YORKTON EQUITY GROUP INC.

Management Discussion & Analysis

Three and nine months ended September 30, 2024

November 19, 2024

General and Forward-Looking Statements Disclaimer

General

The following Management’s Discussion and Analysis (“MD&A”) provides an explanation of the interim financial position, operating results, performance and outlook of Yorkton Equity Group Inc. (the “Company” or “Yorkton”) as at and for the three and nine months ended September 30, 2024.

This MD&A should be read in conjunction with the Company’s condensed interim consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 2024 (the “Interim Financial Statements”) and the audited consolidated financial statements and the accompanying notes for the fiscal years ended December 31, 2023 and 2022 (the “Annual Financial Statements”). The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”). The Interim Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* as issued by the IASB. All amounts are expressed in Canadian dollars.

This MD&A has been reviewed and approved by the Audit Committee and the Board of Director’s of the Company and is effective as of November 19, 2024.

The Interim Financial Statements, Annual Financial Statements, Annual Information Form (the “AIF”) and additional information about the Company can be found on SEDAR+ at www.sedarplus.ca. Such additional information is not incorporated by reference herein, unless otherwise specified, and should not be deemed to be part of this MD&A.

Unless indicated otherwise, references herein to Q3 2024 and Q3 2023 refers to the three-month periods ended September 30, 2024 and 2023, respectively, references herein to Q2 2024 and Q2 2023 refers to the three-month periods ended June 30, 2024 and 2023, respectively, and references herein to Q1 2024 and Q1 2023, refers to the three-month periods ended March 31, 2024 and 2023, respectively.

Forward-Looking Statements Disclaimer

Certain information included in this MD&A contains forward-looking statements and information (collectively “forward-looking statements”) within the meaning of applicable securities laws. These forward-looking statements include, but are not limited to, statements made concerning Yorkton’s objectives, including, but not limited to, the outlook, increasing its occupancy rates, and future acquisition opportunities, and its long-term secure and aggressive growth strategy, its strategies to achieve those objectives, the anticipated impact of inflation and rising interest rates, as well as statements with respect to management of the Company’s beliefs, plans, estimates, assumptions, intentions, and similar statements concerning anticipated future events, results, circumstances, performance, or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plan”, “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management of the Company’s current beliefs and are based on information currently available to management of the Company at the time such statements are made. Management of the Company’s estimates, beliefs, and assumptions are inherently subject to significant business, economic, competitive, and other uncertainties and contingencies regarding future events and as such, are subject to change. All forward-looking statements in this MD&A are qualified by these cautionary statements.

Forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the Company’s current estimates and assumptions, which are subject to risks and uncertainties, including those described under the heading “Risks and Uncertainties”, which could cause actual events or results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include, but are not limited to, those related to liquidity in the global marketplace associated with current economic conditions, tenant terminations and financial stability, competition for tenants, competition for real estate investments, changes to current government regulations, occupancy levels, access to debt and equity capital, changes to Canada Mortgage and Housing Corporation ("CMHC") rules regarding mortgage insurance, interest rates, the relative illiquidity of real property, unexpected costs or liabilities related to acquisitions, environmental matters, uninsured perils, legal matters, the duration and severity of future pandemics, and reliance on key personnel. This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements may include, but are not limited to, the impact of economic conditions in Canada and globally, the Company's future growth potential, prospects and opportunities, the general rental environment, relatively stable interest costs, access to equity and debt capital markets to fund (at acceptable costs), the future growth program to enable the Company to refinance debts as they mature, the availability of purchase opportunities for growth in Canada, the impact of accounting principles under IFRS, general industry conditions and trends, changes in laws and regulations including, without limitation, changes in mortgage rules, increased competition, the availability of qualified personnel, fluctuations in interest rates, and stock market volatility. Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, there can be no assurance actual results will be consistent with these forward-looking statements and no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur at all, or if any of them do so, what benefits that the Company will derive from them. As such, undue reliance should not be placed on forward-looking statements.

Except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Business Overview

Based in Edmonton, Alberta, Yorkton is a Canadian growth-oriented real estate company which primarily owns a portfolio of multi-family rental properties in Alberta and British Columbia. Yorkton's current geographical focus is in markets in Western Canada with diversified, growing economies, and strong population in-migration. The Company expects to expand its property acquisitions into other Canadian provinces in the future.

The Company's common shares are publicly traded and listed on the TSX Venture Exchange ("TSXV") under the symbol "YEG".

Strategy and Objectives

Yorkton is committed to meeting the needs of its customers which the Company believes will provide the Company's shareholders with long-term growing assets and stable income.

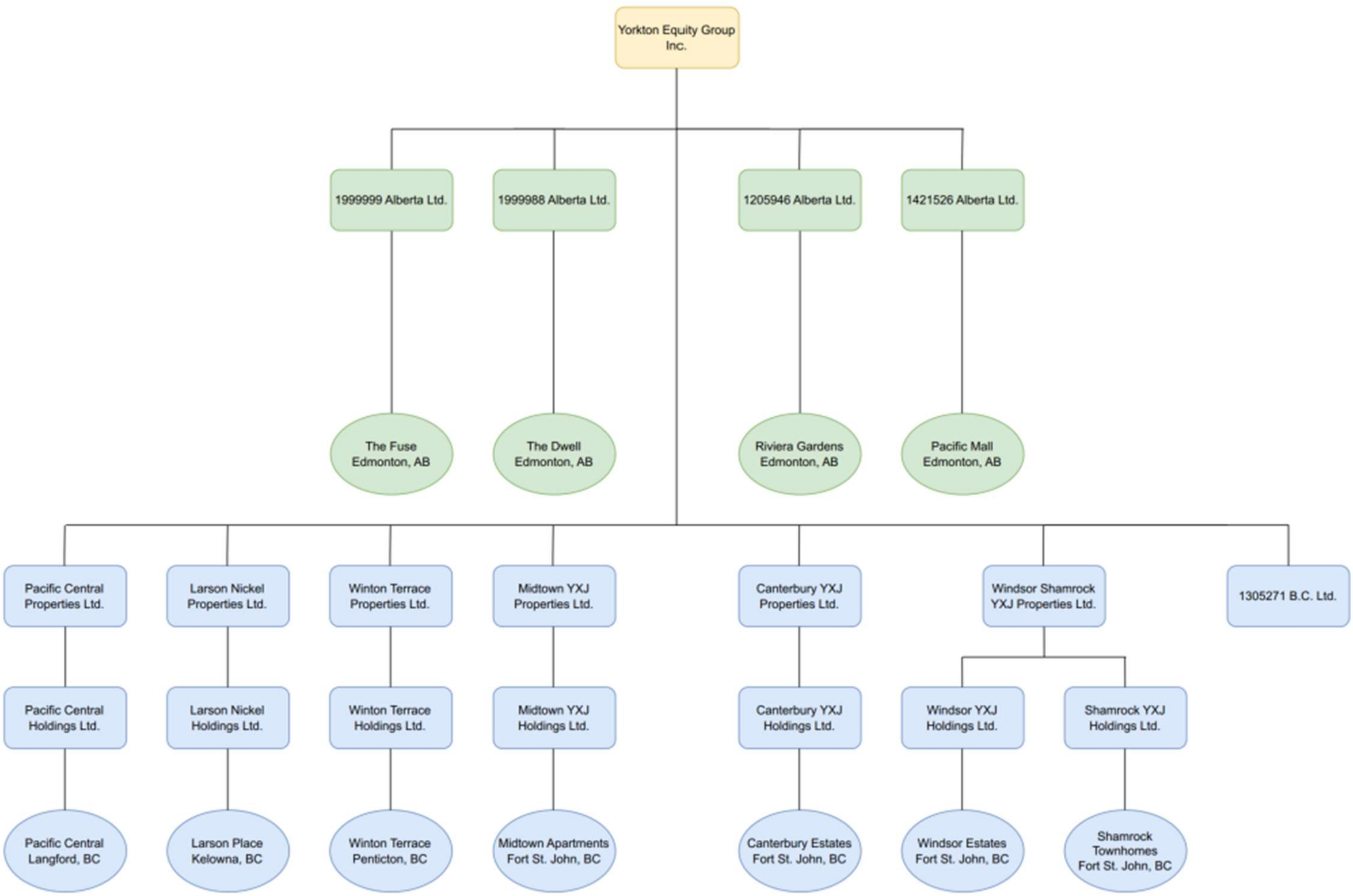
Yorkton's business objective is to create a portfolio of high-quality, multi-family rental properties that generate strong cash flow and appreciation for our investors while providing attractive housing options for residents. To achieve this, the Company targets high quality and affordable residential rental properties in Canadian markets characterized by strong growth potential, diverse and expanding economies, significant population in-migration, high housing demand and low vacancy rates. The Company's current focus is in Alberta due to its affordable housing, low cost of living, strong job market, and fewer regulations around rent control. The Company finances these acquisitions with low-cost, long-term Canada Mortgage Housing Corporation ("CMHC") insured mortgage loans.

Company Formation and Structure

The Company was incorporated on March 4, 2016 under the Business Corporations Act (Alberta). The Company completed a reverse acquisition of 1421526 Alberta Ltd. ("Yorkton Pacific Mall") on November 17, 2020.

The principal office of the Company 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 corporate structure as at the date of this MD&A:



Overview of Q3 2024

The Company's focus is to create a portfolio of high-quality, multi-family rental properties that generate strong cash flow and appreciation. For these residential properties, during the three and nine months ended September 30, 2024, as compared to the same periods in 2023, Yorkton reported:

- an increase in rental revenue of 36% and 56%, respectively;
- an increase in net rental income of 40% and 52%, respectively;
- a consistently high average occupancy rate of 98%;
- an increase in its weighted average number of units of 32% and 47%, respectively; and
- an increase in the average monthly rental rate of 5% and 6%, respectively.

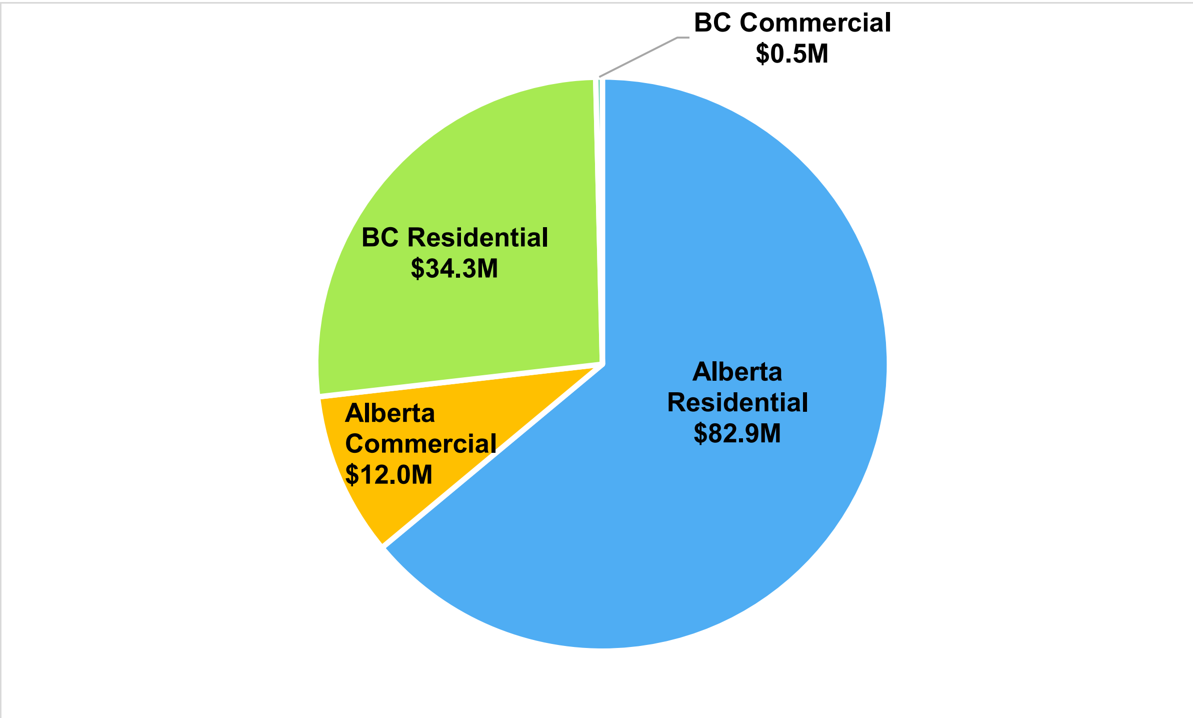
These increases are largely a result of the acquisition of two (2) significant investment properties in 2023 together with strong organic growth. In 2023, Yorkton acquired:

- "The Dwell", on February 27, 2023, a one hundred and eighty-eight (188) unit multi-family residential complex, at a purchase price of $41,736,000 or $222,000 per unit, with construction completed in 2022, comprising of two luxury condominium grade buildings located in Edmonton, Alberta.
- "The FUSE", on October 16, 2023, a one hundred and twenty-five (125) unit condominium grade multi-family residential complex, at a purchase price of $25,625,000 or $205,000 per unit, constructed in 2015, and is comprised of two buildings located in Edmonton, Alberta.

For the Company's Alberta commercial property, rental revenue and net rental income was not significant during the three and nine months ended September 30, 2024. Management is currently assessing the performance of this property and exploring alternatives to optimize its potential.

Overall, the Company reported net income and comprehensive income of $1,185,796 in Q3 2024 as compared to $2,400 in Q3 2023, and net income and comprehensive income of $2,233,199 during the nine months ended September 30, 2024 as compared to a loss of $131,864 in the same period in 2023. The increase in net income and comprehensive income is largely a result of an overall increase in the fair value of the residential properties of $1,470,918 and $2,868,936 during the three and nine months ended September 30, 2024, respectively, due to improvements in the stabilized net operating income from increases in market rents, together with an increase in net rental income from the residential investment properties (as described above) and is partially offset by deferred income tax expense of $228,615 and $533,640 during the three and nine months ended September 30, 2024, respectively, related to the increase in fair value of the properties.

The below chart illustrates the allocation of the value of Yorkton's investment properties as at September 30, 2024:



As at September 30, 2024, the total value of Yorkton's residential units is $117,228,500 ($82,932,275 in Alberta and $34,296,225 in British Columbia, which excludes a commercial unit located within a residential property in British Columbia) and the total value of Yorkton's land held for development and commercial units is $12,431,191 ($11,949,416 in Alberta and $481,775 in British Columbia).

As at September 30, 2024, the Company wholly-owned ten (10) multi-family rental properties, comprising 518 residential units and 1 commercial unit, in the Provinces of Alberta and British Columbia. The Company's residential properties include townhouses and low and mid-rise apartments located in Alberta (Edmonton) and British Columbia (Kelowna, Langford (Metro Victoria), Penticton, and Fort St. John). As at September 30, 2024, 98% of the Company's residential units were rented and the remaining 2% were vacant due to normal tenant turnover.

As at September 30, 2024, the Company wholly-owned one (1) commercial rental property with an adjacent parking lot held for development located in Edmonton, Alberta, comprising net leasable area of 28,036 square feet, which is a retail and commercial mall, with an approved mixed-use development of 296 apartment units on two high-rise towers on the adjacent parking lot. As at September 30, 2024, 85% of the Company's commercial space was rented and the remaining 15% is available for lease.

On July 15, 2024, the Company granted 250,000 common share purchase options to the directors of the Company. The common share purchase options vested immediately upon grant, have an exercise price of $0.20 per common share and expire on June 10, 2029.

Outlook

Management believes the fast-growing population of Alberta supports a positive outlook for the Company. Yorkton continues to focus its accretive acquisition of multi-family rental properties in Alberta, and management believes it is well positioned to leverage its extensive lender relationships and available CMHC lending programs to obtain favourable mortgage terms. With the affordable housing in Alberta and the province's healthy economy and strong labour market, there has been a continued influx of new residents from interprovincial and international immigration. Alberta has recently recorded one of the highest annual population growth rates in Canada, and Edmonton (the capital of Alberta) in particular has benefited with its population reaching an eight-year high. Management believes this strong in-migration will continue to fuel high demand for multi-family rental accommodation.

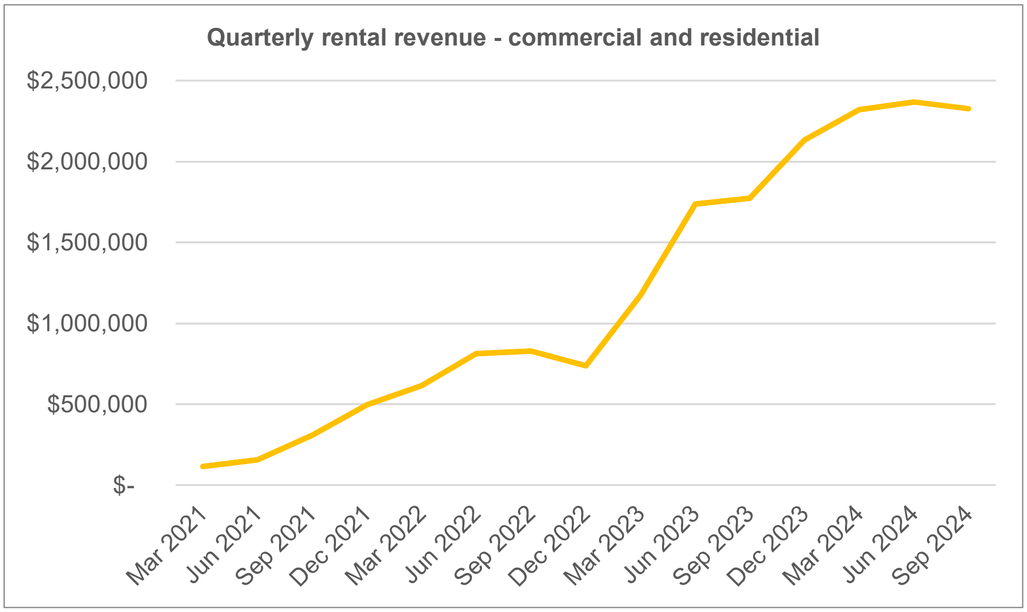
The above factors are expected to create demand tailwinds that will further reduce residential rental vacancy rates, which will in turn increase competition among tenants and put upward pressure on rents. Management expects that this will continue to increase rental rates and organic growth, especially in Alberta, which is not currently subject to rent control legislation and where the only restriction is that a landlord may only increase rents for existing tenants once every twelve months; there is no restriction on the amount of the increase. This should position the Company for improved financial performance going forward.

The Company is monitoring the economic situation closely. Management performs a careful and thorough due diligence process for all new investment property acquisitions, and considers not only the financial strength of the individual investment properties but also their integration with the Company's overall investment property portfolio and business model. Management also intends to continue to focus on its organic growth by streamlining the operations of the properties to improve net operating income ("NOI") by investing in cost saving measures and technologies and leveraging economies of scale.

Discussion of Quarterly Information

Three and Nine months ended September 30,	Three months		Nine months	
	2024 $	2023 $	2024 $	2023 $
Net rental income	1,448,566	1,145,466	4,340,898	3,038,117
Net and comprehensive income (loss)	1,185,796	2,400	2,233,199	(131,864)
Net income (loss) per share (basic and diluted)	0.01	0.00	0.02	(0.00)
Cash provided by operating activities	1,179,239	968,616	3,469,047	2,228,496
Cash provided by (used in) financing activities	(898,357)	585,755	(3,572,479)	38,530,037
Cash used in investing activities	(113,313)	(1,013,428)	(197,660)	(43,129,113)
Total assets	131,934,398	99,741,624	131,934,398	99,741,624
Working capital deficit	(2,990,578)	(1,936,861)	(2,990,578)	(1,936,861)
Total non-current liabilities	99,621,573	74,101,969	99,621,573	74,101,969
Weighted average number of common shares outstanding (basic and diluted)	112,680,574	112,731,487	112,680,574	112,704,351

Rental revenue



Total rental revenue increased by $552,064 or 31.1% to $2,325,927 in Q3 2024 compared to $1,773,863 in Q3 2023 and increased by $2,331,052 or 49.8% to $7,016,142 for the nine months ended September 30, 2024 compared to $4,685,090 in the same period in 2023. This was due primarily to the acquisitions of The Dwell and The FUSE during 2023, along with organic growth in residential lease and non lease revenue achieved by strong rental demand in the markets the Company operates in, most significantly in Edmonton, Alberta where there has been a rapidly expanding population from interprovincial and international immigration, a resilient economy, a robust labor market, affordable housing costs and fewer regulations around rent controls compared to other markets in Canada.

Net Rental Income

	Residential Properties		
For the three months ended September 30,	**2024**	**2023**	**% change**
Rental revenue	**$ 2,263,582**	$ 1,660,554	36%
Operating expenses	**(818,147)**	(628,793)	30%
Net rental income	**$ 1,445,435**	$ 1,031,761	40%
Operating margin	**64%**	62%	3%
Average occupancy rate	**98%**	99%	(1%)
Weighted average number of units	**518**	393	32%
Average rental rate per unit/per month(1)	**$ 1,488**	$ 1,423	5%
Average operating expense per unit/per month(2)	**$ (526)**	$ (533)	(1%)

For the nine months ended September 30,	Residential Properties 2024	2023	% change
Rental revenue	**$ 6,786,763**	$ 4,339,513	56%
Operating expenses	**(2,552,851)**	(1,557,489)	64%
Net rental income	**$ 4,233,912**	$ 2,782,024	52%
Operating margin	**62%**	64%	(3%)
Average occupancy rate	**98%**	98%	-
Weighted average number of units	**518**	353	47%
Average rental rate per unit/per month(1)	**$ 1,482**	$ 1,394	6%
Average operating expense per unit/per month(2)	**$ (548)**	$ (490)	12%

Notes:

(1) The average rent per month per occupied weighted average number of units.

(2) The average operating expenses per month per weighted average number of units.

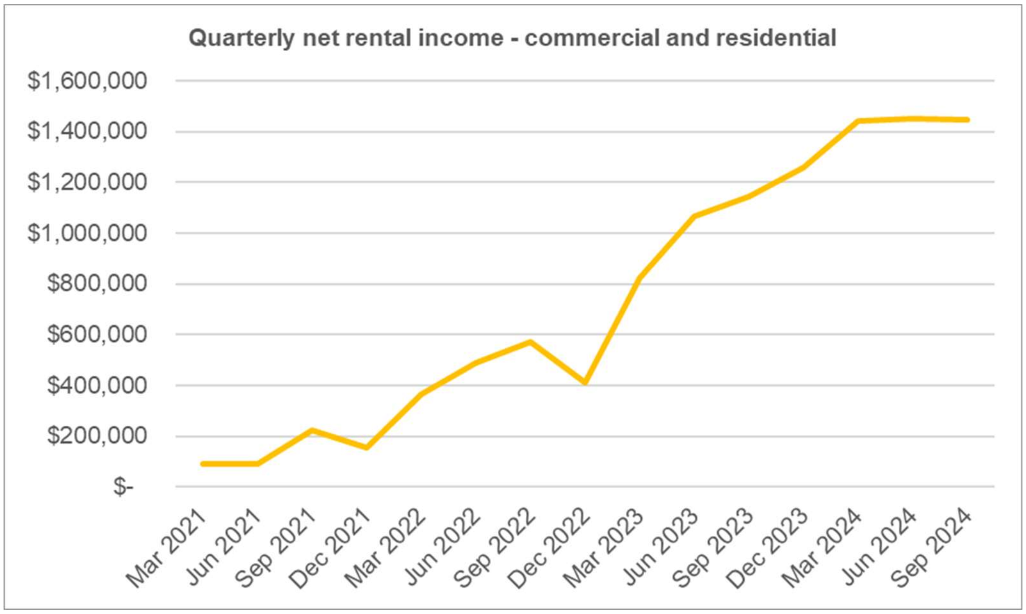
For the three months ended September 30,	Commercial Property 2024	2023	% change
Rental revenue	**$ 62,345**	$ 113,309	(45%)
Recovery of operating expenses	**82,940**	137,926	(40%)
Operating expenses	**(142,154)**	(137,530)	3%
Net rental income	**$ 3,131**	$ 113,705	(97%)
Operating margin	**2%**	45%	(95%)
Average occupancy rate	**85%**	88%	(4%)
Weighted average number of sq feet	**28,036**	28,036	-
Average rental rate per sq foot per month(1)	**$ 0.87**	$ 1.52	(43%)
Average operating expense per sq foot per month(2)	**$ (1.69)**	$ (1.64)	3%

For the nine months ended September 30,	Commercial Property 2024	2023	% change
Rental revenue	**$ 229,379**	$ 345,577	(34%)
Recovery of operating expenses	**312,667**	330,425	(5%)
Operating expenses	**(435,060)**	(419,909)	4%
Net rental income	**$ 106,986**	$ 256,093	(58%)
Operating margin	**20%**	38%	(48%)
Average occupancy rate	**88%**	88%	-
Weighted average number of sq feet	**28,036**	28,036	-
Average rental rate per sq foot per month(1)	**$ 1.03**	$ 1.55	(33%)
Average operating expense per sq foot per month(2)	**$ (1.72)**	$ (1.66)	4%

Notes:

(1) The average rental rate includes only the base rent for units and excludes the recovery of operating expenses and is calculated as the average base rent per month per occupied weighted average number of square feet.

(2) The average operating expenses are substantially recovered, other than for vacant units, from the tenants of the Commercial Property and are calculated as the average operating expenses per month per weighted average number of square feet.



Net rental income increased by $303,100 or 26.5% to $1,448,566 in Q3 2024 as compared to $1,145,466 in Q3 2023 and increased by $1,302,781 or 42.9% to $4,340,898 for the nine months ended September 30, 2024 as compared to $3,038,117 for the same period in 2023. The increase is the result of the purchases of The Dwell, on February 27, 2023, and The FUSE, on October 16, 2023, for an additional 313 units and a total aggregate purchase price of $67,361,000, together with the performance of the residential investment property portfolio which had strong organic growth, from high demand in the markets the Company operates in and achieved by streamlining operations through utilizing the newly implemented YARDI VOYAGER system.

In Q3 2024, the net rental income from the Residential Properties was $1,445,435 as compared to $1,031,761 in Q3 2023 and during the nine months ended September 30, 2024, was $4,233,912 as compared to $2,782,024 in the same period in 2023. This increase was due to the factors identified above. The net rental income from the Residential Properties is expected to continue to improve in future periods as rental rates have been increasing in Alberta and British Columbia due to high demand in those real estate rental markets and as the operations of the additional properties, that have been acquired in 2023 through organic growth, are streamlined and economies of scale are achieved.

In Q3 2024, the net rental income from the Commercial Property was $3,131 as compared to $113,705 in Q3 2023 and during the nine months ended September 30, 2024, the net rental income was $106,986 as compared to $256,093 in the same period in 2023. These changes are largely due to rental concessions provided to tenants and tenant turnover. During the three and nine months ended September 30, 2024, the Company has continued to provide rental concessions to a restaurant tenant of the Commercial Property to accommodate for financial hardship. Due to the uncertainty of payment of rent from the tenant, the Company only recognizes rental revenue and recovery of operating costs on the portion of the rent which it is likely to collect.

Financing costs

Financing costs increased by $360,446 or 41.9% to $1,221,134 in Q3 2024 compared to $860,688 in Q3 2023, and increased by $1,372,309 or 59.6% to $3,674,274 during the nine months ended September 30, 2024 compared to $2,301,965 during the same period in 2023. This increase was attributable to the acquisition of the additional residential investment properties during 2023, and related financing, and the issuance of convertible debentures with a principal amount of $3,244,000 and bearing interest at 8% per annum during 2023.

During Q1 2024, the Company consolidated the three (3) mortgages payable held by 1421526 Alberta Ltd. into one (1) demand non-revolving mortgage with a principal balance of $3,252,300. See "Financing" in the "Liquidity & Capital Resources" section below for additional details. There were no other modifications or additions to the Company's mortgage financing during Q2 2024 or Q3 2024.

The Company finances the purchase of its Residential Properties with low-cost, long-term CMHC insured mortgage loans and finances its Commercial Property with short term mortgage loans which give it additional flexibility to manage those mortgage loans.

Yorkton did not issue any convertible debentures during the nine months ended September 30, 2024.

General and administration

General and administration expense decreased to $232,105 in Q3 2024 as compared to $234,912 in Q3 2023, a decrease of $2,807 or 1.2%. As a percentage of rental revenue, general and administration expense was lower at 10.0% in Q3 2024 as compared to 13.2% in Q3 2023. In addition, general and administration expense decreased to $669,118 during the nine months ended September 30, 2024 as compared to $785,861 in the same period in 2023, a decrease of $116,743 or 14.9%. As a percentage of rental revenue, general and administration expense was lower at 9.5% during the nine months ended September 30, 2024 as compared to 16.8% in the same period in 2023.

The decreases were primarily due to a reduction in the administration and accounting fee of $43,867 or 41.0% in Q3 2024 and of $150,874 or 45.2% during the nine months ended September 30, 2024. The administration and accounting fee is related to an agreement, effective January 1, 2023, between the Company and Yorkton Group International Ltd. ("YGI") to provide administrative and accounting services and was necessary to manage the growing operations of Yorkton. The fee is billed based on a percentage of actual costs incurred by YGI, calculated annually. In 2023, the Company estimated the fee throughout the year and adjusted it to the actual costs billed at the end of the year. During 2024, the administration and accounting fee expense is based on the budgeted costs of YGI for 2024. These decreases were partially offset by increases in salaries and wages (which started during the fiscal 2024 year), share-based compensation (from the grant of 250,000 common share purchase options) and office costs (from software costs associated with the YARDI VOYAGER system).

Fair value adjustment on investment properties

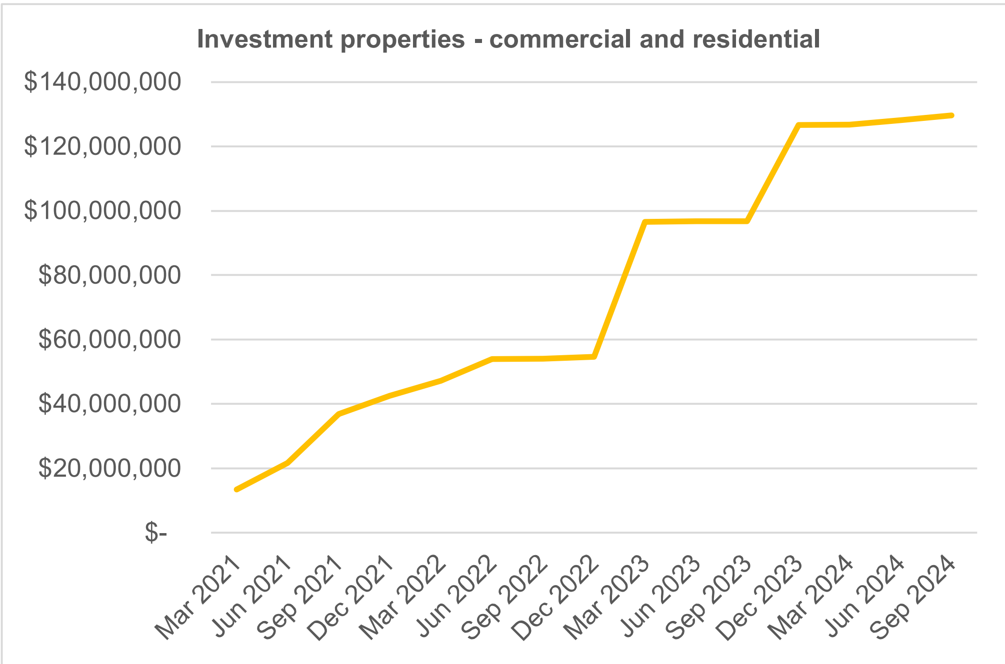
The fair value adjustment on investment properties reflects the changes in the fair market values of the Company's Residential Properties, as determined by the Company using the direct capitalization of income method. The increases of $1,470,918 in Q3 2024 and $2,868,936 during the nine months ended September 30, 2024 (2023 - $Nil), in the fair market value of the Company's Residential Properties reflects improvements in the stabilized net operating income of certain properties, primarily from increases in market rents from continued strong real estate demand in Edmonton, Alberta, which accounted for $1,350,651 in Q3 2024 and $2,685,006 during the nine months ended September 30, 2024, of the total fair value increase. There was no change identified in the fair market value of the Commercial Property or the adjacent land held for development by the Company from the value at December 31, 2023.

Deferred income tax expense

Deferred income tax expense was $228,615 in Q3 2024 and $533,640 during the nine months ended September 30, 2024 (2023 - $Nil). Deferred income tax expense arises primarily from the expected future tax impact of the increase in the fair value of the Company's Residential Properties recognized in the three and nine months ended September 30, 2024, as described above.

Total Assets

Total assets grew by $32,192,774 or 32.3% to $131,934,398 at September 30, 2024 as compared to $99,741,624 at September 30, 2023. The growth in total assets is related primarily to the acquisition of The FUSE property in October 2023, together with an increase in the fair market value of the investment properties in 2023 and during the nine months ended September 30, 2024. The aggregate value of the Residential Properties and Commercial Property as at September 30, 2024 was $129,659,691 compared to $96,730,863 on September 30, 2023.



Summary of Quarterly Results

Quarter ended	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
Net rental income	$ 1,448,566	$ 1,449,209	$ 1,443,123	$ 1,262,116
Income (loss) before other income	(56,603)	(56,913)	(942)	132,096
Income (loss) per share, before other income (basic and diluted)	(0.00)	(0.00)	(0.00)	0.00
Fair value adjustment on investment property	1,470,918	1,398,018	-	4,161,301
Interest income	96	10,285	1,980	-
Income tax expense	(228,615)	(305,025)	-	(723,573)
Net and comprehensive income (loss)	1,185,796	1,046,365	1,038	3,569,824
Net income (loss) per share (basic and diluted)	0.01	0.01	0.00	0.03
Total assets	$ 131,934,398	$ 130,238,194	$ 128,981,722	$ 129,051,683
Weighted average number of common shares outstanding (basic and diluted)	112,680,574	112,680,574	112,680,574	112,682,204

Quarter ended	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Net rental income	$ 1,145,466	$ 1,067,593	$ 825,058	$ 413,508
Income (loss) before other income	2,400	(134,886)	(17,619)	(355,297)
Income (loss) per share, before other income (basic and diluted)	0.00	(0.00)	(0.00)	(0.00)
Fair value adjustment on investment property	-	-	-	634,990
Interest income	-	49	18,192	7,540
Income tax expense	-	-	-	(204,714)
Net and comprehensive income (loss)	2,400	(134,837)	573	82,519
Net income (loss) per share (basic and diluted)	0.00	(0.00)	0.00	0.00
Total assets	$ 99,741,624	$ 98,224,443	$ 98,449,008	$ 58,611,266
Weighted average number of common shares outstanding (basic and diluted)	112,731,487	112,716,512	112,677,427	112,677,427

Highlights of the Company's financial results for the third quarter ended September 30, 2024:

- Rental revenue was $2,325,927 in Q3 2024 as compared to $2,369,400 in Q2 2024 and $1,773,863 in Q3 2023. The decrease between Q3 2024 and Q2 2024 was due to a reduction in rental revenue from the Commercial Property due to tenant turnover. The increase from Q3 2023 is due primarily to increases in residential lease and non-lease revenue, from organic growth achieved by strong rental demand in the markets the Company operates in, together with the acquisition of The FUSE in October 2023.
- Net rental income was $1,448,566 in Q3 2024 as compared to $1,449,209 in Q2 2024 and $1,145,466 in Q3 2023, for the same reasons as mentioned above.
- Financing costs were $1,221,134 in Q3 2024 as compared to $1,225,423 in Q2 2024 and $860,688 in Q3 2023. The increase in Q3 2024 and Q2 2024 as compared to Q3 2023 is primarily attributable to the acquisition of The FUSE in October 2023 and the issuance of convertible debentures with a total aggregate principal amount of $2,736,000 during October and December 2023. The small decrease between Q3 2024 and Q2 2024 is due to the continued pay down of the mortgages as there was no new debenture or mortgage financing in Q3 2024.
- General and administration costs were $232,105 in Q3 2024 as compared to $232,714 in Q2 2024 and $234,912 in Q3 2023. Overall, there was no material change in general and administration costs between the quarters.

- The fair value adjustment on investment properties was $1,470,918 in Q3 2024 as compared to $1,398,018 in Q2 2024 and $Nil in Q3 2023. It reflects the changes in the fair market values of the Company's Residential Properties, primarily in Edmonton, Alberta, because of improvements in the stabilized net operating income which arise from increases in market rents due to continued strong rental demand.
- The deferred income tax expense was $228,615 in Q3 2024 as compared to $305,025 in Q2 2024 and $Nil in Q3 2023. Deferred income tax expense arises primarily from the expected future tax impact of the increases in the fair value of the Company's Residential Properties recognized in Q3 2024 and Q2 2024, as described above.

Liquidity & Capital Resources

Liquidity is important as it allows the Company to implement its overall secure and aggressive growth strategy. Liquidity is a measure of the availability of cash to fund ongoing business activities and capital and liability commitments and is defined by the Company to include unrestricted cash and any unused committed revolving credit facility. As at September 30, 2024, the Company had unrestricted cash and cash equivalents of $473,913 (December 31, 2023 - $775,005) and an unused committed revolving credit facility, restricted to the funding of renovation costs on the Commercial Property, as approved by the lender, of $Nil (December 31, 2023 - $376,747).

Working capital

As at September 30, 2024, the Company had a working capital deficiency of $2,990,578 (December 31, 2023 - $2,859,582) which is due primarily to a short-term mortgage payable of $3,151,868 on the Commercial Property included in current liabilities (December 31, 2023 – mortgages payable of $3,230,998). The Company has mortgaged the Commercial Property on a short-term basis to maintain flexibility and capitalize on potentially more favourable future interest rates, given the current downward trend in interest rates. The Company expects to refinance the mortgage on the Commercial Property when it comes due for a further one (1) year term. Without considering this mortgage in the calculation of working capital, the Company would have had working capital of $161,290 as at September 30, 2024 (December 31, 2023 – $371,416).

During the three and nine months ended September 30, 2024, the Company generated cash from operating activities totaling $1,179,239 and $3,469,047, respectively, compared to $968,616 and $2,228,496, respectively, in the same periods in 2023 (the presentation of a deposit of $980,000, previously included in cash provided by operating activities, has been revised and included in cash used in investing activities in 2023). Management expects its cash generated from operating activities to continue to improve through the remainder of 2024 due to regular residential tenant turnover in British Columbia and the upcoming renewal of residential leases in Edmonton, both of which will allow the Company to increase its rental rates to current market rates. In addition, the Company may increase the rental rates on units designated as "affordable units" pursuant to certain mortgage covenants (see below "Mortgages payable" under "Financing" in the "Liquidity & Capital Resources" section for additional details) by up to a maximum of 12.2%, according to the August 2024 Consumer Price Index ("CPI") for "rented accommodation" in Alberta. The Company has generally been increasing the residential rent in its Edmonton portfolio pursuant to the CPI index upon tenant lease renewals and turnover.

Financing

The Company may obtain any required additional financing from equity and debt instruments, including mortgage financing and equity take-out re-financing on the Company's investment properties, as well as the issuance of common shares and/or convertible debentures in private placements.

Convertible debentures

During 2023, the Company raised $3,244,000 through the issuance of unsecured convertible debentures which bear interest at 8% per annum and mature in five (5) years. No convertible debentures were issued during the nine months ended September 30, 2024.

Mortgages payable

Where possible, the Company seeks to finance its mortgages with low-cost, long-term CMHC insured mortgage loans to achieve a strong positive cash flow and NOI from the properties.

On February 21, 2024, and as amended on June 3, 2024, the Company consolidated the three (3) mortgages payable held by a wholly-owned subsidiary, 1421526 Alberta Ltd., into one (1) demand non-revolving mortgage with an initial principal balance of $3,252,300, and which bears interest at a fixed rate of 7.24% per annum, is repayable in equal blended monthly payments based on an amortization of 264 months, and has a term of one (1) year. The consolidated mortgage payable is secured by specific charges against the commercial property and land held for development, general assignment of rent, general security agreement and a personal guarantee from the CEO of the Company equal to 100% of the loan. In addition, 1421526 Alberta Ltd. is required to maintain an annual debt service coverage ratio ("DSCR") of 1.25:1 on the consolidated mortgage payable, which is measured and tested at December 31st of each year, during the term of the consolidated mortgage payable, based on the financial results of the previous twelve (12) month period. As at September 30, 2024, this mortgage payable had a balance of $3,151,868 and for the three and nine months ended September 30, 2024, the actual DSCR was 0.85 and 0.61, respectively. The mortgage payable has a term of one (1) year and therefore has been presented as a current liability in the condensed interim consolidation statement of financial position.

In addition, the following wholly-owned subsidiaries are required to maintain a certain number of "affordable units", as defined by the Canada Mortgage and Housing Corporation ("CMHC"), with residential rents at or below 30% of the median renter income in Edmonton, Alberta at the time of the issuance of the Certificate of Insurance ("COI") and with allowable annual increases according to the Consumer Price Index ("CPI") as stipulated by Statistics Canada for Alberta.

Investment property holding company	Mortgage balance as at September 30, 2024	Required minimum affordable units	Actual affordable units at September 30, 2024
1999988 Alberta Ltd.	$39,147,340	25%	25%
1999999 Alberta Ltd.	$23,551,356	80%	80%

The Company monitors its compliance with the mortgages payable covenants through the continuous monitoring of rental rates and the Alberta CPI published by Statistics Canada, and the preparation of an annual budget and quarterly reviews of actual results. The annual budget and quarterly results, including the calculation and tracking of compliance with mortgage covenants, are prepared by management and reviewed with the Board of Directors.

The Company continuously monitors the market interest rate and the general interest rate environment and its impact on its mortgages payable and convertible debentures. When obtaining new mortgage financing the Company seeks to obtain the most beneficial rates by getting quotes from multiple lenders, obtaining CMHC insurance (when possible), and monitoring fluctuations in the interest rate market. The Company also continuously assesses if it is advantageous to refinance existing mortgages based on market interest rates and mortgage loan terms.

Contractual obligations

The Company monitors its contractual obligations in order to plan for the allocation of sufficient funds to meet the obligations as they come due. This includes preparing an annual budget and monitoring the specific dates of interest and principal repayments on the mortgages payable and convertible debentures.

As at September 30, 2024, the Company had the following contractual obligations, which are anticipated to be funded by operations, proceeds from the refinancing of maturing mortgages and, if required, future fundraising.

<u>Payments due by period</u>

Estimated future principal payments required to meet convertible debenture obligations as at September 30, 2024 are as follows:

Years ending September 30,		**Amounts**
2027	$	3,005,000
2028		508,000
2029		2,736,000
Total principal outstanding		6,249,000
Allocated to equity		(1,541,802)
Interest accretion		426,890
Deferred financing costs		(131,665)
	$	**5,002,423**

Estimated future principal payments required to meet mortgage payable obligations as at September 30, 2024 are as follows:

Years ending September 30,		**Amounts**
2025	$	4,246,918
2026		11,003,375
2027		19,593,242
2028		38,938,216
2029		23,598,008
Total principal outstanding		97,379,759
Deferred financing costs		(2,210,142)
	$	**95,169,617**

Composition of convertible debentures

As at September 30, 2024		Amount	% of Convertible debentures	Weighted average interest rate
Variable rate convertible debentures	$	196,000	3.14%	10.70%
Fixed rate convertible debentures		6,053,000	96.86%	7.54%
Total principal outstanding		6,249,000	100.00%	7.64%
Allocated to equity		(1,541,802)		
Interest accretion		426,890		
Deferred financing costs		(131,665)		
	$	**5,002,423**		

The Company is exposed to minimal interest rate risk on its convertible debentures. As at September 30, 2024, more than 96% of the convertible debentures are at a fixed interest rate.

Composition of mortgages

As at September 30, 2024		Amount	% of Mortgages	Weighted average interest rate
Fixed rate mortgages:				
Non-CMHC insured		3,151,868	3.24%	7.24%
CMHC insured		94,227,891	96.76%	3.38%
Total principal outstanding		97,379,759	100.00%	3.51%
Deferred financing costs		(2,210,142)		
	$	**95,169,617**		

Yorkton's mortgages consist of both short-term non-CMHC insured and long-term CMHC insured fixed rate mortgages. The Company maintains the short term non-CMHC mortgage on the Commercial Property and closely monitors interest rates. In Q1 2024, the Company consolidated the mortgages payable on the Commercial Property and in Q2 2024 converted the interest rate from a variable rate to a fixed rate of 7.24% with a term of one (1) year.

Individual mortgages are secured with their respective real estate assets, general assignment of rent, general security agreement and on certain mortgages a personal guarantee from Ben Lui equal to between 40% to 100% of the mortgage and a guarantee and postponement of claim from the Company.

Convertible debenture maturity schedule

As at September 30, 2024, the convertible debentures mature in the following years:

Maturing during the year ended September 30,		Balance maturing	% of convertible debentures	Weighted average interest rate
2027	$	3,005,000	48.09%	7.24%
2028		508,000	8.13%	8.00%
2029		2,736,000	43.78%	8.00%
Total principal outstanding		6,249,000	100.00%	7.64%
Allocated to equity		(1,541,802)		
Interest accretion		426,890		
Deferred financing costs		(131,665)		
	$	**5,002,423**		

Mortgage maturity schedule

As at September 30, 2024, the mortgages payable matured in the following years:

Maturing during the year ended September 30,		Balance maturing	% of Mortgages	Weighted average interest rate
2025	$	3,151,868	3.22%	7.24%
2026		10,319,291	-	-
2027		19,900,778	31.11%	3.90%
2028		39,715,912	40.75%	3.62%
2029		24,291,910	24.92%	4.00%
Total principal outstanding		97,379,759	100.00%	3.51%
Deferred financing costs		(2,210,142)		
	$	**95,169,617**		

Changes in Accounting Policies and Recent Accounting Pronouncements

The material accounting policies applied by the Company in the Interim Financial Statements are consistent with those applied by the Company in its Annual Financial Statements.

Financial Instruments and Risk Management

Financial instruments include cash, restricted cash, accounts receivable, promissory note receivable, due from related parties, investment, refundable security deposits, mortgages payable, convertible debentures, 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 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:

		September 30, 2024		December 31, 2023
Financial Assets Measured at Amortized Cost:				
Cash	**$**	**473,913**	$	775,005
Restricted cash	**$**	**415,598**	$	383,969
Accounts receivable	**$**	**166,673**	$	231,080
Promissory note receivable	**$**	**151,569**	$	202,092
Investment	**$**	**43,166**	$	40,833
Due from related parties	**$**	**358,161**	$	337,600
Financial Liabilities Measured at Amortized Cost:				
Accounts payable and accrued liabilities	**$**	**897,608**	$	846,531
Refundable security deposits	**$**	**547,815**	$	514,642
Due to related party	**$**	**136,733**	$	3,904
Mortgages payable	**$**	**97,379,759**	$	98,260,302
Convertible debentures	**$**	**6,249,000**	$	6,249,000

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

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

See also the notes to the Company's Interim Financial Statements and Annual Financial Statements for additional information regarding the Company's financial instruments and associated risks. The Company is exposed to risks arising from the nature of its financial instruments. These risks include interest rate risk, credit risk, and liquidity risk. For detailed explanations of these risks, refer to the section "Risk Assessment and Management".

Transactions with Related Parties

The Company's related parties are its Board of Directors (Bill Smith, Jason Theiss, Mark Wilbert, Ben Lui, and Tony Barlott – appointed on June 7, 2024), key management personnel include the Chief Executive Officer "CEO" (Ben Lui) and Acting Chief Financial Officer "CFO" (William Harper), 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.

Parent and ultimate controlling party

The parent and ultimate controlling party of the Company is Lui Holdings Corporation, a company controlled by the CEO of the Company.

Key management personnel and director remuneration

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Salaries and wages	**$ 18,750**	$ -	**$ 31,250**	$ -
Directors' fees	**10,200**	6,200	**30,600**	21,600
Professional fees	**15,912**	13,598	**52,724**	65,163
	$ 44,862	$ 19,798	**$ 114,574**	$ 86,763

Related party transactions

During the three and nine months ended September 30, 2024, the Company made advances to YGI, a company directly controlled by the CEO of the Company, of $75,484 (2023 - $2,133 and $128,376, respectively), and received repayments and advances of $86,818 and $141,467, respectively (2023 - $Nil and $89,641, respectively). The comparative amounts have been reclassified to conform with the current period presentation. As at September 30, 2024, $217,999 was receivable from YGI (December 31, 2023 - $283,981). The amounts are short-term, have no specific terms of repayment and relate to administration and accounting fees.

During the three and nine months ended September 30, 2024, Yorkton made advances to Lui International Group Inc. ("Lui International"), a company directly controlled by the CEO of Yorkton, of $166,589 and $435,500, respectively (2023 – $129,325 and $411,904, respectively), and received repayments and advances of $97,411 and $348,956, respectively (2023 – $104,094 and $402,389, respectively). The comparative amounts have been reclassified to conform with the current period presentation. As at September 30, 2024, $140,162 was receivable from Lui International (December 31, 2023 – $53,619). The amounts are short-term, have no specific terms of repayment and relate to working capital and property management fees.

During 2023, the Company entered into a loan with Lui Holdings for up to $1,700,000, of which it had received $1,500,000 during the year. The loan had a maturity date twenty-four (24) months from the date of issuance and bore interest at a rate of five percent (5%) per annum for the first thirty days and ten percent (10%) per annum from the 31st day until the maturity date, or upon the early repayment of the loan in full, whichever came first. On October 17, 2023, the Company completed an initial tranche closing of a non-brokered private placement of convertible debentures, which included the loan, which adopted the terms and conditions of the convertible debentures. During the nine months ended September 30, 2024, the Company paid the remaining accrued and unpaid interest on the loan of $3,904. During the three and nine months ended September 30, 2024, the Company received an advance of $136,733. As at September 30, 2024, $136,733 (December 31, 2023 - $3,904) was payable to Lui Holdings.

During the three and nine months ended September 30, 2024, the Company incurred property management fees of $121,690 and $331,971, respectively (2023 - $76,308 and $199,359, respectively), included in direct operating costs, incurred under property management contracts with Lui International.

During the three and nine months ended September 30, 2024, the Company incurred administrative and accounting fees of $63,000 and $183,000, respectively (2023 - $106,867 and $333,874, respectively), included in general and administration expense, incurred under an agreement with YGI, to provide administrative and accounting services.

On April 20, 2023, the Company completed a non-brokered private placement of unsecured convertible debentures. Pursuant to this private placement, Ben Lui acquired 55 of the convertible debentures in the principal amount of $55,000.

Outstanding Share Data

As at the date of this MD&A, the Company has common shares issued and outstanding of 112,680,574 and fully diluted common share capital of 135,424,946.

Common shares

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

Shares issued:

	Common Shares		
	Number		**Amount**
Balance, December 31, 2022	112,677,427	$	14,222,796
Repurchase of common shares for cancellation	**(119,500)**		**(13,607)**
Exercise of common share purchase options	**122,647**		**25,074**
Balance, December 31, 2023 and September 30, 2024	**112,680,574**	**$**	**14,234,263**

See the notes to the Company's Interim Financial Statements and Annual Financial Statements for additional information regarding the Company's common shares.

Common Share Purchase Options

The Company has implemented an omnibus security-based compensation plan which includes a ten percent (10%) rolling stock option plan (the "Stock Option Plan") together with a ten percent (10%) fixed security-based compensation plan (other than stock options) (the "Equity Compensation Plan").

As at September 30, 2024 and the date of this MD&A, there are 559,905 common share purchase options outstanding and exercisable which expire on November 18, 2025, and have an exercise price of $0.20 per common share and 250,000 common share purchase options outstanding and exercisable which expire on June 10, 2029, and have an exercise price of $0.20 per common share.

See the notes to the Company's Interim Financial Statements and Annual Financial Statements for additional information regarding the Company's common share purchase options.

Common Share Purchase Warrants

As at September 30, 2024 and the date of this MD&A, there are 1,552,800 common share purchase warrants outstanding, of which 1,488,000 are exercisable at $0.60 per common share and expire on January 17, 2027 and 64,800 are exercisable at $0.60 per share and expire on January 25, 2027.

See the notes to the Company's Interim Financial Statements and Annual Financial Statements for additional information regarding the Company's common share purchase warrants.

Other convertible securities

The Company issued convertible debentures to help finance its development. The convertible debentures have a 5-year life with interest paid in cash annually. The Company, 36 months after the closing date, has the right, but not the obligation, to redeem the principal amount and any unpaid interest. The principal amount of the convertible debenture may, at the option of the convertible debenture holder, be converted, in whole or in part, into common shares at the conversion price included in convertible debenture agreement.

In addition, for a period of 30 calendar days following the 3rd and 4th anniversary after the closing date, the holders of certain convertible debentures, with an aggregate principal amount of $508,000, may request the Company to repurchase the convertible debenture subject to the discretion of management of the Company, acting reasonably, and other certain conditions.

The following table shows the maximum quantity of common shares that would be issued if all convertible debentures outstanding were converted:

Issue date	Gross proceeds	Conversion price	Max. quantity of common shares on conversion	Maturity date
January 17, 2022	$ 2,480,000	$0.60	4,133,333	January 16, 2027
January 25, 2022	108,000	0.60	180,000	January 24, 2027
March 31, 2022	221,000	0.60	368,333	March 30, 2027
June 3, 2022	196,000	0.60	326,666	June 2, 2027
January 26, 2023	258,000	0.30	860,000	January 25, 2028
April 20, 2023	250,000	0.30	833,333	April 19, 2028
October 17, 2023	2,000,000	0.20	10,000,000	October 16, 2028
December 19, 2023	736,000	0.20	3,680,000	December 18, 2028
	$ 6,249,000	**$0.40**	**20,381,667**	

Off- Balance Sheet Arrangements

No off-balance sheet arrangements have been entered into by the Company for the three and nine months ended September 30, 2024.

Risk Assessment

The following section describes specific and general risks that could affect the Company. The actual effect of any risk on the business of the Company could be materially different than anticipated. Readers are cautioned that the following is a summary only of certain risk factors and is not exhaustive and is qualified in its entirety by reference to and must be read in conjunction with the additional information on these and other factors that could affect the Company's operations and financial results that may be accessed through the Company's profile on SEDAR+ (www.sedarplus.ca). Please also see the risks which are summarized in the Corporation's Annual Information Form ("AIF") for the year ended December 31, 2023.

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 residential rental premises, competition from other available residential premises and various other factors.

Certain significant expenditures, including property taxes, utility and 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 Company 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 capital costs, which the Company may not be able to pass on to its tenants. Although the Company performs building inspections when purchasing new properties and has developed a budget to plan for ongoing maintenance and renovation costs, 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 Company's properties exceed estimates of the Company, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if the Company is not permitted to raise the rents due to legal constraints, the Company will incur additional and unexpected costs.

If the Company is unable to refinance the existing mortgage indebtedness on a property at the end of the mortgage term or the terms of such refinancing are not as favourable or it cannot meet mortgage payments on any property, due to unforeseen circumstances such as higher than normal vacancy rates or unexpected significant increases in financing costs, 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 Company's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Company was required to liquidate its real estate investments in an unfavourable market, the proceeds to the Company might be significantly less than the aggregate value of its properties on a going-concern basis.

Tenant Terminations and Financial Stability

The Company'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 Company'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 Company 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 Company's investment may be incurred. Furthermore, at any time, a tenant of any of the Company'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 Company. The ability to rent unleased space in the properties in which the Company 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 Company's financial condition.

Fair Value Risk

Real estate markets are in a constant state of flux and prices and values can vary in a short timeframe due to such factors as economic conditions, general desirability of real estate investments, number and nature of potential purchasers in the market, availability of comparable investment opportunities, motivation of vendors, availability and cost of financing, and other market factors. Changes in fair value will result in gains or losses in earnings being recorded in the consolidated financial statements, although these would be non-cash gains or losses until such time as a property is sold. Upon sale, there is a risk that the Company may realize sale proceeds of less, or even significantly less, than the fair value recorded in its real estate investments. In addition, transaction costs are not included in the fair value of investment properties which will reduce fair value gain (or increase the loss) on disposal of investment properties.

Government Regulation

The Company 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, health and fire safety standards is continually evolving, and changes thereto may give rise to ongoing financial and other obligations of the Company, the costs of which may not be fully recoverable from tenants.

Residential rental properties are subject to rent control legislation in most provinces in Canada, although neither Alberta nor Saskatchewan is currently subject to rent control legislation. Each province in which the Company 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. Under Alberta rent legislation, a landlord is restricted to increase rents once every twelve months. In British Columbia, the annual rent increase guidelines as per applicable legislation attempts to link the annual rent increases to some measure on 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 Company 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 Company to sustain the historical level of rent increases or 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, and other such related matters.

Competition for Tenants

Vacancy rates can be impacted negatively by increased supply of multi-family units in the geographical regions that the Company operates. The real estate business is competitive. Many other developers, managers and owners of properties compete with the Company in seeking high quality tenants. Although the Company works to maintain attractive and updated units, some of the units of its competitors may be newer, better located or offer lower rents. The existence of this competition for tenants could have an adverse effect on the Company's ability to lease units in its properties and on the rents charged.

Although the Company continues to maintain and upgrade the properties to attract high quality tenants, it's performance will be affected by the supply and demand for multi-family rental real estate in Alberta, British Columbia and any other provinces in which it may operate. The potential for increased capital upgrade expenses and rent incentives, as well as reduced rental revenue, exists in order to maintain its properties at a high level of occupancy or current rental rates.

Competition for Real Estate Investments

The Company 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 Company. A number of these investors may have greater financial resources than those of the Company, or may operate without the investment or operating guidelines of the Company 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.

Future Property Acquisitions

While the Company's strategy is to acquire additional investment properties, and the Company may enter into conditional purchase and sale agreements with respect to properties under buyer due diligence, there can be no assurance that such properties will be acquired. Further, there can be no assurance that the Company will be able to acquire properties at the rates of return that the Company is targeting.

Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and quantitative and qualitative reasoning, leading to an opinion of value. The analysis, opinions and conclusions in an appraisal are typically developed based on and in conformity with, interpretations of the guidelines and recommendations set forth in the Canadian Uniform Standards of Professional Appraisal Practice. Appraisals are based on recent sales history of comparable properties and future expectations of their financial performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable and indicative of the market conditions at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

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, if a borrower fails to repay on the promissory note receivable or if the related parties fail to repay on the amount due from related parties. Credit risk for the Company primarily arises from the accounts receivable from tenants and the promissory note receivable. The Company's maximum exposure to credit risk is equal to the carrying value of the financial asset.

<u>Residential investment properties</u>

The Company attempts to minimize possible risks by attracting tenants with good credit, limiting exposure to any one tenant and collecting security deposits from tenants. As at September 30, 2024, total rent due from residential tenants was $39,048 (December 31, 2023 - $44,798) of which rent due from current tenants amounted to $36,948 (December 31, 2023 - $44,798).

The aging of accounts receivable for the residential investment properties is as follows:

		September 30, 2024		December 31, 2023
Current	$	**14,400**	$	20,511
31-90 days		**7,006**		25,611
90 + days		**17,642**		3,326
		39,048		49,448
Allowance for doubtful accounts		**-**		(4,650)
	$	**39,048**	$	44,798

Commercial investment property

For the commercial investment property, approximately 90% (December 31, 2023 – 85%) of accounts receivable is from one (1) tenant (December 31, 2023 – two (2) tenants) and 79% (2023 – 83%) of commercial rental revenue is from two (2) tenants (2023 – three (3) tenants).

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

		September 30, 2024		December 31, 2023
Current	$	**30,200**	$	85,683
31-90 days		**33,701**		422,341
90 + days		**538,248**		922
		602,149		508,946
Allowance for doubtful accounts		**(474,524)**		(322,664)
	$	**127,625**	$	186,282

The promissory note receivable is with a current tenant of the commercial investment property and is personally guaranteed by the tenant. As at September 30, 2024, the promissory note receivable was in default and had not been repaid and the Company had not demanded on its repayment rights. During the three and nine months ended September 30, 2024, the Company recorded a reserve for bad debt of $50,523 (2023 - $nil) on the promissory note, and as at September 30, 2024, the cumulative provision for bad debts taken on the promissory note was $98,431 (December 31, 2023 - $47,908).. The Company continues to work with the tenant on repayment.

Other

The amount due from related parties is due from YGI and Lui International, and the credit risk is considered to be minimal.

In relation to cash and restricted cash, the Company believes that its exposure to credit risk is minimal as the Company only places its cash and restricted cash with reputable Canadian financial institutions.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent of any upward or downward revisions in the prime lending rates. Increases in the interest rate, such as those seen in the first half of 2023, have the potential to adversely affect the profitability of the Company. The majority of Yorkton's mortgages are fixed-rate mortgages insured by CMHC, which allows the Company to receive favourable financing and interest rates, and reduces the potential for a lender to call a loan prematurely. However, there is no guarantee that the Company will be able to obtain new mortgage financing, refinance its existing mortgage indebtedness at the end of the mortgage term or that CMHC will continue to offer the same or similar mortgage programs in the future. If any changes are made by the Government of Canada to the CMHC mortgage programs in the future, such changes could have an impact on the Company. The Company continuously monitors the market interest rate and the general interest rate environment and available CMHC mortgage programs to determine its impact on its current mortgages payable.

As at September 30, 2024, the interest rate profile of the Company's interest-bearing financial instruments are as follows:

		September 30, 2024		December 31, 2023
Fixed-rate instruments				
Mortgages payable	**$**	**97,379,759**	$	95,029,305
Convertible debentures		**6,053,000**		6,053,000
	$	**103,432,759**	$	101,082,305
Variable-rate instruments				
Mortgages payable	**$**	**-**	$	3,230,997
Convertible debentures		**196,000**		196,000
	$	**196,000**	$	3,426,997

The Company does not account for any fixed-rate financial instruments at fair value through profit or loss ("FVTPL"). Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The Company is susceptible to interest rate cash flow risk on variable-rate financial instruments. A reasonably possible change of 1% in market interest rates would, all else being equal, increase or decrease net earnings for the three and nine months ended September 30, 2024 by approximately $500 and $1,500, respectively (2023 – $8,700 and $26,000, respectively).

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. As at September 30, 2024, the Company's contractual obligations for its non-derivative financial liabilities consists of accounts payable and accrued liabilities of $897,608 (December 31, 2023 - $846,531) and refundable security deposits of $547,815 (December 31, 2023 - $514,642) that have a contractual maturity in the fiscal 2025 year. There is no contractual maturity for the amounts due to related party of $136,733 (December 31, 2023 - $3,904) as there are no terms of repayment. The mortgages payable and convertible debentures have terms maturing as disclosed in the "Liquidity & Capital Resources" section.

The Company may also seek to sell its investment properties or obtain additional financing from equity and debt instruments, including equity take-out mortgage re-financing on the Company's investment properties, if necessary, to meet its contractual obligations.

Debt Financing

The Company is subject to the risks associated with debt financing, including the risk that the Company 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 Company may incur additional debt financing in the future that bears interest at a variable rate or properties may be required to be refinanced at higher rates. Accordingly, interest rates, as described above, may increase more than anticipated and could adversely affect the Company's cash flows.

In addition, the Company is subject to loan covenants on certain mortgages payable, including the need to maintain an annual DSCR and a certain number of "affordable units" (as defined by the CMHC). There is a risk that the Company may not be able to maintain these covenants or may inadvertently breach a covenant, which could result in a default on the respective loan or other lender rights or remedies under the loan. The Company prepares an annual budget and reviews actual results on a regular basis to monitor its compliance with its DSCR loan covenant and continuously monitors rental rates and the Alberta CPI published by Statistics Canada for compliance with its "affordable units" covenants.

Access to Capital

The real estate industry is highly capital intensive. The Company 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.

Inflation, Labour Shortages and Supply Chain Risk

There is a risk that the Company could be adversely affected due to market changes particularly in supply disruptions, inflation and interest rates. Canada experienced significant inflation in the latter part of 2022 and in 2023, the effects of which have continued to be felt in 2024. In addition, increased interest rates, supply constraints and geopolitical conflicts have resulted in persistent labour and material shortages and higher construction costs. The expected onset of new supply of rental housing may take longer as construction completion times are extended.

General Economic Conditions

The Company 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; in such a case, although the Company has contingency plans to convert the rental units into market condominium units for sale, there is no guarantee the conversion will be successful or the units can be sold for a profit. The existence of competing developers, managers and owners for the Company's tenants could have an adverse effect on the Company'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 Company'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 Company operates or may operate could have an adverse effect on the Company.

General Uninsured Losses

The Company carries commercial property and general liability insurance and crime, employee dishonesty, 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 Company 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 Company could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but the Company would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Dependence on Key Personnel

The Company will depend on the good faith, experience and judgment of the directors and officers of the Company to manage the business and affairs of the Company. The management of the Company depends on the services of certain key personnel, including in particular Ben Lui, as Chief Executive Officer. There can be no assurance that the Company 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 Company'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 Company.

Failure or Unavailability of Computer and Data Processing Systems and Software

The Company 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 Company'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 Company to discharge its duties and the impact on the Company may be material.

The Company has retained a third-party IT company to monitor and maintain its computer and data processing systems, ensuring they remain up to date and operating properly. In addition, the Company performs backups of its data on a regular basis.

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 steal confidential information, maliciously encrypt files in order to extract a ransom, disrupt business operations or corrupt data. Such an attack could compromise the Company, 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.

The Company has implemented controls to help mitigate cyber security risks and has retained a third-party IT company to monitor its security 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 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 changes in weather conditions, such as an increase in the severity and duration of wildfires, intense precipitation and extreme heat events, as well as storms. The Company 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 Company's financial performance. In recent years, certain areas of Alberta and British Columbia have been negatively impacted by wildfires. To the extent these events result in significant damage to or closure of one or more of the Company's buildings, its operations and financial performance could be adversely affected through lost tenants and an inability to lease or re-lease units. In addition, these events could result in significant expenses to restore or remediate a property and increases in the costs of insurance if they result in significant loss of property or other insurable damage.

Limited Operating History

Despite the significant experience of the senior management team in the real estate industry, the Company completed its reverse acquisition and commenced operations in 2020 and therefore has a limited history of operations. As such, the Company is subject to risks common to such enterprises, including under-capitalization, cash shortages, working capital deficiencies, limitations with respect to personnel, financial and other resources and the lack of sufficient revenues. There is no assurance that the Company will continue to achieve the same financial results as in the past or be successful in achieving sufficient cash flow to pay ongoing interest obligations and other liabilities. The Company may be required to refinance and/or sell its investment properties to meet its obligations.

Environmental Matters

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive. Under various laws, the Company 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 Company will rely upon and/or determine whether an update is necessary.

Litigation Risks

The Company 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 Company and its financial position and results of operations that could be material.

Additional Information

Additional information on the Company, including its AIF, can be found on SEDAR+ at www.sedarplus.ca.

Shareholder communications information may be obtained here:

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The Company's shares are listed for trading on the TSXV under the symbol "YEG".

The Company's registered office is located at Suite 3165, 10180 – 101 Street, Edmonton, Alberta, T5J 3S4.