YORKTON

EQUITY GROUP INC.

Consolidated Financial Statements

Years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

Independent Auditors' Report

To: The Shareholders of **Yorkton Equity Group Inc.**

Opinion

We have audited the consolidated financial statements of Yorkton Equity Group Inc. and its subsidiaries (collectively, the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022 and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its 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 Auditors' 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and not otherwise addressed in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Fair value of the investment properties

Description of the matter:

As reported in the statement of financial position, on December 31, 2023 the Company had investment properties with a carrying amount of $126,630,000. As indicated in Notes 3 and 4, the Company values the investment properties at fair value. The fair value is determined by a third-party valuation professional using a combination of the direct capitalization of income method and the direct comparison approach.

Why the matter is a key audit matter:

We determined that auditing the fair value of the investment properties is a key audit matter due to the relative significance of the amount and the judgements and estimates required to determine the amount.

How the matter was addressed in the audit:

We reviewed the valuations prepared by the independent valuations firm and, with the assistance of subject matter experts, assessed the reasonableness of the approach, calculation methods, inputs and the result.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. 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 these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 auditors’ report to the related disclosures in the 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 auditors’ 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 financial statements, including the disclosures, and whether the 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 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 Auditors' report is Roland A. Bishop, CPA, CA.

Kenway Mack Slusarchuk Stewart LLP

April 23, 2024
Calgary, Alberta

Chartered Professional Accountants

Yorkton Equity Group Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	December 31, 2023	December 31, 2022
Assets		
Non-current assets		
Investment properties (Note 4)	**$ 126,630,000**	$ 54,630,000
Investment (Note 6)	**40,833**	40,495
Equipment	**11,196**	13,995
Intangible asset	**49,655**	-
Promissory note receivable (Note 5)	**202,092**	202,092
	126,933,776	54,886,582
Current assets		
Cash and cash equivalents	**775,005**	2,950,636
Restricted cash (Note 7)	**383,969**	194,653
Accounts receivable	**231,080**	290,917
Sales taxes receivable	**-**	2,393
Due from related parties (Note 10)	**337,600**	14,691
Prepaids and deposits (Note 8)	**390,253**	271,394
	2,117,907	3,724,684
Total assets	**$ 129,051,683**	$ 58,611,266
Liabilities		
Non-current liabilities		
Mortgages payable (Note 11)	**$ 91,921,769**	$ 29,503,685
Convertible debentures (Note 12)	**4,772,795**	2,256,566
Due to related party (Note 10)	**3,904**	-
Deferred income taxes (Note 16)	**2,335,142**	1,417,333
	99,033,610	33,177,584
Current liabilities		
Mortgages payable - current portion (Note 11)	**3,610,190**	3,622,590
Accounts payable and accrued liabilities (Note 9)	**846,531**	436,082
Sales taxes payable	**6,126**	-
Refundable security deposits	**514,642**	194,653
Convertible debentures to be issued	**-**	239,000
	4,977,489	4,492,325
Shareholders' equity		
Common shares (Note 17(a))	**14,234,263**	14,222,796
Warrants (Note 17(c))	**1,435,775**	1,435,775
Contributed surplus	**1,503,320**	1,509,029
Equity component of convertible debentures (Note 12)	**1,063,360**	407,851
Retained earnings	**6,803,866**	3,365,906
	25,040,584	20,941,357
Total liabilities and shareholders' equity	**$ 129,051,683**	$ 58,611,266

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 Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

For the year ended December 31,		2023		2022
Rental revenue (Note 13)	$	**6,817,880**	$	2,993,334
Recovery of operating expenses		**378,587**		428,789
Direct operating costs		**(2,896,234)**		(1,576,912)
Net rental income		**4,300,233**		1,845,211
Expenses				
Financing costs (Note 15)		**3,446,952**		1,576,049
General and administration (Note 14)		**778,620**		724,103
Bad debt		**68,763**		124,982
Property tax		**19,396**		19,231
Depreciation and amortization		**4,511**		3,499
		4,318,242		2,447,864
Loss before other income		**(18,009)**		(602,653)
Other income				
Fair value adjustment on investment properties (Note 4)		**4,161,301**		634,990
Interest income		**18,241**		37,108
Income before income taxes		**4,161,533**		69,445
Income tax expense				
Deferred income tax expense (Note 16)		**(723,573)**		(231,418)
Net Income (loss) and comprehensive income (loss)	**$**	**3,437,960**	$	(161,973)
Income (loss) per common share				
Basic and diluted	**$**	**0.03**	$	(0.00)
Weighted average number of common shares outstanding				
Basic and diluted		**112,698,769**		112,635,393

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(a))	Warrants (Note 17(c))	Contributed Surplus (Note 17(b))	Equity component of convertible debentures (Note 12)	Retained Earnings	Equity
Balance December 31, 2021	$ 14,200,857	$ 1,273,395	$ 1,509,029	$ -	$ 3,527,879	$ 20,511,160
Issuance of convertible debentures (Note 12)	-	162,380	-	529,677	-	692,057
Deferred income tax impact	-	-	-	(121,826)	-	(121,826)
Share-based payments (Note 17(b))	-	-	1,617	-	-	1,617
Exercise of common share purchase options	21,939	-	(1,617)	-	-	20,322
Net loss and comprehensive loss	-	-	-	-	(161,973)	(161,973)
Balance December 31, 2022	$ 14,222,796	$ 1,435,775	$ 1,509,029	$ 407,851	$ 3,365,906	$ 20,941,357

	Common Shares (Note 17(a))	Warrants (Note 17(c))	Contributed Surplus (Note 17(b))	Equity component of convertible debentures (Note 12)	Retained Earnings	Equity
Balance December 31, 2022	**$ 14,222,796**	**$ 1,435,775**	**$ 1,509,029**	**$ 407,851**	**$ 3,365,906**	**$ 20,941,357**
Issuance of convertible debentures (Note 12)	**-**	**-**	**-**	**849,745**	**-**	**849,745**
Deferred income tax impact	**-**	**-**	**-**	**(194,236)**	**-**	**(194,236)**
Repurchase of common shares (Note 17(a))	**(13,607)**	**-**	**(5,709)**	**-**	**-**	**(19,316)**
Share-based payments (Note 17(b))	**-**	**-**	**4,224**	**-**	**-**	**4,224**
Exercise of common share purchase options	**25,074**	**-**	**(4,224)**	**-**	**-**	**20,850**
Net income and comprehensive income	**-**	**-**	**-**	**-**	**3,437,960**	**3,437,960**
Balance December 31, 2023	**$ 14,234,263**	**$ 1,435,775**	**$ 1,503,320**	**$ 1,063,360**	**$ 6,803,866**	**$ 25,040,584**

See accompanying notes to the consolidated financial statements

Yorkton Equity Group Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the year ended December 31,	2023	2022
Operating Activities		
Net Income (loss) and comprehensive income (loss)	**$ 3,437,960**	$ (161,973)
Adjustments for:		
Fair value adjustment on investment properties	**(4,161,301)**	(634,990)
Financing costs	**3,051,500**	1,271,905
Interest accretion	**146,849**	87,196
Deferred income tax expense	**723,573**	231,418
Share-based payments	**4,224**	1,617
Depreciation and amortization	**4,511**	3,499
Accrued interest receivable	**(338)**	(35,482)
Accrued rent receivable	**(67,043)**	32,781
Restricted cash	**(189,316)**	(63,537)
Bad debt	**68,763**	124,982
	3,019,382	857,416
Change in non-cash operating working capital (Note 18(a))	**611,172**	(76,230)
Cash provided by operating activities	**3,630,554**	781,186
Financing Activities		
Proceeds from exercise of common share purchase options	**20,850**	20,321
Repurchase of common shares for cancellation	**(19,316)**	-
Proceeds from issuance of convertible debentures (net of transaction costs)	**1,437,510**	858,069
Proceeds from subscriptions for convertible debentures to be issued	**-**	239,000
Proceeds from mortgages payable (net of transaction costs)	**62,900,574**	18,930,641
Mortgage repayments	**(988,195)**	(7,655,346)
Advances from related parties (Note 10)	**1,500,000**	-
Repayments to related parties (Note 10)	**-**	(202,020)
Interest paid	**(2,511,676)**	(966,101)
Cash provided by financing activities	**62,339,747**	11,224,564
Investing Activities		
Acquisition of investment properties	**(67,474,052)**	(11,368,410)
Improvements to investment properties	**(297,604)**	(109,381)
Acquisition of equipment	**-**	(5,381)
Acquisition of intangible asset	**(51,367)**	-
Return of capital on investment in associate	**-**	149,438
Advances to related parties (Note 10)	**(4,268,118)**	(2,575,788)
Repayments from related parties (Note 10)	**3,945,209**	2,674,057
Cash used in investing activities	**(68,145,932)**	(11,235,465)
Net (decrease) increase in cash	**(2,175,631)**	770,285
Cash and cash equivalents, beginning of year	**2,950,636**	2,180,351
Cash and cash equivalents, end of year	**$ 775,005**	$ 2,950,636

See accompanying notes to the consolidated financial statements

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 multi-unit residential rental properties in Alberta and British Columbia.

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 22, 2024.

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.

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.

2. Basis of Presentation (continued)

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

i) Accounts Receivable, Promissory Note Receivable, and Due from Related Parties

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. The valuation of due from related parties is based on management's evaluation of collectability based on payment history and financial condition of the related parties 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.

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.

2. Basis of Presentation (continued)

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

iv) Compound financial instruments

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

v) Warrants

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

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.

vi) Acquisitions

Management has made judgements relating to the determination of whether acquisitions represent an asset acquisition or a business combination. Management determined that the acquisitions completed during the 2023 and 2022 fiscal years 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.

vii) 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.

2. Basis of Presentation (continued)

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

viii) 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. Summary of Material Accounting Policies

The following is a summary of the material 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.
- 1999988 Alberta Ltd.
- 1999999 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.
- Midtown YXJ Properties Ltd.
- Midtown YXJ Holdings Ltd.
- Canterbury YXJ Properties Ltd.
- Canterbury YXJ Holdings Ltd.
- Windsor Shamrock YXJ Properties Ltd.
- Windsor YXJ Holdings Ltd.
- Shamrock YXJ 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.

3. Summary of Material Accounting Policies (continued)

b) 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.

c) 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.

3. Summary of Material Accounting Policies (continued)

c) Revenue Recognition (continued)

ii) Ancillary Rental Income

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

d) 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.

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.

e) 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%

f) Intangible Asset

The intangible asset has been recorded at cost less accumulated amortization and accumulated impairment losses and is amortized on a declining balance basis at the following annual rate commencing on the date the intangible asset is available for use:

Software	20%

3. Summary of Material Accounting Policies (continued)

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.

3. Summary of Material 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 parties and investment

3. Summary of Material 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	When the financial liability is either held for trading or it is designated as at FVTPL, as discussed below.	
	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.	Stated at fair value, with gains or losses arising on measurement recognized in profit and loss.
	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.	Stated at fair value, with gains or losses arising on measurement 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.

3. Summary of Material 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, mortgages payable and convertible debentures.

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's ECL as of December 31, 2023, 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 consolidated statement of loss 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 consolidated statement of loss and comprehensive loss.

3. Summary of Material 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.

3. Summary of Material Accounting Policies (continued)

m) Income (Loss) Per Share

The Company presents basic and diluted income (loss) per share for its common shares, calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the income (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.

p) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, cash held in trust by the Company's legal counsel, and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. Summary of Material Accounting Policies (continued)

q) Compound Financial Instruments

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

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

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

Interest related to the financial liability is recognized in the consolidated statement of loss and comprehensive loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

Convertible debenture subscriptions received for which convertible debenture certificates have not yet been issued are recognized on the consolidated statement of financial position as convertible debentures to be issued.

r) Application of new and revised IFRS

The following amended standards are effective for year-ends starting after January 1, 2023 and have been adopted by the Company:

i) IAS 1 Presentation of financial statements

The amendment to IAS 1 clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition.

ii) Income taxes – deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of when the existing exemption for recognizing deferred income tax assets and deferred income tax liabilities on initial recognition of an asset and a liability is applied. The amendments clarify the requirement to account for deferred tax on transactions such as initial recognition of leases and decommissioning obligations where the transaction gives rise to an equal taxable and deductible temporary difference.

The adoption of the above standards did not have significant financial reporting implications.

(Expressed in Canadian Dollars)

4. Investment Properties

	Land Held for Development	Commercial Property	Residential Properties	Total
Balance, December 31, 2021	$ 6,620,000	$ 6,400,000	$ 29,530,000	$ 42,550,000
Acquisition of investment properties	-	-	11,109,800	11,109,800
Capitalized acquisition costs	-	-	258,610	258,610
Additions (reductions) to investment properties	-	(16,947)	126,328	109,381
Straight-line rents included in revenue	-	(32,781)	-	(32,781)
Fair value adjustment	(170,000)	(50,272)	855,262	634,990
Balance, December 31, 2022	6,450,000	6,300,000	41,880,000	54,630,000
Acquisition of investment properties	-	-	67,361,000	67,361,000
Capitalized acquisition costs	-	-	113,052	113,052
Additions to investment properties	-	11,696	285,908	297,604
Straight-line rents included in revenue	-	67,043	-	67,043
Fair value adjustment	(850,000)	(78,739)	5,090,040	4,161,301
Balance, December 31, 2023	**$ 5,600,000**	**$ 6,300,000**	**$ 114,730,000**	**$ 126,630,000**

Included in investment properties is $192,574 (2022 - $125,530) of rent receivable arising from the recognition of rental revenue on a straight-line basis over the lease terms.

Acquisition of Canterbury Place Property

On January 31, 2022, the Company acquired a residential 21-unit townhouse complex located in Fort St. John, BC through a holding company, Canterbury YXJ Holdings Ltd., for a purchase price of $3,627,760. The purchase was funded with mortgage financing of $3,189,645 and cash on hand of $438,115.

	Amount
Investment property - Residential	$ 3,579,800
Acquisition costs	47,960
Total purchase price (paid in cash)	$ 3,627,760
Units acquired - Residential	21

(Expressed in Canadian Dollars)

4. Investment Property (continued)

Acquisition of Midtown Property

On January 31, 2022, the Company acquired a residential 12-unit apartment building located in Fort St. John, BC through a holding company, Midtown YXJ Holdings Ltd., for a purchase price of $1,070,565. The purchase was funded with mortgage financing of $913,811 and cash on hand of $156,754.

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

Acquisition of Shamrock Townhomes and Windsor Estates

On April 11, 2022, the Company acquired a residential 50-unit townhouse portfolio located in Fort St. John, BC comprising of two (2) townhouse complexes situated adjacent to each other through two holding companies, Shamrock Holdings Ltd. and Windsor Holdings Ltd., for a total aggregate purchase price of $6,670,085. The purchase was funded with mortgage financing of $5,404,011 and cash on hand of $1,266,074.

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

Acquisition of The Dwell Property

On February 27, 2023, the Company acquired a residential one hundred and eighty-eight (188) unit multi-family residential complex comprising of two (2) buildings located in Edmonton, Alberta through a holding company, 1999988 Alberta Ltd., for a total purchase price of $41,783,224. The purchase was funded with mortgage financing of $40,159,300 and cash on hand of $1,623,924.

		Amount
Investment property - Residential	$	41,736,000
Acquisition costs		47,224
Total purchase price (paid in cash)	$	41,783,224
Units acquired - Residential		188

(Expressed in Canadian Dollars)

4. Investment Property (continued)

Acquisition of The FUSE Property

On October 16, 2023, the Company acquired a residential one hundred and twenty-five (125) unit multi-family residential building located in Edmonton, Alberta through a holding company, 1999999 Alberta Ltd., for a total purchase price of $25,690,828. The purchase was funded with mortgage financing of $24,423,140 and cash on hand of $1,267,688.

		Amount
Investment property - Residential	$	25,625,000
Acquisition costs		65,828
Total purchase price (paid in cash)	$	25,690,828
Units acquired - Residential		125

Subsequent to initial recognition at cost, investment properties are recorded at fair value in accordance with IAS 40. The fair value of investment properties held by the Corporation as at December 31, 2023 and 2022, 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, 2023, a fair value gain of $4,161,301 (2022 – $634,990) was recorded on the consolidated statement of income (loss) and comprehensive income (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 $6,300,000 (2022 - $6,300,000) and the residential properties were valued at $114,730,000 (2022 - $41,880,000) 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 $5,600,000 (2022 - $6,450,000) using the direct comparison approach. The land was compared to recent sales transactions of commercial land sales.

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.

(Expressed in Canadian Dollars)

4. Investment Property (continued)

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
2023				
Commercial property	**6.37% - 7.74%**	**6.97%**	**$186 - $430**	**$316**
Land held for development	**N/A**	**N/A**	**$107 - $187**	**$137**
2022				
Commercial property	5.68% - 7.09%	6.12%	$167 - $555	$387
Land held for development	N/A	N/A	$117 - $275	$202

Significant assumptions used to determine the fair value of the Company's residential properties at December 31, 2023 are as follows:

	Range of Capitalization Rates	Weighted Average Capitalization	Range of Price per Unit	Weighted Average Price per Unit
Kelowna, BC	**2.94% - 4.68%**	**4.17%**	**$171,053 - $886,000**	**$341,505**
Penticton, BC	**2.63% - 5.30%**	**4.00%**	**$138,333 - $285,714**	**$236,287**
Langford, BC	**3.50% - 5.10%**	**4.58%**	**$213,409 - $483,871**	**$418,676**
Fort St. John, BC	**4.38% - 6.62%**	**5.01%**	**$59,993 - $205,000**	**$170,047**
Edmonton, AB	**4.61% - 5.93%**	**5.07%**	**$94,444 - $246,491**	**$206,280**
Average – Residential properties		**4.78%**		**$236,161**

The weighted average capitalization rate as at December 31, 2023 and 2022 are 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:

(Expressed in Canadian Dollars)

4. Investment Property (continued)

Commercial property

As at December 31, 2023

		Stabilized NOI – 1% ($411,480)		Stabilized NOI used ($415,636)		Stabilized NOI + 1% ($419,792)
Capitalization rate – 0.25% (6.50%)	**$**	**172,886**	**$**	**236,830**	**$**	**300,774**
Capitalization rate – (6.75%)	**$**	**(61,576)**	**$**	**-**	**$**	**61,576**
Capitalization rate + 0.25% (7.00%)	**$**	**(279,290)**	**$**	**(219,913)**	**$**	**(160,537)**

As at December 31, 2022

		Stabilized NOI – 1% ($404,824)		Stabilized NOI used ($408,913)		Stabilized NOI + 1% ($413,002)
Capitalization rate – 0.25% (6.25%)	$	186,213	$	251,639	$	317,065
Capitalization rate – (6.50%)	$	(62,910)	$	-	$	62,910
Capitalization rate + 0.25% (6.75%)	$	(293,579)	$	(232,999)	$	(172,419)

Residential properties

As at December 31, 2023

		Stabilized NOI – 1% ($5,466,787)		Stabilized NOI used ($5,522,099)		Stabilized NOI + 1% ($5,577,320)
Capitalization rate – 0.25% (4.78%)	**$**	**4,597,074**	**$**	**5,753,535**	**$**	**6,909,995**
Capitalization rate – (5.03%)	**$**	**(1,098,925)**	**$**	**-**	**$**	**1,098,925**
Capitalization rate + 0.25% (5.28%)	**$**	**(6,255,020)**	**$**	**(5,208,176)**	**$**	**(4,161,333)**

As at December 31, 2022

		Stabilized NOI – 1% ($1,900,422)		Stabilized NOI used ($1,919,618)		Stabilized NOI + 1% ($1,938,814)
Capitalization rate – 0.25% (4.99%)	$	1,453,561	$	1,838,601	$	2,223,641
Capitalization rate – (5.24%)	$	(366,654)	$	-	$	366,654
Capitalization rate + 0.25% (5.49%)	$	(2,020,958)	$	(1,671,014)	$	(1,321,070)

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:

		2023		2022
One year or less	**$**	**367,298**	$	379,859
2 – 5 years		**974,206**		529,364
	$	**1,341,504**	$	909,223

(Expressed in Canadian Dollars)

5. 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, 2023, the promissory note receivable was in default and had not been repaid and the Company had not demanded on its repayment rights. An expected credit loss of $47,908 has been allowed for as at December 31, 2023.

6. Investment

The investment is comprised of a guaranteed investment certificate bearing interest at 4.85% (2022 – 0.80%) per annum and matures on April 30, 2024. 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.

7. Restricted Cash

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

8. Prepaids and Deposits

The major components of prepaids and deposits as at December 31, 2023 are as follows:

		2023		**2022**
Prepaid property taxes	**$**	**317,305**	$	37,270
Prepaid insurance		**24,968**		3,931
Deposits on property acquisition		**-**		223,800
Other prepaids and deposits		**47,980**		6,393
	$	**390,253**	$	271,394

(Expressed in Canadian Dollars)

9. Accounts Payable and Accrued Liabilities

The major components of accounts payable and accrued liabilities as at December 31, 2023 are as follows:

		2023		**2022**
Trade payables	**$**	**138,690**	$	76,111
Accrued liabilities		**135,292**		84,205
Accrued interest		**546,394**		275,766
Rent paid by tenants in advance		**26,155**		-
	$	**846,531**	$	436,082

10. Related Parties

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) 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.

b) Key management personnel and director remuneration

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

		2023		2022
Professional fees	**$**	**86,220**	$	76,762
Director fees		**44,920**		33,200
	$	**131,140**	$	109,962

c) Related party transactions

During the year ended December 31, 2023, the Company made advances to related parties of $4,268,119 (2022 – advances and repayments of $2,777,808) and received advances and repayments of $5,445,209 (2021 - $2,674,057). The amounts were for working capital and property management and administration and accounting fees.

During the year ended December 31, 2023, $nil was recorded as interest income related to advances to a company controlled by the CEO of the Company (2022 - $35,161).

As at December 31, 2023, $337,600 was receivable from companies directly controlled by the CEO of the Company (2022 - $14,691). These amounts are short term, unsecured and have no specific terms of repayment and relate to the property management and administrative and accounting services provided by certain related companies, as described below.

10. Related Parties (continued)

b) Related party transactions (continued)

As at December 31, 2023, $3,904 was payable to a company directly controlled by the CEO of the Company (2022 - $nil). This amount relates to interest owing on a loan, as described below.

During the year ended December 31, 2023, the Company incurred property management fees of $282,379 (2022 - $119,195) included in direct operating costs, incurred under property management contracts with a company directly controlled by the CEO of the Company.

On January 1, 2023, the Company entered into an agreement with a company directly controlled by the CEO of the Company, to provide administrative and accounting services. The agreement has a term of one (1) year and will automatically be extended for one (1) additional year on the same terms and conditions. During the year ended December 31, 2023, the Company incurred administrative and accounting fees of $228,485 (2022 - $nil).

On April 20, 2023, the Company completed a non-brokered private placement of the April 2023 Convertible Debentures, as defined herein (Note 12). Pursuant to this private placement, the CEO of the Company acquired 55 of the April 2023 Convertible Debentures in the principal amount of $55,000.

On December 19, 2023, the Company completed a non-brokered private placement of the December 2023 Convertible Debentures, as defined herein (Note 12). Pursuant to this private placement, the CEO of the Company and his family member acquired 121 of the December 2023 Convertible Debentures in the principal amount of $121,000.

During the year ended December 31, 2023, the Company entered into a loan with a company directly controlled the CEO of the Company, to borrow up to $1,700,000. 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. The loan was made for the purpose of satisfying the required deposits and other related payments for the acquisition of The FUSE (Note 4). The Company drew a total of $1,500,000 on the loan. On October 17, 2023, the Company completed an initial tranche closing on the non-brokered private placement of the December 2023 Convertible Debentures (Note 12), which included the loan, which adopted the terms and conditions of the December 2023 Convertible Debentures.

11. Mortgages Payable

As at December 31, 2023, mortgages payable included variable rate mortgages with an aggregate carrying value of $3,230,998 which bear interest at prime plus 0.75% per annum (2022 – $3,392,450) and fixed rate mortgages with an aggregate carrying value of $95,029,304 which bear a weighted average interest rate of 3.38% per annum (2022 – $31,273,716 and 2.59% per annum). The overall weighted average interest rate as at December 31, 2023 was 3.53% per annum (2022 – 3.04% per annum). Mortgages payable are payable in monthly principal and interest instalments totalling approximately $389,000 (2022 - $149,000) and mature from 2024 to 2028.

The mortgages payable are secured by specific charges against specific investment properties with a fair value of $126,630,000 (2022 - $54,630,000), general assignment of rent, general security agreement, and for certain mortgages payable, a personal guarantee from the CEO of the Company equal to between 40% and 100% of the loan, and a guarantee and postponement of claim from the Company.

(Expressed in Canadian Dollars)

11. Mortgages Payable (continued)

		2023		2022
Total mortgages payable	$	**98,260,302**	$	34,666,166
Deferred financing costs		**(2,728,343)**		(1,539,891)
		95,531,959		33,126,275
Mortgages payable – current portion	$	**(3,610,190)**	$	(3,622,590)
Mortgages payable – non-current portion	$	**91,921,769**	$	29,503,685

Estimated future principal payments required to meet mortgage obligations as at December 31, 2023 are as follows:

Years ending December 31,		Amounts
2024	$	**4,301,124**
2025		**1,103,409**
2026		**10,955,184**
2027		**19,494,560**
2028		**62,406,025**
Total mortgage principal outstanding		**98,260,302**
Deferred financing costs		**(2,728,343)**
	$	**95,531,959**

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

Investment property holding company	Funding date	Mortgage balance as at December 31, 2023	Required financial covenant	Actual DSCR at December 31, 2023
1421526 Alberta Ltd.	February 15, 2023	$ 1,733,393	1.3x DSCR	0.40
1421526 Alberta Ltd.	June 12, 2023	$ 573,253	1.3x DSCR	0.40
1421526 Alberta Ltd.	January 5, 2023	$ 924,352	1.3x DSCR	0.40
		$ 3,230,998		

(Expressed in Canadian Dollars)

11. Mortgages Payable (continued)

As at December 31, 2023, primarily due to increases in the variable interest rate on the mortgages payable and an allowance for doubtful accounts, the investment property holding company was not in compliance with the DSCR covenants. In addition, the above mortgages payable are all short term with maturities of one year or less. Therefore, they have been presented as current liabilities in the consolidated statement of financial position.

In addition, as a condition on its mortgage payable, 1999988 Alberta Ltd. is required to maintain a minimum of 25% of the units in The Dwell as "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. The mortgage payable had a net carrying value of $39,258,300 at December 31, 2023. As at December 31, 2023, 1999988 Alberta Ltd. was in compliance with the covenant and 25% of the units in The Dwell were designated as "affordable units".

In addition, as a condition on its mortgage payable, 1999999 Alberta Ltd. is required to maintain a minimum of 80% of the units in The FUSE as "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 COI and with allowable annual increases according to the CPI as stipulated by Statistics Canada for Alberta. The mortgage payable had a net carrying value of $23,538,977 at December 31, 2023. As at December 31, 2023, 1999999 Alberta Ltd. was in compliance with the covenant and 80% of the units in The FUSE were designated as "affordable units".

12. Convertible Debentures

		2023		2022
Balance, start of period	$	**2,400,139**	$	-
Proceeds from issuance of convertible debenture units		**3,244,000**		3,005,000
Amount allocated to fair value of common share purchase warrants		**-**		(162,380)
Amount allocated to fair value of convertible debentures		**3,244,000**		2,842,620
Amount classified as equity for conversion feature		**(849,745)**		(529,677)
Interest accretion		**146,849**		87,196
Total additions to convertible debentures		**2,541,104**		2,400,139
Balance, end of period		**4,941,243**		2,400,139
Deferred financing costs at period end		**(168,448)**		(143,573)
	$	**4,772,795**		2,256,566

12. Convertible Debentures (continued)

The fair value allocated to the common share purchase warrants was determined using the Black-Scholes Model using the assumptions identified in Note 17(c). The liability component of the convertible debentures was initially recognized at the fair value of a similar liability that did not have an equity conversion option and using a weighted average discount rate of 16%. The equity component of the convertible debentures was recognized at the difference between the fair value of the convertible debentures as a whole and the fair value of the liability component, net of deferred tax impact of $316,062 as at December 31, 2023.

On January 17 and 25, 2022, the Company completed a non-brokered private placement of 2,480 and 108 unsecured convertible debenture units, respectively, (the "January 2022 Debenture Units") at an issue price of $1,000 per January 2022 Debenture Unit for total aggregate gross proceeds of $2,588,000. Each January 2022 Debenture Unit was comprised of an unsecured convertible debenture of the Company (the "January 2022 Convertible Debenture") in the principal amount of $1,000 with an interest rate of 7% per annum payable annually, only in cash without any conversion of that interest component into common shares, together with 600 common share purchase warrants (Note 17(c)). Each common share purchase warrant may be exercisable into one common share of the Company at a price of $0.60 per common share for a period of 5 years from the date of issuance. Each January 2022 Convertible Debenture will mature on the date that is 5 years from the date of issuance. The Company, after a period of 36 months following the date of closing, will also have the right, but not the obligation, to redeem the principal amount and any unpaid interest of the January 2022 Convertible Debenture in cash, without penalty, at any time prior to the date of maturity subject to certain conditions. The principal amount of each January 2022 Convertible Debenture may, at the option of the January 2022 Convertible Debenture holder, be converted, in whole or in part, into common shares at a conversion price of $0.60 per common share.

On March 31, 2022, the Company completed a non-brokered private placement of 221 unsecured convertible debentures (the "March 2022 Convertible Debentures") at an issue price of $1,000 per March 2022 Convertible Debenture for gross proceeds of $221,000. Each March 2022 Convertible Debenture has a principal amount of $1,000 with an interest rate of 7% per annum payable annually, only in cash without any conversion of that interest component into common shares. Each March 2022 Convertible Debenture will mature on the date that is 5 years from the date of issuance. The Company, after a period of 36 months following the date of closing, will also have the right, but not the obligation, to redeem the principal amount and any unpaid interest of the March 2022 Convertible Debenture in cash, without penalty, at any time prior to the date of maturity subject to certain conditions. The principal amount of each March 2022 Convertible Debenture may, at the option of the March 2022 Convertible Debenture holder, be converted, in whole or in part, into common shares at a conversion price of $0.60 per common share.

On June 3, 2022, the Company completed a non-brokered private placement of 196 unsecured convertible debentures (the "June 2022 Convertible Debentures") at an issue price of $1,000 per June 2022 Convertible Debenture for gross proceeds of $196,000. Each June 2022 Convertible Debenture has a principal amount of $1,000 with an interest rate equal to the higher of 7% per annum or the Bank of Canada Prime Rate plus 3.5% per annum as determined on the last business day of the calendar year, to be applied to the subsequent calendar year, payable annually, only in cash without any conversion of that interest component into common shares. Each June 2022 Convertible Debenture will mature on the date that is 5 years from the date of issuance. The Company, after a period of 36 months following the date of closing, will also have the right, but not the obligation, to redeem the principal amount and any unpaid interest of the June 2022 Convertible Debenture in cash, without penalty, at any time prior to the date of maturity subject to certain conditions. The principal amount of each June 2022 Convertible Debenture may, at the option of the June 2022 Convertible Debenture holder, be converted, in whole or in part, into common shares at a conversion price of $0.60 per common share.

12. Convertible Debentures (continued)

On January 26, 2023, the Company completed a non-brokered private placement of 258 unsecured convertible debentures (the “January 2023 Convertible Debentures”) at an issue price of $1,000 per January 2023 Convertible Debenture for gross proceeds of $258,000. Each January 2023 Convertible Debenture has a principal amount of $1,000 with an interest rate equal to 8% per annum, payable annually, only in cash without any conversion of that interest component into common shares. Each January 2023 Convertible Debenture will mature on the date that is 5 years from the date of issuance. For a period of 30 calendar days following the 3rd and 4th anniversary after the closing date, the January 2023 Convertible Debenture holder 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 Company, after a period of 36 months following the date of closing, will also have the right, but not the obligation, to redeem the principal amount and any unpaid interest of the January 2023 Convertible Debenture in cash, without penalty, at any time prior to the date of maturity subject to certain conditions. The principal amount of each January 2023 Convertible Debenture may, at the option of the January 2023 Convertible Debenture holder, be converted, in whole or in part, into common shares at a conversion price of $0.30 per common share.

On April 20, 2023, the Company completed a non-brokered private placement of 250 unsecured convertible debentures (the “April 2023 Convertible Debentures”) at an issue price of $1,000 per April 2023 Convertible Debenture for gross proceeds of $250,000. Each April 2023 Convertible Debenture has a principal amount of $1,000 with an interest rate equal to 8% per annum, payable annually, only in cash without any conversion of that interest component into common shares. Each April 2023 Convertible Debenture will mature on the date that is 5 years from the date of issuance. For a period of 30 calendar days following the 3rd and 4th anniversary after the closing date, the April 2023 Convertible Debenture holder 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 Company, after a period of 36 months following the date of closing, will also have the right, but not the obligation, to redeem the principal amount and any unpaid interest of the April 2023 Convertible Debenture in cash, without penalty, at any time prior to the date of maturity subject to certain conditions. The principal amount of each April 2023 Convertible Debenture may, at the option of the April 2023 Convertible Debenture holder, be converted, in whole or in part, into common shares at a conversion price of $0.30 per common share. Pursuant to this private placement, the CEO of the Company acquired 55 of the April 2023 Convertible Debentures in the principal amount of $55,000 (Note 10(b)).

On October 17, 2023 and December 19, 2023, the Company completed a non-brokered private placement of 2,000 and 736 unsecured convertible debentures, respectively, (the “December 2023 Convertible Debentures”) at an issue price of $1,000 per December 2023 Convertible Debenture for total aggregate gross proceeds of $2,736,000. Each December 2023 Convertible Debenture has a principal amount of $1,000 with an interest rate equal to 8% per annum, payable annually, only in cash without any conversion of that interest component into common shares. Each December 2023 Convertible Debenture will mature on the date that is 5 years from the date of issuance. The Company, after a period of 36 months following the date of closing, will have the right, but not the obligation, to redeem the principal amount and any unpaid interest of the December 2023 Convertible Debenture in cash, without penalty, at any time prior to the date of maturity subject to certain conditions. The principal amount of each December 2023 Convertible Debenture may, at the option of the December 2023 Convertible Debenture holder, be converted, in whole or in part, into common shares at a conversion price of $0.20 per common share. Pursuant to this private placement, a company directly controlled by the CEO of the Company acquired 2,000 of the December 2023 Convertible Debentures in the principal amount of $2,000,000 (Note 10(b)) and the CEO and his family member acquired 121 of the December 2023 Convertible Debentures in the principal amount of $121,000 (Note 10(b)).

(Expressed in Canadian Dollars)

12. Convertible Debentures (continued)

Estimated future principal payments required to meet convertible debenture obligations as at December 31, 2023 are as follows:

Years ending December 31,		Amounts
2027	$	**3,005,000**
2028		**3,244,000**
Total convertible debenture principal outstanding		**6,249,000**
Allocated to equity		**(1,541,802)**
Interest accretion		**234,045**
Deferred financing costs		**(168,448)**
	$	**4,772,795**

13. Rental Revenue

Rental revenue consists of the following components:

		2023		2022
Residential lease revenue	$	**6,087,163**	$	2,557,075
Commercial lease revenue		**337,160**		336,822
Non-lease revenue [1]		**393,557**		99,437
	$	**6,817,880**	$	2,993,334

[1] *Non-lease revenue comprises parking and other ancillary services.*

14. General and Administration Expenses

The components of general and administrative expenses are as follows:

		2023		2022
Advertising and promotion	$	**58,851**	$	49,734
Insurance		**18,590**		66,455
Professional fees		**372,751**		525,060
Office costs		**33,292**		14,073
Travel and meetings		**54,962**		61,536
Administration and accounting fee		**228,485**		-
Share-based compensation (Note 17(b))		**4,224**		1,617
Other		**7,465**		5,628
	$	**778,620**	$	724,103

(Expressed in Canadian Dollars)

15. Financing costs

The components of financing costs are as follows:

		2023		2022
Mortgage interest	$	**2,471,619**	$	966,101
Convertible debenture interest		**284,642**		195,486
Amortization of deferred financing costs		**535,918**		305,804
Interest accretion		**146,849**		87,196
Other interest and financing costs		**7,924**		21,462
	$	**3,446,952**	$	1,576,049

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:

		2023		2022
Deferred tax assets (liabilities):				
Capital loss carry forward	**$**	**3,795**	$	3,795
Non-capital loss carry forward		**898,349**		590,312
Carrying value of investment property in excess of tax basis		**(2,172,468)**		(1,362,461)
Tax basis of liabilities in excess of carrying value		**(284,968)**		(74,906)
Deferred tax assets not recognized		**(779,850)**		(574,073)
	$	**(2,335,142)**	$	(1,417,333)

As at December 31, 2023, the Company has non-capital loss carry forwards of $ 3,901,219 which will expire as follows:

2041	$ 1,392,772
2042	1,169,156
2043	1,339,291

(Expressed in Canadian Dollars)

16. Income Tax (continued)

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

		2023		2022
Income (loss) before income taxes	**$**	**4,161,533**	$	69,445
Statutory tax rate		**23.00%**		23.00%
Expected tax expense (recovery)		**957,153**		15,972
Non-deductible expenses and other		**2,376**		1,020
Effect of deferred tax asset not recognized		**205,777**		417,218
Recognition of prior deferred tax asset		**(28,526)**		-
Jurisdictional tax rate variance		**74,058**		54,106
Effect of tax rate difference on capital items		**(478,550)**		(73,024)
Change in non-capital loss pool balance		**-**		(175,577)
Other		**(8,715)**		(8,297)
Income tax expense	**$**	**723,573**	$	231,418

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, 2021	112,575,822	$	14,200,857
Exercise of common share purchase options	101,605		21,939
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	**112,680,574**	**$**	**14,234,263**

17. Share Capital (continued)

a) Common Shares (continued)

On January 27, 2023, the Company received approval from the TSX Venture Exchange to commence a normal course issuer bid (the “NCIB”) to repurchase, for cancellation, up to an aggregate of 5,633,871 common shares of the Company. The funds used to repurchase the common shares of the Company pursuant to the NCIB will only come from cash provided by operating activities of the Company. The NCIB expired on January 26, 2024.

During the year ended December 31, 2023, the Company repurchased 119,500 of its common shares under the NCIB at a weighted average price of approximately $0.16 per common share for a total cost, including commission, of $19,415.

b) Common Share Purchase Options

On June 16, 2023, the Company 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”).

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, management company 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 ten percent (10%) of the issued and outstanding common shares at that time, exercisable for the period of up to ten (10) years. As the Stock Option Plan is considered a "rolling" plan, the Company must obtain shareholder approval of the Stock Option Plan at each annual meeting of shareholders in accordance with the policies of the TSXV.

The Equity Compensation Plan provides that the Board of Director of the Company may, from time to time, in its discretion, grant to directors, officers, employees, management company employees, and consultants of the Company, non-transferrable stock appreciation rights, deferred share units, restricted share units, performance share units, and any other compensation or incentive mechanism involving the issuance or potential issuance of securities of the Company from treasury, provided that the number of common shares reserved for issuance under the Equity Compensation Plan shall not exceed ten percent (10%) of the issued and outstanding common shares at its implementation.

In addition, the number of common shares reserved for issuance to any one person and to insiders, as a group, shall not exceed five percent (5%) and ten percent (10%), respectively, 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, employee, management company employee, and consultant and all other terms and conditions of the award, subject to the rules of the TSXV.

(Expressed in Canadian Dollars)

17. Share Capital (continued)

b) Common Share Purchase Options (continued)

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

	2023		2022	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding, beginning of year	**559,905**	**$0.20**	584,905	$0.21
Granted	**177,000**	**$0.17**	150,000	$0.20
Exercised	**(122,647)**	**$0.17**	(101,605)	$0.20
Expired	**(54,353)**	**$0.17**	(73,395)	$0.27
Outstanding, end of year	**559,905**	**$0.20**	559,905	$0.20
Exercisable, end of year	**559,905**	**$0.20**	559,905	$0.20

As at December 31, 2023, the 559,905 common share purchase options outstanding and exercisable expire on November 18, 2025 and have an exercise price of $0.20 per common share.

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, 2023 was $0.02 (2022 - $0.01) using the following assumptions:

	2023	2022
Share price	**$0.17**	$0.20
Exercise price	**$0.17**	$0.20
Risk-free interest rate	**4.20%**	2.67%
Expected dividend yield	**Nil**	Nil
Estimated common share price volatility	**98%**	46%
Estimated life in years	**0.13**	0.08

The effects of early exercise were incorporated in the estimate of the expected life of the common share purchase options. Expected volatility was determined based on 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, 2023, total share-based payment expense of $4,224 (2022 - $1,617) was recognized and included in general and administration expense.

On May 31, 2022, 101,605 common share purchase options were exercised and the Company's share price was $0.20 per common share. On January 16, and June 30, 2022, 25,000 and 48,395 common share purchase options expired unexercised, respectively.

(Expressed in Canadian Dollars)

17. Share Capital (continued)

b) Common Share Purchase Options *(continued)*

On June 2, 2023, 122,647 common share purchase options were exercised. The Company's share price on the date of exercise was $0.17 per common share. On July 16, 2023, 54,353 common share purchase options expired unexercised.

c) Common Share Purchase Warrants

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

	2023		2022	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	**21,930,466**	**$0.38**	20,377,666	$0.36
Issued	**-**	**-**	1,552,800	$0.60
Expired	**(20,377,666)**	**$0.36**	-	-
Outstanding, end of year	**1,552,800**	**$0.60**	21,930,466	$0.38

During the year ended December 31, 2023, 20,377,666 common share purchase warrants expired unexercised.

The following common share purchase warrants are outstanding as at December 31, 2023:

Expiry date	**Exercise Price**	**Warrants exercisable**
January 17, 2027	$0.60	1,488,000
January 25, 2027	$0.60	64,800
		1,552,800

During the year ended December 31, 2022, common share purchase warrants were issued in connection with the January 2022 Convertible Debenture (Note 12). The gross proceeds from the January 2022 Convertible Debenture were allocated based on the residual fair values of the convertible debentures and the common share purchase warrants. The fair value of the common share purchase warrants was determined using the Black Scholes Model using the following weighted average assumptions:

	2022
Share price	$0.175
Exercise price	$0.60
Risk-free interest rate	1.67%
Expected dividend yield	Nil
Estimated common share price volatility	104%
Estimated life in years	5.00

(Expressed in Canadian Dollars)

18. Supplemental Cash Flow Information

a) Net changes in Non-Cash Working Capital Items

		2023		2022
Prepaids and deposits	**$**	**(118,859)**	$	280,590
Accounts receivable		**(8,926)**		(385,952)
Sales taxes receivable (payable)		**8,519**		12,046
Accounts payable and accrued liabilities		**410,449**		(46,451)
Refundable security deposits		**319,989**		63,537
	$	**611,172**	$	(76,230)

b) Reconciliation of Liabilities Arising from Financing Activities

		Due to Related Party		**Loan Payable to Related Party**		**Mortgages Payable**		**Convertible Debentures**
Balance, December 31, 2021	$	124,221	$	-	$	21,570,535	$	-
Advances		263,701		-		20,174,644		3,005,000
Addition to deferred financing costs		-		-		(1,244,003)		(168,931)
Amortization of deferred financing costs		-		-		280,445		25,358
Allocated to equity		-		-		-		(692,057)
Interest accretion		-		-		-		87,196
Repayments		(387,922)		-		(7,655,346)		-
Balance, December 31, 2022		-		-		33,126,275		2,256,566
Advances		**-**		**1,500,000**		**64,582,440**		**1,744,000**
Addition to deferred financing costs		**-**		**-**		**(1,681,866)**		**(67,490)**
Amortization of deferred financing costs		**-**		**-**		**493,303**		**42,615**
Allocated to equity		**-**		**-**		**-**		**(849,745)**
Transfer on closing of private placement (note 10(b))		**-**		**(1,500,000)**		**-**		**1,500,000**
Interest accretion		**-**		**-**		**-**		**146,849**
Interest accrual		**3,904**		**-**		**-**		**-**
Repayments		**-**		**-**		**(988,195)**		**-**
Balance, December 31, 2023	**$**	**3,904**	**$**	**-**	**$**	**95,531,959**	**$**	**4,772,795**

(Expressed in Canadian Dollars)

19. Financial Instruments

Fair Value

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:

		2023		2022
Financial Assets Measured at Amortized Cost:				
Cash	**$**	**775,005**	$	2,950,636
Restricted cash	**$**	**383,969**	$	194,653
Accounts receivable	**$**	**231,080**	$	290,917
Promissory note receivable	**$**	**202,092**	$	202,092
Investment	**$**	**40,833**	$	40,495
Due from related parties	**$**	**337,600**	$	14,691
Financial Liabilities Measured at Amortized Cost:				
Accounts payable and accrued liabilities	**$**	**846,531**	$	436,082
Refundable security deposits	**$**	**514,642**	$	194,653
Due to related party	**$**	**3,904**	$	-
Mortgages payable	**$**	**98,260,302**	$	34,666,166
Convertible debentures	**$**	**6,249,000**	$	3,005,000

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.

(Expressed in Canadian Dollars)

19. **Financial Instruments** (continued)

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

Financial risk management

The Company's activities are exposed to a variety of financial risks: interest rate 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 interest rate profile of the Company's interest-bearing financial instruments are as follows:

		2023		2022
Fixed-rate instruments				
Mortgages payable	**$**	**95,029,305**	$	31,273,716
Convertible debentures		**6,053,000**		2,809,000
	$	**101,082,305**	$	34,082,716
Variable-rate instruments				
Mortgages payable	**$**	**3,230,997**	$	3,392,450
Convertible debentures		**196,000**		196,000
	$	**3,426,997**	$	3,588,450

The Company does not account for any fixed-rate financial instruments at 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 year ended December 31, 2023 by approximately $34,000 (2022 – $36,000).

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, 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.

(Expressed in Canadian Dollars)

19. Financial Instruments (continued)

Financial risk management (continued)

b) Credit risk *(continued)*

Residential investment properties

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 December 31, 2023, total rent due from residential tenants was $44,798 (2022 - $9,045) of which rent due from current tenants amounted to $44,798 (2022 - $9,045).

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

		2023		2022
Current	$	**20,511**	$	6,968
31-90 days		**25,611**		3,836
90 + days		**3,326**		-
		49,448		10,804
Allowance for doubtful accounts		**(4,650)**		(1,759)
	$	**44,798**	$	9,045

Commercial investment property

For the commercial investment property, approximately 85% (2022 – 70%) of accounts receivable is from two (2) tenants (2022 – two (2) tenants) and 83% (2022 – 78%) of commercial rental revenue is from three (3) tenants (2022 – three (3) tenants).

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

		2023		2022
Current	$	**85,683**	$	28,350
31-90 days		**422,341**		30,530
90 + days		**922**		373,526
		508,946		432,406
Allowance for doubtful accounts		**(322,664)**		(278,876)
	$	**186,282**	$	153,530

(Expressed in Canadian Dollars)

19. Financial Instruments (continued)

Financial risk management (continued)

b) Credit risk *(continued)*

Commercial investment property (continued)

The promissory note receivable is with a current tenant of the commercial investment property and is personally guaranteed by the tenant. As at December 31, 2023, the promissory note receivable was in default and had not been repaid and the Company had not demanded on its repayment rights. There was a provision for bad debts taken on the promissory note of $47,908 (2022 - $47,908). The Company continues to work with the tenant on repayment.

Other

The amount due from related parties is due from companies directly controlled by the CEO and director of the Company 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.

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 $846,531 (2022 - $436,082) and refundable security deposits of $514,642 (2022 - $194,653) that have a contractual maturity in the fiscal 2024 year. There is no contractual maturity for the amounts due to relate party of $3,904 (2022 - $Nil) as there are no terms of repayment. The mortgages payable have terms maturing as disclosed in Note 11. The convertible debentures have terms maturing as disclosed in Note 12.

20. Capital Management

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

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

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

		2023		2022
Mortgages payable	**$**	**95,531,959**	$	33,126,275
Convertible debentures		**4,772,795**		2,256,566
Due to related parties		**3,904**		-
Shareholders' equity		**25,040,584**		20,941,357
	$	**125,349,242**	$	56,324,198

20. Capital Management (continued)

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, 2023.

Certain individual investment property holding companies are required to maintain mortgage covenants which are assessed by the lender on a periodic basis (Note 11).

21. Subsequent Event

On February 21, 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. The consolidated mortgage payable bears interest at prime plus 1.25% per annum and is repayable in equal blended monthly payments based on an amortization of 264 months, unless demanded earlier by the lender. 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 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.