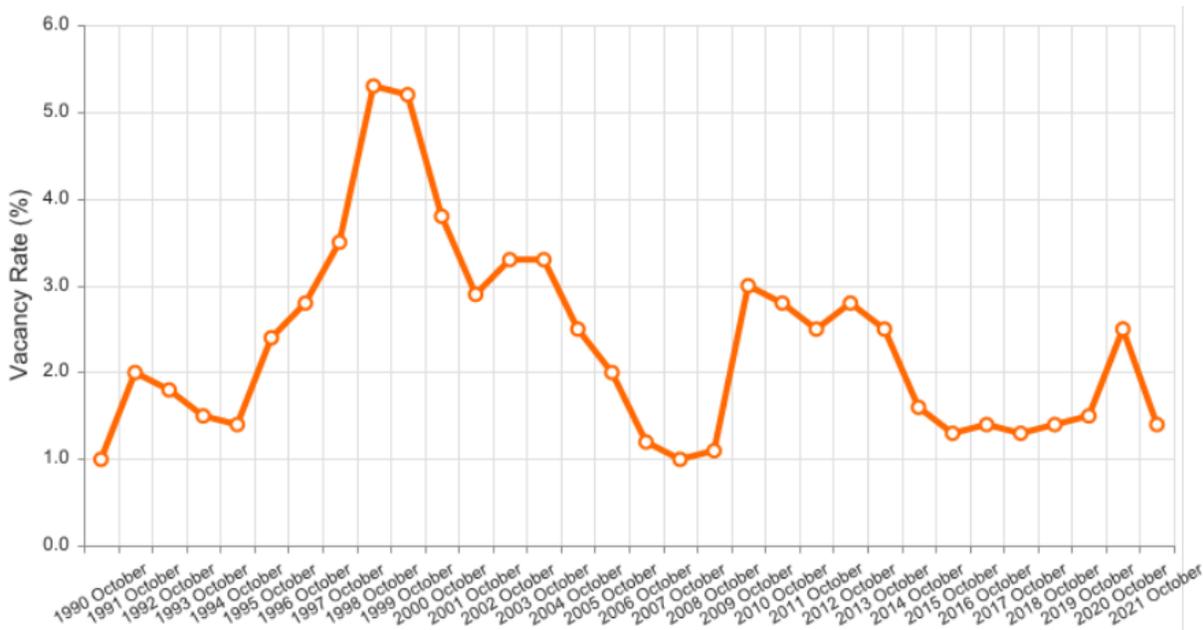
According to the Canada Mortgage and Housing Corporation (the “CMHC”), the vacancy rates in Alberta for units in apartment buildings has fluctuated between 1.0% and 8.5% over the past thirty (30) years. The vacancy rate in British Columbia for units in apartment buildings and row houses has fluctuated between 1.0% and 5.5% over the past thirty (30) years. While the CMHC does not specifically track all of the cities that the Corporation invests in, the Corporation does consider the CMHC statistical data and forecasts as a benchmark tool when developing and monitoring its investment strategy and objectives. The Corporation expects continued demand for its multi-family residential rentals to accommodate continued growth in household formation from migration out of major urban center to outer lying areas with better value.

Alberta – Rental Vacancy Rates 1990-2021



Alberta rental vacancy rates for all bedroom types for apartment buildings (CMHC – 1990 to 2021)

British Columbia – Rental Vacancy Rates 1990-2021



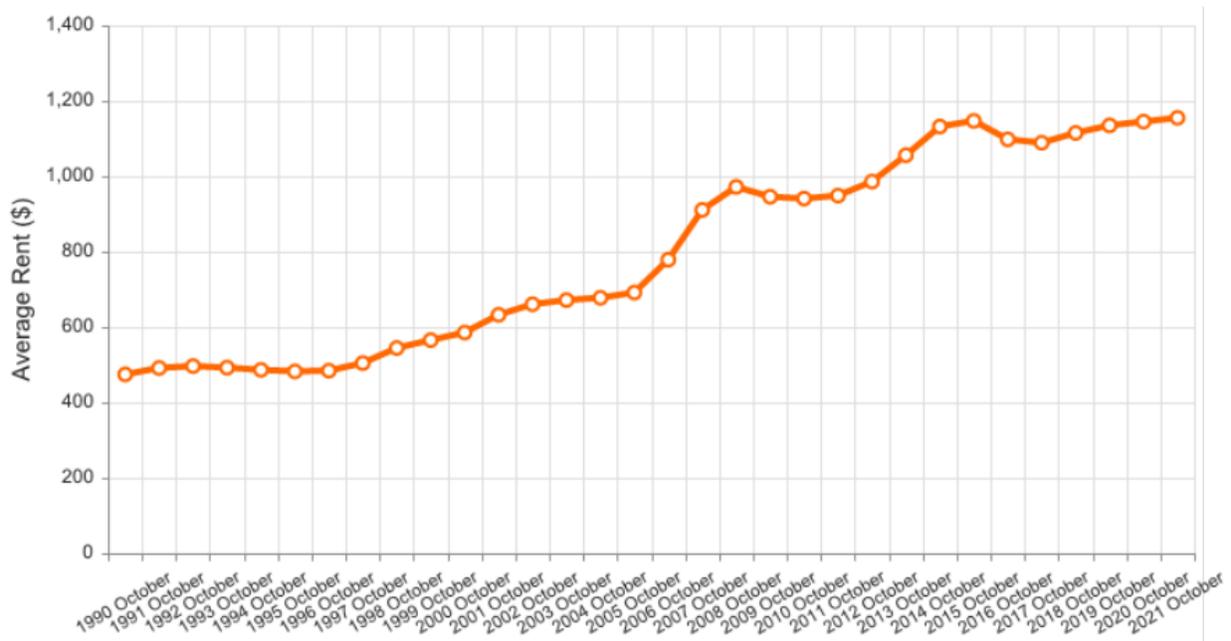
British Columbia rental vacancy rates for all bedroom types for apartment buildings and row houses (CMHC – 1990 to 2021)

The Corporation generally focuses on communities that show consistently low vacancy levels and strong population demographics and economic growth. The Corporation targets a vacancy rate under 5% for its properties.

According to the CMHC, the average rent for units in Alberta has increased from approximately \$500 in 1990 to approximately \$1,150 in 2021, this is an average annual growth rate of

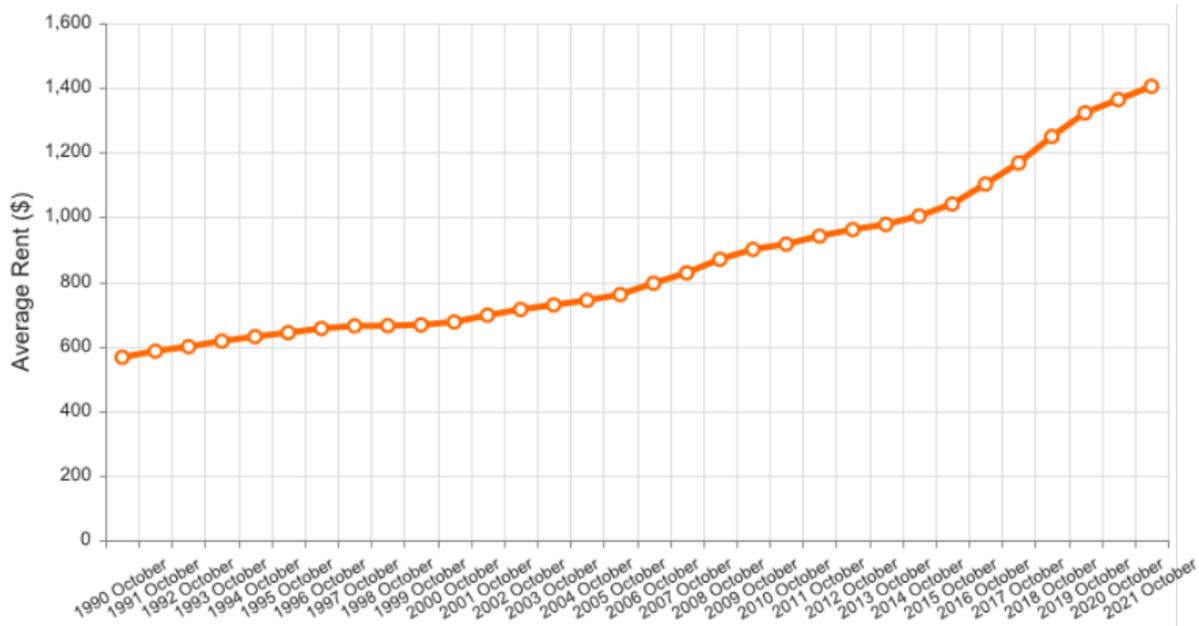
approximately 2.8%. The average rent for units in British Columbia has increased from approximately \$600 in 1990 to approximately \$1,400 in 2021, this is an average annual growth rate of approximately 2.9%. The Corporation purchases a mix of newer buildings which usually carry a premium on the rent charged to tenants and older buildings which it believes have been under-managed by previous owners. Many previous or existing private owners, being generally less sophisticated operators, tend not to have taken advantage of scale or other efficiencies in managing the properties or may lack the capital to implement necessary improvements which increase with the age of the property. Management on the Corporation believes that through proper management and continuous capital improvements it can maximize potential rental increases on its properties.

Alberta – Average Rent in Dollars 1990-2021



Alberta average rent in dollars for all bedroom types for apartment buildings (CMHC – 1990 to 2021)

British Columbia – Average Rent in Dollars 1990-2021



British Columbia average rent in dollars for all bedroom types for apartment buildings and row houses (CMHC – 1990 to 2021)

Kelowna

Kelowna is one of the largest municipalities in the interior of British Columbia. The city has a diverse economy including manufacturing, tourism, aviation, agriculture, wineries and health care. Post-secondary institutions include UBC Okanagan and Okanagan College, with over 15,000 full-time students. Kelowna is home to the Kelowna General Hospital: the premier healthcare facility in the region and is the base for many technology companies in the region (source – City of Kelowna). The City of Kelowna is expected to grow by 50,000 people by 2040, needing almost 21,000 new housing units (source – City of Kelowna Facts in Focus Newsletter 2018).

Langford

The City of Langford is located in the Metro Victoria region and has been recently named the top community in British Columbia for livability by Maclean’s magazine. Victoria is the capital city of British Columbia on the southern tip of Vancouver Island off Canada’s Pacific coast. The Metro Victoria area has a growing population of over 390,000 (source – Statistics Canada 2021 census data). The current population of Langford is approximately 47,000, which is an increase of 31.8% since 2016 (source - Statistics Canada 2021 census data). Approximately sixty nine percent (69%) of the population are in the working age group between 15 and 64 years old with the largest age group being between 35 and 39 years old (source – Statistics Canada 2021 census data).

Victoria has an expanding regional technology sector that has risen to be its largest industry in addition to education, marine, construction, health, retail, and agriculture.

Penticton

Penticton, British Columbia is the business hub of the rapidly growing Okanagan-Similkameen region with more than 3,000 businesses serving over 100,000 people (source – City of Penticton). Known for world-class wineries, agriculture, hospitality and increasingly a hub for high-tech entrepreneurs. Penticton’s resilient and growing business economy includes a solid foundation of mature, multi-generational businesses, as well as start-ups and newly relocated companies. The city offers low tax rates for businesses and attractive economic incentives. It also has a robust community of virtual/remote workers and entrepreneurs.

Fort St. John

Fort St. John, located in northeastern British Columbia in the Peace River Regional District, is the hub for natural gas extraction in the area, has one of the largest reserves of natural gas in the world and is home to the \$40 billion LNG Canada liquefied natural gas (“LNG”) project now under construction. It is also the major staging area for the TransCanada’s Coastal GasLink (“CGL”) pipeline that will be run six hundred and seventy (670) kilometres from the northern gas fields to the LNG Canada terminal at Kitimat for LNG shipment to Asian markets. The city has experienced steady population growth, of approximately six (6%), between 2016 and 2021, while the overall Peace River Regional District saw a decline in its population of approximately two percent (2%) during the same period (source – Statistics Canada 2021 census data).

Fort St. John has a population of approximately 21,000 residents with a median age of approximately thirty two (32) (source – Statistics Canada 2021 census data).

Edmonton

Edmonton is the capital city of the Province of Alberta, since 2016 the population has increase approximately 8% to over one (1) million people in 2021 (source – Statistics Canada 2021 census data). The city has been responsible for approximately twenty five percent (25%) of all net new jobs in Canada over the past five (5) years and the GDP, income and population growth has exceeded the Canadian average over the past 5 years (source – Edmonton Industrial Investment). The top industries in the city include energy, agriculture, manufacturing and technology.

Summary of Properties

Since inception, the Corporation has acquired and continues to wholly-own eight (8) multi-family residential rental properties in the Provinces of British Columbia and Alberta (the “Residential Properties”) and one (1) commercial real estate property in the Province of Alberta (the “Commercial Property”) (together, collectively referred to as the “Properties”).

The following table summarizes certain aspects of the Residential Properties:

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet	Average Monthly Rent/Unit
Larson Place 200-220 Nickel Road Kelowna, BC	-	-	9	10	19	-	\$2,001 ⁽¹⁾
Pacific Central 2835 Peatt Road Langford, BC	-	3	12	-	15	659	\$1,536 ⁽¹⁾ \$1,900 ⁽²⁾
Winton Terrace 797 Winnipeg Street Penticton, BC	1	10	15	-	26	-	\$931 ⁽¹⁾
Canterbury Estates 8408 92 Avenue Fort St. John, BC	-	-	-	21	21	-	\$1,316 ⁽¹⁾
Midtown Apartments 9827 97 Avenue Fort St. John, BC	1	5	6	-	12	-	\$826 ⁽¹⁾
Windsor Estates 8619 99 Avenue Fort St. John, BC	-	-	-	25	25	-	\$1,233 ⁽¹⁾
Shamrock Townhomes 9807 87 Street Fort St. John, BC	-	-	-	25	25	-	\$955 ⁽¹⁾
Riviera Gardens 13704/13806 – 24 Street Edmonton, Alberta	-	16	38	8	62	-	\$977 ⁽¹⁾
Total Residential Properties	2	34	80	89	205	659	\$1,165⁽¹⁾ \$1,900⁽²⁾

Notes:

(1) Average monthly rent per residential unit.

(2) Average monthly rent per commercial unit.

Commercial Property Details

The following is a detailed description of the Commercial Property:

Pacific Mall – 9700 105th Avenue NW, Edmonton, Alberta



The Commercial Property is a two-storey retail and commercial building referred to as ‘Pacific Mall’ situated on a 1.41 acre parcel of land located at the North East corner of 98th Street and 105 Avenue in Edmonton, Alberta. Pacific Mall was constructed in 1986 and is located within the McCauley neighbourhood in the ‘Chinatown District’ of Edmonton, Alberta. The new arena, ‘Rogers Place’ is within view from Pacific Mall and has attracted new development such as the Edmonton Tower and Stantec Tower office buildings, high rise residential and hotel developments, and new retail and restaurants to the surrounding area. The Commercial Property is composed of two (2) components, the building which sits on 0.61 acres and a gravel parking lot which occupies the remaining 0.80 acres along 98th Street which is considered excess development land. The building features elevator and stairway access to the second floor with wide corridors and glass interior storefronts on both levels. Renovations to the building were completed between 2016 and 2021 and include upgrades to the HAVC system, electrical system, plumbing system, exterior façade, elevator and common areas. The net leasable area is 28,036 square feet and the anchor tenant is HSBC Bank Canada. Other tenants include restaurants, an education centre, beauty and hair salons, and other services.

As at the date of this Offering Memorandum, Pacific Mall had an estimated carrying value of \$13.0 million, an approximate remaining mortgage amount of \$3.5 million, and an approximate occupancy rate of 88%.

Residential Properties Details

The following is a detailed description of the Residential Properties:

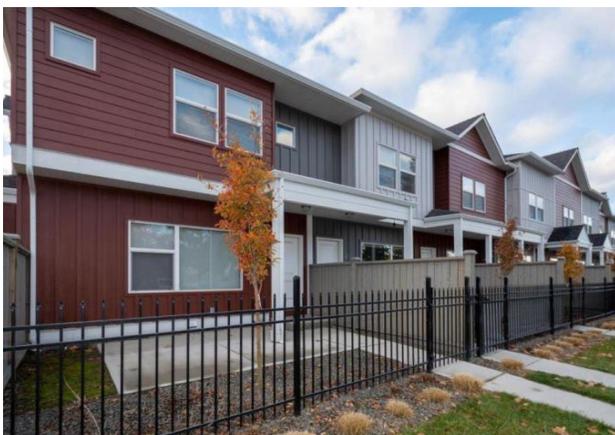
Riviera Gardens - 13704 & 13806 – 24 Street, Edmonton, Alberta



Riviera Gardens is a 62-strata titled residential condominium complex located in Edmonton Alberta. The complex is comprised of two 4-storey buildings constructed in 1978 on a 2.01 acre parcel of land situated in a mature residential neighborhood at the northwest corner of 137 Avenue and 24 Street with all city amenities in the surrounding areas. Each building is equipped with secured intercom systems, key fob entries, and surveillance cameras, as well as elevator and laundry facilities on all levels. There are balconies in all suites in the upper floors and patios on all main floor suites. Each suite has its own energized parking stall and ample visitor parking stalls.

As at the date of this Offering Memorandum, Riviera Gardens had an estimated carrying value of \$8.9 million, an approximate remaining mortgage amount of \$7.7 million, and an approximate occupancy rate of 97%.

Larson Place - 200-220 Nickel Road, Kelowna, British Columbia



Larson Place is a wood frame 19-unit 2-storey townhouse complex located west of Nickel Road and north of Highway 33 in the eastern Kelowna neighborhood known as 'Rutland'. The property is situated on a 0.83 acre parcel of land in a mainly residential neighbourhood close to commercial amenities, Highway 97, and transit stops. The property was constructed in 2019 and there are limited new purpose-built townhome properties in the immediate vicinity. Each unit has in-suite laundry and heating is provided by natural gas furnaces in each unit that are separately metered. Hot water is provided by individual hot water tanks. Air conditioning is also provided to each unit via freestanding exterior units. Each unit has two (2) surface parking stalls and a fenced yard with a concrete patio and grassed area. An outdoor playground area is also present on the southwest corner of the property.

As at the date of this Offering Memorandum, Larson Place had an estimated carrying value of \$9.6 million, an approximate remaining mortgage amount of \$6.6 million, and an approximate occupancy rate of 100%.

Pacific Central – 2835 Peatt Road, Langford, British Columbia



Pacific Central is a 4-storey residential apartment building featuring 3-one bedroom plus den units, 12-two-bedroom units and 1 commercial unit at grade. The property was constructed in 2014 and it is located along the easterly side of Peatt Road within the core of Langford, British Columbia. Langford is located in the West Shore area of Greater Victoria. The property is situated on a 0.18 acre parcel of land. The building is equipped with an elevator and a total of sixteen (16) parking stall of which approximately half are covered by the 2nd floor.

As at the date of this Offering Memorandum, Pacific Central had an estimated carrying value of \$6.0 million, an approximate remaining mortgage amount of \$4.3 million, and an approximate occupancy rate of 100%.

Winton Terrace – 797 Winnipeg Street, Penticton, British Columbia



Winton Terrace is a wood frame 26-unit low rise apartment building situated in a prime location in the vicinity of the City Centre of Penticton, British Columbia close to commercial amenities, schools, and transit stops. The property was constructed in 1967 and sits on a 0.44 acre parcel of land. It has been well maintained and the majority of the units have been upgraded or renovated. There are two (2) laundry rooms which include coin operated washers and dryers. Heating is provided by two boiler units and there is one hot water tank that provides hot water to the entire building. There are fifteen (15) paved surface parking stalls at the rear of the property. All units have balconies or patios and the building is equipped with an elevator.

As at the date of this Offering Memorandum, Winton Terrace had an estimated carrying value of \$5.0 million, an approximate remaining mortgage amount of \$3.6 million, and an approximate occupancy rate of 100%.

Canterbury Estates – 8408 92 Avenue, Fort St. John, British Columbia



Canterbury Estates is a 5-building complex comprising of twenty-one (21) freehold strata units situated on a 1.54 acre parcel of land. Built in 2020, each unit is a 2-storey townhome with three (3) bedrooms and two (2) bathrooms, and with an attached front drive single garage, in-suite

laundry, forced air furnaces and hot water tanks. The property is located close to commercial amenities and major roads in the southeast region of Fort St. John, British Columbia in a primarily low to medium density residential neighbourhood.

As at the date of this Offering Memorandum, Canterbury Estates had an estimated carrying value of \$3.6 million, an approximate remaining mortgage amount of \$3.2 million, and an approximate occupancy rate of 100%.

Midtown Apartments – 9827 97 Avenue, Fort St. John, British Columbia



Midtown Apartments is a wood frame 3-level low rise apartment building comprised of twelve (12) units. The property was built in 1979 and is situated on a 0.28 acre parcel of land located in central Fort St. John, British Columbia adjacent to commercial amenities and major roads (100 Street, 100 Avenue, and Alaska Highway 97). The area is mixed use residential and commercial. There is one laundry room on the main floor and one unit has its own in-suite laundry. Heating is provided by electric baseboard heating and hot water is provided by individual hot water tanks. There are approximately twenty-five (25) paved surface stalls located in the front and rear of the property. The above grade units have a balcony.

As at the date of this Offering Memorandum, Midtown Apartments had an estimated carrying value of \$1.1 million, an approximate remaining mortgage amount of \$0.9 million, and an approximate occupancy rate of 83%.

Windsor Estates – 8619 99 Avenue, Fort St. John, British Columbia



Windsor Estates is situated adjacent to Shamrock Townhomes and is a wood frame townhouse complex comprised of twenty-five (25) units. The property was built in 1979 with exterior and interior renovations completed in 2015. The property is situated on a 1.64 acre parcel of land located close to commercial amenities near central Fort St. John, British Columbia. Each townhouse unit is a 2-storey 3-bedroom unit, with one full and one half bathrooms, and a full basement with its own forced-air furnace, hot water tank and full size laundry washer and dryer. Each townhouse also features a fenced yard and energized parking stalls. Furthermore, each townhouse has separate utility meters for electricity, natural gas and water, and tenants are responsible for their own utility costs.

As at the date of this Offering Memorandum, Windsor Estates had an estimated carrying value of \$3.6 million, an approximate remaining mortgage amount of \$3.0 million, and an approximate occupancy rate of 84%.

Shamrock Townhomes – 980787 Street, Fort St. John, British Columbia



Shamrock Townhomes is situated adjacent to Windsor Estates and is a wood frame townhouse complex comprised of twenty-five (25) units. The property was built in 1979. The property is situated on a 1.64 acre parcel of land located close to commercial amenities near central Fort St. John, British Columbia. Each townhouse unit is a 2-storey 3-bedroom unit, with one full and one half bathrooms, and a full basement with its own forced-air furnace, hot water tank and full size laundry washer and dryer. Each townhouse also features a fenced yard and energized parking stalls. Furthermore, each townhouse has separate utility meters for electricity, natural gas and water, and tenants are responsible for their own utility costs.

As at the date of this Offering Memorandum, Shamrock Townhomes had an estimated carrying value of \$2.9 million, an approximate remaining mortgage amount of \$2.4 million, and an approximate occupancy rate of 96%.

2.3 Development of Business

The Corporation was formed in April 2016 as a Capital Pool Company under the name TRUSTED BRAND 2016 INC. with the aim of identifying and evaluating businesses or assets with a view to complete a qualifying transaction. On November 17, 2020 the Corporation completed a qualifying transaction through the reverse acquisition of 1421526 Alberta Ltd. (“1421526”). 1421526 was owned by Lui Holdings Corporation and 991799 Alberta Ltd. prior to the reverse acquisition.

See Item 2.2 The Corporation’s Business for a summary of the business, the markets the Corporation operates in and a detailed description of the property acquisitions that have occurred since the completion of the reverse acquisition.

2.4 Long Term Objectives

The Corporation’s long term business objectives are to achieve stable Net Operating Income (“NOI”) and growing its Net Asset Value (“NAV”) in its mid-market multi-family rental property portfolio by deploying a secure and aggressive business model of accretive acquisitions of mid-market multi-family rental assets in secondary markets across Canada with diversified, growing economies, and strong population in-migration.

2.5 Short Term Objectives and How the Corporation Intends to Achieve Them

The Corporation’s objectives over the next twelve (12) months are to complete the Offering and raise sufficient funds to continue its accretive acquisitions of mid-market multi-family rental assets. The following table sets out the objective, targeted completion date, and expected costs to complete the short term objectives over the next twelve (12) months:

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	The Corporation's cost to complete
Raise up to \$3,000,000 in gross subscription proceed from the Offering	Ongoing	\$100,000 for marketing, accounting and legal fees.
Acquisition of new properties	As promptly as reasonable possible following the closing of funds raised under this Offering.	Costs cannot be determined until the target properties are identified.

2.6 Insufficient Funds

The funds available as a result of the Offering either may not or will not be sufficient to accomplish all of the Corporation's proposed objectives and there is no assurance that alternative financing will be available.

2.7 Material Contracts

Except for contacts made in the ordinary course of business, the following are the only material agreements or agreements with related parties to which the Corporation is currently a party:

- Contractor Agreement dated December 17, 2021

An agreement with William Harper to act as the Acting Chief Financial Officer and Corporate Secretary of the Corporation on an ongoing basis at a hourly rate.

- Property Agency Agreement dated April 30, 2021

An agreement with Lui International Group Inc., a company controlled by Ben Lui, the President, Chief Executive Officer, and a director of the Corporation, to exclusively consult, rent, lease and manage the Riviera Gardens property. The fees payable under the agreement are based on a percentage of the total gross rental income from the property plus other fees. The term of the agreement is from May 1, 2021 to April 30, 2022 and then continues on a month to month basis thereafter.

- Property Management Agreement dated November 1, 2008

An agreement with Lui International Inc., a company controlled by Ben Lui, the President, Chief Executive Officer, and a director of the Corporation, to exclusively consult, rent, lease and manage the Pacific Mall property. The fees payable under the agreement are based on a percentage of the total gross rental income from the property plus other fees. The term of the agreement is from November 1, 2008 to November 30, 2008 and then continues on a month to month basis thereafter.

Item 3: Interests of Directors, Executive Officers, Promoters and Principal Holders

3.1 Compensation and Securities Held

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by the Corporation or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Corporation held as of the date hereof and after the Offering
Ben Lui Edmonton, Alberta	President, Chief Executive Officer and Director (November 17, 2020)	2021 - \$10,000 2022 - \$50,000	82,511,845 shares ⁽¹⁾ (73.29%) ⁽²⁾ 275,000 options ⁽³⁾
Bill Smith Edmonton, Alberta	Director (November 17, 2020)	2021 - \$Nil 2022 - \$8,000	27,500 shares (0.02%) ⁽²⁾ 50,000 options ⁽³⁾ 27,500 warrants ⁽⁴⁾
William Harper Vancouver, BC	Acting Chief Financial Officer (December 20, 2021)	2021 - \$1,000 2022 - \$50,000	Nil
Reg Liyanage Vancouver, BC	Executive Vice President (November 17, 2020)	2021 - \$210,000 2022 - \$200,000	795,500 shares (0.71%) ⁽²⁾ 134,905 options ⁽³⁾ 781,000 warrants ⁽⁴⁾
Mark Wilbert Edmonton, Alberta	Director (November 17, 2020)	2021 - \$2,000 2022 - \$8,000	125,000 shares (0.11%) ⁽²⁾ 50,000 options ⁽³⁾ 125,000 warrants ⁽⁴⁾
Jason Theiss Edmonton, Alberta	Director (November 17, 2020)	2021 - \$2,000 2022 - \$8,000	50,000 options ⁽³⁾

Notes:

- (1) These Common Shares are held indirectly through Lui Holdings Corporation, a company of which Mr. Lui holds 91% of the voting shares.

- (2) The percentage is based on 112,575,822 issued and outstanding Common Shares, which is the number of issued and outstanding Common Shares as at the date of this Offering Memorandum and excludes the issuance of any Common Shares upon the exercise or conversion of any common share purchase options, common share purchase warrants, convertible debentures or any other rights to acquire Common Shares of the Corporation and any additional Common Shares issuable pursuant to this Offering.
- (3) Each common share purchase option entitles the holder to purchase one Common Share at an exercise price of \$0.20 per Common Share on or before November 18, 2025.
- (4) Each common share purchase warrant entitles the holder to purchase one Common Share at an exercise price of \$0.30 per Common Shares on or before November 17, 2023.

3.2 Management Experience

The name, principal occupation and related experience of the officers and directors of the Corporation is as follows:

Name	Principal occupation and related experience
Ben Lui (President, Chief Executive Officer and Director)	President and Chief Executive Office of the various Yorkton Group companies and strata corporations since 2002. The Yorkton Group owns and develops properties in Edmonton, Alberta, and Surrey, British Columbia with a focus on real estate developments and investments. In addition, Mr. Lui owns and leads a team of property management professionals in managing a large portfolio of residential and commercial properties in Western Canada.
Bill Smith (Director)	Mr. Smith is the Chairman of BioNeutra Global Corporation. He was previously the Senior VP of BioNeutra Global Corporation and Director and Senior VP of BioNeutra North America Inc., a private Alberta corporation. His career includes that of a professional athlete (Edmonton Elks), and Mayor of the City of Edmonton for three terms. He has also served on a number of public and private boards as director and Chairman.
William Harper (Acting Chief Financial Officer and Corporate Secretary)	Mr. Harper is a Chartered Professional Accountant with over 10 years post designation accounting experience. Between 2009 and 2017 he worked at an audit firm in Vancouver, British Columbia working with both public and private companies across a wide spectrum of industries, including in the real estate sector. Between 2017 and 2019 he was a manager at a back office outsourcing company in Vancouver, British Columbia. He is currently the principal of a sole proprietorship accounting practice and the Chief Financial Officer of Ivnet Inc. a publicly trading company listed on the TSX Venture Exchange.
Reg Liyanage (Executive Vice President)	Mr. Liyanage holds a B.Sc. degree from the University of Alberta and comes from a financial services background, including holding a securities licence, and has held leadership positions, as well as ownership in a variety of businesses. In the commercial real estate field, Mr. Liyanage has over 30 years of experience with a focus on the successful marketing of a variety of commercial real estate

	properties as well as syndications. In addition, Mr. Liyanage has extensive experience in project management, development, and redevelopment of commercial properties with the Yorkton Group since 2002.
Mark Wilbert (Director)	Mr. Wilbert's background includes real estate investment, commercial banking, international logistics and international law. Mr. Wilbert holds a Bachelor of Commerce degree from the University of Alberta and graduated from the Department of International Relations at Fudan University in Shanghai. Mr. Wilbert is currently an Associate with Canadian Independent Venture Realty since September 22, 2021. Previously Mr. Wilbert was a Real Estate Brokerage Partner with Coldwell Banker Venture Realty from May 17, 2014 to September 22, 2021.
Jason Theiss (Director)	Mr. Theiss is a Chartered Professional Accountant who has over 12 years post designation accounting experience. Mr. Theiss was the Chief Financial Officer of Carrington Group of Companies from July 2007 to October 30, 2020, and is currently the Chief Financial Officer of Bri-Chem Corp., a publicly trading company listed on the TSX.

3.3 Penalties, Sanctions and Bankruptcy

No director or executive officer of the Corporation or persons holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has in the last 10 years:

- a) been subject to any penalties or sanctions imposed by a court or regulatory authority;
- b) been a director, executive officer or control person of any issuer that has been subject to any penalties or sanctions imposed by a court or by a regulatory authority while the director or executive officer of control person was a director, executive officer or control person of such issuer;
- c) made any declaration of bankruptcy, voluntary assignment in bankruptcy or proposal under bankruptcy or insolvency legislation or been subject to any proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets; or
- d) been a director, executive officer or control person of any issuer that has made any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under bankruptcy or insolvency legislation, or been subject to any proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets while the director, executive officer or control person was a director, executive officer or control person of such issuer.

3.4 Loans

As at the date of this Offering Memorandum it is estimated that \$740,000 is due from Lui International Group Inc. and \$282,000 is due from Yorkton Group International Ltd., for short term advances, and \$61,000 is due to Lui Holdings Corp., for short term borrowings, which are companies controlled by Ben Lui, the President, Chief Executive Officer and a director of the Corporation. These loans payable are unsecured, bear no interest and have no specific repayment terms.

Item 4: Capital Structure

4.1 Share Capital

The following table sets forth the outstanding securities of the Corporation (including common share purchase options, common share purchase warrants and other securities convertible into Common Shares) as at the date of this Offering Memorandum.

Description of security	Number authorized to be issued	Price per security	Number outstanding as at the date of this Offering Memorandum	Number outstanding after min. offering ⁽¹⁾	Number outstanding after max. offering
Common Shares	Unlimited	Note (2)	112,575,822 ⁽³⁾	N/A	112,575,822
Common Share Purchase Options	N/A	N/A	559,905 ⁽⁴⁾	N/A	559,905
Common Share Purchase Warrants	N/A	N/A	21,930,466 ⁽⁵⁾	N/A	21,930,466
7% Convertible Debentures ⁽⁶⁾	-	Note (6)	Note (6)	-	Note (6)

Notes:

- (1) There is no aggregate minimum Offering amount.
- (2) Common Shares of the Corporation have been issued at purchase prices ranging from \$0.125 to \$0.30 per Common Share.
- (3) The figure of 112,575,822 issued and outstanding Common Shares is the number of issued and outstanding Common Shares as at the date of this Offering Memorandum and excludes the issuance of any Common Shares issuable upon the exercise or conversion of any common share purchase options, common share purchase warrants, convertible debentures or any other rights to acquire Common Shares of the Corporation, including any additional Common Shares issuable pursuant to this Offering.
- (4) Common share purchase options have an exercise price of \$0.20 per Common Share and expire on November 18, 2025.

- (5) Common share purchase warrants have an exercise price between \$0.30 and \$0.60 per Common Share and expire between two (2) and five (5) years from the date of issuance.
- (6) See Item 4.2 Long Term Debt Securities in this Item 4 below for a description of the material terms of such 7% Convertible Debentures. The Corporation has \$2,809,000 aggregate principal amount of 7% Convertible Debentures outstanding. The Corporation is currently offering additional convertible debentures as part of this Offering.

4.2 Long Term Debt Securities

The following table sets forth the outstanding long term debt securities of the Corporation as at the date of this Offering Memorandum.

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at the date of this Offering Memorandum	Amount outstanding after max. offering
7% Convertible Debentures	7% per annum	Note (1)	\$2,809,000	\$5,809,000

Note:

- (1) The 7% Convertible Debentures of the Corporation bear interest at a rate of seven percent (7%) per annum payable annually, on the anniversary date of each issuance date of the respective 7% Convertible Debenture offering for the duration of the term of the respective 7% Convertible Debenture offering, in cash only without any conversion of that interest component into common shares. 7% Convertible Debentures will mature sixty (60) months after the date of issuance of the 7% Convertible Debenture (the "Maturity Date"). The principal amount of the 7% Convertible Debentures, but not the interest thereon, may, at the option of the holder, be convertible, in whole or in part, into Common Shares at a conversion price of \$0.60 per Common Share. After a period of thirty-six (36) months from the date of issuance of the 7% Convertible Debenture, the Corporation will have the right, but not the obligation, to redeem the principal amount and any unpaid interest of the 7% Convertible Debentures in cash, without penalty, at any time prior to the Maturity Date.

4.3 Prior Sales

In the twelve (12) months prior to the date of this Offering Memorandum the Corporation has issued the following convertible debentures.

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
January 17, 2022 ⁽¹⁾	Convertible Debenture	2,480	\$1,000	\$2,480,000
January 25, 2022 ⁽¹⁾	Convertible Debenture	108	\$1,000	\$108,000
March 31, 2022 ⁽¹⁾	Convertible Debenture	221	\$1,000	\$221,000

Note:

- (1) See the 7% Convertible Debentures listed in Item 4.2 Long Term Debt Securities for the details of these 7% Convertible Debentures.

Item 5: Securities Offered

5.1 Terms of Securities

The Convertible Debentures will not be listed for trading on any stock exchange or any other public market. The price of each Convertible Debenture is \$1,000. There is no minimum of Convertible Debentures allocated to any subscriber. The Convertible Debentures will have, among others, the following attributes (the description of the Convertible Debentures in this Item 5.1: Terms of Securities is a summary only and is subject to the detailed provisions of the certificates evidencing the Convertible Debentures pursuant to which the Convertible Debentures are to be issued):

Maturity

The Convertible Debentures will mature on the date that is sixty (60) months from the date of issuance of the Convertible Debenture (the “Maturity Date”) and the principal amount owing and any accrued and unpaid interest thereon, will be payable in cash only on the Maturity Date.

Conversion price

The principal amount, but not the interest thereon, of the Convertible Debenture may be convertible, at the option of the subscriber, in whole or in part, at a price of \$0.60 per Common Share (the “Conversion Price”).

Interest

The Convertible Debentures will bear an interest rate equal to the higher of 7.0% 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 in cash only, without any conversion of that interest component into Common Shares, no later than thirty (30) days from each anniversary date of the closing date of the Offering for the duration of the term.

Conversion

The principal amount of the Convertible Debentures, but not the interest thereon, is convertible into Common Shares of the Corporation at the Conversion Price (the “Conversion”). The Conversion is at the option of the subscriber by delivering written notice to convert at any time prior to the close of business on the last business day immediately preceding the Maturity Date, subject to the Corporation’s redemption rights.

Redemption

After a period of thirty-six (36) months following the issuance of the Convertible Debenture, the Corporation will have the right, but not the obligation, to redeem the principal amount and any unpaid interest of the Convertible Debenture in cash, without penalty, at any time prior to the Maturity Date by providing thirty (30) calendar day notice (the “Notice”) to the subscriber by way of a written notice or a press release duly disseminated. The subscriber, at its sole discretion, may then request a Conversion of the principal amount, but not the interest thereon, of the Convertible Debenture at the Conversion Price from the Corporation by the issuance of Common Shares, within a period of ten (10) business days after receipt of the Notice.

Management of the Corporation shall have sole discretion on how the Corporation will fund or finance the redemption of the Convertible Debentures. Management may decide to use its existing cash on hand if any, sell assets, or raise additional capital or equity in the Corporation or use a combination of the above methods to accomplish the redemption of the Convertible Debentures. There is no assurance that any of the above methods of funding the redemption of the Convertible Debentures will be successful or if accomplished will raise enough funds to redeem all of the Convertible Debentures. It is possible that the Corporation may not have the financial ability to redeem all or any Convertible Debentures upon maturity.

Security and Ranking

The Convertible Debentures will be unsecured obligations of the Corporation, ranking equally with one another and with all other existing unsecured indebtedness of the Corporation. The Convertible Debentures are non-voting securities of the Corporation and carry no right to participate in earnings of the Corporation and, on liquidation and winding up of the Corporation, in its assets.

Other Provisions

The attributes and characteristics of the Convertible Debentures will be substantially as described herein and the Convertible Debenture certificate will be in such form and contain such terms and provisions as are satisfactory to the Corporation, acting reasonably.

5.2 Subscription Procedure

Subscription Documents

Subscribers will be required to enter into a subscription agreement with the Corporation (the “Subscription Agreement”) which will contain, among other things, representations, warranties and covenants by the subscriber that it is duly authorized or has the capacity to purchase the Convertible Debentures, that it is purchasing the Convertible Debentures as principal and for investment and not with a view to resale and as to its corporate or other status to purchase the Convertible Debentures and that the Corporation is relying on an exemption from the requirements to provide the subscriber with a prospectus and to sell securities through a person or company registered to sell securities under applicable securities laws, and, as a consequence of acquiring the securities pursuant to this exemption, certain protections, rights and remedies, provided by applicable securities laws, including statutory rights of rescission or damages, will

not be available to the subscriber. In order to subscribe for Convertible Debentures, a purchaser must complete, execute and deliver the following documentation to the Corporation at **3165 Manulife Place 10180 – 101 Street NW Edmonton, Alberta T5J 3S4**:

- a) One (1) completed and signed copy of the Subscription Agreement (including any attached schedules and appendices, as applicable.
- b) A RRSP, LIRA, DPSP, RESP or RRIF Trustee cheque, TFSA Trustee cheque, certified cheque, bank draft, money order or wire transfer in an amount equal to the aggregate subscription price (as set forth in the Subscription Agreement), payable to “Yorkton Equity Group Inc.”

This Offering is not subject to any aggregate minimum subscription level, and therefore any funds received from a subscriber are available to the Corporation and need not be refunded to the subscriber. The Corporation anticipates that there will be multiple closings.

If the subscriber purchases the Convertible Debentures through a Registered Plan, subscribers should note that the securities dealers and/or the administrator of their Registered Plan (the “Registered Plan Administrator”) may require additional documents and forms to be completed. Subscribers should also note that the Registered Plan Administrator may charge additional fees to administer their Registered Plan and these fees are not associated with the Corporation. All subscription funds will be advanced to the Corporation from each subscriber’s Registered Plan account in exchange for certificate(s) representing the Convertible Debenture. The Registered Plan Administrator may require that it hold the original Convertible Debenture certificate(s) in trust for as long as the Registered Plan Administrator retains the Registered Plan of the subscriber

Subject to applicable securities laws and the subscriber’s two-day cancellation right, a subscription for Convertible Debentures, evidenced by a duly completed Subscription Agreement delivered to the Corporation shall be irrevocable by the subscriber (see Item 11: Purchaser’s Rights).

Subscriptions for Convertible Debentures will be received, subject to rejection and allotment, in whole or in part, and subject to the right of the Corporation to close the subscription books at any time, without notice. If a subscription for Convertible Debentures is not accepted, all subscription proceeds will be promptly returned to the subscriber without interest.

The subscription funds will be held in trust until midnight of the second (2nd) Business Day subsequent to the date that each Subscription Agreement is signed by a subscriber.

Distribution

The Convertible Debentures will be sold in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, New Brunswick, Prince Edward Island and Nova Scotia (the “Offering Jurisdictions”). Subscribers’ resident in these provinces must conform to criteria for exempt offerings of securities under applicable provincial securities laws.

Specifically, the Offering is being conducted in the Offering Jurisdictions pursuant to an exemption from the prospectus requirements afforded by 2.9 (“offering memorandum” exemption) of NI 45-106.

Offering Memorandum Exemption

The exemption pursuant to Section 2.9 of NI 45-106 is available for subscribers who satisfy the requirements listed therein – i.e., who purchase as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign the subscription documentation referenced above. Reliance on the offering memorandum exemption is limited to those jurisdictions in which the specific conditions for application of the offering memorandum exemption are satisfied.

The foregoing exemption relieves the Corporation from the provisions of the applicable securities laws of each of the Provinces in the Offering Jurisdictions, which otherwise would require the Corporation to file and obtain a receipt for a prospectus. Accordingly, prospective subscribers for Convertible Debentures will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review and approval by securities regulatory authorities of the Offering material.

The exemption from the registration requirements contained in the applicable securities laws of each of the Offering Jurisdictions allow the Corporation to offer the Convertible Debentures for sale directly to the subscribers.

Each subscriber is urged to consult with his or her own legal adviser as to the details of the statutory exemption being relied upon and the consequences of purchasing securities pursuant to such exemption.

Item 6: Canadian Federal Income Tax Consequences and RRSP Eligibility

6.1 Tax Advice

You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

Prospective subscribers should consult their own tax advisors for advice with respect to the income tax consequences associated with their acquisition, holding, and disposition of the Convertible Debentures under this Offering Memorandum and with respect to their circumstances. Neither the Corporation nor its counsel makes any representations with respect to the income tax consequences to any prospective subscribers.

6.2 RRSP Eligibility

Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

Item 7: Compensation Paid to Sellers and Finders

The Corporation reserves the right, pursuant to applicable securities legislation, to retain finders to help effect sales of the Convertible Debentures. If the Corporation retains finders, they will be paid certain aggregate finders fees realized on the Convertible Debentures sold by such finder. Finder's fees of up to a maximum 8.0% of the aggregate gross Convertible Debenture principal amount will be paid in cash by the Corporation to finders, pursuant to a successful subscription sold by such finder.

Neither the Corporation nor any of its employees are registered dealers, salespersons or advisors under applicable securities laws, in any jurisdiction in Canada. The Corporation and its employees may sell the Convertible Debentures under this Offering in certain jurisdictions in Canada where it is not required to be registered under applicable securities laws or, if applicable, pursuant to exemptions from those registration requirements.

Item 8: Risk Factors

See "*Risk Factors*" in Appendix A.

Item 9: Reporting Obligations

The Corporation is a reporting issuer under applicable securities legislation and is therefore subject to continuous reporting and disclosure obligations which the securities legislation in any particular province may require. The Corporation is required to make disclosure of its business and affairs to the public, including, without limitation, the prompt notification of material change by way of press releases and quarterly unaudited financial statements and annual audited financial statements in accordance with generally accepted accounting principles. All public disclosure can be accessed under the Corporation's profile on SEDAR, at www.sedar.com.

The Corporation will forward to its shareholders (a) annual audited financial statements of the Corporation, (b) all income tax reporting information necessary to enable each shareholder to file an income tax return with respect to its participation in such fiscal year, and (c) within the time period prescribed, any other information or documents required to be provided under applicable securities or other legislation, including but not limited to, National Instrument 51-102 – *Continuous Disclosure Obligations*.

Item 10: Resale Restrictions

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the distribution date.

Subscribers under this Offering should consult with their own professional advisers with respect to restriction on the transferability of the Convertible Debentures offered hereunder.

Item 11: Purchaser's Rights

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

11.1 Two -Day Cancellation Right for a Subscriber

You can cancel your agreement to purchase the Convertible Debentures. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the Subscription Agreement to buy the Convertible Debentures.

11.2 Statutory Rights of Action in the Event of a Misrepresentation

Applicable securities laws in the Offering Jurisdictions provide you with a remedy to sue to cancel your agreement to buy these Convertible Debentures or for damages if this Offering Memorandum, or any amendment thereto, contains a misrepresentation.

Unless otherwise noted, in this section a “misrepresentation” means an untrue statement or omission of a material fact that is required to be stated or that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made. These remedies are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, these remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by you within the strict time limit prescribed in the applicable securities laws.

The applicable contractual and statutory rights are summarized below. By its execution of the Subscription Agreement, the Corporation will be deemed to have granted these rights to you. Subscribers should refer to the applicable securities laws of their respective Offering Jurisdiction for the particulars of these rights or consult with professional advisors.

Subscribers in the Province of British Columbia

The right of action for damages or rescission described herein is conferred by section 132.1 of the Securities Act (British Columbia). Section 132.1 of the Securities Act (British Columbia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a misrepresentation, the purchaser will be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase, and the purchaser has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the issuer, in which case the

purchaser shall have no right of action for damages against the issuer, provided that, among other limitations:

- a) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- a) the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable notice to the issuer that it was delivered without the person's or company's knowledge or consent;
- b) after delivery of the offering memorandum and after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
- c) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, an expert's report, opinion or statement.

Further, where a misrepresentation is contained in an offering memorandum, the directors of the issuer, and every person or company who signed the offering memorandum, shall not be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed there had been a misrepresentation.

A person is not liable for misrepresentation in forward-looking information if the person proves that the document containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast

or projection set out in the forward-looking information, and the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

If a misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

Section 140 of the Securities Act (British Columbia) provides that no action shall be commenced to enforce these rights more than:

- a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- b) in the case of an action for damages, the earlier of:
 - i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - ii) three years after the date of the transaction that gave rise to the cause of action.

Subscribers in the Province of Alberta

Section 204 of the Securities Act (Alberta) provides that if an offering memorandum contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation, if it was a misrepresentation at the time of the purchase, and has a right of action (a) for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum, and (b) for rescission against the issuer, provided that:

- a) if the purchaser elects to exercise its right of rescission, it shall cease to have a right of action for damages against the person or company referred to above;
- b) no person or company referred to above will be liable if it proves that the purchaser had knowledge of the misrepresentation;
- c) no person or company (other than the issuer) referred to above will be liable if it proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the knowledge and consent of the person or company;
- d) no person or company (other than the issuer) referred to above will be liable if it proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;

- e) no person or company (other than the issuer) referred to above will be liable if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
 - i) there had been a misrepresentation; or
 - ii) the relevant part of the offering memorandum
 - iii) did not fairly represent the report, opinion, or statement of the expert, or
 - iv) was not a fair copy of, or an extract from, the report, opinion, or statement of the expert;
- f) the person or company (other than the issuer) will not be liable if with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company
 - i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or
 - ii) believed there had been a misrepresentation;
- g) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum;
- h) the defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation;

Section 211 of the Securities Act (Alberta) provides that no action may be commenced to enforce these rights more than:

- a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or
- b) in the case of any action, other than an action for rescission, the earlier of
 - i) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - ii) 3 years from the day of the transaction that gave rise to the cause of action.

Subscribers in the Province of Saskatchewan

Securities Act, 1988 (Saskatchewan), as amended (the “Saskatchewan Act”) provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a Misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it is deemed to have relied upon that Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- a) the issuer or a selling security holder on whose behalf the distribution is made;
- b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;
- c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- e) every person who or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;
- b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the Misrepresentation relied on;
- c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation or believed that there had been a Misrepresentation;
- d) in no case shall the amount recoverable exceed the price at which the securities were offered; and

- e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the Misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- b) after the filing of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or the amendment to the offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it;
- c) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum is not liable for damages or rescission as provided in 138(1) or 138(2) of the Saskatchewan Act if that person can establish that he, she or it cannot reasonably be expected to have had knowledge of any Misrepresentation in the offering memorandum or the amendment or the offering memorandum.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a Misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a Misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- b) in the case of any other action, other than an action for rescission, the earlier of:
 - i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
 - ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

Subscribers in the Province of Manitoba

The right of action for damages or rescission described herein is conferred by section 141.1 of The Securities Act (Manitoba). Section 141.1 of The Securities Act (Manitoba) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- a) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- a) the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company promptly gave reasonable notice to the issuer that it was delivered without the person's or company's knowledge or consent;
- b) after delivery of the offering memorandum and after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
- c) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, an expert's report, opinion or statement.

Further, where a Misrepresentation is contained in an offering memorandum, the directors of the issuer, and every person or company who signed the offering memorandum, shall not be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum.

Section 141.4(2) of The Securities Act (Manitoba) provides that no action shall be commenced to enforce these rights more than:

- a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

- b) in the case of an action for damages, the earlier of:
 - i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - ii) two years after the date of the transaction that gave rise to the cause of action.

Subscribers in the Province of Ontario

Section 130.1 of the Securities Act (Ontario) provides that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

- a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the misrepresentation;
- c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;
- d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- e) the issuer will not be liable for a misrepresentation in forward-looking information if the issuer proves:
 - i) that the offering memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward- looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward- looking information; and
 - ii) the issuer has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than:

- a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- b) in the case of an action for damages, the earlier of:
 - i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - ii) three years after the date of the transaction that gave rise to the cause of action.

This Offering Memorandum may be delivered in reliance on the exemption from the prospectus requirements contained under section 2.3 of NI 45-106 (the “accredited investor exemption”). The rights referred to in section 130.1 of the Securities Act (Ontario) do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

- a) a Canadian financial institution or a Schedule III bank (each as defined in NI 45-106);
- b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

Subscribers in the Province of Newfoundland and Labrador

The right of action for damages or rescission described herein is conferred by section 130.1 of the Securities Act (Newfoundland and Labrador). Section 130.1 of the Securities Act (Newfoundland and Labrador) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, without regard to whether the purchaser relied upon the Misrepresentation, the purchaser has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- a) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

- c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- a) the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company promptly gave reasonable notice to the issuer that it was delivered without the person's or company's knowledge or consent;
- b) after delivery of the offering memorandum and after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
- c) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, an expert's report, opinion or statement.

Further, where a Misrepresentation is contained in an offering memorandum, the directors of the issuer, and every person or company who signed the offering memorandum, shall not be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum.

Section 138 of the Securities Act (Newfoundland and Labrador) provides that no action shall be commenced to enforce these rights more than:

- a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- b) in the case of an action for damages, the earlier of:
 - i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - ii) three years after the date of the transaction that gave rise to the cause of action.

Subscribers in the Province of New Brunswick

Section 150 of the Securities Act (New Brunswick) provides that where an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation, a purchaser who purchases securities shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and:

- a) the purchaser has a right of action for damages against the issuer and any selling security holder(s) on whose behalf the distribution is made, or
- b) where the purchaser purchased the securities from a person referred to in paragraph (a), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchaser relied on the Misrepresentation. However, there are various defences available to the issuer and the selling security holder(s). In particular, no person will be liable for a Misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the Misrepresentation when the purchaser purchased the securities. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence on its action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

- a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
- b) six years after the date of the transaction that gave rise to the cause of action.

Subscribers in the Province of Prince Edward Island

In Prince Edward Island the Securities Act (PEI) provides a statutory right of action for damages or rescission to purchasers resident in PEI in circumstances where this Offering Memorandum or an amendment hereto contains a misrepresentation, which rights are similar, but not identical, to the rights available to Newfoundland and Labrador purchasers.

Subscribers in the Province of Nova Scotia

The right of action for damages or rescission described herein is conferred by section 138 of the Securities Act (Nova Scotia). Section 138 of the Securities Act (Nova Scotia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), together with any amendment thereto, or any advertising or sales literature (as

defined in the Securities Act (Nova Scotia)) contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;
- b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person's or company's consent to the offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Further, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting (a) to be made on the authority of an expert or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation or (ii) believed that there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or amendment to the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum or an amendment to the offering memorandum.

The foregoing summary is subject to the express provisions of the securities legislation referred to above and the rules, regulations, and other instruments thereunder, and reference is made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Corporation may rely.

The rights of action for damages or rescission discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law.

THE FOREGOING IS A SUMMARY ONLY AND SUBJECT TO INTERPRETATION. REFERENCE SHOULD BE MADE TO THE APPLICABLE SECURITIES LEGISLATION, THE REGULATIONS AND THE RULES THEREUNDER FOR THE COMPLETE TEXT OF THE PROVISIONS UNDER WHICH THE FOREGOING RIGHTS ARE CONFERRED. THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS THEREOF.

It is recommended that subscribers consult with their own legal advisers with respect to their rights and the remedies available to them. Subscribers should pay particular attention to any time limits prescribed by the relevant securities legislation. The rights discussed above are in addition to and without derogation from any other rights or remedies, which subscribers may have at law.

Item 12: Financial Statements

Annual Audited Consolidated Financial Statement for the Years Ended December 31, 2021 and 2020



YORKTON
EQUITY GROUP INC.

Consolidated Financial Statements

Years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Yorkton Equity Group Inc.

Opinion

We have audited the consolidated financial statements of Yorkton Equity Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joseph Man.

RSM Alberta LLP

Chartered Professional Accountants
April 29, 2022
Edmonton, Alberta

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

As at	December 31, 2021	December 31, 2020
Assets		
Non-current assets		
Investment property (Note 5)	\$ 42,550,000	\$ 13,360,000
Investment (Note 8)	40,174	39,111
Equipment (Note 6)	12,113	6,484
	42,602,287	13,405,595
Current assets		
Cash	2,180,351	1,001,763
Restricted cash (Note 10)	131,116	57,255
Accounts receivable	29,947	167,170
Sales taxes receivable	14,439	-
Promissory note receivable (Note 7)	202,092	-
Due from related party (Note 11)	-	208,978
Prepays and deposits	551,984	103,427
Investment in Yorkton 108 LP (Note 9)	149,438	-
	3,259,367	1,538,593
Total assets	\$ 45,861,654	\$ 14,944,188
Liabilities		
Non-current liabilities		
Mortgages payable (Note 12)	\$ 10,242,340	\$ -
Deferred income taxes (Note 16)	1,064,089	1,026,802
	11,306,429	1,026,802
Current liabilities		
Mortgages payable - current portion (Note 12)	11,328,195	2,629,779
Accounts payable and accrued liabilities	482,533	196,725
Due to related parties (Note 11)	124,221	129,642
Refundable security deposits	131,116	57,255
Income taxes payable	-	42,511
Convertible debentures to be issued (Note 21)	1,978,000	-
	14,044,065	3,055,912
Shareholders' equity		
Common shares (Note 17)	14,200,857	4,070,264
Warrants (Note 17)	1,273,395	537,176
Contributed surplus	1,509,029	1,469,629
Retained earnings	3,527,879	4,784,405
	20,511,160	10,861,474
Total liabilities and shareholders' equity	\$ 45,861,654	\$ 14,944,188

Subsequent events (Note 21)

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

(signed) "Ben Lui"

 Director (signed by)

(signed) "Jason Theiss"

 Director (signed by)

Yorkton Equity Group Inc.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended December 31,	2021	2020
Rental revenue (Note 13)	\$ 1,076,916	\$ 484,770
Recovery of operating expenses	415,237	439,969
Direct operating costs	(931,449)	(481,142)
Net rental income	560,704	443,597
Expenses		
Bad debt	116,221	146,688
General and administration (Note 14)	946,261	129,356
Financing costs (Note 15)	479,372	92,403
Property tax	20,937	20,459
Depreciation (Note 6)	2,362	1,621
	1,565,153	390,527
Income (loss) before other income (expenses)	(1,004,449)	53,070
Other income (expenses)		
Listing expense (Note 4)	-	(808,389)
Fair value adjustment on investment properties (Note 5)	573,039	(856,709)
Share of profit of equity-accounted investee (Note 9)	356,703	-
Impairment of investment in Yorkton 108 LP (Note 9)	(1,144,343)	-
	(214,601)	(1,665,098)
Loss before income taxes	(1,219,050)	(1,612,028)
Income tax recovery (expense)		
Current income tax recovery (expense) (Note 16)	7,854	(42,495)
Deferred income tax recovery (expense) (Note 16)	(45,330)	1,232,168
	(37,476)	1,189,673
Net loss and comprehensive loss	\$ (1,256,526)	\$ (422,355)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding		
Basic and diluted	97,338,049	40,665,763

See accompanying notes to the consolidated financial statements

Yorkton Equity Group Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Common Shares (Note 17)	Warrants (Note 17)	Contributed Surplus (Note 17)	Retained Earnings	Equity
Balance December 31, 2019	\$ 100	\$ -	\$ -	\$ 5,206,760	\$ 5,206,860
Reverse acquisition (Note 4)	515,177	-	25,419	-	540,596
Private placement (Note 17)	983,690	537,176	-	-	1,520,866
Settlement of shareholders' loan	2,571,297	-	1,384,545	-	3,955,842
Share-based payments (Note 17)	-	-	59,665	-	59,665
Net loss and comprehensive loss	-	-	-	(422,355)	(422,355)
Balance December 31, 2020	\$ 4,070,264	\$ 537,176	\$ 1,469,629	\$ 4,784,405	\$ 10,861,474

	Common Shares (Note 17)	Warrants (Note 17)	Contributed Surplus (Note 17)	Retained Earnings	Equity
Balance December 31, 2020	\$ 4,070,264	\$ 537,176	\$ 1,469,629	\$ 4,784,405	\$ 10,861,474
Receipt of subscription proceeds	40,000	-	-	-	40,000
Shares issued for Yorkton 108 LP (Note 9)	3,436,041	-	-	-	3,436,041
Shares issued on asset acquisition (Note 5)	4,321,671	-	-	-	4,321,671
Private placements (Note 17)	2,445,948	748,453	-	-	3,194,401
Share issue costs	(135,939)	(16,093)	-	-	(152,032)
Finder's warrants (Note 17)	(3,859)	3,859	-	-	-
Share-based payments (Note 17)	-	-	45,891	-	45,891
Exercise of common share purchase options	26,731	-	(6,491)	-	20,240
Net loss and comprehensive loss	-	-	-	(1,256,526)	(1,256,526)
Balance December 31, 2021	\$ 14,200,857	\$ 1,273,395	\$ 1,509,029	\$ 3,527,879	\$ 20,511,160

See accompanying notes to the consolidated financial statements

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

For the years ended December 31,	2021	2020
Operating Activities		
Net loss	\$ (1,256,526)	\$ (422,355)
Adjustments for:		
Fair value adjustment on investment property	(573,039)	856,709
Listing expense	-	499,235
Financing costs	366,065	92,339
Share-based payments	45,891	59,665
Share of profit from equity-accounted investee	(356,703)	-
Impairment of investment in Yorkton 108 LP	1,144,343	-
Depreciation and amortization	2,362	1,621
Deferred income tax expense (recovery)	45,330	(1,232,168)
Accrued rent receivable	(93,792)	(6,449)
Accrued interest receivable	(1,063)	(1,032)
Restricted cash	(73,861)	(57,255)
Bad debt	116,221	146,688
	(634,772)	(63,002)
Change in non-cash operating working capital (Note 18)	(341,703)	(216,706)
Cash used in operating activities	(976,475)	(279,708)
Financing Activities		
Proceeds from private placements (net of share issue costs)	3,082,369	1,134,888
Proceeds from issuance of convertible debentures to be issued	1,978,000	-
Proceeds from exercise of common share purchase options	20,240	-
Proceeds from mortgages payable (net of transaction costs)	15,941,534	277,182
Mortgage repayments	(339,231)	(70,691)
Advances from related parties	1,037,387	322,339
Repayments of due to related parties	(1,302,631)	(401,970)
Interest paid	(333,503)	(92,339)
Cash provided by financing activities	20,084,165	1,169,409
Investing Activities		
Acquisition of investment properties	(20,171,412)	(205,260)
Improvements to investment properties	(259,748)	-
Cash acquired on acquisition	3,096	-
Cash acquired on reverse acquisition	-	217,833
Return of capital of investment in associate	2,498,962	-
Grant received for investment property	-	60,000
Cash provided by (used in) investing activities	(17,929,102)	72,573
Net increase in cash	1,178,588	962,274
Cash, beginning of year	1,001,763	39,489
Cash, end of the year	\$ 2,180,351	\$ 1,001,763

See accompanying notes to the consolidated financial statements

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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 completed a reverse acquisition of 1421526 Alberta Ltd. (“Yorkton Pacific Mall”) on November 17, 2020. As discussed in Note 4, the acquisition of Yorkton Pacific Mall was considered a reverse acquisition for accounting purposes, with Yorkton Pacific Mall identified as the acquirer. As such, the consolidated financial statements as at December 31, 2020 and for the year ended December 31, 2020 include the results of Yorkton Pacific Mall over the period along with the results of Yorkton Equity Group Inc. for the period from the date of the acquisition, November 17, 2020 through December 31, 2020. The shareholders’ equity accounts reflect capital activity related to Yorkton Pacific Mall Inc. up to the date of the acquisition. As of the date of the acquisition, the shareholders’ equity accounts were effectively recapitalized, reflecting the share capital structure of the Company from the date of the acquisition onward.

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 consolidated financial statements have been prepared in accordance and in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and were authorized for issue by the Company’s board of directors on April 29, 2022.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for investment properties that have been measured at fair value, as explained in the accounting policies below. 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.

d) Use of management critical judgment, estimates and assumptions

The preparation of 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 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.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

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

Below are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

In addition, on March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. The COVID-19 pandemic has had a substantial impact on the Canadian economy. As a result of the uncertainty associated with the unprecedented nature of the COVID-19 pandemic, some of the Company's significant judgements were impacted. 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. In response to the COVID-19 pandemic, provincial governments had initially limited the ability of landlords to evict tenants for the non-payment of rent but have since lifted this regulation. Physical distancing regulations have resulted in the temporary closure of many businesses, which has had a significant impact on unemployment rates across Canada and may adversely impact the ability of tenants to pay rent when due, with the long-term impact being unknown. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its subsidiaries in future periods.

i) Accounts Receivable and Promissory Note Receivable

The valuation of accounts receivable and promissory note receivable is based on management's evaluation of collectability based on payment history and financial condition of tenants and a loss allowance for estimated credit losses is recorded as necessary.

ii) Investment Properties

Investment properties are measured using the fair value model as set out in the significant accounting policies below. The determination of the fair value of an investment property requires the use of estimates such as net operating income based on market lease rates per square foot, vacancy rates and capitalization rates. These estimates are based on market conditions existing at the reporting date and a change to any one of these inputs could significantly impact the fair value of an investment property.

iii) Share Based Compensation

The fair value of common share purchase options granted 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 options, the expected volatility of the Company's shares, the expected life of the common share purchase options, 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 options 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. Management also makes an estimate of the number of common share purchase options that will be forfeited, and the rate is adjusted to reflect the actual number of options that vest.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

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

iii) Share Based Compensation (continued)

Share based compensation issued for goods or services received has been measured using the fair value of the goods or services received. Management has estimated the fair value of the net assets acquired in exchange for common shares issued based on the fair value of the investment property, whose fair value is determined based on external appraisals, and the fair value of other assets acquired and liabilities assumed, whose carrying values approximate their fair values due to their short term nature. The use of estimates in relation to the investment property has been discussed above.

The following are the critical judgments, apart from those involving estimations, that have been made in applying the Company's accounting policies and that have the most significant effect on the reported amounts in the consolidated financial statements.

i) Reverse Acquisition

Management has made judgements relating to the determination of whether the acquisition completed during the year ended December 31, 2020 represented an asset acquisition or a business combination. Management has also made judgements relating to the determination of the accounting acquirer and acquiree of the transaction and estimates regarding the fair value of the consideration in the acquisition.

ii) Acquisitions

Management has made judgements relating to the determination of whether acquisitions completed during the year represent an asset acquisition or a business combination. Management determined that the acquisitions completed during the year were asset acquisitions as substantially all of the fair value of the gross assets acquired is concentrated in the investment property asset. Management has also made estimates regarding the fair value of the consideration in the acquisition.

iii) Significant influence

Management has made judgements relating to the ability of the Company to exert significant influence over its investment in Yorkton 108 Limited Partnership based on the facts and circumstances. The Company has applied the equity method of accounting to its investment in Yorkton 108 Limited Partnership.

iv) Leases

The Company makes judgments in determining whether certain leases, in particular long-term tenant leases, where the Company is the lessor, are operating or finance leases. The Company has determined that it retains all significant risks and rewards of ownership of the investment property and account for all of its leases as operating leases.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

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

v) Income taxes

The Company applies judgement in determining the tax rates applicable and identifying the temporary differences in respect of which deferred income taxes are recognized. Deferred taxes related to temporary differences are measured based on the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

3. Significant Accounting Policies

The following is a summary of the significant accounting policies applied in the preparation of these consolidated financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of Consolidation

These 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.

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.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

b) Investment in associate

An associate is an entity in which the Company has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is ordinarily presumed to exist when the Company holds between 20% and 50% of the voting rights. The Company may also be able to exercise significant influence through board representation. The effects of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Company has significant influence.

Investments in associates are recognized initially at cost, which includes the purchase price and other costs directly attributable to the purchase. Associates are accounted for using the equity method which reflects the Company's share of the increase or decrease of the post-acquisition earnings and other movements in the associate's equity. If there is a loss of significant influence and the investment ceases to be an associate, equity accounting is discontinued from the date of loss of significant influence. If the retained interest on the date of loss of significant influence is a financial asset, it is measured at fair value and the difference between the fair value and the carrying value is recorded as an unrealized gain or loss in the consolidated statement of operations. Investments in associates are evaluated for impairment at the end of each financial reporting period, or more frequently if events or changes in circumstances indicate the existence of objective evidence of impairment.

For purposes of applying the equity method for an investment that has a different reporting period from the Company, adjustments are made for the effects of any significant events or transactions that occur between the reporting date of the investee and the reporting date of the Company.

c) Business combinations

At the time of acquisition, the Company determines whether what is acquired meets the definition of a business, in which case if it does, the transaction is considered a business combination, otherwise it is recorded as an asset acquisition.

For an asset acquisition, the net identifiable assets acquired and liabilities assumed are measured at the fair value of the consideration paid, based on their relative fair values at the acquisition date. Acquisition related costs are included in the consideration paid and capitalized. No goodwill is recognized and no deferred tax assets or liabilities arising from the assets acquired or liabilities assumed are recognized upon the acquisition of the assets.

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in income. If the contingent consideration is classified as equity, it shall not be remeasured. When the excess of the aggregate of the consideration transferred and the fair value of the net identifiable net assets acquired and liabilities assumed is negative, a bargain purchase gain is recognized immediately in profit or loss. Acquisition costs are expensed as incurred, unless they qualify to be treated as debt issue costs, or as cost of issuing equity securities.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

d) Revenue Recognition

Revenue from the investment property includes rents from tenants under leases, parking, and other ancillary revenues.

i) Rental Revenue

The Company accounts for leases with its tenants as operating leases as the Company has retained substantially all of the risks and benefits of ownership of its investment property. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date when the tenant occupies their leased space. Rental revenue is recognized systematically over the term of the lease, which is generally not more than twelve months. Tenant inducements such as free rent, move-in allowances or initial direct costs incurred in negotiating and arranging an operating lease are also amortized over the term of the operating lease. Rental revenue is recorded based on the amount received or to be received in accordance with the operating lease. In the event that a tenant vacates its leased space prior to the end of the contractual term of the lease, any unamortized balance is recorded as an expense in profit and loss.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”) requires revenue recognized from customer contracts (non-lease components) to be disclosed separately from its other sources of revenue (Note 13).

ii) Ancillary Rental Income

Ancillary rental income comprises parking, commercial common area maintenance and ancillary services. These revenues are recognized when earned.

e) Investment Property

Investment properties consist of properties held to earn rental income, for capital appreciation, or both. Investment properties are initially measured at cost, including related transaction costs. Costs include all amounts relating to the acquisition, excluding transaction costs related to a business combination, and improvements of the properties. All costs associated with upgrading and extending the economic life of the existing facilities, other than ordinary repairs and maintenance, are capitalized to the investment property.

All direct development costs, insurance, realty taxes and borrowing costs incurred in connection to the construction or development are capitalized during the development period. This period extends from the date that activities commence to prepare the property for its intended use and ends when such activities are substantially completed.

Subsequent to initial recognition, investment properties are recorded at fair value, in accordance with *IAS 40 – Investment Property (“IAS 40”)*. Fair value is determined based on a combination of internal and external processes and valuation techniques. Changes in fair value are recognized in profit or loss in the period in which they arise.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

e) Investment Property (continued)

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Prior to its disposal, the carrying value of the investment property is adjusted to reflect its fair value. This adjustment shall be recorded as a fair value gain or loss. Any remaining gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

f) Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a declining balance basis at the following annual rate commencing on the date the equipment is available for use:

Equipment 20%

g) Income Taxes

Current income tax is the expected amount of tax payable to the taxation authorities, using tax rates enacted, or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the liability method based on the temporary differences between the tax basis of assets and liabilities and their carrying amounts in the consolidated statement of financial position.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, unused tax credits and tax loss carry forwards, to the extent that it is probable that deductions, tax credits, and tax losses can be utilized. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax liabilities and assets are measured using the tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset or liability is settled. Deferred income tax assets and liabilities are measured using the rate that is consistent with the expected manner of recovery.

Current and deferred income taxes relating to items recognized directly in equity or comprehensive loss are recognized directly in equity or comprehensive loss, respectively.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

h) Financial Instruments

i) Financial Assets Other Than Equity Instruments

The Company recognizes financial assets and financial liabilities when the Company becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets and financial liabilities classified as fair value through profit or loss, are measured at fair value plus or minus transaction costs on initial recognition. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent periods depends on the classification of the financial instrument:

Financial assets other than equity instruments are classified into the following specified categories, which are defined and measured per the requirements of *IFRS 9 – Financial Instruments* (“IFRS 9”).

Classification (IFRS 9)	Definition	Measurement (IFRS 9)
Amortized cost	Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.	Measured at amortized cost using the effective interest rate method ⁽¹⁾ less any expected credit losses.
Fair value through other comprehensive income (“FVTOCI”)	Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.	Measured at fair value with gains or losses recognized in other comprehensive income.
Fair value through profit and loss (“FVTPL”)	Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit and loss. This includes all derivative financial assets.	Measured at fair value with gains or losses recognized in profit and loss.

⁽¹⁾ *Effective interest method - the effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount*

The Company’s financial assets are classified as follows:

- Financial assets at amortized cost
 - Cash, accounts receivable, promissory note receivable, due from related party and investment

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)**h) Financial Instruments (continued)****i) Financial Assets Other Than Equity Instruments (continued)**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity or when the carrying value is reduced by expected credit losses.

ii) Financial Liabilities

Under IFRS 9, financial liabilities are classified and measured as either amortized cost or FVTPL. The Company carries all non-derivative financial liabilities at amortized cost. Derivative liabilities, if any, are measured at FVTPL.

Classification (IFRS 9)	Definition	Measurement (IFRS 9)
Amortized cost	If a financial liability is not held-for-trading, a derivative, or designated as FVTPL on initial recognition then it is measured at amortized cost. The classification of a financial liability is irrevocable.	Measured at amortized cost using the effective interest rate method ⁽¹⁾ .
FVTPL	<p>When the financial liability is either held for trading or it is designated as at FVTPL, as discussed below.</p> <p>Classified as held for trading if: it has been principally acquired for the purpose of repurchasing it in the near term or, on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking or it is a derivative that is not designated and effective as a hedging instrument.</p> <p>Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or the financial liability form part of a group which is managed and its performance is evaluated on a fair value basis or it forms part of a contract containing one or more embedded derivatives.</p>	<p>Stated at fair value, with gains or losses arising on measurement recognized in profit and loss.</p> <p>Stated at fair value, with gains or losses arising on measurement recognized in profit and loss.</p>

⁽¹⁾ *Effective interest method - the effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount*

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

h) Financial Instruments (continued)

ii) Financial Liabilities (continued)

The Company's financial liabilities are classified as follows:

- Financial liabilities at amortized cost
 - Accounts payable and accrued liabilities, due to related party, refundable security deposits and mortgages payable.

The Company derecognizes a financial liability when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

i) Impairment of financial assets

At each reporting date, each financial asset measured at amortized cost is assessed for impairment under an expected credit loss ("ECL") model. The Company applies the simplified approach which uses lifetime ECLs for contractual accounts receivable and the general approach for its promissory note receivable.

The Company uses an accounts receivable aging provision matrix to measure the ECL for contractual rents receivable and applies loss factors to aging categories greater than 30 days past due. Promissory note receivable is classified as impaired when there is objective evidence that the full carrying amount of the promissory note receivable is not collectible.

The Company has identified the COVID-19 pandemic and government's response actions to be relevant factors in these assessments. The Company's ECL as of December 31, 2021, includes estimates of the uncertainty of the recoverability of tenant receivables, short-term rent deferrals, rent reductions provided to tenants related to past due rents, and all other receivable balances. Based on these assessments of the ECL at period end, changes are processed through bad debt expense in the statement of operations and comprehensive loss. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are reversed in the statement of operations and comprehensive loss.

The Company accounts for rental abatements, in the form of rent forgiveness on rent receivables relating to tenants experiencing financial hardship as a result of COVID-19, under the derecognition rules of IFRS 9. Financial assets, such as trade receivables, are derecognized when all or a portion of outstanding amounts will be forgiven or abated and no further collection activities will be pursued. The forgiveness or abatement of the tenant receivable is processed against the allowance for doubtful accounts in the period that the Company forgoes the contractual right to all or a portion of the outstanding receivable.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

j) Fair value measurement

The Company measures certain non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement on a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on either directly or indirectly observable market data

Level 3: Valuation techniques for which any significant input is unobservable

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change occurred.

k) Impairment of Non-Financial Assets

Non-financial assets are assessed whenever events or changes in circumstances suggest their carrying value may not be recoverable at the end of the reporting period. An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in profit and loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

l) Provisions

Provisions are recognized when there is a present legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits, and where the obligation can be reliably measured. An obligation is measured at the amount that would be paid to settle or transfer it to a third party at the statement of financial position date. An amount is determined using an expected cash flow approach that reflects a range of possible outcomes that are probability weighted.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

m) Loss Per Share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all common share purchase warrants, common share purchase options, and other instruments convertible into common shares outstanding that may add to the total number of common shares to the extent that they are not antidilutive.

n) Share-based Payments

Share-based payments are comprised of common share purchase option awards granted to employees, directors and others which are equity-settled share-based payments and common shares issued in exchange for goods or services.

When granted to employees or those providing similar services, the equity instruments are measured at the fair value of the common share purchase options granted. The fair value of the common share purchase options is determined using the Black-Scholes Model. The common share purchase options are recognized as an employee expense with the offsetting credit as an increase to contributed surplus. Where common share purchase options are granted to non-employees they are recorded at the fair value of the goods or services received. Where the fair value of goods or services received cannot be reliably measured, the common share purchase options are measured based on the fair value of the common share purchase options granted.

Upon exercise of the common share purchase option, the proceeds received, net of any directly attributable transaction costs, are credited to share capital and the associated fair value amount is reclassified from contributed surplus to share capital.

When issued in exchange for goods or services, the equity instruments are recorded at the fair value of the goods or services received. Where the fair value of goods or services received cannot be reliably measured, the equity instruments are measured based on the fair value of the equity instruments granted.

o) Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs.

If an equity instrument is comprised of a common share and a warrant, the gross proceeds are allocated between the common share and warrant on a relative fair value basis where the value of the warrants is estimated using a Black-Scholes valuation model.

Share subscriptions receivable for which shares have been issued are netted against share capital.

p) Government Assistance

The Company receives grants from different government incentive programs. These grants are recognized initially when there is a reasonable assurance that they will be received and when the Company has intentions to comply with the conditions associated with the grants. The grant received for expenditures incurred are recognized on a systematic basis and in the same accounting period in which the expenditures are incurred.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

q) Future Accounting Policies

Several new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2021 and have not been applied in preparing these consolidated financial statements. Other than the specific standards identified below, none are currently considered by the Company to be significant or likely to have a material impact on future consolidated financial statements.

i) IAS 1 – Presentation of Financial Statements (“IAS 1”)

The amendment to IAS 1 deals with the presentation of liabilities, not the amount or timing of recognition, or disclosure. Specifically, the amendment clarifies the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendment is effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively, with earlier application permitted. The Company is assessing the potential impact of the amendment but does not expect any significant impact.

ii) IFRS 3 – Business Combinations (“IFRS 3”)

The amendment updates reference to the Conceptual Framework. Specifically, the standard is updated to refer to the 2018 Conceptual Framework instead of the 1989 Framework; a new requirement is added that, for transactions and other events within the scope of *IAS 37 - Provisions, contingent liabilities and contingent assets* (“IAS 37”) or *IFRIC 21 – Levies* (“IFRIC 21”), an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and the addition of an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendment applied prospectively and is effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted. The Company is assessing the potential impact of the amendment but does not expect any significant impact.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

4. Reverse Acquisition

On November 17, 2020, the Company closed its reverse acquisition (the "Transaction") with 1421526 Alberta Ltd. ("Yorkton Pacific Mall") by acquiring a 100% equity interest from the shareholders of Yorkton Pacific Mall (the "Yorkton Pacific Mall Shareholders").

Pursuant to a share exchange agreement (the "Share Exchange Agreement"), the Company acquired all of the outstanding shares of Yorkton Pacific Mall by issuing to the Yorkton Pacific Mall Shareholders a total of 36,862,905 common shares of the Company. As a result of the Transaction, Yorkton Pacific Mall became a wholly owned subsidiary of the Company. Concurrently with the Transaction, the Company also issued 19,779,208 common shares to settle shareholder loans in the amount of \$3,955,842 and completed a private placement of 7,804,330 units comprising of one common share and one common share purchase warrant for total gross proceeds of \$1,560,866 (see Note 17). Upon completion of the Transaction, the Company owned 100% of the then issued and outstanding Yorkton Pacific Mall common shares and the Yorkton Pacific Mall Shareholders owned a sufficient number of common shares of the Company so as to exercise control over the Company upon completion of the Transaction.

The Company did not meet the definition of a business, as defined pursuant to *IFRS 3 Business Combinations* ("*IFRS 3*"), at the time of the transaction; therefore, the transaction was outside of the scope of *IFRS 3*. Instead, the transaction was accounted for as a reverse acquisition under *IFRS 2 Share-based Payment* ("*IFRS 2*"). Under *IFRS 2*, the Company is considered to be a continuation of Yorkton Pacific Mall, with the net identifiable assets of the Company (accounting acquiree) deemed to have been acquired by Yorkton Pacific Mall (accounting acquirer). The purchase consideration is comprised of common shares and common share purchase options which were measured at fair value on the date of acquisition as follows:

- a) The fair value of the common shares issued to the existing shareholders of the Company, on the date of acquisition, was determined to be \$515,177 based on the fair value of the common shares issued with the concurrent private placement of \$0.13 per common share.
- b) The estimated fair value of the previously issued 396,260 common share purchase options, based on the Black-Scholes Model amounted to \$25,419. The amount was based on the following assumptions: expected dividend rate of 0%; expected volatility of 83%; risk free rate of 0.20%; and expected life of 1 year.

The difference between fair value of the equity instruments issued and the fair value of net assets acquired is recorded as a cost of public listing as follows:

Fair Value of the consideration received by the pre-acquisition shareholders of the Company	
Fair value of consideration – 3,962,900 common shares	\$ 515,177
Fair value of consideration – 396,290 common share purchase options	25,419
Total consideration	<u>\$ 540,596</u>
Identifiable net assets of the Company acquired by Yorkton Pacific Mall	
Assets	\$ 224,355
Liabilities	<u>(182,994)</u>
Total fair value of identifiable net assets acquired by Yorkton Pacific Mall	<u>41,361</u>
Cost of public listing	499,235
Professional fees related to reverse acquisition	<u>309,154</u>
Listing expense	<u>\$ 808,389</u>

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

5. Investment Property

	Land Held for Development	Commercial Property	Residential Properties	Total
Balance, December 31, 2019	\$ 7,665,000	\$ 6,400,000	\$ -	\$ 14,065,000
Additions to investment property	-	205,260	-	205,260
Grant received	-	(60,000)	-	(60,000)
Straight-line rents included in revenue	-	6,449	-	6,449
Fair value adjustment	(665,000)	(191,709)	-	(856,709)
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

Included in investment property is \$158,310 (2020 - \$81,919) of rent receivable arising from the recognition of rental revenue on a straight-line basis over the lease term.

Acquisition of 1205946 Alberta Ltd. ("Riviera Gardens")

On April 30, 2021, the Company acquired all of the issued and outstanding common shares of 1205946 Alberta Ltd. ("Riviera Gardens") from Lui Holdings Ltd., a company under common control, for a purchase price of \$4,321,671 through the issuance of 16,940,000 common shares of the Company. The Company has applied the concentration test under IFRS 3 and has accounted for the transaction as an asset acquisition of the net assets of Riviera Gardens. Fair value of the consideration of \$4,321,671 was determined based on the fair value of the net assets acquired. The assets and liabilities at fair value were as follows:

	Amount
Cash	\$ 3,096
Accounts receivable	9,252
Equipment	7,991
Investment property – Residential	8,092,009
Security deposits	(13,365)
Due to related party	(468,801)
Mortgage payable	(3,305,892)
Accounts payable and accrued liabilities	(2,619)
Total purchase price (settled by issuance of common shares)	\$ 4,321,671
Units acquired - Residential	62

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

5. Investment Property (continued)**Acquisition of Larson Place Property**

On July 8, 2021, the Company acquired a residential 19-unit 2-storey townhouse complex located in Kelowna, BC through a holding company, Larson Nickel Holdings Ltd., for a purchase price of \$9,256,100. The purchase was funded with mortgage financing of \$6,655,650 and cash on hand of \$2,600,450.

	Amount
Investment property - Residential	\$ 8,888,000
Acquisition costs	368,100
Total purchase price (paid in cash)	9,256,100
Units acquired - Residential	19

Acquisition of Pacific Central Property

On September 15, 2021, the Company acquired a residential 15-unit apartment building with one ground level commercial unit located in Langford, Greater Victoria, BC through a holding company, Pacific Central Holdings Ltd., for a purchase price of \$5,970,248. The purchase was funded with mortgage financing of \$4,305,733 and cash on hand of \$1,664,515.

	Amount
Investment property - Residential	\$ 5,725,000
Acquisition costs	245,248
Total purchase price (paid in cash)	5,970,248
Units acquired – Residential	15
Units acquired – Commercial	1

Acquisition of Winton Terrace Property

On December 14, 2021, the Company acquired a residential 26-unit apartment building located in Penticton, BC through a holding company, Winton Terrace Holdings Ltd., for a purchase price of \$4,945,064. The purchase was funded with mortgage financing of \$3,519,000 and cash on hand of \$1,426,064.

	Amount
Investment property - Residential	\$ 4,785,000
Acquisition costs	160,064
Total purchase price (paid in cash)	4,945,064
Units acquired – Residential	26

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

5. Investment Property (continued)

Subsequent to initial recognition at cost, investment properties are recorded at fair value in accordance with IAS40. The fair value of investment properties held by the Corporation as at December 31, 2021 and 2020, were determined through external valuations obtained from independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Company's investment properties in the relevant locations. For the year ended December 31, 2021, a fair value gain of \$573,039 (2020 – a fair value loss of \$856,709) was recorded on the statement of operations and comprehensive loss as a result of changes in the fair value of investment properties based on most recent market conditions in the reporting periods.

Investment properties measured at fair value in the 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.

The commercial property was valued at \$6,400,000 (2020 - \$6,360,000) and the residential properties were valued at \$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.

The land held for development was valued at \$6,620,000 (2019 - \$7,000,000) using the direct comparison approach. The land was compared to recent sales transactions of commercial land sales.

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 December 31, 2021 due to the COVID-19 pandemic.

These methods require certain key assumptions, including market rents, operating expenses, vacancies, and capitalization rates to be made. The capitalization rate is determined for the property based on available market information related to leases of similar properties in the same geographical region.

Significant assumptions used to determine the fair value of the Company's commercial property and land held for development in Edmonton, Alberta are as follows:

	Range of Capitalization Rates	Weighted Average Capitalization	Range of Price per Square Foot	Weighted Average Price per Square Foot
2021				
Commercial property	5.44% - 7.33%	6.31%	\$170 - \$430	\$320
Land held for development	N/A	N/A	\$143 - \$275	\$196
2020				
Commercial property	6.10% - 7.49%	6.75%	\$220 - \$225	\$223
Land held for development	N/A	N/A	\$195 - \$205	\$200

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

5. Investment Property (continued)

Significant assumptions used to determine the fair value of the Company's residential properties are as follows:

	Range of Capitalization Rates	Weighted Average Capitalization	Range of Price per Unit	Weighted Average Price per Unit
Kelowna, BC	2.94% - 5.01%	4.80%	\$273,913 - \$473,000	\$314,135
Penticton, BC	3.36% - 5.93%	4.82%	\$113,889 - \$200,000	\$165,716
Langford, BC	3.25% - 4.50%	4.08%	\$256,250 - \$389,583	\$374,879
Edmonton, AB	4.78% - 5.55%	5.17%	\$95,000 - \$165,904	\$159,494
Average – Residential properties		4.72%		\$253,556

The weighted average capitalization rate as at December 31, 2021 and 2020 is calculated based on net operating income from market lease rates per square feet and the typical costs in the local market for similar properties.

Valuations determined by the direct capitalization income approach method are most sensitive to changes in capitalization rate and stabilized net operating income ("NOI"). The following table summarizes the sensitivity of the fair value of the investment properties to changes in net operating income and capitalization rate:

Commercial property**As at December 31, 2021**

	Stabilized NOI – 1% (\$400,860)	Stabilized NOI used (\$404,909)	Stabilized NOI + 1% (\$408,958)
Capitalization rate – 0.25% (6.06%)	\$ 197,909	\$ 264,725	\$ 331,542
Capitalization rate – (6.31%)	\$ (64,169)	\$ -	\$ 64,169
Capitalization rate + 0.25% (6.56%)	\$ (306,272)	\$ (244,548)	\$ (182,824)

As at December 31, 2020

	Stabilized NOI – 1% (\$432,225)	Stabilized NOI used (\$436,591)	Stabilized NOI + 1% (\$440,957)
Capitalization rate – 0.25% (6.50%)	\$ 181,602	\$ 248,770	\$ 315,937
Capitalization rate – (6.75%)	\$ (64,680)	\$ -	\$ 64,680
Capitalization rate + 0.25% (7.00%)	\$ (293,371)	\$ (231,000)	\$ (168,631)

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

5. Investment Property (continued)**Residential properties****As at December 31, 2021**

	Stabilized NOI – 1% (\$1,222,209)	Stabilized NOI used (\$1,234,555)	Stabilized NOI + 1% (\$1,246,901)
Capitalization rate – 0.25% (4.47%)	\$ 1,188,326	\$ 1,464,691	\$ 1,741,056
Capitalization rate – (4.72%)	\$ (261,718)	\$ -	\$ 261,718
Capitalization rate + 0.25% (4.97%)	\$ (1,565,798)	\$ (1,317,252)	\$ (1,068,707)

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:

	2021	2020
One year or less	\$ 322,368	\$ 360,592
2 – 5 years	600,312	861,248
	\$ 922,680	\$ 1,221,840

6. Equipment

Equipment	
Cost	
Balance December 31, 2019	\$ 39,798
Additions	-
Disposals	-
Balance December 31, 2020	39,798
Additions (Note 4)	7,991
Disposals	-
Balance December 31, 2021	\$ 47,789
Accumulated depreciation	
Balance December 31, 2019	\$ 31,693
Depreciation	1,621
Balance December 31, 2020	\$ 33,314
Depreciation	2,362
Balance December 31, 2021	\$ 35,676
Carrying value	
December 31, 2020	\$ 6,484
December 31, 2021	\$ 12,113

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

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7. 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 December 31, 2021, 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 has been recorded for the year ended December 31, 2021.

8. Investment

The investment is comprised of a guaranteed investment certificate bearing interest at 0.8% (2020 - 2.71%) per annum and matures on February 25, 2023. The investment has been classified as long-term investment because it is held in connection with the Company's re-zoning application on the land held for development. The investment will only be released on sale of the land held for development or once the Company begins construction on the land held for development.

9. Investment in Yorkton 108 LP

On April 30, 2021, the Company purchased 2,498,963 limited partnership units, equal to 25% of all limited partnership units, of Yorkton 108 Limited Partnership ("Yorkton 108 LP") from a corporation related by common control, in exchange for the issuance of 14,593,943 common shares of the Company. The investment was initially recorded at the fair value of the asset acquired of \$3,436,041.

During the year ended December 31, 2021, the Company's share of the net profit of Yorkton 108 LP was \$356,703.

On acquisition, the Company expected to hold the investment in Yorkton 108 LP while the underlying development project was completed. However, due to unforeseen construction costs increases associated with COVID-19 supply chain disruptions, which increased the costs of construction after the investment in Yorkton 108 LP was acquired by the Company, the general partner of Yorkton 108 LP determined that the financial risk exposure to increasing construction costs was too great and the underlying asset was sold. The Company received total distributions of \$2,498,962 during the year ended December 31, 2021 and recorded an impairment loss of \$1,144,343 which represents the Company's share of additional capitalized costs recorded in Yorkton 108 LP since the investment was acquired on April 30, 2021. The net recoverable amount of the investment is \$149,438 as at December 31, 2021.

The impairment loss is a non-recurring and non-cash item as the investment in Yorkton 108 LP was acquired through the issuance of common shares of the Company. The cash distributions of \$2,498,963 received during the year ended December 31, 2021 have been used for the acquisition of certain Residential Properties during 2021 and for certain additional residential rental properties acquired after December 31, 2021.

10. Restricted Cash

Certain cash balances have restricted use and are classified as restricted cash on the statement of financial position. Refundable security deposits in British Columbia and Alberta are considered as restricted cash as they are subject to the contingent rights of third parties.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

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11. 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:

	2021	2020
Wages and benefits	\$ -	\$ -
Share-based compensation	45,891	66,157
	\$ 45,891	\$ 66,157

b) Related party transactions

As at December 31, 2021, \$37,541 was payable to a company indirectly controlled by the CEO of the Company (2020 - \$208,978 receivable from 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 (2020 - \$129,642). These amounts are unsecured, bear no interest and have no specific terms of repayment.

During the year ended December 31, 2021, the Company paid property management fees of \$111,809 (2020 - \$73,525), included in direct operating costs, under a property management contract to a company directly controlled by the CEO of the Company.

On April 30, 2021, the Company acquired all of the issued and outstanding common shares of 1205946 Alberta Ltd. ("Riviera Gardens") from Lui Holdings Ltd., a company directly controlled by the CEO of the Company (Note 5).

On April 30, 2021, the Company purchased 2,498,963 limited partnership units of Yorkton 108 Limited Partnership from Lui Holdings Ltd., a corporation directly controlled by the CEO of the Company (Note 9).

YORKTON EQUITY GROUP INC.

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12. Mortgages Payable

	2021	2020
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 \$13,020,00, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company	\$ 1,908,904	\$ 2,021,741
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 \$13,020,000, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company	644,538	608,038
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 \$8,900,000, 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 \$8,900,000, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company.	3,169,973	-
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.	6,610,715	-

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12. Mortgages Payable (continued)

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.	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	-
Total mortgages payable	\$ 22,146,869	\$ 2,629,779
Deferred financing costs	(576,334)	-
	21,570,535	2,629,779
Mortgages payable – current portion	\$ (11,328,195)	\$ (2,629,779)
Mortgages payable – non-current portion	\$ 10,242,340	\$ -

Estimated future principal payments required to meet mortgage obligations as at December 31, 2021 are as follows:

Years ending December 31,	Amounts
2022	\$ 11,451,695
2023	213,268
2024	217,333
2025	221,475
2026	10,043,098
Total mortgage principal outstanding	22,146,869
Deferred financing costs	(576,334)
	\$ 21,570,535

The Company is required to maintain a stabilized debt service coverage ratio of not less than between 1.20:1 to 1.30:1 for certain mortgages payable which are due on demand. As at December 31, 2021, the Company was in compliance with these covenants with the exception of the mortgage payable with a carrying value of \$3,169,973 which has been included in the current portion of mortgages payable on the consolidated statement of financial position. The lender has provided confirmation of forbearance of the breach and has agreed that no further action will be taken.

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13. Rental Revenue

Rental revenue consists of the following components:

	2021		2020
Residential lease revenue	\$ 599,480	\$	-
Commercial lease revenue	407,177		385,351
Non-lease revenue ⁽¹⁾	70,259		99,419
	\$ 1,076,916	\$	484,770

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

14. General and Administration Expenses

The components of general and administrative expenses are as follows:

	2021		2020
Advertising and promotion	\$ 21,628	\$	450
Insurance	100,752		8,425
Professional fees	742,878		56,444
Office costs	7,233		2,072
Travel and meetings	25,497		-
Share-based compensation (Note 17(b))	45,891		59,665
Other	2,382		2,300
	\$ 946,261	\$	129,356

15. Financing costs

The components of financing costs are as follows:

	2021		2020
Mortgage interest	\$ 333,503	\$	92,403
Amortization of deferred financing costs	32,561		-
Other interest and financing costs	113,308		-
	\$ 479,372	\$	92,403

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16. Income Tax

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

	2021		2020
Deferred tax assets (liabilities):			
Capital loss carry forward	\$ 3,795	\$	3,795
Non-capital loss carry forward	185,626		9,836
Tax basis of investment property in excess of carrying value	(1,154,036)		(1,071,250)
Tax basis of other assets in excess of carrying value	57,381		40,653
Deferred tax assets not recognized (valuation allowance)	(156,855)		(9,836)
	\$ (1,064,089)	\$	(1,026,802)

A reconciliation of income taxes at statutory rates is as follows:

	2021		2020
Loss before income taxes	\$ (1,219,050)	\$	(1,612,028)
Statutory tax rate	23.00%		24.00%
Expected tax recovery	(280,382)		(386,886)
Non-deductible expenses and other	198,449		235,711
Effect of deferred tax asset not recognized	147,019		-
Jurisdictional tax rate variance	17,585		-
Effect of tax rate difference on capital items	(45,195)		102,805
Impact of change in tax rate	-		(1,141,303)
Income tax expense (recovery)	\$ 37,476	\$	(1,189,673)

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17. 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, 2019	100	\$ 100
Recapitalization	3,962,800	-
Shares issued for reverse acquisition (i)	36,862,905	515,177
Private placement (ii)	7,804,330	983,690
Shares issued to settle shareholder's loan (iii)	19,779,208	2,571,297
Balance, December 31, 2020	68,409,343	4,070,264
Receipt of subscription proceeds (ii)	-	40,000
Shares issued for Yorkton 108 LP (Note 9)	14,593,943	3,436,041
Shares issued for asset acquisition (Note 5)	16,940,000	4,321,671
Private placement (iv)	11,300,000	2,194,859
Private placement (v)	1,126,336	228,599
Private placement (vi)	105,000	22,490
Share issue costs	-	(135,939)
Finder's warrants (iv)	-	(3,859)
Exercise of common share purchase options	101,200	26,731
Balance, December 31, 2021	112,575,822	\$ 14,200,857

- (i) On November 17, 2020, the Company issued 36,862,905 common shares to the shareholders of Yorkton Pacific Mall as part of the Transaction (Note 4). The fair value of the consideration was based on the 3,962,900 common shares of the Company that were issued and outstanding immediately prior to the Transaction with a price of \$0.13 per common share for consideration of \$515,177.

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17. Share Capital (continued)**a) Common Shares (continued)**

- (ii) On November 17, 2020, the Company completed a private placement of 7,804,330 units (the "November 17, 2020 Units") at a price of \$0.20 per November 17, 2020 Unit for gross proceeds of \$1,560,866. Each November 17, 2020 Unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.30 per common share for a period of thirty-six months following the date of the closing. Allocation of gross proceeds and the related share issue costs was determined based on the relative fair value allocated between common shares and common share purchase warrants of each November 17, 2020 Unit. Gross proceeds of \$983,690 was allocated to common shares and gross proceeds of \$537,176 was allocated to the common share purchase warrants.
- (iii) On November 17, 2020, the Company settled outstanding shareholders' loans of \$3,955,842 with the issuance of 19,779,208 common shares. The fair value of the common shares was \$0.13 per common share for a total of \$2,571,297 that was recorded to share capital and the remaining amount of \$1,384,545 was recorded to contributed surplus.
- (iv) On May 12, 2021, the Company completed a private placement of 11,300,000 units (the "May 12, 2021 Units") at a price of \$0.25 per May 12, 2021 Unit for gross proceeds of \$2,825,000. Each May 12, 2021 Unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.40 per common share for a period of two years following the date of the closing. Allocation of gross proceeds and the related share issue costs was determined based on the relative fair value allocated between common shares and common share purchase warrants of each May 12, 2021 Unit. Gross proceeds of \$2,194,859 was allocated to common shares and gross proceeds of \$630,141 was allocated to the common share purchase warrants. The Company also issued a total of 42,000 finder's warrants valued at \$3,859.
- (v) On July 22, 2021, the Company completed a private placement of 1,126,336 units (the "July 22, 2021 Units") at a price of \$0.30 per July 22, 2021 Unit for gross proceeds of \$337,901. Each July 22, 2021 Unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.45 per common share for a period of two years following the date of the closing. Allocation of gross proceeds and the related share issue costs was determined based on the relative fair value allocated between common shares and common share purchase warrants of each July 22, 2021 Unit. Gross proceeds of \$228,599 was allocated to common shares and gross proceeds of \$109,302 was allocated to the common share purchase warrants.
- (vi) On August 25, 2021, the Company completed a private placement of 105,000 units (the "August 25, 2021 Units") at a price of \$0.30 per August 25, 2021 Unit for gross proceeds of \$31,500. Each August 25, 2021 Unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.45 per common share for a period of two years following the date of the closing. Allocation of gross proceeds and the related share issue costs was determined based on the relative fair value allocated between common shares and common share purchase warrants of each August 25, 2021 Unit. Gross proceeds of \$22,490 was allocated to common shares and gross proceeds of \$9,010 was allocated to the common share purchase warrants.

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17. Share Capital (continued)**a) Common Shares** (continued)

The shares issued to the principals of Riviera Gardens and the shares issued to settle the shareholders' loans are held in escrow pursuant to a TSXV Value Escrow Agreement for Tier 2 Issuers and are releasable over a 36-month period following the issuance of the final exchange bulletin.

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:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,166,195	\$0.20	-	-
Granted	50,000	\$0.42	769,905	\$0.20
Reassigned on reverse acquisition	-	-	396,290	\$0.20
Exercised	(101,200)	\$0.20	-	-
Forfeited	(130,000)	\$0.24	-	-
Expired	(400,090)	\$0.20	-	-
Outstanding, end of year	584,905	\$0.21	1,166,195	\$0.20
Exercisable, end of year	584,905	\$0.21	781,243	\$0.20

YORKTON EQUITY GROUP INC.

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December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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

The following common share purchase options are outstanding as at December 31, 2021:

Expiry date	Exercise Price	Options outstanding	Options exercisable
January 16, 2022	\$0.42	25,000	25,000
November 18, 2025	\$0.20	559,905	559,905
		584,905	584,905

The Company determines 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 year ended December 31, 2021 was \$0.20 (2020 - \$0.11) using the following assumptions:

	2021	2020
Share price	\$0.37	\$0.20
Exercise price	\$0.42	\$0.20
Risk-free interest rate	0.54%	0.35%
Expected dividend yield	Nil	Nil
Estimated common share price volatility	92%	88%
Estimated life in years	3.00	3.64

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 historical volatilities of peer companies that are publicly traded. Other features of the common share purchase options did not affect the calculation of grant date fair value.

During the year ended December 31, 2021, total share-based payment expense of \$45,891 (2020 - \$59,665) was recognized and included in general and administration expense. During the year ended December 31, 2020, \$25,419 of share-based payment expense was recognized as consideration for the reverse acquisition.

On November 18, 2021, 101,200 common share purchase options were exercised. The Company's share price on the date of exercise was \$0.22 per common share.

On January 16, 2022, 25,000 common share purchase options expired unexercised.

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December 31, 2021 and 2020

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

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

	2021		2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	7,804,330	\$0.30	-	-
Issued (Note 17(a))	12,573,336	\$0.40	7,804,330	\$0.30
Outstanding, end of year	20,377,666	\$0.36	7,804,330	\$0.30

The following common share purchase warrants are outstanding as at December 31, 2021:

Expiry date	Exercise Price	Warrants exercisable
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
		20,377,666

Common share purchase warrants were issued as part the November 17, 2020 Units, May 12, 2021 Units, July 22, 2021 Units and August 25, 2021 Units (Note 17(a)) (collectively, the "Units"). The gross proceeds for the Units were allocated based on the relative fair values of the common shares and the common share purchase warrants of each Unit. Common share purchase warrants were also issued to finders in connection with the May 12, 2021 private placement. The fair value of the common share purchase warrants was determined using the Black Scholes Model using the following weighted average assumptions:

	2021	2020
Share price	\$0.32	\$0.20
Exercise price	\$0.40	\$0.30
Risk-free interest rate	0.33%	0.32%
Expected dividend yield	Nil	Nil
Estimated common share price volatility	71%	98%
Estimated life in years	2.00	3.00

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18. Supplemental Cash Flow Information

a) Net changes in Non-Cash Working Capital Items

	2021		2020
Prepaid expenses and deposits	\$ (448,557)	\$	(81,733)
Accounts receivable	(171,838)		(274,006)
Sales taxes receivable	(14,439)		-
Trade and other payables	283,189		100,120
Income taxes payable	(50,554)		42,511
Security deposit	60,496		(3,598)
	\$ (341,703)	\$	(216,706)

b) Reconciliation of Liabilities Arising from Financing Activities

	Amounts Due to Related Parties	Mortgage Payment
Balance, December 31, 2019	\$ 209,273	\$ 2,423,288
Advances	322,339	277,182
Repayments	(401,970)	(70,691)
Balance, December 31, 2020	129,642	2,629,779
Advances	828,409	16,550,430
Acquired through issuance of common shares (Note 5)	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

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19. Financial Instruments**Fair Value**

Financial instruments include cash, accounts receivable, promissory note receivable, due from related party, refundable security deposits, investment, mortgages payable, amount due to related party 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.

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

	2021	2020
Financial Assets Measured at Amortized Cost:		
Cash	\$ 2,180,351	\$ 1,001,763
Restricted cash	\$ 131,116	\$ 57,255
Accounts receivable	\$ 29,947	\$ 167,170
Promissory note receivable	\$ 202,092	\$ -
Investment	\$ 40,174	\$ 39,111
Due from related party	\$ -	\$ 208,978
Financial Liabilities Measured at Amortized Cost:		
Accounts payable and accrued liabilities	\$ 482,533	\$ 196,725
Refundable security deposits	\$ 131,116	\$ 57,255
Due to related parties	\$ 124,221	\$ 129,642
Mortgage payable	\$ 22,146,869	\$ 2,629,779

The fair value of accounts receivable, promissory note receivable, due from related party, 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.

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19. Financial Instruments (continued)

Fair Value (continued)

The fair value of mortgages payable is 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.

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 mortgages payable that bear interest at a fixed rate.

The Company had \$7.7 million (December 31, 2020 - \$2.6 million) of mortgages payable which are carried at variable-rate interest. As such, for the year ended December 31, 2021, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be \$77,000 (2020 - \$26,000).

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. 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.

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

For the commercial investment property, approximately 92% (2020 – 93%) of accounts receivable is from two tenants and 51% (2020 – 72%) of commercial rental revenue is from three tenants.

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

	2021	2020
Current	\$ -	\$ 113,026
31-90 days	-	85,038
90 + days	197,990	113,676
	197,990	311,740
Allowance for doubtful accounts	(178,412)	(144,570)
	\$ 19,578	\$ 167,170

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.

During the year ended December 31, 2020, the Government of Canada partnered with the provincial governments to deliver the CECRA program. The program is intended to provide relief for small business tenants of commercial landlords who are experiencing financial difficulties during the COVID-19 pandemic. Over the course of the program, property owners that participated in the program reduced rent by at least 75% for the months of April to September 2020 for their small business tenants that qualify. The Government of Canada, via a forgivable loan, covered 50% of the rent, with the tenant paying up to 25% and the landlord forgiving at least 25%. The interest-free loans will be forgiven on December 31, 2020 if the property owner agrees to terms, including reducing the small business tenants' rent by at least 75% under a rent reduction agreement. To ensure loan forgiveness, the landlord must follow the terms and conditions of the loan, including complying with the rent reduction agreement. The Company has finalized all applications under the CECRA program and received the designated proceeds. During the year ended December 31, 2020, the amount forgiven by the landlord of \$28,641 under the CECRA program (25%) has been adjusted through the Company's straight line rent.

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19. Financial Instruments (continued)

Financial risk management (continued)

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 consists of accounts payable and accrued liabilities of \$482,533 (2020 - \$196,725) and refundable security deposits of \$131,116 (2020 - \$57,255) that have a contractual maturity in the fiscal 2022 year. 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 12.

20. Capital Management

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

- Provide an adequate return to its shareholders;
- Provide adequate and efficient funding for operations;
- Finance growth; and
- 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:

	2021	2020
Mortgages payable	\$ 21,570,535	\$ 2,629,779
Due to related party	124,221	129,642
Shareholders' equity	20,511,160	10,861,474
	\$ 42,205,916	\$ 13,620,895

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 year ended December 31, 2021.

The Company is required to maintain a stabilized debt service coverage ratio of not less than between 1.20:1 to 1.30:1 for certain mortgages payable (Note 12) which are due on demand. As at December 31, 2021, the Company was in compliance with these covenants with the exception of the mortgage payable with a carrying value of \$3,169,973 which has been included in the current portion of mortgages payable on the consolidated statement of financial position. The lender has provided confirmation of forbearance of the breach and has agreed that no further action will be taken.

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21. Subsequent events

On January 5, 2022, the Company received a demand non-revolving loan of \$1,000,000 at a variable interest rate of prime plus 0.75% per annum to be repaid in equal blended monthly payments based on an amortization period of 180 months. This loan is secured by an investment property, general assignment of rent, a general security agreement and a personal guarantee from the CEO of the Company.

On January 12, 2022, the Company refinanced a mortgage payable with a principal balance of approximately \$3.5 million at a variable interest rate of the greater of prime plus 2.5% or 4.95% per annum. The refinanced mortgage payable is a CMHC insured mortgage of \$3,638,568, bears interest at a fixed rate of 2.44%, is amortized over 40 years and matures on June 1, 2027. The refinanced mortgage payable is secured by the investment property, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company equal to 40% of the mortgage payable.

On January 26, 2022, the Company completed a non-brokered private placement of 2,588 unsecured convertible debenture units ("Debenture Units") at an issue price of \$1,000 per Debenture Unit for gross proceeds of \$2,588,000. Each Debenture Unit is comprised of an unsecured convertible debenture of the Company (the "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. 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 Convertible Debenture will mature on the date that is 5 years from the date of issuance of the Convertible Debenture. The principal amount of each Convertible Debenture may, at the option of the Convertible Debenture holder, be convertible, in whole or in part, into common shares at a conversion price of \$0.60 per common share.

On January 31, 2022, the Company closed on the purchase of a portfolio comprised of two properties including a 21-unit townhouse project, Canterbury Estates, and a 12-unit apartment building, Midtown Apartments, located in Fort St. John, British Columbia for an aggregate total portfolio purchase price of \$4,629,800. As part of the financing of the purchase of the properties, the Company obtained short term bridge loans which were refinanced with a CHMC insured mortgage on Canterbury Estates for \$3,189,645 at a fixed rate of 2.7% per annum, amortized over 30 years, maturing on June 1, 2027 and is secured by the property, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company equal to 40% of the mortgage payable and a CHMC insured mortgage on Midtown Apartments for \$913,811 at a fixed rate of 2.7% per annum, amortized over 30 years, maturing on June 1, 2027 and is secured by the property, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company equal to 40% of the mortgage payable. Both mortgages require the company to maintain a stabilized debt service coverage ratio of not less than 1.25:1. Concurrently with the acquisition, the Company incorporated 4 subsidiaries, Canterbury YXJ Holdings Ltd., Canterbury YXJ Properties Ltd., Midtown YXJ Holdings Ltd. and Midtown YXJ Properties Ltd., to hold the properties. The Company used a \$250,000 deposit, included in prepaids and deposits on the consolidated statement of financial position as at December 31, 2021, towards the purchase of this property portfolio.

On March 23, 2022, the Company refinanced two (2) mortgages payable. One mortgage payable with a principal balance of approximately \$3.1 million at a variable interest rate of prime plus 0.75% per annum and another mortgage payable with a principal balance of approximately \$2 million at a variable interest rate at the greater of prime plus 8.8% or 11.25%. The refinanced mortgage payable is a CMHC insured mortgage of \$7,638,845, bears interest at a fixed rate of 3.15%, is amortized over 35 years and matures on June 1, 2027. The refinanced mortgage payable is secured by the investment property, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company equal to 40% of the mortgage payable.

YORKTON EQUITY GROUP INC.

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian Dollars)

21. Subsequent events (continued)

On March 31, 2022, the Company completed a non-brokered private placement of 221 unsecured convertible debentures (“Convertible Debentures”) at an issue price of \$1,000 per Debenture Unit for gross proceeds of \$221,000. Each 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 Convertible Debenture will mature on the date that is 5 years from the date of issuance of the Convertible Debenture. The principal amount of each Convertible Debenture may, at the option of the Convertible Debenture holder, be convertible, in whole or in part, into common shares at a conversion price of \$0.60 per common share.

On April 11, 2022, the Company closed on the purchase of a 50-unit townhouse portfolio in Fort St. John, British Columbia comprising of two townhouse complexes, Shamrock Townhomes and Windsor Estates, situated adjacent to each other for an aggregate total portfolio purchase price of \$6,480,000. As part of the financing of the purchase of the properties, the Company obtained a CHMC insured mortgage on Shamrock Townhomes and Windsor Estates for \$5,404,010 at a fixed rate of 3.2% per annum, amortized over 30 years, maturing on June 1, 2027 and secured by the property, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company. The mortgages require the company to maintain a debt service coverage ratio of not less than 1.30:1 based on an interest rate of 3.50%. Concurrently with the acquisition, the Company incorporated 3 subsidiaries, Shamrock YXJ Holdings Ltd., Windsor YXJ Holdings Ltd. and Windsor Shamrock YXJ Properties Ltd. to hold the properties.

22. Comparative figures

Certain comparative figures have been adjusted in the consolidated statements of financial position, consolidated statements of cash flow, and the related notes to the consolidated financial statements to conform to the current year’s presentation.

Item 13: Date and Certificate

Dated May 2, 2022

This offering memorandum does not contain a misrepresentation.

On behalf of the Corporation

(signed) “Ben Lui”
Ben Lui
President and Chief Executive Officer

(signed) “William Harper”
William Harper
Chief Financial Officer

On behalf of the Board of Directors

(signed) “Bill Smith”
Bill Smith
Director

(signed) “Mark Wilbert”
Mark Wilbert
Director

Appendix A - Risk Factors

The purchase of the Convertible Debentures offered hereby is suitable only for sophisticated investors of adequate financial means who can bear the risk of loss associated with an investment in the Corporation and who have no need for liquidity in this investment. Prospective investors should give careful consideration to the following risk factors in evaluating the merits and suitability of an investment in the Corporation. The following does not purport to be a comprehensive summary of all the risks associated with an investment in the Corporation. Rather, the following are only certain particular risks to which the Convertible Debentures and the activities of the Corporation are subject. Management urges prospective investors to discuss such risks and other potential risks in detail with their professional advisors prior to making an investment decision. INVESTORS MAY LOSE THEIR ENTIRE INVESTMENT.

Real Estate Ownership

All real estate investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for multi-unit residential premises, competition from other available residential premises and various other factors.

Certain significant expenditures, including property taxes, maintenance costs, mortgage and leasehold payments, insurance costs and related charges, must be made throughout the period of ownership of real estate, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, the Corporation must maintain or, in some cases, improve the condition of properties it currently owns and may acquire in the future to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the Corporation may not be able to pass on to its tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization. If the actual costs of maintaining or upgrading the Corporation's properties exceed estimates of the Corporation, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if the Corporation is not permitted to raise the rents due to legal constraints, the Corporation will incur additional and unexpected costs. If competing properties of a similar type are built in the area where the Corporation's properties are located or similar properties located in the vicinity of the Corporation's properties are substantially refurbished, the net operating income derived from and the value of, the Corporation's properties could be reduced. If the Corporation is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its right of foreclosure or sale.

Real estate investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Corporation's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Corporation was required to liquidate its real

estate investments, the proceeds to the Corporation might be significantly less than the aggregate value of its properties on a going-concern basis.

The Corporation will be subject to the risks associated with debt financing, including the risk that existing mortgage indebtedness secured by the properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

Tenant Terminations and Financial Stability

The Corporation's revenues would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Corporation's properties were not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Corporation than the existing lease.

In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the Corporation's investment may be incurred. Furthermore, at any time, a tenant of any of the Corporation's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the Corporation. The ability to rent unleased space in the properties in which the Corporation will have an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property required by a new tenant. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the Corporation's financial condition.

Debt Financing

The Corporation is subject to the risks associated with debt financing, including the risk that the Corporation may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. The Corporation may incur debt financing in the future that bears interest at a variable rate or properties may be required to be refinanced at higher rates. Accordingly, increases in interest rates above that which has been anticipated based upon historical trends could adversely affect the Corporation's cash flows.

Access to Capital

The real estate industry is highly capital intensive. The Corporation will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms.

COVID-19

There has been and continues to be a global pandemic related to an outbreak of the novel coronavirus disease (COVID-19). This outbreak (and any future outbreaks) of COVID-19 has led (and may continue to lead) to disruptions in global economic activity, resulting in, among other things, a general decline in equity prices and lower interest rates. These circumstances are likely to have an adverse effect on levels of employment, which may adversely impact the ability of tenants to make timely payments on their rents. An increase in delinquent payments by tenants may negatively affect the Corporation's financial position. While governments are closely monitoring the rapidly evolving situation, no assurance can be made regarding the policies that may be adopted by the Bank of Canada, the Canadian federal, provincial or municipal governments, their agencies, the United States government or any other foreign or sub-national government to address the effects of COVID-19 or any resulting market volatility. Following multiple interest rate cuts by the Bank of Canada in March 2020, which cuts were announced in an attempt to curb the economic effects of COVID-19, it is possible that the Bank of Canada may make further interest rate cuts or that it may in the future resume interest rate increases. Any such increases or decreases may occur at a faster rate than expected. To the extent that interest rates increase as a result of the Bank of Canada's actions or otherwise, the availability of refinancing alternatives for credit facilities, mortgage and other loans may be reduced. No assurance can be made regarding such matters or their effect on real estate markets generally. The Corporation actively monitors regulatory developments and will adjust to any regulatory changes that may arise as a result of the COVID-19 outbreak.

The COVID-19 outbreak may lead to disruptions of the Corporation's normal business activity and a sustained outbreak may have a negative impact on the Corporation and its financial performance. The Corporation has business continuity policies in place and is developing additional strategies to address potential disruptions in its operations. However, no assurance can be made that such strategies will successfully mitigate the adverse impacts related to the COVID-19 outbreak. A prolonged outbreak of COVID-19 could adversely impact the health of the Corporation's employees, counterparties and other stakeholders.

The full extent of the duration and impact that COVID-19, including any regulatory responses to the outbreak, will have on the Canadian, United States and global economies and the Corporation's business is highly uncertain and difficult to predict at this time.

Revenue Producing Properties

The Corporation's properties generate income through rental payments made by the tenants thereof. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favorable to the Corporation than the existing lease. Unlike commercial leases which generally are "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases, and the landlord is not able to pass on costs to its tenants.

Competition for Tenants

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with the Corporation in seeking tenants. The existence of competing

developers, managers and owners for the Corporation's tenants could have an adverse effect on the Corporation's ability to lease suites in its properties and on the rents charged.

Future Property Acquisitions

While the Corporation may enter into non-binding letters of intent with respect to properties under review, there can be no assurance that such properties will be acquired. Accordingly, there can be no assurance that the Corporation will be able to acquire Properties at the rates of return that the Corporation is targeting. No forecast has been made for the acquisition of properties under review.

Competition for Real Estate Investments

The Corporation competes for suitable real estate investments with individuals, corporations and institutions (both Canadian and foreign) and real estate investment trusts which are presently seeking, or which may seek in the future, real estate investments similar to those desired by the Corporation. A number of these investors may have greater financial resources than those of the Corporation or operate without the investment or operating guidelines of the Corporation or according to more flexible conditions. An increase in the availability of investment funds, and an increase in interest in real estate investments, may tend to increase competition for real estate investments, thereby increasing purchase prices and/or reducing the yield on them.

General Economic Conditions

The Corporation is affected by general economic conditions, local real estate markets, competition from other available rental premises, including new developments, and various other factors. The competition for tenants also comes from opportunities for individual home ownership, including condominiums, which can be particularly attractive when home mortgage loans are available at relatively low interest rates. The existence of competing developers, managers and owners for the Corporation's tenants could have an adverse effect on the Corporation's ability to lease suites in its properties and on the rents charged, increased leasing and marketing costs and increased refurbishing costs necessary to lease and re-lease suites, all of which could adversely affect the Corporation's revenues and, consequently, its ability to meet its obligations. In addition, any increase in the supply of available space in the markets in which the Corporation operates or may operate could have an adverse effect on the Corporation.

General Uninsured Losses

The Corporation carries commercial general liability insurance and crime, fire, sewer backup, flood, water damage and equipment breakdown insurance on its properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars) which are either uninsurable or not insurable on an economically viable basis. The Corporation has insurance for earthquake risks, subject to certain policy limits, deductibles, and self-insurance arrangements, and will continue to carry such insurance if economical to do so. Should an uninsured or underinsured loss occur, the Corporation could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but the Corporation would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Government Regulation

The Corporation currently has interests in properties located in the provinces of Alberta and British Columbia. The nature of real estate construction and operation is such that refurbishment and structural repairs are required periodically, in addition to regular ongoing maintenance. In addition, legislation relating to, among other things, environmental and fire safety standards is continually evolving, and changes thereto may give rise to ongoing financial and other obligations of the Corporation, the costs of which may not be fully recoverable from tenants.

Multi-unit residential rental properties are subject to rent control legislation in most provinces in Canada. Each province in which the Corporation operates maintains distinct regulations with respect to tenants' and landlords' rights and obligations. The legislation in various degrees provides restrictions on the ability of a landlord to increase rents above an annually prescribed guideline or require the landlord to give tenants sufficient notice prior to an increase in rent or restricts the frequency of rent increases permitted during the year. The annual rent increase guidelines as per applicable legislation attempts to link the annual rent increases to some measure of changes in the cost-of-living index over the previous year. The legislation also, in most cases, provides for a mechanism to ensure rents can be increased above the guideline increases for extraordinary costs. As a result of rent controls, the Corporation may incur property capital investments in the future that will not be fully recoverable from rents charged to the tenants. Applicable legislation may be further amended in a manner that may adversely affect the ability of the Corporation to maintain the historical level of cash flow from its properties.

In addition, applicable legislation provides for compliance with several regulatory matters involving tenant evictions, work orders, health and safety issues, fire and maintenance standards, etc.

Dependence on Key Personnel

The Corporation will depend on the good faith, experience and judgment of the directors and officers of the Corporation to manage the business and affairs of the Corporation. The management of the Corporation depends on the services of certain key personnel, including in particular Ben Lui, as Chief Executive Officer. There can be no assurance that the Corporation will be able to retain its existing key personnel, attract qualified executives or adequately fill new or replace existing senior management positions or vacancies created by expansion, turnover or otherwise. The loss of the services of any one or more of the Corporation's key personnel or the inability to retain, attract or fill any such personnel or positions or vacancies could have an adverse effect on the Corporation.

Redemption and Repayment Risk

The Convertible Debentures are unsecured and rank behind the mortgages payable of the Corporation and the likelihood that purchasers of the Convertible Debentures will receive payments owing to them under the terms of the Convertible Debentures will depend on the financial health of the Corporation and its creditworthiness. Accordingly, there is no assurance the Corporation will have sufficient capital to repay the Convertible Debentures on the Maturity Date or that it will be able to raise sufficient capital on acceptable terms by the Maturity Date to repay the Convertible Debentures.

There is currently no market through which the Convertible Debentures may be sold and purchasers may not be able to resell the Convertible Debentures. No assurance can be given that an active or liquid trading market for the Convertible Debentures will develop or be sustained. If an active or liquid trading market for the Convertible Debentures does not develop or is not sustained, this may affect the pricing of the Convertible Debentures in the secondary market, the transparency and availability of trading price and the liquidity of the Convertible Debentures.

Failure or Unavailability of Computer and Data Processing Systems and Software

The Corporation is dependent upon the successful and uninterrupted functioning of its computer and data processing systems and software. The failure or unavailability of these systems could interrupt operations or materially impact the Corporation's ability to collect revenues and make payments. If sustained or repeated, a system failure or loss of data could negatively and materially adversely affect the ability of the Corporation to discharge its duties and the impact on the Corporation may be material.

Cyber Security Risk

Cyber security is an increasingly important aspect of business operations. A cyber-attack is an intentional attack which can include gaining unauthored access to information systems to disrupt business operations, corrupt data or steal confidential information. Such an attack could compromise the Corporation, its employees and tenants' confidential information and may result in negative consequences, including remediation costs, loss of revenue, data corruption, additional regulatory scrutiny, litigations and reputational damages. As a result, the Corporation has implemented controls to help mitigate cyber security risks but these measures do not guarantee that a cyber attack will not occur or may not be successful due to the ever changing and increased sophistication of these types of attacks.

Climate Change Risk

There is a growing risk that a sustained increase in global average temperatures due to the emissions of greenhouse gases and other human activities have or will cause significant changes in weather patterns and increase the frequency and severity of extreme weather events. Climate change, including the impact of global warming, creates both physical and economic risk. Physical risks from climate change include an increase in sea level and changes in weather conditions, such as an increase in intense precipitation and extreme heat events, as well as storms. The Corporation owns buildings in locations that may be susceptible to such physical risks. The occurrence of such events could cause considerable damage to its properties, disrupt operations and negatively impact the Corporation's financial performance either through the inability to re-lease damaged space, the costs to repair and remediate a property, or rising insurance costs.

Limited Operating History

The Corporation has a limited history of operations, is in the early stage of development, and must be considered a start-up. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Corporation

will be successful in achieving sufficient cash flow to pay ongoing interest obligations or other liabilities (including the redemption of the Convertible Debentures) and the likelihood of success must be considered in light of its early stage of operations.

Joint Venture Investments

The Corporation may, in the future, co-invest in properties through joint ventures or other joint equity structures. In any such joint venture, the Corporation would not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with the Corporation's business interests or goals and may be in a position to take actions contrary to the Corporation's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the Corporation nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the Corporation and its joint venture partners could result in litigation or arbitration that could increase the Corporation's expenses and distract its officers and/or directors from focusing their time and effort on Corporation's business. In addition, the Corporation might in certain circumstances be liable for the actions of its joint venture partners.

Environmental Matters

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive. Under various laws, the Corporation could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. Where a property is purchased and new financing is obtained, Phase I Environmental Assessments are performed by an independent and experienced environmental consultant. In the case of mortgage assumption, the vendor will be asked to provide a satisfactory Phase I and/or Phase II Environmental Assessment that the Corporation will rely upon and/or determine whether an update is necessary.

Litigation Risks

The Corporation may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. The unfavorable resolution of any legal proceedings could have an adverse effect on the Corporation and its financial position and results of operations that could be material.