

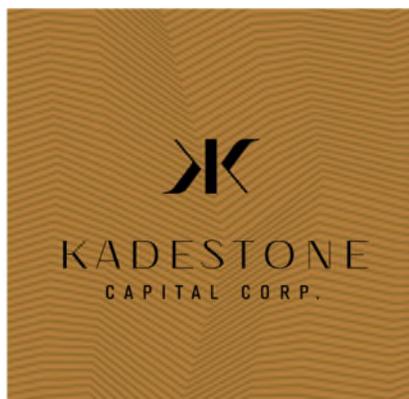
This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or any state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (within the meaning of Regulation S under the U.S. Securities Act) except pursuant to an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws. See “Plan of Distribution”. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States.

PROSPECTUS

Initial Public Offering

September 2, 2020



KADESTONE CAPITAL CORP.

Minimum Offering: \$2,000,000 or 2,500,000 Offered Shares

Maximum Offering: \$15,000,000 or 18,750,000 Offered Shares

Price: \$0.80 per Offered Share

This prospectus qualifies the distribution to the public (the “**Offering**”) of a minimum (the “**Minimum Offering**”) of 2,500,000 common shares and a maximum (the “**Maximum Offering**”) of 18,750,000 common shares (the “**Offered Shares**”) in the capital of Kadestone Capital Corp. (“we”, “our”, “Kadestone” or the “**Company**”), at a price of \$0.80 per Offered Share (the “**Offering Price**”) for aggregate gross proceeds to the Company of \$2,000,000 for the Minimum Offering and \$15,000,000 for the Maximum Offering.

The Offered Shares are being sold on a commercially reasonable basis pursuant to the terms of an agency agreement dated September 2, 2020 (the “**Agency Agreement**”) between the Company and Leede Jones Gable Inc. (the “**Agent**”). The Offering Price was determined by negotiation between the Company and the Agent.

There is currently no market through which the Offered Shares may be sold and purchasers may not be able to resell the Offered Shares purchased under this prospectus. This may affect the pricing of the Offered Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Offered Shares and the extent of issuer regulation. See “Risk Factors”. An investment in the Offered Shares is subject to a number of risks that should be considered by a prospective purchaser. Investors should carefully consider the risk factors described under “Risk Factors” before purchasing the Offered Shares.

Price: \$0.80 per Common Share

	Price to the Public⁽¹⁾	Agent's Commission⁽²⁾	Net Proceeds to the Company⁽³⁾
Per Common Share	\$0.80	\$0.056	\$0.74
Minimum Offering ⁽⁴⁾	\$2,000,000	\$140,000	\$1,860,000
Maximum Offering ⁽⁵⁾	\$15,000,000	\$1,050,000	\$13,950,000

Notes:

1. The price of the Offered Shares was established by negotiation between the Company and the Agent.
2. The Agent will receive a cash commission (the "**Agent's Commission**") of 7.0% of the proceeds of the Offering, subject to a reduced commission of 2.0% for Offered Shares sold by the Agents to certain purchasers designated by the Company (the "**President's List**"). If the gross proceeds from the Offering is at least \$2,000,000, not including the Cornerstone Offering, the commission payable shall be the greater of \$450,000 and the Agent's Commission as calculated above. In addition, the Company will issue to the Agent, agent compensation options ("**Agent Options**") to purchase up to a number of Common Shares equal to 5% of the Offered Shares issued on the Closing Date exercisable at a price per Common Share equal to \$0.80 for a period of 24 months following issuance. This Prospectus qualifies the distribution of the Agent Options to the Agent. The Company will also pay the Agent a corporate finance fee of \$50,000 plus GST (the "**Corporate Finance Fee**"), of which \$26,250 inclusive of GST has been paid in advance as a non-refundable fee. The Company has also agreed to pay the Agent's expenses (the "**Agent's Expenses**") in connection with the Offering, including legal fees and disbursements for which \$35,000 has been advanced as a retainer. See "Plan of Distribution".
3. Before deducting the Agent's Expenses, Corporate Finance Fee and Company's expenses of the Offering, estimated at \$200,000, which, together with the Agent's fee, will be paid from the proceeds of the Offering.
4. If the Minimum Offering is completed and assuming no Offered Shares are purchased under the President's List, an aggregate of 2,500,000 Offered Shares will be issued and the total price to the public, the Agent's Commission and the net proceeds available to the Company (after deducting the Agent's Commission but before the deduction of the Corporate Finance Fee and Agent's Expenses) will be \$2,000,000, \$140,000 and \$1,860,000, respectively.
5. If the Maximum Offering is completed and assuming no Offered Shares are purchased under the President's List, an aggregate of 18,750,000 Offered Shares will be issued and the total price to the public, the Agent's Commission and the net proceeds available to the Company (after deducting the Agent's Commission but before the deduction of the Corporate Finance Fee and Agent's Expenses) will be \$15,000,000, \$1,050,000 and \$13,950,000, respectively.

The Agent, as principal, conditionally offers the Offered Shares, subject to prior sale, if, as and when issued and delivered by the Company and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters on behalf of the Company by Blake, Cassels & Graydon LLP and on behalf of the Agent by Harper Grey LLP.

On July 3, 2020, Kadestone entered into a cornerstone investment agreement (the "**Cornerstone Investment Agreement**") with West Vancouver Private Club Corp. (the "**Cornerstone Investor**"). Pursuant to the Cornerstone Investment Agreement, the Company agreed to sell Common Shares by way of private placement to the Cornerstone Investor for gross proceeds of between \$5,000,000 and \$12,000,000 at the Offering Price, conditional upon the successful completion of this Offering (the "**Cornerstone Placement**"). The exact amount of the Cornerstone Placement will be calculated based on the amount raised in the Offering under this prospectus such that the total amount raised in the Offering and the Cornerstone Placement will be a minimum of \$14,000,000 and a maximum of \$20,000,000.

This Offering is not underwritten or guaranteed by any person. The Agent, as exclusive agent of the Company for the purposes of the Offering, conditionally offers the Offered Shares on a commercially reasonable efforts basis, subject to prior sale, if, as and when issued by the Company and accepted by the Agent in accordance with the Agency Agreement (as defined herein) referred to under "Plan of Distribution". Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Registration of interests in and transfers of Offered Shares held through CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee will be made electronically through the non-certificated inventory ("**NCI**") system of CDS. Offered Shares registered to CDS or its nominee will be deposited electronically with CDS on an NCI basis on the closing of the Offering. Purchasers of Offered Shares will receive only a customer confirmation from the registered dealer from or through whom a beneficial interest in the Offered Shares is purchased.

We have applied to list the common shares in the capital of the Company ("**Common Shares**") on the TSX Venture Exchange ("**TSXV**"). Listing will be subject to us fulfilling all the listing requirements of the TSXV.

An investment in our Common Shares is subject to a number of risks that should be considered by a prospective purchaser. See "Risk Factors".

Subscriptions shall be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on or about September 30, 2020 or such other date as we and the Agent may agree, but in any event, not later than the date that is 90 days after a receipt is issued for this Prospectus or, if a receipt has been issued for an amendment to this Prospectus, within 90 days of issuance of such receipt, and in any event not later than 180 days from the date of receipt for this Prospectus.

TABLE OF CONTENTS

GLOSSARY	1
ABOUT THIS PROSPECTUS	1
PROSPECTUS SUMMARY.....	7
THE COMPANY.....	7
SELECTED CONSOLIDATED FINANCIAL INFORMATION.....	10
THE OFFERING	12
CORPORATE STRUCTURE.....	14
BUSINESS OF THE COMPANY	16
CORE REAL ESTATE MARKETS IN CANADA, COMPETITIVE CONDITIONS AND CYCLES.....	22
ACQUISITIONS OF ASSETS OF THE BUSINESS.....	26
USE OF PROCEEDS.....	28
PLAN OF DISTRIBUTION.....	30
DESCRIPTION OF THE OFFERED SHARES	32
CONSOLIDATED CAPITALIZATION	32
DESCRIPTION OF SHARE CAPITAL	32
PRIOR SALES.....	34
DIVIDEND POLICY.....	35
SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS.....	35
ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER	35
PRINCIPAL SHAREHOLDERS.....	37
DIRECTORS AND EXECUTIVE OFFICERS	38
EXECUTIVE COMPENSATION	42
DIRECTOR COMPENSATION	46
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	47
CORPORATE GOVERNANCE	48
RISK FACTORS	52
LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	65
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	66
RELATIONSHIP BETWEEN ISSUER AND AGENT	66
AUDITORS, TRANSFER AGENT AND REGISTRAR	66
MATERIAL CONTRACTS.....	67
EXPERTS.....	67
PROMOTER	68
RIGHTS OF WITHDRAWAL AND RECISSION.....	68
FINANCIAL STATEMENT DISCLOSURE	68
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020.....	1
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM DATE OF INCORPORATION ON JULY 2, 2019 TO DECEMBER 31, 2019.....	12
FINANCIAL STATEMENTS OF MARINE DRIVE INVESTMENT PROPERTY.....	31
CERTIFICATE OF THE COMPANY.....	C-1
CERTIFICATE OF THE PROMOTER	C-2

CERTIFICATE OF THE AGENT C-3

GLOSSARY

Certain terms used in this prospectus have the following meanings:

“**Administrator**” is as defined in the Option Plan;

“**Agent**” means Leede Jones Gables Inc.;

“**Audit Committee**” means the Company’s audit committee;

“**BCBCA**” means the *Business Corporations Act* (British Columbia), S.B.C. 2002, c 57;

“**Board**” means the board of directors of the Company as may be constituted from time to time;

“**CDS**” means the Canadian Depository for Securities Limited CDS Clearing and Depository Services Inc.;

“**CEO**” means chief executive officer;

“**CFO**” means chief financial officer;

“**Closing**” means the closing of the Offering;

“**Closing Date**” means the date of Closing;

“**Combined Offering**” means, collectively, the Offering and the Cornerstone Placement;

“**Common Shares**” means the common shares in the capital of the Company;

“**Company**” means Kadestone Capital Corp.;

“**Compensation Committee**” means the Company’s compensation committee;

“**Completion Date**” means the date of completion of the purchase and sale of the Kyle Road Property, which shall occur on that date which is ten business days after the date that notice in writing is sent to the Company setting out that title to the Kyle Road Property has been (or will be) issued by the Kamloops Land Title Office;

“**Controlling Individual**” means the holder of, or an annuitant or subscriber under, a Registered Plan;

“**Cornerstone Placement**” has the meaning set out on the cover page;

“**DCP**” means disclosure protocols and procedures;

“**Escrow Agent**” means Computershare Investor Services Inc.;

“**Escrow Agreement**” means the escrow agreement among the Company to be entered into between the Principals and the Escrow Agent, relating to the Escrowed Securities;

“**Escrowed Shareholders**” means Brent Billey, David Negrin, Jacqueline Tucker, Travis Chen and Zhe Zou as Principals of the Company;

“**Escrowed Securities**” means the Common Shares subject to the Escrow Agreement with the Escrow Agent;

"Form 51-102F6" means Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*;

"GDP" means gross domestic product;

"ICFR" means internal control over financial reporting;

"IFRS" means International Financial Reporting Standards;

"Initial Properties" means the Kyle Road Property and WestVan Property;

"Investor Relations Activities" is as defined in the Option Plan;

"Kyle Road Assignor" means Yigeda Enterprises Inc.

"Kyle Road Property" means Phase One of a light industrial development interest in Kelowna, British Columbia;

"Listing" means the listing of the Common Shares on the TSXV;

"Management" means the executive officers of the Company as described under the section of this prospectus "About this Prospectus – Meaning of Certain References";

"Marketing Materials" is as defined in National Instrument 41-101 - *General Prospectus Requirements*;

"MD&A" means the Company's management's discussion and analysis for the period ended June 30, 2020;

"Named Executive Officers" or **"NEOs"** means the named executive officers of the Company;

"NCI" means non-certificated inventory system of CDS;

"NI 52-110" means National Instrument 52-110 – *Audit Committees*;

"NI 58-101" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;

"Nominating and Corporate Governance Committee" means the Company's nominating and corporate governance committee;

"NP 46-201" means National Policy 46-201 – *Escrow for Initial Public Offerings*;

"Offered Shares" has the meaning set out on the cover page;

"Offering" means the distribution to the public of a minimum of 2,500,000 Common Shares to a maximum of 18,750,000 Common Shares at a price of \$0.80 per Offered Share for aggregate gross proceeds to the Company of \$2,000,000 in the event the minimum offering is achieved and a maximum of \$15,000,000 in the event the maximum offering is achieved, pursuant to the prospectus;

"Offering Price" means \$0.80 per Offered Share;

"Option Holder" means a holder of Options;

"Option Plan" means the Company's stock option plan dated December 31, 2019;

"Options" means the stock options of the Company;

“Order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days;

“Principals” means Brent Billey, David Negus, David Negrin, Michael Geller, Norm Mayr, Jacqueline Tucker, Travis Chen and Zhe Zou;

“Projects” means ownership, co-investment, development, reposition or re-develop of income producing properties;

“Qualified Successor” is as defined in the Option Plan;

“Registered Plans” means registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans and tax-free savings accounts;

“RRSP” means registered retirement savings plan;

“SEDAR” means the System for Electronic Documents Analysis and Retrieval;

“Seed Shares” means the common shares in the capital of the Company that have been issued to certain non-Escrowed Shareholders prior to the Offering at a price that is below the Offering Price;

“Strategic Alliance Agreements” means the strategic alliance agreements amongst the Company and each of the Strategic Partners;

“Strategic Partners” means, collectively, Attollo Management Inc., Denciti Development Corporation and Yigeda Holdings Ltd.;

“Strategic Alliances” means the agreements to share information concerning new real estate related business opportunities with each of Attollo Management Inc., Denciti Development Corporation and Yigeda Holdings Ltd. pursuant to which each party to the agreements is granted a first look opportunity in respect of new opportunities in order to allow the other party to determine its level of interest in pursuing an interest in any such new opportunity;

“Tax Act” means Income Tax Act, R.S.C. 1985, c.1 (5th Supplement);

“TSXV” means the TSX Venture Exchange;

“U.S. Securities Act” means the *Securities Act of 1933*, as amended, 15 U.S.C. 2A;

“UBC Okanagan” means the University of British Columbia – Okanagan campus;

“Agent” means Leede Jones Gable Inc.;

“Agency Agreement” has the meaning set out on the cover page;

“WestVan Agreement” means the real estate agreement of purchase and sale between the Company and 0995793 B.C. Ltd. for the purchase and sale of a 51% interest in the WestVan Property dated December 18, 2019; and

“WestVan Property” means the Company’s a 51% interest in a commercial property in West Vancouver, British Columbia.

ABOUT THIS PROSPECTUS

GENERAL MATTERS

A prospective purchaser of Offered Shares should read this entire prospectus and consult with its own professional advisors to assess the income tax, legal, risk factors and other aspects of an investment in the Offered Shares.

An investor should rely only on the information contained in this prospectus and is not entitled to rely on parts of the information contained in this prospectus to the exclusion of others. None of the Company or the Agent has authorized anyone to provide investors with additional or different information. The information contained on the Company's corporate website is not intended to be included in or incorporated by reference into this prospectus and prospective investors should not rely on such information when deciding whether or not to invest in the Offered Shares.

The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the Offered Shares. The Company's business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

For investors outside Canada, none of the Company or the Agent has done anything that would permit the Offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about and to observe any restrictions relating to the Offering and the distribution of this prospectus.

This prospectus includes summary descriptions of certain material agreements of the Company (see "*Material Contracts*"). The summary descriptions disclose all attributes material to an investor in the Offered Shares, but are not complete and are qualified by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and will be available on SEDAR, at www.sedar.com, under the Company's profile. Investors are encouraged to read the full text of such material agreements.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER INFORMATION

The Company presents its consolidated financial statements in Canadian dollars. In this prospectus, references to "\$" are references to Canadian dollars.

Graphs and tables demonstrating the historical performance of the Company contained in this prospectus are limited only to illustrate past performance and are not necessarily indicative of future performance.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by management on the basis of its knowledge of the real estate sector in which the Company operates (including estimates and assumptions relating to the sector based on that knowledge). Management's knowledge of the Canadian real estate sector has been developed through its experience and participation in the sector. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, none of the Company or the Agent have independently verified any of the data from management or third-party sources referred to in this prospectus, or analysed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources. For the avoidance of doubt, nothing stated

in this paragraph operates to relieve the Company or the Agent from liability for any misrepresentation contained in this prospectus under applicable Canadian securities laws.

While management believes the business and market information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry and markets in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the headings "Forward-Looking Statements", and "Risk Factors".

MEANING OF CERTAIN REFERENCES

Certain terms used in this prospectus are defined under "Glossary". Unless the context otherwise requires, all references in this prospectus to the "Company" refer to the Company and its subsidiary entities on a consolidated basis and in the case of references to financial information relating to a period or date prior to the date of Closing, refer to the Initial Properties.

References to "management" in this prospectus mean the persons acting in the capacities of the Company's Chief Executive Officer and Chief Financial Officer. Any statements in this prospectus made by or on behalf of management are made in such persons' capacities as officers of the Company and not in their personal capacities.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined in National Instrument 41-101 General Prospectus Requirements) that are utilized by the Agent in connection with the Offering are not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus. Any template version of any marketing materials that has been, or will be, filed under the Company's profile on the SEDAR website at www.sedar.com before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into the final prospectus.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements, other than statements of historical fact, contained in this prospectus constitute "forward-looking information" within the meaning of certain securities laws, including the Securities Act (British Columbia), and are based on expectations, estimates and projections as of the date on which the statements are made in this prospectus.

Forward-looking statements contained in this prospectus include, without limitation, statements with respect to:

- the initial public offering price, the completion, size, expenses and timing of closing of this Offering;
- our anticipated use of the net proceeds from the sale of the Offered Shares in this Offering;
- the execution of agreements entered into in connection with this offering by the investors;
- expectations regarding future director and executive compensation levels and plans;
- expectations regarding Strategic Alliances (as defined below) that will further the Company's access to real estate projects and benefits from Strategic Partners' development pipelines;
- access to capital from domestic and international sources;
- introductions to capital providers by Strategic Partners;

- expectations of cost-savings by:
 - partnering with suppliers of building and construction materials;
 - synergies entering into multiple segments within the real estate value chain;
 - logistics to delivery of products; and
 - the marketing of the products;
- the ability of the Company to achieve its objectives, including the generation of stable and growing cash distributions, enhancement of asset value and expansion of asset base;
- the ability of the Company to execute its business and growth strategies, including by making additional acquisitions of properties in its target markets and selecting and executing capital expenditure projects;
- the Company's objectives regarding the management of capital and strategy to meet those objectives;
- the Company's ability to acquire additional properties;
- the Company's ongoing relationship with its Strategic Partners and the development community in Canada;
- development of opportunities and acquisitions through consortium arrangements with Strategic Partners and other groups;
- the timing of the initiation, progress and completion of the Kyle Road property;
- the Company's investment strategy, including the co-investment, development or re-development of a portfolio of income producing properties;
- further investment in the Initial Properties of the Company;
- estimates regarding our expenses, future revenues, anticipated capital requirements and our needs for additional financing;
- expectations regarding access of the Company to debt and/or equity markets on acceptable terms; and
- expectations, including anticipated trends and challenges, investment potential and market strengths, in respect of the residential, retail, office and industrial real estate sectors in Canada.

The use of words and phrases like "may", "might", "could", "would", "conceptual", "pro forma", "adjusted pro forma", "contracted", "appear", "plans", "expects", "scheduled", "budgeted", "projected", "estimated", "timeline", "anticipates", "suggests", "indicative", "intend", "guidance", "outlook", "potential", "prospects", "seek", "strategy", "targets" or "believes", or variations of such words and phrases or statements that certain future conditions, actions, events or results "will", "may", "could", "would", "should", "might" or "can", or negative versions thereof, "be taken", "occur", "continue" or "be achieved", and other similar expressions, identify forward-looking statements. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and the Company's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the plans and objectives of the Company, or estimates or predictions of actions of tenants, suppliers, competitors or regulatory authorities, and statements regarding the future economic performance of the Company. Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made in this prospectus, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being incorrect.

In addition to the various factors and assumptions set forth in this prospectus, the material factors and assumptions used to develop the forward-looking information include but are not limited to:

- our ability to retain key personnel;
- our ability to execute on our expansion plans;
- our ability to execute on additional acquisition opportunities;
- our ability to continue investing in infrastructure to support our growth;
- our ability to obtain and maintain existing financing on acceptable terms;
- the changes and trends in our industry or the global economy;
- the changes in laws, rules, regulations and global standards;
- our ability to secure financing to co-invest, invest or acquire real estate properties;
- our ability to appropriately structure transactions that meet domestic and international institutional investors requirements;
- our ability to fund and pursue large-scale development projects;
- the Company's ongoing relationship with Mr. Brent Billey including access to Strategic Partners and the development community in Canada; and
- that the risk factors noted below, collectively, do not have a material impact on the Company.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. Known and unknown risk factors, many of which are beyond the control of the Company could cause actual results to differ materially from the forward-looking information in this prospectus. Such factors, without limitation, the following, which are discussed in greater detail in the "Risk Factors" section of this prospectus:

- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability;
- uncertainty about the Company's ability to continue as a going concern;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company's ability to access sufficient capital and financing;
- the Company's ability to control the Strategic Alliances;
- the Company's ability to maintain the Strategic Alliances;
- capitalization rates may fluctuate;
- property taxes could be increased materially;
- the Company is subject to litigation related to the Company's properties;
- risks related to property redevelopment and renovations;
- the Company's insurance coverage may be inadequate;
- the Company's ability to operate successfully in new markets;
- the geographic concentration of the Initial Properties;
- the Company's ability to renew any or all of the leases upon their expiration or obtain rental rate increases;
- the Company's reliance on key personnel;
- potential conflicts of interest between the Company and its officers or directors;

- potential breach of privacy or information security systems;
- risks related to expanded social media vehicles;
- the Offered Shares should be considered a highly speculative investment that involves significant risk;
- the possibility that no market for the Offered Shares will develop following the Offering;
- fluctuations in the price of the Offered Shares;
- risks related to the Company's use of proceeds;
- future dilution of the Company's Common Shares;
- the Company's ability to pay dividends;
- significant shareholders selling large portions of their Common Shares;
- the Company may be materially adversely affected by the recent coronavirus ("COVID-19") outbreak, including risks related to our ability to maintain operations and execute on our business plan;
- the market price of the Common Shares;
- requirements to comply with public company reporting obligations, as well as those of any stock exchange, may strain the Company's systems and resources;
- tax and accounting requirements may change in ways that are unforeseen to the Company and the Company may face difficulty or be unable to implement and/or comply with any such changes;
- the Company is subject to changes in Canadian laws regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- real property ownership and revenue risks;
- the Company's ability to grow rental income;
- the Company's ability to compete with growing competition;
- the Company's ability to manage environmental risks;
- the Company's ability to manage capital expenditure;
- potential illiquidity in the real estate market; and
- risks related to the current economic environment.

These risk factors are not intended to represent a complete list of the factors that could affect the Company and investors are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. See "*Risk Factors*" for a discussion for certain factors investors should carefully consider before deciding to invest.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

All of the forward-looking statements contained in this prospectus are expressly qualified by the foregoing cautionary statements. Investors should read this entire prospectus and consult their own professional advisors to ascertain and assess the income tax, legal, risk factors and other aspects of their investment in the Offered Shares.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company the Offered Shares would, if issued on the date hereof and listed on the TSXV a “designated stock exchange” as defined in (which includes the Tax Act), be qualified investments under the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder for trusts governed by a “registered retirement savings plan”, “registered retirement income fund”, “registered education savings plan”, “registered disability savings plan” “tax-free savings account” (collectively referred to as “**Registered Plans**”) or “deferred profit sharing plan”, as each of those terms is defined in the Tax Act.

Notwithstanding that the Offered Shares may be qualified investments for a trust governed by a Registered Plan, the holder of, or an annuitant or subscriber under, a Registered Plan (the “**Controlling Individual**”) will be subject to a penalty on tax on the Offered Shares if the Offered Shares are a “prohibited investment” for the Registered Plan. Offered Shares will generally be a “prohibited investment” if the Controlling Individual does not deal at arm’s length with the Company for the purposes of the Tax Act or the Controlling Individual has a “significant interest” (as defined in the Tax Act) in the Company.

Holders of, and annuitants and subscribers under, Registered Plans should consult their own tax advisors with respect to whether Offered Shares would be a “prohibited investment” having regard to their particular circumstances.

PROSPECTUS SUMMARY

This summary highlights principal features of the Offering and certain information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Common Shares. You should read this entire prospectus carefully, especially the “Risk Factors” section of this prospectus and our consolidated financial statements and related notes appearing elsewhere in this prospectus, before making an investment decision.

THE COMPANY

The Company was established to pursue the investment in, development, acquisition, and management of residential and commercial income producing properties within major urban centres and high-growth, emerging markets in Canada, with an initial focus on the Vancouver and Kelowna markets. The registered and records office of the Company is located at Suite 2600, Three Bentall Centre P.O. Box 49314, 595 Burrard Street, Vancouver, BC V7X 1L3.

Current Assets

The Company currently owns a 51% interest in a commercial property in West Vancouver, British Columbia (the “**WestVan Property**”). On February 25, 2020, the Company acquired the right to purchase Phase One of a light industrial development interest in Kelowna, British Columbia (the “**Kyle Road Property**”), which will be partially funded with the net proceeds of the Offering. See “*Business of the Company - Initial Properties*”.

Strategic Alliances

The Company has entered into agreements to establish Strategic Alliances (the “**Strategic Alliances**”) with Attollo Management Inc. (“**Attollo**”), Denciti Development Corporation (“**Denciti**”) and Yigeda Holdings Ltd. (“**Yigeda**”), (collectively, the “**Strategic Partners**”). Pursuant to these Strategic Alliances, Kadestone will have access to opportunities to acquire commercial property identified by the Strategic Partners for investment and/or development on terms to be negotiated between Kadestone and the applicable Strategic Partner and to assist in identifying and evaluating real estate opportunities for investment and/or development by Kadestone. For the new opportunities identified by Denciti, Denciti will be provided with an opportunity to determine its level of interest in becoming a development manager or other form of engagement.

In the commercial property industry, it is common for assets to be developed and owned through consortiums and partnerships. Accordingly, an integral part of our strategy is to pursue development opportunities and acquisitions through consortium arrangements with our Strategic Partners and other groups. Our Strategic Partners have strong track records in the development, ownership and/or management of commercial property in Canada. The Company believes it can establish and accelerate its presence through the Strategic Alliances.

Strategic Partners

Attollo Management Inc.

Attollo is a comprehensive real estate investment and development management company specializing in origination of pre-listing opportunities primarily in the real estate sector, as well as the acquisition, development and repositioning and sale of multi-family and mixed-use properties for clients. Attollo provides development and construction management oversight for landholders who are seeking to maximize the value in their lands through real estate development. David Negrin is a principal of Attollo and is also a director of the Company.

Denciti Development Corporation

Denciti is a Vancouver, British Columbia based real estate development company specializing in the acquisition, development and repositioning and sale of light industrial, commercial and residential multi-family and mixed-use properties for clients. Denciti's mission is to optimize value in real estate by focusing on location, timing and results to maximize the value in their lands through real estate development. The Principals of Denciti are Garry Fawley, David Fawley and Volodymyr Gusak, all of whom are arm's length parties from the Company.

Yigeda Holdings Ltd.

Yigeda and its related parties have created and deployed numerous business ventures within both Canada and China, in the areas of research and manufacturing, real estate and property management, lighting distribution, farm operations, and healthcare. Travis Chen is a principal of Yigeda and is also an insider and may be considered to be a promoter of the Company, see "*Principal Shareholders*".

In Canada, Yigeda has developed a business model based on supplying cost-competitive, quality building and construction materials sourced from international markets that are provided on a preferential terms basis to Canadian real estate developers.

Investment Objectives

Kadestone was formed to pursue the investment in, development, acquisition, and management of residential and commercial income producing properties within major urban centres and high-growth, emerging markets in Canada, with an initial focus on the Vancouver and Kelowna markets. See "*Business of the Company - Investment Objectives*".

Growth Strategies

The Company's growth strategy will initially be focused primarily on opportunities to acquire additional retail, office and industrial properties that satisfy the Company's investment criteria, as well as to generate greater cash flow from its properties. The Company will seek to leverage its relationship with Strategic Partners to access acquisition opportunities that satisfy the Company's investment guidelines. The Company's external growth strategy will include the following:

1. *Opportunity to Benefit from Strategic Partner's Investment Property Development Pipeline.*
2. *Acquiring Stable Income-Producing Properties.*
3. *Geographic Expansion.*

See "*Business of the Company - Growth Strategies*".

Investment Strategy

The Company's investment strategy is to co-invest, develop or re-develop a portfolio of income producing properties in primary and secondary Canadian markets at attractive valuations by:

- Identifying undervalued properties by leveraging Kadestone's relationships with Strategic Partners and a network of Canada wide brokers. Many of these opportunities may be "off-market" and not widely marketed for sale;
- Targeting diversified real estate assets with the intent to own real estate projects located in well-developed primary and sub-markets with a proven track record of strong sales and profitability; and

- Negotiating with sellers to place properties under contract and conduct a thorough due diligence process including review and analysis of development potential, leases, cash flow models, market studies and environmental reports.

See “*Business of the Company - Investment Strategy*”.

Initial Properties

Kyle Road Property, West Kelowna

2648 Kyle Road, West Kelowna, British Columbia is a stratified industrial park currently being developed by Denciti, a Strategic Partner of the Company. The Kyle Road Property forms part of a larger 5 phase development of a West Kelowna industrial park. The developer is building the new multi-phase strata industrial business park on a 10.3-acre site. The Company obtained the right to acquire the Kyle Road Property interest in this development from Kyle Road Assignor. The Company does not currently have an interest in other phases of the development project.

WestVan Property, West Vancouver

5775 Marine Drive West Vancouver is comprised of two buildings, a one storey non-basement structure of 3,308 square feet and a two-level building of 3,746 square feet. Combined gross building area 7,054 square feet and floor space ratio for the development is 0.30. The property is situated on a 23,450 square feet or 0.538 acre site. The majority of the yard area is asphalt paved or has landscaping in place. The buildings were constructed in 1999. The property has a gross leasable area of 6,463 square feet and as at December 31, 2019, was 54% leased, and was occupied by 2 tenants. The building is situated on the north side of the 5700 block of Marine Drive, located in the Eagle Harbour neighbourhood, an established single-family residential neighbourhood situated between Howe Sound on the south and the Upper Levels Highway to the north. The most significant development in the immediate vicinity is the Thunderbird Marina on the south side of Marine Drive. The nearest commercial services are available in Horseshoe Bay to the west or at the Caulfield Village neighbourhood shopping centre at Headland Drive and the Upper Levels Highway.

See “*Business of the Company - Initial Properties*”.

Directors of the Company

The board of directors of the Company (the “**Board**”) is comprised of Brent Billey, David Negrin, Norm Mayr, Michael Geller and Jacqueline Tucker. See “*Directors and Executive Officers*”.

Executive Officers of the Company

The Company is led by an experienced management team with a proven track record. The exclusive management team includes:

Brent Billey, Director and Chief Executive Officer and David Negus, Chief Financial Officer and Corporate Secretary. See “*Directors and Executive Officers*”.

Cornerstone Investor in the Company

The Cornerstone Investor is a company incorporated in British Columbia that is 100% controlled by Travis Chen, an insider and may be considered to be a promoter of the Company and principal of one of the Company’s Strategic Partners who has agreed to be the cornerstone investor in the Company, see “*Cornerstone Investor*”. On July 3, 2020, Kadestone entered into the Cornerstone Investment Agreement with the Cornerstone Investor. Pursuant to the Cornerstone Investment Agreement, the Company shall sell Common Shares by way of private placement to the Cornerstone Investor for gross proceeds of between \$5,000,000 and \$12,000,000 at the Offering Price, conditional upon the successful completion of this Offering. The exact amount of the Cornerstone Placement will be calculated based on the amount raised

in the Offering under this prospectus such that the total amount raised in the Offering and the Cornerstone Placement will be a minimum of \$14,000,000 and a maximum of \$20,000,000.

Summary of Appraisal and Independent Valuation

The Company retained an appraiser to provide an independent appraisal of the fair market value of the WestVan Property. See “*Summary of Appraisal and Independent Valuation*”.

Capital Management

The Company’s primary objective when managing capital is to provide financial capacity and flexibility to meet its strategic objectives. The Company’s liquidity needs are for development costs, potential property acquisitions, scheduled debt maturities and non-recurring capital expenditures. The Company’s strategy is to meet these needs with one or more of the following: cash flow from operations; credit facilities; and refinancing opportunities.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set out selected financial information for the periods indicated. The selected consolidated financial information set out below as at June 30, 2020 and for the six months ended June, 2020, has been derived from our consolidated financial statements and related notes appearing elsewhere in this prospectus. Our audited consolidated financial statements appearing elsewhere in this prospectus have been audited by our auditors, Davidson & Company LLP.

Selected unaudited financial information from the statement of loss for the six months ended June 30, 2020:

Expenses (unaudited)	\$
Stock-based compensation	421,696
Professional fees ⁽¹⁾	404,937
Consulting fees ⁽²⁾	188,259
Salaries and wages	154,097
Directors fees	55,577
Computer expenses	5,440
Marketing	3,153
Office supplies	3,015
Travel expenses	699
Bank charges	460
	\$1,237,333

Notes:

- (1) Professional fees mainly consist of fees paid to lawyers for professional services.
- (2) Consulting fees mainly consist of consulting expenses to the Chief Executive Officer, the Chief Financial Officer and finance and accounting related expenses.

Selected financial information from the consolidated statement of financial position as at June 30, 2020 and December 31, 2019:

	As at June 30, 2020	As at December 31, 2019
	\$	\$
	(unaudited)	(audited)
Total Current Assets ⁽¹⁾	174,202	938,687
Investment Properties ⁽²⁾	1,688,927	1,679,120

Property Purchase Deposit	<u>1,795,000</u>	<u>-</u>
Total Assets	3,658,129	2,617,807
Accounts Payable and Accrued Liabilities	424,523	191,415
Shareholders' Equity	<u>3,233,606</u>	<u>2,426,392</u>
Total Liabilities and Shareholders' Equity	3,658,129	2,617,807

Notes:

- (1) Current assets mainly consist of cash of \$289,580.
- (2) Investment properties represents the 51% interest in the property in West Vancouver.

THE OFFERING

Issuer	Kadestone Capital Corp.
Offering	Minimum of 2,500,000 to a maximum of 18,750,000 Offered Shares.
Offering Price	\$0.80 per Offered Share.
Offering Size	Minimum of \$2,000,000 to a maximum of \$15,000,000.
Shares Outstanding	Upon completion of the Offering, an aggregate of 46,506,475 Common Shares will be issued and outstanding, assuming the Minimum Offering and an aggregate of 54,006,475 Common Shares will be issued and outstanding, assuming the Maximum Offering.
Common Shares to be owned by the Principal Shareholders immediately after the Offering	9,060,100 Common Shares being approximately 19.48% of the Company's total issued and outstanding Common Shares, assuming the Maximum Offering and approximately 16.78% of the Company's total issued and outstanding Common Shares, assuming the Maximum Offering. See " <i>Principal Shareholders</i> ".
Cornerstone Placement	The Company entered into the Cornerstone Investment Agreement with the Cornerstone Investor for gross proceeds of between \$5,000,000 and \$12,000,000. Such Cornerstone Placement shall close concurrently with, and is conditional upon successful completion of, the Offering. Set out below is a breakdown of the aggregate holding of Shares of our Cornerstone Investor.
Combined Offering	In aggregate, the minimum amount raised in the Offering and the Cornerstone Offering will be \$14,000,000 and the maximum will be \$20,000,000.
Use of Proceeds	The net proceeds to be received by the Company from the Offering is estimated to be between \$1,860,000 and \$13,950,000 (after deducting the Agent's Commission but before the deduction of the Corporate Finance Fee and Agent's Expenses). The Company intends to use the net proceeds from the Offering to fund the acquisition of the Kyle Road project and for future asset acquisitions and working capital and general corporate purposes. See " <i>Use of Proceeds</i> ".
Risk Factors	An investment in the Offered Shares is subject to a number of risks. See " <i>Risk Factors</i> " and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in the Offered Shares.
Dividend Policy	The Company currently intends to retain any future earnings to fund the development and growth of its business and does not currently anticipate paying dividends on the Offered Shares. Any determination to pay dividends in the future will be at the

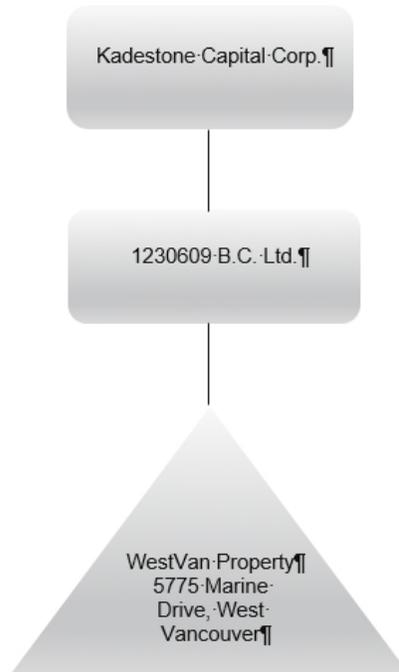
discretion of the Company's Board of Directors and will depend on many factors, including our financial condition, earnings, legal requirements and other factors the Board deems relevant. See "*Dividend Policy*".

CORPORATE STRUCTURE

Incorporation and Office

The Company was incorporated under the British Columbia *Business Corporations Act* on July 2, 2019. The Company's registered and records office is located at Suite 2600, Three Bentall Centre P.O. Box 49314, 595 Burrard Street, Vancouver, BC V7X 1L3.

The current organizational structure of the Company and its subsidiaries is set forth below:



INTERCORPORATE RELATIONSHIPS

The Company holds all the issued and outstanding capital of 1230609 B.C. Ltd. ("**WestVan Holdings**"), a private company incorporated on November 18, 2019 under the laws of the province of British Columbia. The Company entered into a declaration of bare trust and agency agreement with WestVan Holdings dated December 31, 2019 pursuant to which WestVan Holdings agreed to hold legal title to the WestVan Property as nominee, agent and bare trustee for the sole benefit of the Company. The Company intends to hold the Kyle Road Property in a similar manner to the WestVan Property.

CORNERSTONE INVESTOR

The Company entered into the Cornerstone Investment Agreement with the Cornerstone Investor, pursuant to which the Cornerstone Investor agreed to purchase, on a prospectus-exempt basis, a number of Shares (the "**Cornerstone Shares**") at the Offering Price for gross proceeds equal to the greater of (i) \$5,000,000 and (ii) any amount, up to a maximum of \$12,000,000, so that the Offering and the Cornerstone Placement (collectively, the "**Combined Offering**") total, in aggregate at least \$14,000,000. Such Cornerstone Placement shall close concurrently with, and is conditional upon successful completion of, the Offering. Set out below is a breakdown of the aggregate holding of Shares of our Cornerstone Investor.

The Cornerstone Placement is being offered on a prospectus-exempt basis directly between the Company and the Cornerstone Investor pursuant to the "accredited investor" exemption in NI 46-106 "Prospectus Exemptions".

None of the Shares offered pursuant to the Cornerstone Placement are qualified under this Prospectus and do not make up part of the total number of Offered Shares qualified hereunder.

Public Offering Amount	Offering Investment Amount	Cornerstone Investment Amount	Total Amount Raised under Combined Offering	Number of Cornerstone Shares	Cornerstone Shares as a Percentage of the Number of Shares Issued in the Combined Offering	Cornerstone Shares as a Percentage of Outstanding Shares Immediately Following the Offering	Cornerstone Shares as a Percentage of our Fully Diluted Share Capital Immediately Following the Offering
Minimum Offering	\$2,000,000	\$12,000,000	\$14,000,000	15,000,000	85.71%	32.25%	31.08%
Maximum Offering	\$15,000,000	\$5,000,000	\$20,000,000	6,250,000	25%	11.57%	11.21%

The Cornerstone Investor entered into the Cornerstone Investment Agreement, pursuant to which the Cornerstone Investor agreed to invest (1) a minimum of \$5,000,000; and (2) a maximum of \$12,000,000, representing approximately 11.57 - 32.25% of our issued and outstanding Shares immediately following the completion of the Offering. Completion of the Cornerstone Placement is conditioned upon successful completion of the Offering.

The Cornerstone Investor, a current shareholder of the Company, is a corporation that is wholly owned by Travis Chen. Mr. Chen is a principal of Yigeda Enterprises Inc., an insider and may be considered to be a promoter of the Company, and holds Shares through his wholly owned subsidiary, 1235814 B.C. Ltd. As a result of his relationship with Yigeda and its affiliates, Mr. Chen may be considered to have control or direction of up to 5,691,375 Shares in addition to the Cornerstone Investment, for a total of 11,941,375 Shares or 21.42% of the outstanding Shares at closing in the event of the Maximum Offering and 20,691,375 Shares or 44.49% of the outstanding Shares at closing in the event of the Minimum Offering. Please see "*Principal Shareholders.*"

Restrictions on Disposals by the Cornerstone Investor

The Cornerstone Investor has agreed to enter into an escrow agreement in a form similar to that set out in National Instrument 46-201. Please see "*Escrowed Securities and Securities Subject to Restrictions on Transfer*" for details of the material terms of the escrow agreement.

BUSINESS OF THE COMPANY

The Company was established for the purposes of the investment and development of residential and commercial income producing properties and the development and sale of single and multi-family housing in Canada. The registered and records office of the Company is located at Suite 2600, Three Bentall Centre P.O. Box 49314, 595 Burrard Street, Vancouver, BC V7X 1L3. The Company's current activities are related to assets situated in Metro Vancouver and the Okanagan region of British Columbia. The Company's operations will be focused on: development and management of residential and commercial rental units, development and construction of residential housing units for sale.

The Company aims to: (i) generate stable and growing cash distributions on a tax-efficient basis; (ii) enhance the value of the Company's assets and maximize long-term value through active asset and property management; and (iii) expand the asset base of the Company through acquisitions and improvement of its properties, through targeted and strategically deployed capital expenditures.

The Company's growth strategy will initially be focused primarily on opportunities to acquire additional retail, office and industrial properties that satisfy the Company's investment criteria, as well as to generate greater cash flow from its properties. The Company will seek to leverage its relationships with the Strategic Partners to access acquisition opportunities that satisfy the Company's investment criteria. The Strategic Partners' current intention is to present to the Company for its consideration additional investment properties that they will market, or are owned and/or under development, in one or more transactions over the next few years, subject to market conditions. The intention is that the Company will have an opportunity to benefit from Strategic Partners' investment development pipeline.

Current Assets

The Company currently owns a 51% interest in the WestVan Property. On February 25, 2020, the Company acquired the right to purchase the Kyle Road Property, which will be partially funded with the net proceeds of the Offering. See "*Initial Properties*".

Strategic Alliances

The Company has entered into agreements to establish the Strategic Alliances with Attollo, Denciti and Yigeda. Pursuant to these Strategic Alliances, Kadestone will have access to opportunities to acquire commercial property identified by the Strategic Partners for investment and/or development on terms to be negotiated between Kadestone and the applicable Strategic Partner and to assist in identifying and evaluating real estate opportunities for investment and/or development by Kadestone. For the new opportunities identified by Denciti, Denciti will be provided with an opportunity to determine its level of interest in becoming a development manager or other form of engagement.

In the commercial property industry, it is common for assets to be developed and owned through consortiums and partnerships. Accordingly, an integral part of our strategy is to pursue development opportunities and acquisitions through consortium arrangements with our Strategic Partners and other groups. Our Strategic Partners have strong track records in the development, ownership and/or management of commercial property in Canada. The Company believes it can establish and accelerate its presence through the Strategic Alliances.

Strategic Partners

Attollo Management Inc.

Attollo is a comprehensive real estate investment and development management company specializing in origination of pre-listing opportunities primarily in the real estate sector, as well as the acquisition, development and repositioning and sale of multi-family and mixed-use properties for clients. Attollo provides development and

construction management oversight for landholders who are seeking to maximize the value in their lands through real estate development. David Negrin is a principal of Attollo and is also a director of the Company.

Denciti Development Corporation

Denciti is a Vancouver, British Columbia based real estate development company specializing in the acquisition, development and repositioning and sale of light industrial, commercial and residential multi-family and mixed-use properties for clients. Denciti's mission is to optimize value in real estate by focusing on location, timing and results to maximize the value in their lands through real estate development. The Principals of Denciti are Garry Fawley, David Fawley and Volodymyr Gusak, all of whom are arm's length parties from the Company.

Yigeda Holdings Ltd.

Yigeda and its related parties have created and deployed numerous business ventures within both Canada and China, in the areas of research and manufacturing, real estate and property management, lighting distribution, farm operations, and healthcare. Travis Chen is a principal of Yigeda and is also an insider and may be considered to be a promoter of the Company, see "*Principal Shareholders*".

In Canada, Yigeda has developed a business model based on supplying cost-competitive, quality building and construction materials sourced from international markets that are provided on a preferential terms basis to Canadian real estate developers.

Investment Objectives

Kadestone was formed to pursue the investment in, development, acquisition, and management of residential and commercial income producing properties within major urban centres and high-growth, emerging markets in Canada, with an initial focus on the Vancouver and Kelowna markets. The Company intends to directly or indirectly participate in the Projects through a limited partnership or wholly owned subsidiaries and may invest through consortiums or in partnership with other participants in the industry.

The Company has been formed to own, co-invest or develop a portfolio of income producing properties, initially comprised primarily of commercial and light-industrial properties. The Company aims to: (i) generate stable and predictable cash flow with an opportunity for capital appreciation and growing returns, (ii) where appropriate seek co-investment and co-development opportunities to establish its market presence and diversify project risk; and (iii) build value in our businesses through the Company's strategic relationships by partnering with leading developers and building and construction materials supplier(s) to drive down costs of development.

The Company aims to generate stable and growing cash flow and enhance the value of the Company's portfolio of assets and maximize long-term share price value through: active asset management, diversification of Projects, property management, identifying and accessing low cost capital, and cost-control through procurement cost savings.

Growth Strategies

The Company's growth strategy will initially be focused primarily on opportunities to acquire additional retail, office and industrial properties that satisfy the Company's investment criteria, as well as to generate greater cash flow from its properties. The Company will seek to leverage its relationship with Strategic Partners to access acquisition opportunities that satisfy the Company's investment guidelines. The Company's external growth strategy will include the following:

1. *Opportunity to Benefit from Strategic Partner's Investment Property Development Pipeline.* The Company anticipates that it will benefit from potential future acquisition opportunities that may arise from Strategic Partner's commercial development activities.

2. *Acquiring Stable Income-Producing Properties.* The Company will benefit from the experience and expertise of the Strategic Partners. The directors and management of the Company will also select properties for accretive acquisitions. The Company will seek to identify potential property acquisitions to co-invest, develop or re-develop using investment strategy that focus on the quality of the tenants, market demographics, lease terms, opportunities for expansion, security of cash flows, potential for capital appreciation and potential for increasing value through more efficient management of the assets being acquired, including through expansion and repositioning.
3. *Geographic Expansion.* The Company is considering expansion into new geographic markets within Canada including Toronto and Calgary, where it can best exploit its existing competitive advantages with the ability to undertake to co-invest, develop or re-develop opportunities, where appropriate in the future.

Investment Strategy

The Company's investment strategy is to co-invest, develop or re-develop a portfolio of income producing properties in primary and secondary Canadian markets at attractive valuations by:

- Identifying undervalued properties by leveraging Kadestone's relationships with Strategic Partners and a network of Canada wide brokers. Many of these opportunities may be "off-market" and not widely marketed for sale.
- Targeting diversified real estate assets with the intent to own real estate projects located in well-developed primary and sub-markets with a proven track record of strong sales and profitability.
- Negotiating with sellers to place properties under contract and conduct a thorough due diligence process including review and analysis of development potential, leases, cash flow models, market studies and environmental reports.
- Sourcing debt financing terms from various lenders, finalize diligence and debt financing with the selected lender (if applicable), and acquire or invest in the asset.
- Assessing opportunities for development potential and/or to hold the property as an investment property to earn rental income and for capital appreciation.
- Preparing a development plan for each property addressing the property's needs and areas of improvement and apply an entrepreneurial philosophy of re-investing distributions and increasing value over the medium to long term.
- Assessing each property to determine how to optimally develop, refurbish, reposition and/or re-tenant it. In a number of situations, acquisition opportunities exist because it is the existing owner who is distressed and not the asset. This dynamic creates an opportunity to reposition the property through modest and targeted capital projects and/or operational improvements. Kadestone will work closely with contractors to reduce operating costs and will oversee capital expenditure projects to ensure they are on budget and completed on time.
- Benefiting from the experience and expertise of Attollo, Holdings Ltd. and Denciti through the Strategic Agreements, from their development and leasing knowledge capabilities to identify and select properties for accretive acquisitions. The Company will seek to identify potential property acquisitions using an investment criteria that focus on the re-positioning, re-development, and income-generation.
- Outsourcing property management and other real estate property functions and lowering the current operating costs borne by the tenants. This cost reduction target is intended to improve tenant relationships and increase the net operating income of the properties.
- Monitoring the commercial real estate investment and capital markets with a view towards maximizing disposition proceeds.
- Monitoring whether an individual property or properties have been stabilized through the application of Kadestone's asset management strategy and evaluating each such property for sale to realize on value creation. Gains will be sought through an increase in net operating income and capitalization rate

compression. Kadestone will consider disposition alternatives on an individual property, portfolio, or public market basis.

Initial Properties

Kyle Road Property, West Kelowna

2648 Kyle Road West Kelowna, British Columbia is a stratified industrial park currently being developed by Denciti, a Strategic Partner of the Company. The Kyle Road Property forms part of a larger 5 phase development of a West Kelowna industrial park. The developer is building the new multi-phase strata industrial business park on a 10.3-acre site. The Company obtained the right to acquire the Kyle Road Property interest in this development from the Kyle Road Assignor. The Company does not currently have an interest in other phases of the development project.

The property is zoned Light Industrial, to accommodate light industrial uses and associated uses. Building 1, with a total net floor area of 34,581 square feet, will consist of 20 strata units that range in size from 1,423 square feet to 2,400 square feet, including unit footprints from 1,065 to 1,950 square feet, and shell mezzanine development from 358 to 450 square feet. The aggregate Building 1 footprint is 25,695 square feet, with mezzanine development between 19% and 26% of the footprint area. Mezzanine development will be built to a shell finish. Heat in the warehouse will be supplied by gas fired forced air units. The total purchase price for the Kyle Road Property is \$8,975,000, plus GST.

The purchase price payable to Denciti is as follows: (a) a first deposit of \$50,000.00, which has already been paid; (b) a second deposit of \$1,745,000, which has already been paid and (c) the balance of the purchase price payable on the Completion Date, being prior to the outside Completion Date of December 31, 2020.

The Company purchased the right to acquire the Kyle Road Property from the Kyle Road Assignor on February 25, 2020 for \$1,795,000 in Common Shares and cash, which included repayment of the first and second deposit. The Company anticipates using \$2,692,500 of proceeds from this Offering and \$4,487,500 of bank financing to complete its obligations to purchase for a total purchase price of \$8,975,000, if such financing is available on commercially reasonable terms. The Company has received a facility letter from Coast Capital Savings Federal Credit Union dated August 6, 2020, which the Company is in the process of finalizing to obtain financing for the Kyle Road property. The Kyle Road Property is being developed by Denciti (Kyle Rd) Limited Partnership (the "**Kyle Road Vendor**"), a related party to Denciti. The Kyle Road Property is projected to have a Completion Date of the third quarter of 2020. The Company is required to pay the remaining amount of the purchase price on the Completion Date, being \$7,180,000.

WestVan Property

5775 Marine Drive West Vancouver is comprised of two buildings, a one storey non-basement structure of 3,308 square feet and a two-level building of 3,746 square feet. Combined gross building area 7,054 square feet and floor space ratio for the development is 0.30. The property is situated on a 23,450 square feet or 0.538 acre site. The majority of the yard area is asphalt paved or has landscaping in place. The buildings were constructed in 1999. The property has a gross leasable area of 6.463 square feet and as at December 31, 2019, was 54% leased, and was occupied by 2 tenants, each subject to a lease that expires October 31, 2020 and June 2024 respectively. The current gross monthly rent generated from the two leases is \$8,000. The building is situated on the north side of the 5700 block of Marine Drive, located in the Eagle Harbour neighbourhood, an established single-family residential neighbourhood situated between Howe Sound on the south and the Upper Levels Highway to the north. The most significant development in the immediate vicinity is the Thunderbird Marina on the south side of Marine Drive. The nearest commercial services are available in Horseshoe Bay to the west or at the Caulfield Village neighbourhood shopping centre at Headland Drive and the Upper Levels Highway.

On December 31, 2019, the Company purchased a 51% interest in the WestVan Property through WestVan Holdings for \$1,632,000 plus closing costs of \$47,120. The purchase price was based upon an independent property valuation on the estimated market value being \$3,200,000 for 100% of the property. The purchase price

of the WestVan Property was paid by the Company issuing 3,672,000 Common Shares to the WestVan Vendor at a price of \$0.40 per Common Share and paying \$163,200 in cash.

The holder of the 49% interest solely holds the mortgage debt on the WestVan Property. The Company's 51% interest in the WestVan Property is partial security for the mortgage debt. The Company and a director have provided corporate and personal guarantees for the mortgage debt and the Company has indemnified the director for this personal guarantee.

The Company owns 51% of the property with 0995793 BC Ltd. (the "**WestVan Vendor**"), a subsidiary of Yigeda, a Strategic Partner of the Company. The WestVan Vendor is responsible for the management of the property as set out in the operating agreement between the Company and the WestVan Vendor, which provides the Company a 51% share of revenues less operating expenses. The WestVan Vendor initially purchased the WestVan Property on November 6, 2013 for \$2,645,000.

Directors of the Company

The Board of the Company (the "**Board of Directors**") is comprised of Brent Billey, David Negrin, Norm Mayr, Michael Geller and Jacqueline Tucker. See "*Directors and Executive Officers*".

Executive Officers of the Company

The Company is led by an experienced management team with a proven track record. The management team includes:

Brent Billey, Director and Chief Executive Officer and David Negus, Chief Financial Officer and Corporate Secretary. See "*Directors and Executive Officers*".

Summary of Appraisal and Independent Valuation

WestVan Property Appraisal

Grover, Elliott & Co. Ltd. was retained by the Company to provide an appraisal, with such appraisal dated December 9, 2019, with respect to the West Vancouver Property. This appraiser was retained to provide an independent estimate of the aggregate value of the WestVan Property. The appraiser was not given any limiting instructions. The appraisal was prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and Standards of Professional Appraisal Practice, each as adopted by the Appraisal Institute of Canada.

The Appraisal Institute of Canada defines market value as "the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."

The estimated market value of the WestVan Property was \$3.2 million was determined by the appraiser using the income approach. A direct comparison approach valuation was also completed for corroboration purposes. The income approach valuation method is traditionally used by investors when acquiring properties of this nature. The income analysis relies on an assessment of the quality, quantity, and durability of income that a property can produce, analysing the marketplace to learn typical income-to-value ratios for properties recently traded, and combining these analyses to obtain an estimate of value. The simplest application of this technique is direct capitalization of the property's stabilized income. For properties having multiple tenancies and in a strong marketplace, market participants might forecast incomes over a typical holding period and estimate a future sale price. The appraiser gave appropriate consideration to a forecast of income for the property based on contract and market rental rates, growth levels, vacancy rates, tenant roll-overs and operating expenses. The

income approach presumes the property is at stable occupancy and that the owner has paid the cost of space marketing and tenant inducements.

The direct comparison approach involves analysing sales, listings and offers to purchase on similar properties. Market participants apply the results of this analysis to the physical characteristics of the subject property. Although the subject property will trade primarily based on its income generation potential rather than its physical characteristics, the correlation between these factors is sufficient to warrant a direct comparison analysis. The Direct Comparison Approach valuation was \$3,555,000.

The appraiser visited the WestVan Property to assess location and general physical characteristics and estimated the highest and best use. Valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information. The appraiser did not take into account issues such as, but not limited to, mechanical, structural, environmental, zoning, planning or related issues.

In determining the approximate market value of the WestVan Property, the appraiser relied on operating and financial data provided by Yigeda, including rent rolls and capital and expense budgets.

The appraiser reviewed the property's history, current tenant status future prospects and historical operating results and reviewed management revenue and expense estimates for their reasonableness. The appraiser did not take into account legal, engineering, and regulatory requirements applicable to any property, including zoning and other provincial and local government regulations, permits and licenses, or environmental or ecological matters or related issues.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The appraisal is based on various assumptions of future expectations and while the appraiser's internal forecasts of net operating income for the WestVan Property is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

Employees

As of December 31, 2019, Brent Billey (CEO), David Negus (CFO) and James Mutter (Corporate Counsel) were all consultants of the Company. Mr. Billey has subsequently executed an employment agreement with the Company.

As of December 31, 2019, except as noted above, we had nil employees. By leveraging the resources of our Strategic Partners and using independent contractors, we are able to limit the number of fulltime employees.

Environmental Protection

No soil tests or environmental audits of the WestVan Property or Kyle Road Property were commissioned. For valuation details, see "*Summary of Appraisal and Independent Valuation*". The Company does not have any material estimated capital expenditures related to governmental assessments or environmental compliance costs for the remainder of fiscal 2020.

Capital Management

The Company's primary objective when managing capital is to provide financial capacity and flexibility to meet its strategic objectives. The Company's liquidity needs are for development costs, potential property acquisitions, scheduled debt maturities and non-recurring capital expenditures. The Company's strategy is to meet these needs with one or more of the following: cash flow from operations; credit facilities; and refinancing opportunities.

CORE REAL ESTATE MARKETS IN CANADA, COMPETITIVE CONDITIONS AND CYCLES

Market Overview

The following economic information was assembled from government and industry sources and considered by the Company to be reliable.

Vancouver – Economic Indicators

	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP at basic prices (2012 \$ millions)	138,844 3.9	145,164 4.6	148,722 2.5	152,943 2.8	156,957 2.6	160,493 2.3	163,659 2.0	167,033 2.1
Total employment (000s)	1,359 4.7	1,402 3.2	1,427 1.8	1,469 3.0	1,484 1.0	1,503 1.3	1,531 1.9	1,557 1.7
Unemployment rate (per cent)	5.4	4.6	4.3	4.3	4.2	4.3	4.4	4.5
Household income per capita (\$)	46,129 2.4	47,711 3.4	49,389 3.5	50,894 3.0	52,528 3.2	54,249 3.3	56,195 3.6	58,059 3.3
Population (000s)	2,582 1.5	2,611 1.1	2,650 1.5	2,685 1.3	2,713 1.1	2,745 1.2	2,781 1.3	2,822 1.5
Total housing starts	27,914	26,204	23,404	27,649	21,937	20,963	20,079	19,836
Retail sales (\$ millions)	37,572 8.7	40,262 7.2	40,299 0.1	40,166 -0.3	41,482 3.3	43,081 3.9	44,845 4.1	46,562 3.8
CPI (2002 = 1.000)	1,246 2.2	1,273 2.2	1,310 2.9	1,339 2.2	1,364 1.9	1,391 2.0	1,419 2.0	1,448 2.0

Shaded area represents forecast data.

For each indicator, the first line is the level and the second line is the percentage change from the previous period; *italics indicate percentage change*.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Vancouver – General

The Conference Board of Canada indicates Vancouver continues to drive growth which is in line with broader economic conditions in British Columbia. Vancouver real GDP is forecast to grow 2.8% in 2019, and 2.6% in 2020, based on the table above. This supports continued job gains of 3.0% for 2019, and then an expected pull back to 1.0% growth in 2020. Unemployment rate estimates for 2019 to 2023 is expected to range from 4.3% in 2019 to low 4.5% in 2023 which is considered to be low. On a relative basis to other major metropolitan cities in Canada, Vancouver continues to be one of the top performing economies with an expansion of 3.9% on annual basis, from 2014 to 2017. Although growth moderated to 2.5% in 2018, real GDP gains are anticipated to edge up to a solid 2.8% in 2019 and 2.6% in 2020. This trend is expected to continue, though moderately lower for 2019 and beyond.

Vancouver – Real Estate Market

The Metro Vancouver commercial real estate market is currently experiencing low vacancy rates which drives the demand commercial real estate and decreases the risk of holding real estate investments. According to the Colliers Q3 2019 office market report, the vacancy rate in the office market in Metro Vancouver is 3.1%, which represents the 13th consecutive decline in vacancy rates. The Colliers Q3 2019 industrial market report, the vacancy rate in Metro Vancouver is 1.4%, which is below the five-year average of 2.0%. These reports show that both markets have positive net absorption of product short term and long term, which is a trend that is expected to continue in the future. As a result, the Company expects the Metro Vancouver commercial market to have strong investment potential over the next 12 months.

The Metro Vancouver multifamily residential market is currently experiencing strong demand and limited supply based on CBRE's Multifamily Mid-Year 2019 overview. The report states that the vacancy rate in the city is currently at 1.0%, which is the bottom of a 10-year range. In addition, the report states that the rental rates per unit are at a 10-year high, with rents increasing by 7.1% in the last 2 years. Further supporting the demand for

multifamily residential real estate is the expected population growth discussed above. The Company expects multifamily residential in Metro Vancouver to hold investment opportunities by carefully selecting the right assets.

The Conference Board of Canada noted in its Metropolitan Outlook for Autumn 2019 that the local and provincial government has introduced measures to address the 'overheated', real estate market which coupled with higher interest rates in 2018, resulted in 18-year low in resale housing market. The government measures included, a higher property tax rate, targeted at higher value properties, \$3 million and above, a 0.5 to 2% 'speculation tax' on residential property and the City of Vancouver implemented an empty homes tax of 1.0% on homes that are not the principal residence of the owner or rented out for at least 6 months of the year. The Greater Vancouver Real Estate Board reports that in their December 2018 Statistics Package the residential composite index price decreased by 0.9% and the sales volume decreased by 31.6% from December 2017 to 2018. In their December 2019 Statistics Package they noted that from December 2018 to December 2019 the residential composite index price decreased by 2.7% and the sales volume increased by 3.0%.

Kelowna/Central Okanagan - General

Based on the February 2019 Central Okanagan Development Commission report the City of Kelowna and the Okanagan ("Central Okanagan") represent the 3rd largest census metropolitan area in British Columbia after Vancouver and Victoria. The region has \$1.7 billion in annual tech impact with 633 tech companies in the Okanagan Valley, approximately 240 wineries and the 10th busiest airport in Canada. The Central Okanagan as of 2016 has a population of 194,882 which is up from 179,839 in 2011 a population growth of 8.4%. Kelowna is also home to the University of British Columbia satellite campus UBC Okanagan which currently has 9,935 students. The area is a popular tourism destination for residents from B.C. and Alberta as well as outside these areas.

Kelowna – Real Estate Market

The Kelowna commercial real estate market currently has a 3.4% and 0.57% vacancy rate in the office and industrial markets, respectively per the Colliers Q3 2019 Office Market. This report further report states that the Kelowna office market continues to see a decline in vacancy as more commerce and entrepreneurship floods into the city. As a result the net rental rates have increased by 13.3% from 12 months prior. According to the Colliers Q3 2019 Industrial Market report the region is experiencing critically low vacancy rates as a result of high demand within the region. Over 325,000 sf of supply has been absorbed during the last year and 200,000 sf is currently under construction. This has led to an 8.6% rental rate increase in the 12 months prior. As a result, the Company expects a strong commercial real estate market in the area with strong investment potential over the next 12 months.

CENTRAL OKANAGAN SALES ACTIVITY



LandShare Report | Spring 2019 | Thompson Okanagan | Colliers International

According to Thompson Okanagan Colliers LandShare Report Spring 2019, the transaction volume continues to focus on land, accounting for 69% of transactions in the last 6 months. The price per buildable square-foot for multifamily land has increased 77% to \$73.02 psf in the region and 138% to \$75.07 psf in the Kelowna urban centre compared to the same period last year. This increase primarily reflects the high desirability of multifamily land and related developments in the Kelowna centre coupled with the premium paid by developers for relatively smaller parcels, which averaged 0.55 acres over the last six months compared to 1.24 acres during the same period last year.

Greater Toronto – Economic Indicators

While we do not have any assets in Toronto, we are actively exploring opportunities in various areas across Canada to fulfill our expansion goals.

	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP at basic prices (2012 \$ millions)	357,118 3.0	368,273 3.1	376,731 2.3	384,078 2.0	392,500 2.2	401,592 2.3	410,803 2.3	420,747 2.4
Total employment (000s)	3,215 1.2	3,290 2.3	3,354 1.9	3,440 2.6	3,473 1.0	3,542 2.0	3,608 1.9	3,680 2.0
Unemployment rate (per cent)	7.0	6.5	6.1	6.0	5.8	5.7	5.7	5.6
Household income per capita (\$)	46,534 -0.1	48,208 3.6	49,714 3.1	51,051 2.7	52,068 2.0	53,554 2.9	55,089 2.9	56,746 3.0
Population (000s)	6,125 1.3	6,217 1.5	6,342 2.0	6,477 2.1	6,606 2.0	6,737 2.0	6,868 1.9	6,999 1.9
Total housing starts	39,027	38,738	41,107	34,464	37,250	39,290	40,000	40,350
Retail sales (\$ millions)	82,702 7.2	90,232 9.1	93,079 3.2	96,300 3.5	100,713 4.6	105,072 4.3	109,526 4.2	114,408 4.5
CPI (2002 = 1.000)	1,310 2.0	1,337 2.1	1,371 2.5	1,400 2.2	1,428 2.0	1,459 2.1	1,490 2.1	1,520 2.0

Shaded area represents forecast data.

For each indicator, the first line is the level and the second line is the percentage change from the previous period; *italics indicate percentage change.*

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Greater Toronto - General

The Conference Board of Canada noted in its Metropolitan Outlook for Autumn 2019 that Toronto is an economic driver for the province of Ontario and accounts for nearly 50% of the GDP of the province. The real GDP growth rates are above the provincial average and are forecasted to do so into 2023. Based on the chart above, population rates gains are expected to average 2.0% per year between 2019 and 2023, which is above the 1.4% average increases of the last 10 years. Toronto's labour market grew by 2.1% annual from 2016 to 2018 and is expected that growth will slow but remain steady at 1.87% from 2018 to 2023 and fare well this year and next, with the anticipated creation of a cumulative 326,000 net new jobs.

Greater Toronto – Real Estate Market

The Greater Toronto commercial real estate market currently has a 4.1% and 1.4% vacancy rate in the office and industrial markets, respectively, according to the Colliers Q3 2019 Office and Industrial Market report. The Office Market report also noted here is currently 9.2M sf of office space supply currently under construction which is expected to be absorbed into this balanced market. The Colliers Q3 2019 Industrial Market report states because of constrained industrial space supply the vacancy is close to zero. This is leading to increases in lease rates in the industrial market. The reports state that both markets have positive net absorption during Q3 2019, which is a trend that is expected to continue in the future. As a result, the Company expects a strong industrial market and a balanced office market in the Greater Toronto area. This indicates that these areas have strong investment potential over the next 12 months.

The Greater Toronto multifamily residential market is currently also experiencing strong demand and limited supply similar to Metro Vancouver. CBRE's Multifamily Mid-Year 2019 overview reports that the vacancy rate in the city is currently at 1.1%, which is the bottom of a 10-year range. In addition, the report states that the rental rates per unit are at a 10-year high, with rents increasing by 5.0% in the last 2 years. Further supporting the demand for multifamily residential real estate is the expected population growth discussed above. The Company expects multifamily residential in Greater Toronto to continue to yield favorable returns.

Calgary – Economic Indicators

While we do not have any assets in Calgary, we are actively exploring opportunities in various areas across Canada to fulfill our expansion goals.

	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP at basic prices (2012 \$ millions)	116,416 -3.8	122,273 5.0	125,765 2.9	125,217 -0.4	127,764 2.0	131,360 2.8	134,641 2.5	137,785 2.3
Total employment (000s)	804 -1.5	830 3.3	837 0.8	861 2.8	866 0.6	878 1.5	896 1.9	910 1.7
Unemployment rate (per cent)	9.4	8.5	7.9	7.1	7.1	6.7	6.4	6.3
Household income per capita (\$)	57,672 -11.9	59,617 3.4	60,763 1.9	62,807 3.4	64,012 1.9	65,673 2.6	67,799 3.2	69,575 2.6
Population (000s)	1,438 1.7	1,459 1.5	1,486 1.8	1,514 1.9	1,541 1.8	1,570 1.9	1,600 1.9	1,631 1.9
Total housing starts	9,245	11,534	10,971	9,540	11,056	12,513	12,498	12,554
Retail sales (\$ millions)	27,245 -3.6	29,679 8.9	30,630 3.2	31,331 2.3	32,763 4.6	34,262 4.6	36,154 5.5	37,839 4.7
CPI (2002 = 1.000)	1.356 1.0	1.378 1.6	1.411 2.4	1.435 1.7	1.461 1.8	1.489 1.9	1.518 2.0	1.549 2.0

Shaded area represents forecast data.

For each indicator, the first line is the level and the second line is the percentage change from the previous period; *italics indicate percentage change.*

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Calgary - General

Calgary's economy has historically been closely linked to energy market conditions, as the Calgary CMA is home to many service-providing companies along the energy-sector value chain noted in the Conference Board of Canada's Metropolitan Outlook for Autumn 2019. Based on the table above. Calgary's GDP experienced growth

of 3.94% from 2016 to 2018, but a contraction of 0.4% was expected in 2019. The projected forecast from 2018 to 2023 is expected to show a return to growth with an annualized GDP growth of 1.84%. Calgary's unemployment rate was at 7.9% in 2018, which is considered to be high, but is projected to fall to 6.3% by 2023 with a net job creation of 73,000 jobs over that period.

Calgary – Real Estate Market

The Calgary commercial real estate market is currently experiencing the effects of the downturn in the local economic conditions according to the Colliers Q3 2019 Office Market report. Noted in the report, the vacancy rate is 25.1%, with companies downsizing their space to trim operating costs. The report also states that there is a "flight to quality" trend, where companies who have the budget are upgrading the quality of their space at a discount. The Colliers Q3 2019 Industrial Market report states that the vacancy rate in is 6.1%. Although the local economic conditions have deteriorated, Calgary continues to serve as an attractive destination for large warehouses and distribution users, with efficient, brand-new product being offered to the market. The Company is cautiously looking at Calgary as an opportunity to purchase assets for a discount, with the expectation of a higher yield in the future.

The Calgary multifamily residential market is currently a balanced market despite the downturn in the local economy according to CBRE's Multifamily Mid-Year 2019 report. The report notes that the vacancy rate in the city is currently at 3.9%, which is the middle of the 10-year range. The report states that the rental rates per unit are close to a 10-year high, but rental rates only increased by 0.2% in the last 2 years. Further supporting the demand for multifamily residential real estate is the expected population growth discussed above. The Company expects multifamily residential in Calgary to hold opportunity of investment in carefully selected product.

ACQUISITIONS OF ASSETS OF THE BUSINESS

INITIAL PROPERTIES

Pursuant to the WestVan Agreement, the Company acquired a 51% interest in the WestVan Property from the WestVan Vendor on December 31, 2019. Pursuant to the Assignment, Assumption, and Modification of Purchase Agreement (the "**Kyle Road Agreement**"), Yigeda Enterprises Inc. (the "**Kyle Road Assignor**") assigned its interest and deposit in the Kyle Road Property to the Company on February 25, 2020.

WESTVAN PROPERTY

Overview

The Company acquired a 51% interest in the WestVan Property from the WestVan Vendor pursuant to the WestVan Agreement for an aggregate purchase price of \$1,632,000 in the manner summarized below.

Principal Transaction Steps

Pursuant to the WestVan Agreement and related documents, the acquisition of the WestVan Property interest was carried out through the following steps effective December 31, 2019:

1. the Company issued the WestVan Vendor 3,672,000 Common Shares at a price of \$0.40 per Common Share and an additional \$163,200 in cash;
2. the WestVan Vendor transferred to the Company an undivided 51% beneficial interest in the WestVan Property;
3. the WestVan Vendor transferred to WestVan Holdings an undivided 51% legal interest in the WestVan Property to hold as nominee, agent, and bare trustee for the Company; and
4. the Company entered into a declaration of bare trust and agency agreement with WestVan Holdings dated December 31, 2019 pursuant to which the Company directed WestVan

Holdings, and WestVan Holdings agreed to hold legal title as nominee, agent and bare trustee for the sole benefit of the Company.

Acquisition Agreement

Pursuant to the WestVan Agreement, on December 31, 2019, the WestVan Vendor transferred to the Company an undivided 51% beneficial interest in the WestVan Property and transferred to WestVan Holdings an undivided 51% legal interest in the WestVan Property to hold as nominee, agent, and bare trustee for the Company. The Company issued the WestVan Vendor 3,672,000 Common Shares at a price of \$0.40 per Common Share and an additional \$163,200 in cash. The WestVan Agreement contains standard representations and warranties for the transfer of the interest in the WestVan Property on an “as is, where is” basis.

The holder of the 49% interest solely holds the mortgage debt on the WestVan Property. The Company’s 51% interest in the WestVan Property is partial security for the mortgage debt. The Company and a director have provided corporate and personal guarantees for the mortgage debt and the Company has indemnified the director for this personal guarantee. Pursuant to a property management and operating agreement dated December 31, 2019 between WestVan Holdings and 0995793 B.C. Ltd., WestVan Holdings appoints 0995793 B.C. Ltd. as the property manager to act on behalf of the joint owners to receive a 51% share of revenue’s less operating expenses.

ACQUISITION OF KYLE ROAD PROPERTY

Overview

The Company acquired the assignment of the Kyle Road Assignor’s rights in the Kyle Road Purchase Agreement pursuant to the Kyle Road Agreement for an aggregate purchase price of approximately \$1,795,000 in the manner summarized below.

Principal Transaction Steps

Pursuant to the Kyle Road Agreement and related documents, the acquisition of the Kyle Road Property interest was carried out through the following steps:

1. the Company paid to the Kyle Road Assignor \$179,500 in cash and issued to the Kyle Road Assignor 2,019,375 Common Shares at a price of \$0.80 per Common Share as a reimbursement of the deposit paid by the Kyle Road Assignor to the Kyle Road Vendor; and
2. the Kyle Road Assignor assigned to the Company all of the Kyle Road Assignor’s rights to purchase the Kyle Road Property pursuant to the Kyle Road Purchase Agreement.

Assignment, Assumption and Modification of Kyle Road Agreement

Pursuant to an offer to purchase and agreement of purchase and sale dated September 18, 2019 and accepted September 19, 2019 between the Kyle Road Vendor, as vendor, and the Kyle Road Assignor, as purchaser (the “**Kyle Road Purchase Agreement**”), the Kyle Road Vendor agreed to sell and the Kyle Road Assignor agreed to purchase the Kyle Road Property, being strata lots 1 through 20, inclusive (being unit numbers 101 through 120, inclusive) in the commercial development commonly known as “Kyle Road Business Park” to be constructed by the Kyle Road Vendor on the lands currently municipally known as 2648 Kyle Road, West Kelowna, British Columbia, on the terms and conditions set out in the Purchase Agreement.

Pursuant to the Kyle Road Agreement, the Kyle Road Assignor assigned to the Company all of the Kyle Road Assignor’s rights, title, and interest in the Kyle Road Purchase Agreement and the Company assumed all of the Kyle Road Assignor’s covenants, agreements, and obligations in connection with the Kyle Road Purchase Agreement. In exchange, the Company paid to the Kyle Road Assignor \$179,500 in cash and issued to the Kyle Road Assignor 2,019,375 Common Shares at a price of \$0.80 per Common Share as a reimbursement of the deposits paid by the Kyle Road Assignor to the Kyle Road Vendor.

Kyle Road Purchase Agreement

The Kyle Road Purchase Agreement is a real estate offer to purchase and agreement of purchase and sale between the Kyle Road Vendor, as vendor, and the Kyle Road Assignor, as purchaser, whereby the Kyle Road Vendor offers to sell to the Kyle Road Assignor the Kyle Road Property, being the Strata Lots of the strata plan to be registered for the real property municipally described as 2648 Kyle Road, West Kelowna, British Columbia for a purchase price of \$8,975,000. The Company was assigned the Kyle Road Purchase Agreement from the Kyle Road Assignor, pursuant to the Kyle Road Agreement. The Kyle Road Purchase Agreement contains representations and warranties typical of those contained in real estate purchase agreements negotiated between sophisticated purchasers and vendors acting at arm's length. The representations and warranties include, among other things: representations and warranties as to title to the properties, existence and capacity, due authorization, residency, construction standard and compliance with applicable laws. Certain of the representations and warranties are qualified as to knowledge (after reasonable inquiry), materiality and disclosure. The Kyle Road Vendor has provided representations and warranties, as applicable, in favour of the Kyle Road Assignor (and, upon assignment, the Company) relating to the Kyle Road Vendor and the Kyle Road Property. Pursuant to the assignment, the Company as assignee agrees to indemnify the Kyle Road Vendor against property transfer tax payable in connection with the assignment.

A first and second deposit of \$50,000 and \$1,745,000, respectively, were paid by Kyle Road Assignor to the Kyle Road Vendor upon signing. The balance of the purchase price is payable on the Completion Date (as defined below). The Kyle Road Vendor will subdivide the parent parcel of the Kyle Road Property by filing in the Kamloops Land Title Office a final strata plan prepared by a British Columbia land surveyor with respect to the development. Upon acceptance by the Kamloops Land Title Office for full registration of the same, title to each of the Strata Lots will be created. Pursuant to the Kyle Road Purchase Agreement, the completion of the purchase and sale of the Kyle Road Property (the "**Completion Date**") will occur ten business days after the date notice is sent that title to the Company that that Kyle Road Property has been issued by the Kamloops Land Title Office, which is estimated to be in the third quarter of 2020. The Kyle Road Vendor will execute and deliver standard transfer documents to the Company on or before the Completion Date.

The Kyle Road Purchase Agreement may be cancelled by either party if the Completion Date has not occurred by December 31, 2020 (the "**Outside Date**") on written notice to the other party and the deposits, without interest, will be returned to the Company unless the parties agree in writing to further extend the Completion Date. If the Kyle Road Purchase Agreement is cancelled after the Outside Date, the Kyle Road Vendor will have no further liabilities or obligations under the Kyle Road Purchase Agreement whatsoever to the Company by reason or in respect thereof, including costs of alternative commercial accommodation. The Kyle Road Vendor may, at its sole option exercisable prior to the Outside Date, elect to extend the Outside Date by 120 days.

CAPITAL EXPENDITURES

Following Closing, the Kyle Road Property development will be undertaken by the Kyle Road Vendor, and the Company intends on paying additional amounts as set out in "*Use of Proceeds*".

USE OF PROCEEDS

The Company intends to spend the funds available to it as stated in this prospectus in the direct investment in properties. The timing of such investment will depend upon, among other things, the identification of properties meeting the criteria for acquisition. Pending their investment in the acquisition of properties, the proceeds from the issuance of common shares and other funds not fully invested or utilized for working capital needs will be held in cash and bank deposits.

This Offering is subject to the completion of a minimum subscription of 2,500,000 Offered Shares for gross proceeds to the Issuer of \$2,000,000. It is expected that the Closing will occur on a date agreed upon by the Company and the Agent, but not later than the date that is 90 days after a receipt is issued or, if a receipt has been issued for an amendment to this Prospectus, within 90 days of issuance of such receipt, and in any event not later than 180 days from the date of receipt for this Prospectus.

Assuming the Minimum Offering of \$2,000,000, the estimated net proceeds to the Company from the Offering will be approximately \$1,550,000 and \$13,550,000 under the Combined Offering (after deducting the expenses of the Offering, Corporate Finance Fee and Agent's Commission).

Activity or Nature of Expenditure	Assuming Minimum Offering	Assuming Maximum Offering
Estimated consolidated working capital as at July 31, 2020	\$(450,262)	\$(450,262)
Gross cash proceeds to be raised pursuant to the Offering	\$2,000,000	\$15,000,000
Gross cash proceeds to be raised pursuant to the Cornerstone Placement	\$12,000,000	\$5,000,000
Agent's Commission to be paid pursuant to the Offering ⁽¹⁾	\$(450,000)	\$(1,050,000)
Corporate Finance Fee (excluding GST)	\$(50,000)	\$(50,000)
Estimated additional expenses and costs relating to the Offering	\$(200,000)	\$(200,000)
Estimated funds available on completion of the Offering and Cornerstone Placement	\$12,849,738	\$18,249,738
Kyle Road Property remaining purchase price	\$2,692,500 ⁽²⁾	\$2,692,500 ⁽¹⁾
Unidentified expenditures related to future property investments	\$8,500,000	\$13,900,000
General and administrative expenses for 12 months	\$1,500,000 ⁽³⁾	\$1,500,000 ⁽²⁾
Unallocated working capital	\$157,238	\$157,238
Total Use of Funds	\$12,849,738	\$18,249,738

Notes:

- (1) Assuming no President's List purchasers. The Agent's Commission is equal to 7.0% of the proceeds of the Offering, subject to a reduced commission of 2.0% for Offered Shares sold by the Agents to President's List purchasers. The minimum commission paid in connection with the Combined Offering shall be \$450,000.
- (2) On February 25, 2020, the Company executed the Kyle Road Agreement and paid \$1,795,000 to acquire the rights to the Kyle Road Purchase Agreement. The total purchase price of the Kyle Road Property is \$8,975,000, consisting of a non-refundable \$1,795,000 deposit, \$2,692,500 to be funded from proceeds of the Offering and the remaining \$4,487,500 to be funded by bank financing, if obtainable. The Company has received a facility letter from Coast Capital Savings Federal Credit Union dated August 6, 2020, which the Company is in the process of finalizing to obtain financing for the Kyle Road Property.
- (3) The funds will be used to fund business operations to the extent that revenues from operations are insufficient to cover operating expenses. The Company anticipates that its expenses for the next 12 months, based on current operations, to be in the approximate amount of \$1.5 million including the following estimated amounts: \$675,000 in wages; \$325,000 in consultant fees; \$200,000 board expenses; \$150,000 in legal and accounting; \$50,000 in rent; \$50,000 in listing and ongoing regulator matters and \$50,000 in insurance.

The gross proceeds will be used to: pay the Agent's Commission; pay the remaining amount of the Corporate Finance Fee of \$25,000 plus GST; pay the other expenses of this Offering estimated at \$50,000; pay the remaining Kyle Road Property purchase price; use the aggregate amounts to fund the unidentified property acquisitions; and create reasonable working capital reserves for such property acquisitions.

BUSINESS OBJECTIVES AND MILESTONES

For the purposes of the remaining \$4,487,500 balance that will be used to complete the purchase of the Kyle Road Property, if the Company is unable to obtain bank financing on commercially reasonable terms by the Completion Date of the Kyle Road Property, currently scheduled for the third quarter of 2020, the Company may re-allocate the additional proceeds from this Offering to satisfy this obligation and reduce the amount spent on unidentified property acquisitions. The Company has received a facility letter from Coast Capital Savings Federal Credit Union dated August 6, 2020, which the Company is in the process of finalizing to obtain financing for the Kyle Road property.

The Company intends to spend its available funds as set out in this Prospectus. However, there may be situations where, due to changes in the Company's circumstances, business outlook, property status and or for other business circumstances, that a reallocation of funds is necessary in order for the Company to achieve its overall business objective. Management has, and will continue to have, the discretion to modify the allocation of the Company's available funds, including the net proceeds of the Offering, if necessary. If an unforeseen event occurs, business conditions change or the Company needs to account for business fluctuations, the Company may redirect its available funds, including the net proceeds of the Offering, to purposes other than as described

in this Prospectus. The actual amount that the Company spends in connection with each of the intended uses of funds may vary significantly from the amounts specified above and will depend on a number of factors.

PLAN OF DISTRIBUTION

GENERAL

Pursuant to the Agency Agreement, the Company has appointed the Agent as its agent to offer for sale, on a commercially reasonable basis, on Closing, an aggregate of 2,500,000 Offered Shares (assuming the Minimum Offering) and 18,750,000 Offered Shares (assuming the Maximum Offering), at a price per Offered Share equal to the Offering Price, for aggregate gross consideration of \$2,000,000 for the Minimum Offering and \$15,000,000 for the Maximum Offering payable in cash to the Company against delivery of the Offered Shares on the Closing Date, subject to and in compliance with all of the necessary legal requirements and conditions contained in the Agency Agreement.

In consideration for the services provided by the Agent in connection with the Offering and pursuant to the terms of the Agency Agreement, the Company has agreed to pay to the Agent the Agent's Commission, equal to 7.0% of the aggregate gross proceeds from the sale of Offered Shares, subject to a reduced commission equal to 2.0% of the aggregate gross proceeds from the sale of Offered Shares to the President's List purchasers. If the gross proceeds from the Offering is at least \$2,000,000, not including the proceeds from the Cornerstone Offering, the commission payable shall be the greater of \$450,000 and the Agent's Commission as calculated above. The Company has also agreed to pay a Corporate Finance Fee of \$50,000, plus GST (of which \$25,000 plus GST has been paid on a non-refundable basis) and certain expenses of the Agent in connection with the Offering. In addition, the Company will issue to the Agent the Agent Options to purchase up to a number of Common Shares equal to 5% of the Offered Shares issued on the Closing Date exercisable at a price per Common Share equal to \$0.80 for a period of 2 years following issuance.

The Offering Price was determined by negotiation between the Company and the Agent, based upon several factors, including the history of, and prospects for, the Company's business and the industry in which it competes and an assessment of the Company's management, operations and financial results, and may bear no relationship to the price that will prevail in the public market.

The Offering is being made concurrently in British Columbia, Alberta and Ontario. The Offered Shares will be offered through the Agent directly. Subject to applicable law, the Agent may offer the Offered Shares outside of Canada. The Company has agreed to indemnify the Agent and its directors, officers and employees against certain liabilities pursuant to the Agency Agreement, including liabilities under Canadian securities legislation, or will contribute to payments the Agent may be required to make in respect thereof.

There is currently no market through which Common Shares may be sold and prospective purchasers may not be able to resell Common Shares purchased under this prospectus. The Company has applied to list the Offered Shares distributed under this prospectus on the TSXV. Listing will be subject to the Company fulfilling all of the listing requirements of the TSXV. Closing of the Offering is conditional on the Common Shares being approved for listing on the TSXV.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Agent reserve the right to close the subscription books at any time without notice.

This Offering is subject to the completion of a minimum subscription of 2,500,000 Offered Shares for gross proceeds to the Issuer of \$2,000,000, which proceeds shall be held by the Agent pending the completion of the Offering. If the minimum subscription is not completed within 90 days of the issuance of a receipt for the final prospectus, all subscription monies will be returned to Subscribers without interest or deduction.

NO REGISTRATION IN THE UNITED STATES OF AMERICA

The Offered Shares have not been and will not be registered under the U.S. Securities Act, or any U.S. state securities laws and, accordingly, may not be offered, sold, or delivered directly or indirectly, within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Agent has agreed that, except as permitted by the Agency Agreement and as expressly permitted by applicable United States federal and state securities laws, they will not offer or sell any of the Offered Shares within the United States. The Agency Agreement permits the Agent to offer and sell the Offered Shares purchased by them outside the United States in compliance with Regulation S under the U.S. Securities Act. The Agency Agreement also permits the Agent to (i) offer and resell the Offered Shares that they have acquired pursuant to the Agency Agreement in the United States to persons who are “qualified institutional buyers”, as such term is defined in Rule 144A under the U.S. Securities Act, in compliance with Rule 144A under the U.S. Securities Act and applicable U.S. state securities laws, and (ii) offer the Offered Shares in the Offering in the United States to persons to whom the Company will sell such securities directly as substituted purchasers where such persons are “accredited investors” as defined in Rule 501(a) of Regulation D under the U.S. Securities Act, in compliance with Rule 506(b) of Regulation D under the U.S. Securities Act and applicable U.S. state securities laws.

This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Offered Shares in the United States. In addition, until 40 days after the commencement of the Offering, any offer or sale of Offered Shares offered hereby within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act.

The Offered Shares offered or sold in the United States will be “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act. Any certificates representing such Offered Shares will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable U.S. state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable U.S. state securities laws.

Terms used and not defined in the three preceding paragraphs shall have the meanings ascribed thereto by Regulation S under the U.S. Securities Act.

CLOSING MECHANICS

Other than in certain circumstances, it is anticipated that the Offered Shares will be delivered electronically through the NCI system of CDS. On the Closing Date, the Company, via its transfer agent, will electronically deliver the Offered Shares registered to CDS or its nominee. Transfers of ownership of Offered Shares in Canada must be effected through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of shareholders who hold Offered Shares in CDS must be exercised through, and all payments or other property to which such shareholders are entitled, will be made or delivered by CDS or the CDS participant through which the shareholder holds such Offered Shares. A holder of an Offered Share participating in the NCI system will not be entitled to a certificate or other instrument from the Company or the Company’s transfer agent evidencing that person’s interest in or ownership of Offered Shares, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS participant. The ability of a beneficial owner of Offered Shares to pledge such Offered Shares or otherwise take action with respect to such owner’s interest in such Offered Shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

As at the date of this Prospectus, Kadestone does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

DESCRIPTION OF THE OFFERED SHARES

The holders of the Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of shareholders. Each Common Share carries the right to one vote. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the payment by the Company of all of its liabilities. The holders of Common Shares are entitled to receive dividends as and when declared by the Board in respect of the Common Shares on a pro rata basis. Upon the Company becoming a reporting issuer, there will be no pre-emptive, redemption, retraction, purchase or conversion rights attached to the Common Shares.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company before and after giving effect to the Offering. This table is presented and should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus and with the information under “*Management’s Discussion and Analysis*”.

	As at June 30, 2020	As at June 30, 2020 and adjusted to give effect to the Minimum Offering and Cornerstone Offering	As at June 30, 2020 and adjusted to give effect to the Maximum Offering and Cornerstone Offering
	\$	\$	\$
Short-term debt	Nil	Nil	Nil
Long-term debt	Nil	Nil	Nil
Non-controlling interests	Nil	Nil	Nil
Shareholders’ equity	3,233,606	17,233,606	23,233,606
Total capitalization	3,233,606	17,233,606	23,233,606

DESCRIPTION OF SHARE CAPITAL

Common Shares

The Company’s authorized capital consists of an unlimited number of Common Shares, of which 29,006,475 Common Shares are issued and outstanding as at the date of this Prospectus. The holders of the Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of shareholders. Each Common Share carries the right to one vote. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the payment by the Company of all of its liabilities. The holders of Common Shares are entitled to receive dividends as and when declared by the Board in respect of the Common Shares on a pro rata basis. Upon the Company becoming a reporting issuer, there will be no pre-emptive, redemption, retraction, purchase or conversion rights attached to the Common Shares.

Options

As of the date of this Prospectus, 1,750,000 options to purchase Common Shares ("**Options**") have been granted pursuant to the Company's Stock Option Plan ("**Option Plan**").

Option Plan

On December 31, 2019, the Board adopted the Option Plan. The purpose of the Option Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified directors, officers, employees and consultants, to reward those individuals from time to time for their contributions toward the long term goals of the Company and to enable and encourage those individuals to acquire Common Shares as long term investments. Upon becoming a reporting issuer, the Company will be required to obtain shareholder approval of the Option Plan on a yearly basis in accordance with the policies of the TSXV. The general terms and conditions of the Option Plan are reflected in the disclosure below.

The Option Plan will be administered by the Administrator (as defined in the Option Plan) on the instructions of the Board. The Board may delegate to the Administrator or any director, officer or employee of the Company such administrative duties and powers as it may see fit.

The eligible participants are any director, officer, employee or consultant of the Company (including any subsidiary of the Company), as the Board may determine.

Each Option entitles the holder thereof (an "**Option Holder**") to purchase one Common Share at an exercise price set at the time of the grant.

Subject to certain limitations, the number of Common Shares that will be available for directors, officers, employees and consultants to acquire pursuant to an Options granted under the Plan will not at any time exceed 10% of the Company's then outstanding Common Shares.

If, and for so long as, the Common Shares are listed on the TSXV, the number of Common Shares which may be issuable under the Option Plan and all of the Company's other previously established or proposed share compensation arrangements (a) shall not exceed 10% of the total number of the issued and outstanding Common Shares; (b) to any one Option Holder within a 12 month period shall not exceed 5% of the total number of the issued and outstanding Common Shares; and (c) within a one-year period (i) to any one person, shall be no more than 5% of the total number of issued and outstanding Common Shares, with the exception of a consultant who may not receive grants of more than 2% of the total number of issued and outstanding Common Shares; and (ii) to persons employed to conduct Investor Relations Activities (as defined in the Option Plan), shall be no more than an aggregate of 2% of the total number of issued and outstanding Common Shares at any one time.

The exercise price of an Option will be determined by the Board at the time of the grant but will be no lower than the market value of the Common Shares as of the award date. If the Common Shares are listed on the TSXV or one or more alternative organized trading facilities, the market value will be (a) the closing price of the Common Shares on the last trading day immediately preceding the award date; or (b) a value within the parameters set by the guidelines or policies of such organized trading facility. If the Common Shares are not listed on any organized trading facility, the market value will be determined by the Board, subject to the necessary approvals of the applicable regulatory authorities.

The vesting and exercise period of an Option will be determined by the Board at the time of grant; however, the exercise period of an Option shall not be greater than ten years from the award date.

Subject to certain limitations, in the event that an Option Holder's position as a director, officer, employee or consultant is terminated for any reason other than long term disability, death or for cause, the Options held by such Option Holder may be exercised within 90 days of termination, provided such Options have vested and not expired.

Subject to certain limitations, in the event that an Option Holder's position as a director, officer, employee or consultant is terminated as a result of his or her long term disability, any Options held by such Option Holder that could have been exercised immediately prior to such termination of service shall be exercisable by such Option Holder, or by his or her guardian, for a period of one year following the termination of service of such Option Holder.

Subject to certain limitations, in the event that an Option Holder's position as a director, officer, employee or consultant is terminated as a result of death, any Options held by such Option Holder shall pass to the Qualified Successor (as defined in the Option Plan) of such Option Holder, and shall be exercisable by the Qualified Successor for a period of one year following the death.

In the event that an Option Holder's employment is terminated for cause, the Options held by such Option Holder shall expire and terminate on the date of such termination for cause.

Holder of Options	Number of Optionees	Common Shares Underlying Options	Exercise Price	Expiry Date⁽¹⁾
Executive Officers	2	1,000,000	\$0.40	December 31, 2029
Executive Officer	1	100,000	\$0.80	June 10, 2030
Consultant	1	250,000	\$0.40	December 31, 2029
Directors	4	400,000	\$0.80	March 3, 2030
Total	7	1,750,000	\$0.40 - \$0.80	

Note:

(1) With the exception of 350,000 granted to an executive officer of the Company that vest in 6 equal tranches on each of the subsequent one-month anniversaries of the Grant Date (as that term is defined in the Option Plan), options will vest in 36 equal tranches on each of the subsequent one-month anniversaries of the Grant Date until all such options have vested.

PRIOR SALES

The following table contains details of the prior sales of Common Shares or securities convertible into Common Shares by the Company during the 12 months preceding the date of this prospectus:

Date of Issuance	Nature of Issuance	Number of Securities Issued	Issue/Exercise Price
July 2, 2019	Common Shares	100	\$0.01
December 2, 2019	Common Shares ⁽¹⁾	14,200,000	\$0.01
December 16, 2019	Common Shares ⁽²⁾	6,740,000	\$0.05
December 31, 2019	Common Shares ⁽⁴⁾	3,672,000	\$0.40
December 31, 2019	Common Shares ⁽³⁾	2,375,000	\$0.40
December 31, 2019	Options ⁽⁵⁾	1,250,000	\$0.40
February 25, 2020	Common Shares ⁽⁶⁾	2,019,375	\$0.80
March 3, 2020	Options ⁽⁵⁾	400,000	\$0.80
June 10, 2020	Options ⁽⁵⁾	100,000	\$0.80

Notes:

- (1) Issued in connection with seed financing by private placement.
- (2) Issued in connection with a private placement.
- (3) Issued in connection with a private placement.

- (4) Issued as partial consideration for WestVan Property.
- (5) Granted under the Company's Option Plan.
- (6) Issued as partial consideration for Kyle Road Property.

DIVIDEND POLICY

The Company currently intends to retain any future earnings to fund the development and growth of its business and does not currently anticipate paying dividends on the Common Shares. Any determination to pay dividends in the future will be at the discretion of the Company's Board of Directors and will depend on many factors, including our financial condition, earnings, legal requirements and other factors the Board deems relevant.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Financial Information

See "Summary of Prospectus" for summary of selected financial information.

Management's Discussion and Analysis

The management's discussion and analysis of the Company's financial statements for the fiscal year ended December 31, 2019 (being the period from the date of incorporation to December 31, 2019) and six months ended June 30, 2020, are attached to this Prospectus as Schedule "A".

The management's discussion and analysis of each period has been prepared by management in accordance with the requirements of National Instrument 51-102 as at the date of this Prospectus and includes financial information from, and should be read in conjunction with, the audited financial statements of the Company for the fiscal year ended December 31, 2020, and the unaudited financial statements of the Company for the six month period ended June 30, 2020 and the notes thereto, appearing elsewhere in this Prospectus, as well as the disclosure contained throughout this Prospectus.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

The following securities of the Company will be held in escrow upon the closing of the Offering:

<u>Designation of class</u>	<u>Number of securities held in escrow</u>	<u>Percentage of class</u>	<u>Number of securities subject to Seed Share restrictions</u>	<u>Percentage of class</u>
Common Shares	21,751,475	74.99%	4,955,000	17.08%
Options	1,000,000	57.14%	0	0%

As at the date hereof, Brent Billey, David Negrin, Jacqueline Tucker, David Negus, Zhe Zou, Zhiwen Xu and Travis Chen (collectively, the "**Escrowed Principals**"), as "Principals" as defined in National Policy 46-201 – Escrow for Initial Public Offerings ("**NP 46-201**"), will enter into an escrow agreement (the "**Escrow Agreement**") with Computershare Investor Services Inc., as escrow agent (the "**Escrow Agent**"), pursuant to which the Escrowed Principals will collectively deposit 21,751,475 Common Shares and 1,000,000 Options, held directly or indirectly, into escrow (the "**Escrowed Securities**") with the Escrow Agent, representing 73.97% of the issued and outstanding Common Shares on a diluted basis prior to giving effect to the Offering. All Common Shares acquired on exercise of the Options while escrowed must also be deposited in escrow.

Section 3.5 of NP 46-201 provides that all shares of a company owned or controlled by a Principal (as defined in NP 46-201) will be escrowed at the time of the Company's initial public offering, unless the shares held by the Principal or issuable to the Principal upon conversion of convertible securities held by the Principal collectively represent less than 1% of the total issued and outstanding shares of the Company after giving effect to the initial public offering.

At the time of its initial public offering, an issuer will be classified for the purposes of escrow as either an "exempt issuer", an "established issuer" or an "emerging issuer", as those terms are defined in NP 46-201.

Uniform terms of automatic timed release apply to Principals of exchange listed issuers, differing only according to the classification of the issuer. The Company anticipates that it will be classified as an "emerging issuer". As such, the Company anticipates that the following automatic timed releases will apply to the securities held by the Principals listed in the table below:

Date	Amount of Escrowed Securities Released
On the Listing Date	1/10 th of the Escrowed Securities
6 months after the Listing Date	1/6 th of the remaining Escrowed Securities
12 months after the Listing Date	1/6 th of the remaining Escrowed Securities
18 months after the Listing Date	1/6 th of the remaining Escrowed Securities
24 months after the Listing Date	1/6 th of the remaining Escrowed Securities
30 months after the Listing Date	1/6 th of the remaining Escrowed Securities
36 months after the Listing Date	1/6 th of the remaining Escrowed Securities

The release schedule may be accelerated if the Company, after the Listing, meets "Tier 1 Issuer" listing requirements of the TSXV or otherwise establishes itself as an "established issuer" as described in NP 46-201.

Pursuant to the terms of the Escrow Agreement, the Escrowed Securities will not be able to be transferred or otherwise dealt with during the term of the Escrow Agreement unless the transfers or dealings within escrow are:

- (i) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Company or of a material operating subsidiary, with the approval of the Board;
- (ii) transfers to a person or company that before the proposed transfer holds more than 20% of the Company's outstanding Common Shares, or to a person or company that after the proposed transfer will hold more than 10% of the Company's outstanding Common Shares and has the right to elect or appoint one or more directors or senior officers of the Company or any material operating subsidiary;
- (iii) transfers to an RRSP or similar trustee plan provided that the only beneficiaries are the transferor or the transferor's spouse, children or parents;
- (iv) transfers upon bankruptcy to the trustee in bankruptcy or another person or company entitled to escrow securities on bankruptcy; and
- (v) pledges to a financial institution as collateral for a bona fide loan, provided that upon a realization the securities remain subject to escrow.

Tenders of Escrowed Securities to a take-over bid or business combination are permitted provided that, if the tenderer is a Principal of the successor corporation upon completion of the take-over bid or business

combination, securities received in exchange for tendered Escrowed Securities are substituted in escrow on the basis of the successor corporation's escrow classification.

If the Principals acquire any additional securities of the Company of the type listed above, those securities will be added to the securities already in escrow, to increase the number of remaining Escrowed Securities. Such increased number of remaining Escrowed Securities will be released in accordance with the release schedule in the table above.

Additionally, securities of the Company may be subject to additional escrow restrictions and restrictions on transfer pursuant to NP 46-201, or if required by the TSXV (in accordance with TSXV Policy 5.4) or other applicable regulations of any other stock exchange on which the securities of the Company may be listed for trading in the future. There can be no guarantee that the Offered Shares will be listed for trading on the TSXV or any other stock exchange.

Statutory Hold Periods

In addition to the foregoing, securities legislation imposes certain resale restrictions on securities issued within the four months preceding the Listing, such hold periods are governed by NI 45-102 – Resale of Securities. All certificates representing securities subject to these restrictions will bear legends indicating the applicable hold periods.

Exchange Seed Share Resale Restriction

In addition to the escrow requirements of NP 46-201, the TSXV's policies provide that common shares that have been issued to non-Principals prior to the Offering at a price that is below the Offering Price (the "**Seed Shares**") may be subject to hold periods imposed by the TSXV in accordance with its Policy 5.4 of the TSXV – *Escrow, Vendor Consideration and Resale Restrictions*. The purchase price of the Seed Shares and the time of the issue thereof relative to the date of a receipt for this Prospectus will determine what, if any, hold period applies. The TSXV's Seed Share hold periods are not applicable to any escrowed securities that will be escrowed following completion of the Offering pursuant to NP 46-201. There are 4,955,000 Seed Shares that will be subject to resale restrictions, imposed on the securities by imprinting legends on the applicable certificates representing such securities or pursuant to a pooling agreement.

PRINCIPAL SHAREHOLDERS

As of the date of this prospectus, to the knowledge of the directors and executive officers of the Company, no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to Common Shares except for the following:

Name	Number and type of securities	Type of Ownership	Percentage of Class ⁽¹⁾	Percentage of Class (fully diluted) ⁽²⁾
Brent Billey ⁽³⁾	7,760,100 Common Shares 750,000 Options	Beneficial and of record	26.75%	27.31%
Travis Chen ⁽⁴⁾	5,691,375 Common Shares	Beneficial	19.62%	18.50%
Zhiwen Xu	3,500,000 Common Shares	Beneficial and of record	12.07%	11.42%
Zhe Zou ⁽⁵⁾	3,500,000 Common Shares	Beneficial and of record	12.07%	11.42%

Notes:

(1) Based on 29,006,475 outstanding Common Shares as of the date of this Prospectus.

(2) Based on 30,756,475 outstanding Common Shares on a fully diluted basis, assuming the exercise of all outstanding stock options.

- (3) BMV Holdings Inc. holds 7,760,000 Common Shares and is 50% owned and directed by Brent Billey.
 (4) Travis Chen is the 100% owner of 1235814 B.C. Ltd and Yigeda Enterprises Inc., which own 3,672,000 and 2,019,375 Common Shares, respectively.
 (5) Zhe Zou is the 100% owner of 1227700 B.C. Ltd., which holds 3,500,000 Common Shares of the Company.

DIRECTORS AND EXECUTIVE OFFICERS

To the Company's knowledge as at the date of this Prospectus, the directors and executive officers of the Company as a group will beneficially own, control or direct, directly or indirectly, 9,060,100 Common Shares, representing approximately 31.23% of the outstanding Common Shares and options exercisable into an additional 1,500,000 Common Shares.

Director and Executive Officer Profiles

The following table sets out, for each of our directors and executive officers, the person's name, age, province or state and country of residence, position with us, principal occupation and, if a director, the date on which the person became a director. Our directors are expected to hold office until our next annual general meeting of shareholders. Our directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As a group, the directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 9,060,100 Common Shares, representing 31.23% of the Common Shares outstanding as at the date of this prospectus.

Name and Place of Residence	Position(s)/ Title	Director/Officer Since	Principal Occupation and Occupation During Past Five Years	Number and Percentage of Common Shares Held
Brent Billey ⁽⁵⁾ Vancouver, British Columbia	Chief Executive Officer and Director	July 2, 2019	Prior to joining the Company, Mr. Billey had a 28-year career at BC Hydro, most recently as Senior Relationship Manager Indigenous Relations, responsible for property negotiations as well as relationship agreements.	7,760,100 (26.75%) ⁽⁷⁾⁽⁹⁾
David Negus Burnaby, British Columbia	Chief Financial Officer and Corporate Secretary	December 10, 2019	Prior to joining the Company, Mr. Negus has held various senior financial roles with public traded and private high growth companies including, CFO of Sunniva, Inc. from 2018-2019 and CFO of Luvo Inc. from 2014-2018.	N/A ⁽⁹⁾
David Negrin ⁽⁶⁾ West Vancouver, British Columbia	Director	December 16, 2019	Mr. Negrin is currently CEO of the MST Development Corporation where he has served since 2016. From 2007 until 2016, Mr Negrin served as President of the Aquilini Development and Construction Ltd..	800,000 ⁽⁹⁾ (2.76%)
Norman Mayr ⁽²⁾⁽³⁾⁽⁴⁾ Vancouver, British Columbia	Director	February 6, 2020	Mr. Mayr has been retired since October 2016. Prior to that he was an Audit Partner having spent 38 years in public practice with KPMG.	N/A ⁽⁹⁾

Name and Place of Residence	Position(s)/ Title	Director/Officer Since	Principal Occupation and Occupation During Past Five Years	Number and Percentage of Common Shares Held
Michael Geller ⁽¹⁾⁽²⁾ Vancouver, British Columbia	Chair of the Board and Director	February 6, 2020	Mr. Geller is the principal of Michael Geller & Associates Limited since 2007 which specializes in planning and real estate consulting for a variety of large and small-scale residential and mixed-use projects and undertakes property developments.	N/A ⁽⁹⁾
Jacqueline Tucker ⁽¹⁾⁽³⁾ Calgary, Alberta	Director	July 2, 2019	Ms. Tucker is a Chartered Professional Accountant; President of J.M. Tucker Professional Corporation, a private company that provides management and consulting services to private and public companies and other chartered professional accounting firms.	500,000 ⁽⁸⁾⁽⁹⁾ (1.72%)

Notes:

- (1) Member of the Audit Committee (as defined below).
- (2) Member of the NCGC (as defined below).
- (3) Member of the Compensation Committee (as defined below).
- (4) Chair of the Audit Committee.
- (5) Chair of the NCGC.
- (6) Chair of the Compensation Committee.
- (7) 7,760,000 Common Shares are held by BMV Holdings, which is 50% owned and directed by Brent Billey.
- (8) Common Shares held by 569728 BC Ltd., which is owned and directed by Jacqueline Tucker.
- (9) Does not include ownership of Options, for details regarding number of Options outstanding see *Executive Compensation or Director Compensation*.

Director and Executive Officer Biographies

Brent Billey (Age 48) - Chief Executive Officer and Director

Brent Billey is a founder of Kadestone. Prior to this, Mr. Billey was a Senior Relationship Manager at BC Hydro. Mr. Billey's most recent role was in Indigenous Relations and Negotiations. He was responsible for the negotiations around property dispositions as well as long-term multifaceted relationship agreements. Mr. Billey's expertise includes complex negotiations, strategic planning, mergers and acquisitions and financing with a singular focus on increasing shareholder value.

Mr. Billey is party to a written employment agreement with the Company. Mr. Billey holds a diploma in Marketing from the Sauder School of Business, University of British Columbia. It is expected that Mr. Billey will devote approximately 100% of his time to the business of the Company to effectively fulfill his duties as Chief Executive Officer and Director.

David Negus (Age 52) - Chief Financial Officer and Corporate Secretary

Mr. David Negus is the Chief Financial Officer of the Company and is accountable for the financial, administrative and risk management operations of the Company. Mr. Negus is working for the Company full time as a contractor. Mr. Negus most recently served as the CFO of Sunniva, a CSE listed cannabis Company. Previously, Mr. Negus was CFO at Luvo, a high growth food Company. At Luvo Inc., he was responsible for finance, supply chain operations, information technology, human resources and investor relations. Prior to his role at Luvo, Mr. Negus was Vice President, Corporate Controller at Lululemon Athletica Inc. In his role at Lululemon, Mr. Negus led the finance team through their initial public offering and was responsible for their global financial reporting, accounting, tax, and treasury functions. Mr. Negus holds a CPA, CA designation.

Mr. Negus is not a party to a written employment agreement with the Company. Mr. Negus CPA, CA holds a Bachelor degree in Business Administration from Simon Fraser University. It is expected that Mr. Negus will

devote approximately 100% of his time to the business of the Company to effectively fulfill his duties as Chief Financial Officer.

David Negrin (Age 61) - Director

Mr. David Negrin is currently CEO of the MST Development Corporation managing significant amounts of real estate development with First Nations groups. Previously he was the President of Aquilini Development and Construction Ltd. Prior to joining Aquilini Development and Construction Ltd, David was the Senior Vice President of Concord Pacific Group. As an industry leader in restorative development, David has also served as both a Director and President of the Urban Development Institute – Pacific Region.

Mr. Negrin holds a master's degree in architecture from the Technical University of Nova Scotia. It is expected that Mr. Negrin will devote 10% of his time to the business of the Company to effectively fulfill his duties as Director.

Norm Mayr (Age 65) - Director

Mr. Norm Mayr is a chartered professional accountant (FCPA, FCA) and a recently retired (October 2016) Audit Partner having spent 38 years in public practice with KPMG. He was the Risk Management and Business Unit Professional Practice Partner for the Greater Vancouver Area practice of KPMG for the most recent 18 years of his career. In this role, Norm was responsible for managing risk in the audit practice, and regularly consulted with engagement teams dealing with complex financial reporting, accounting, audit and securities issues in their clients. During his career, Norm has had extensive experience in the mining, forestry, technology, real estate, retail and industrial markets sectors. Norm has lectured extensively on financial reporting matters. He was a founding member of the CICA Accounting Standards Board, and a member of the Canadian Advisory Group to the International Accounting Standards Committee. He recently completed a 10-year term as Chair of the Investigation Committee for the Chartered Professional Accountants of British Columbia, a committee charged with the responsibility of investigating alleged misconduct by its members.

Mr. Mayr FCPA, FCA holds a master's degree in business administration from the University of British Columbia. It is expected that Mr. Mayr will devote 10% of his time to the business of the Company to effectively fulfill his duties as Director.

Michael Geller (Age 72) - Director

Michael Geller is an architect, planner, real estate consultant, property developer, educator and journalist with five decades' experience in the public, private and institutional sectors across Canada and around the world. As the principal with the Geller Group from 2007, Michael is a Planning consultant with a record of rezoning and complex development approvals and knowledge of sustainable development and heritage best practices, Mr. Geller is known for his involvement with developments and planned communities across Canada and for residential and mixed-use projects, from concept planning to marketing and as a developer of residential and mixed-use projects. Mr. Geller is Adjunct Professor at Simon Fraser University Centre for Sustainable Development, School of Resource and Environmental Management, and former Affiliate at University of British Columbia SALA.

Mr. Geller holds a bachelor's degree in architecture from the University of Toronto. It is expected that Mr. Geller will devote 10% of his time to the business of the Company to effectively fulfill his duties as Director.

Jacqueline Tucker (Age 64) - Director

Jacqueline Tucker is a chartered professional accountant with over 30 years of experience in providing professional services to a number of public companies. She has also served as director on numerous boards of public companies. Ms. Tucker is the Chief Financial Officer of East Africa Metals Inc. EAM is listed on the TSXV. Ms. Tucker is the Chief Financial Officer of True North Gems Inc. from February 2010 to July 2015 and from July 2017 to the present. TGX is listed on the TSXV. Additionally, Ms. Tucker is Chief Executive Officer and a

director of Canadian Imperial Venture Corp., a NEX listed company that is currently in the process of closing a business combination agreement with Cannus Partners Inc. that is anticipated to close in September 2020.

Ms. Tucker holds an undergraduate degree from Western University. It is expected that Ms. Tucker will devote 10% of her time to the business of the Company to effectively fulfill her duties as Director.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the Company's knowledge as at the date of this Prospectus, none of the Company's directors, executive officers or promoter is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation, that was in effect for a period or more than 30 consecutive days (an "Order") that was issued while the director, executive officer or promoter was acting in the capacity as director, chief executive officer or chief financial officer of such issuer, or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, other than with respect to the following:

- a. On June 22, 2019, Mr. Mayr, a director of the Company, was a director of Sunniva Inc., which received a cease trade order issued by the British Columbia and Ontario Securities Commissions as a result of the Sunniva Inc. having not filed its audited annual financial statements, related management's discussion and analysis and related certifications for the financial year ended December 31, 2019.

To the Company's knowledge as at the date of this Prospectus, none of the Company's directors, executive officers or promoter, nor, to its knowledge, any shareholder holding a sufficient number of its securities to affect materially the control of the Company (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director, executive officer or promoter of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer, promoter or shareholder.

None of the Company's directors, executive officers or promoter, nor, to its knowledge, any shareholder holding a sufficient number of its securities to affect materially the control of the Company, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Company's knowledge, there are no existing or potential material conflicts of interest between the Company and any of its directors or officers as of the date hereof. However, certain of the Company's directors and officers are, or may become, directors or officers of other companies with businesses which may conflict with its business. Accordingly, conflicts of interest may arise which could influence these individuals in evaluating possible acquisitions or in generally acting on the Company's behalf. See also "Risk Factors – Conflicts of Interest".

Pursuant to the BCBCA, directors and officers of the Company are required to act honestly and in good faith with a view to the best interests of the Company. As required under the BCBCA and the Company's Articles:

- a director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer of the Company, must promptly disclose the nature and extent of that conflict; and
- a director who holds a disclosable interest (as such term is defined under the BCBCA) in a contract or transaction into which the Company has entered or proposes to enter may generally not vote on any directors' resolution to approve such contract or transaction.

Generally, as a matter of practice, directors who have disclosed a material interest in any contract or transaction that the Board is considering will not take part in any Board of Directors discussion respecting that contract or transaction. If on occasion such directors do participate in the discussions, they will refrain from voting on any matters relating to matters in which they have disclosed a material interest. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which directors or officers may have a conflict.

EXECUTIVE COMPENSATION

Prior to obtaining a receipt for this Prospectus from securities regulatory authorities in Qualifying Jurisdictions, the Company was not a reporting issuer in any jurisdiction. As a result, certain information required by Form 51-102F6V – Statement of Executive Compensation – Venture Issuers (“**Form 51-102F6V**”) has been omitted pursuant to Section 1.3(8) of Form 51-102F6V.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

The Company is required to disclose the significant elements of our executive compensation program, with emphasis on the process for determining compensation payable to the Company's CEO and CFO and, other than the CEO and the CFO, the Company's three most highly-compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually more than \$150,000 for that financial year; and (iv) each individual who would be a “Named Executive Officer” under paragraph (iii) but for the fact that the individual was neither an executive officer of the Company or its subsidiaries, nor acting in similar capacity, at the end of the most recently completed financial year (collectively, the “Named Executive Officers” or “NEOs”). The Company has two NEOs, who are:

- Brent Billey, Chief Executive Officer
- David Negus, Chief Financial Officer

The Company has formed a Compensation Committee comprised of David Negrin (Chair), Jacqueline Tucker and Norm Mayr. Jacqueline Tucker, Norm Mayr and David Negrin are all considered “independent” pursuant to NI 52-110.

Each member of the Compensation Committee has business and other experience which is relevant to their position as a member of the Compensation Committee. By virtue of their differing professional backgrounds, business experience, knowledge of the Company's industry, knowledge of corporate governance practices and, where appropriate, service on compensation committees of other reporting issuers and experience interacting with external consultants and advisors, the members of the Compensation Committee are able to make decisions on the suitability of the Company's compensation policies and practices. See “*Directors and Executive Officers – Director and Executive Officer Biographies*” for a description of each Compensation Committee members experience and education.

Overview

The Board on its own or through the Compensation Committee makes decisions regarding all forms of compensation, including salaries, bonuses and equity incentive compensation for the CEO and the CFO, as well as approves corporate goals and objectives relevant to their compensation. The Compensation Committee makes decisions in conjunction with feedback from the CEO and the CFO regarding the performance of the Company's other executive officers. Finally, the Compensation Committee, in tandem with the CEO and the CFO, also administers employee incentive compensation, including the Stock Option Plan.

Compensation Discussion and Analysis Compensation Objectives

The Company's compensation practices are designed to retain, motivate and reward our executive officers for their performance and contribution to the Company's long-term success. The Board seeks to compensate executive officers by combining short-term and long-term cash and equity incentives. It also seeks to reward the achievement of corporate and individual performance objectives and to align executive officers' incentives with the Company's performance. The Company seeks to tie individual goals to the area of the senior executive officer's primary responsibility. These goals may include the achievement of specific financial or business development goals. Company performance goals are based on the Company's financial performance during the applicable financial year.

In order to achieve our growth objectives, attracting and retaining the right team members is critical. A key part of this is a well-thought out compensation plan that attracts high performers and compensates them for continued achievements. Many of the Company's team members are currently participating in the Stock Option Plan, driving retention and ownership. Communicating clear and concrete criteria and process for merit-based increases and bonuses will also motivate the entire team to achieve individual and corporate goals.

Elements of Compensation Program

The Company's executive compensation consists primarily of two elements: base salary and long-term equity incentives through the issuance of stock options.

Base Salary

The base salary for each executive is established by the Board, on the recommendation of the Compensation Committee, based upon the position held by such executive, competitive market conditions, such executive's related responsibilities, experience and the NEO's skill base, the functions performed by such executive and the salary ranges for similar positions in comparable companies. Individual and corporate performance will also be taken into account in determining base salary levels for executives.

Stock Option Plan

The Company currently has 1,750,000 Options outstanding under the Option Plan. The Option Plan allows for the grant of incentive stock options to the Company's directors, officers, employees and consultants (as defined in the Option Plan). The Administrator (as defined in the Option Plan) is responsible for administering the Option Plan, and the Compensation Committee makes recommendations to the Administrator in respect of matters relating to the Option Plan.

Subject to certain limitations and adjustment contained in the Option Plan, the number of Common Shares that are reserved for issuance under the Option Plan will not at any time exceed 10% of the Company's then outstanding Common Shares.

Unless otherwise determined by the Board, Options granted under the Option Plan generally vest in 36 equal tranches on each of the subsequent one-month anniversaries of the grant date until all such Options have vested. The Options expire on the date which is ten years after the grant date (the "**Expiry Date**"). The Option Plan also provides that, unless otherwise determined by the Board, if the optionee ceases to be a director, officer

or service provider of the Company, their options terminate within a period of time after the optionee actually ceases to be a director, officer or service provider of the Company. The exercise price for the Options is determined by the Board but may not be less than the market value of the Common Shares.

The Option Plan provides that if the Options would otherwise expire during, or within five trading days of, a trading blackout period imposed by the Company (the “Blackout Period”), the Expiry Date of such Option shall automatically be extended (the “**Extension Period**”); provided that if an additional Blackout Period is subsequently imposed by the Company during the Extension Period, then such Extension Period shall be deemed to commence following the end of such additional Blackout Period to enable the exercise of such Option within ten trading days following the end of the last imposed Blackout Period. Options granted under the Option Plan are not transferable, subject to limited exceptions. The Board has overall authority for interpreting, applying, amending and terminating the Option Plan.

For executives, previous grants are taken into account when considering new grants to determine aggregate performance-based option grants in subsequent years. The Compensation Committee has awarded non-executive directors with an initial grant of 100,000 Options per director.

Compensation of Named Executive Officers

Compensation Risks

In making its compensation-related decisions, the Compensation Committee and the Board carefully consider the risks implicitly or explicitly connected to such decisions. These risks include the risks associated with employing executives who are world-class in their capabilities and experience, the risk of losing capable but under-compensated executives, and the financial risks connected to the Company’s operations, of which executive compensation is an important part.

In adopting the compensation philosophy described above, the principal risks identified by the Company are:

- (a) that the Company will be forced to raise additional funding (causing dilution to shareholders) in order to attract and retain the calibre of executive employees that it seeks; and
- (b) that the Company will have insufficient funding to achieve its objectives.

Hedging by Named Executive Officers or Directors

The Company has no policy with respect to NEOs or directors purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

The following table sets out information concerning the expected compensation for the year ending December 31, 2020 to be paid to the NEOs, effective as of date hereof.

Name and Principal Position	Salary (\$)	Option-Based Awards ⁽¹⁾ (\$)	Annual Incentive Plans ⁽²⁾ (\$)	Long-Term Incentive Plans (\$)	Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
Brent Billey Chief Executive Officer ⁽³⁾	360,000	268,547	-	-	-	-	\$628,547
David Negus Chief Financial Officer	300,000	89,559	-	-	-	-	\$389,559

Notes:

- (1) The Black Scholes option pricing model is used for calculating the value of option-based awards utilizing the same assumptions described in the enclosed financial statements of the Company. See Note 5(b) of the Consolidated Financial Statements. Brent Billey currently holds 750,000 Options and David Negus holds 350,000 Options.
- (2) Represents minimum amounts expected to be earned pursuant to our annual bonus program, based on 100% of target payment amounts. Actual payments will depend on achievement of performance goals and will be paid in cash in the year following the fiscal year in respect of which they are earned.
- (3) Brent Billey is a member of the Board and will receive no additional compensation for this role.

Outstanding Option-Based Awards

The following table sets out for each of the NEOs information concerning all option-based awards outstanding at December 31, 2019:

Name	Option-based Awards			Value of unexercised in-the-money options (\$)
	Number of Common Shares underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	
Brent Billey Chief Executive Officer	750,000	0.40	December 31, 2029	Nil
David Negus Chief Financial Officer ⁽¹⁾	250,000	0.40	December 31, 2029	Nil

- (1) Subsequently, Mr. Negus was awarded an additional 100,000 Options.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth particulars of the value of option-based awards and share-based awards which vested during the year ended December 31, 2019:

Name	Option based awards – Value vested during the year (\$)	Share awards – Value during the year on vesting (\$)	Non-equity incentive plan compensation pay-out during the year (\$)
Brent Billey Chief Executive Officer	Nil	N/A	N/A
David Negus Chief Financial Officer	Nil	N/A	N/A

Employment Agreements and Termination of Employment Arrangements

Each of the Company's executive officers serves at the pleasure of the Board pursuant to written employment or consulting agreements. Each such agreement contains the Company's standard confidentiality covenants, and the executive employment agreement of Mr. Brent Billey also contains the Company's standard non-competition covenants.

Mr. Brent Billey, President and Chief Executive Officer ("CEO")

Mr. Brent Billey entered into an executive employment agreement with the Company, pursuant to which Mr. Billey is employed as President and CEO of the Company, continuing employment on the terms and conditions of the executive employment agreement. In consideration of Mr. Billey's services, the Company has agreed to pay Mr. Billey an annual base salary of \$360,000, with services rendered prior to February 1, 2020 to be fully compensated by the grant of Options. In addition, Mr. Billey is entitled to receive annual short-term incentive cash bonuses at the discretion of the Board upon meeting certain milestones, set by the Board in consultation with Mr. Billey. Mr. Billey is further entitled to participate in all equity-related plans maintained by the Company for executive level employees. Finally, Mr. Billey is eligible for the Company's long-term incentive plan, with grants of Options at the sole discretion of the Board and governed by the terms and conditions of the Option Plan.

If Mr. Billey's employment is terminated by the Company without cause or for good reason during the twelve month period following a change of control, the Company shall pay the following amounts: (a) if not already paid,

the employee's base salary and accrued vacation; (b) an amount equivalent to twelve months' base salary; (c) all employee benefits received by Mr. Billey from the Company shall continue for period of one year from the effective date of termination, subject to the terms of the applicable benefit plans, and in the event that any such benefits cannot be continued by the Company, the Company shall reimburse Mr. Billey for one year of comparable replacement coverage obtained by Mr. Billey; (d) an amount equivalent to the target short-term incentive plan for the year in which Mr. Billey 's employment is terminated, or if no short-term incentive plan target has been established for that year, an amount equal to the average short-term incentive plan payment paid to Mr. Billey over the preceding two years (or if two years have not elapsed, the preceding year); and (e) all unvested options shall vest upon the effective date of termination and my unexercised portion of such options will be exercisable by Mr. Billey in accordance with the terms of the applicable plan.

Consulting Agreements

Mr. David Negus, Chief Financial Officer (“**CFO**”)

Mr. David Negus entered into a consulting services agreement (the “**Consulting Services Agreement**”) with the Company, pursuant to which Mr. Negus provides services normally associated with the role of a CFO of a company that is targeting to go public on a recognized stock exchange, commencing on December 10, 2019 for a term of six months and renewed on June 10, 2020 for an additional six months. The term of the Consulting Services Agreement may be extended on written agreement of the parties or terminated by either party, providing the other with two weeks written notice.

In consideration for Mr. Negus' services, the Company has agreed to the payment of a consulting fee of \$25,000 plus GST per month as well as a one-time Option Grant of 250,000 Options, and an additional 100,000 Options upon the June 10, 2020 renewal of the Consulting Agreement. Pursuant to the terms of the Consulting Services Agreement, Mr. Negus is an independent contractor and not an employee of the Company.

DIRECTOR COMPENSATION

Each non-executive director of the Company receives an annual fee of \$25,000. In addition to the annual fee, each non-executive director receives an additional \$2,000 in respect of each Board of Directors quarterly meeting attended in person or by telephone and an additional \$2,000 per meeting in respect of each committee meeting attended in person or by telephone. Board and Committee chairs are also compensated with the following annual fees:

1. Board Chair - \$10,000
2. Audit Committee Chair - \$10,000
3. Compensation Committee Chair - \$5,000
4. Nominating and Corporate Governance Committee Chair - \$5,000

All directors are reimbursed for their respective out of pocket expenses in relation to their attendance at Board of Directors meetings and committee meetings. Director compensation matters are dealt with by the Compensation Committee.

The following table sets forth for each of the Company's directors, other than directors who are also NEOs, all amounts of compensation for the Company's most recently completed financial year ended December 31, 2019.

Name	Fees Earned (\$)	Option-Based Awards⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total Compensation (\$)
Norm Mayr	Nil	Nil	Nil	Nil	Nil
Michael Geller	Nil	Nil	Nil	Nil	Nil
Jacqueline Tucker	Nil	Nil	Nil	Nil	Nil
David Negrin	Nil	Nil	Nil	Nil	Nil
Yao Sun ⁽²⁾	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Subsequently, Messrs. Mayr, Geller, Tucker and Negrin were awarded 100,000 Options each (see below).
(2) Yao Sun resigned as a director of the Company on February 6, 2020.

Outstanding Option Based Awards

The following table sets out for each of the Company's directors, other than directors who are also Named Executive Officers, information concerning all option-based awards outstanding at December 31, 2019.

Name	Option-based Awards			
	Number of Common Shares underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Norm Mayr ⁽¹⁾	Nil	N/A	N/A	Nil
Michael Geller ⁽²⁾	Nil	N/A	N/A	Nil
Jacqueline Tucker ⁽³⁾	Nil	N/A	N/A	Nil
David Negrin ⁽⁴⁾	Nil	N/A	N/A	Nil
Yao Sun ⁽⁵⁾	Nil	N/A	N/A	Nil

Notes:

- (1) Subsequent to the financial year ended December 31, 2019, Norm Mayr was granted 100,000 options, with an exercise price of \$0.80 and an expiration date of March 3, 2030.
(2) Subsequent to the financial year ended December 31, 2019, Michael Geller was granted 100,000 options, with an exercise price of \$0.80 and an expiration date of March 3, 2030.
(3) Subsequent to the financial year ended December 31, 2019, Jacqueline Tucker was granted 100,000 options, with an exercise price of \$0.80 and an expiration date of March 3, 2030.
(4) Subsequent to the financial year ended December 31, 2019, David Negrin was granted 100,000 options, with an exercise price of \$0.80 and an expiration date of March 3, 2030.
(5) Yao Sun resigned as a director of the Company on February 6, 2020.

Directors' and Officers' Liability Insurance

On or around the date of closing of the Offering, we will obtain a directors' and officers' liability insurance policy. The Company will apply for limits and deductibles it believes is appropriate for a real estate company at our stage of development. The Company has entered into indemnification agreements with its directors and officers.

Pursuant to section 21.2 of the Company's Articles and subject to the limitations of the BCBCA, the Company must indemnify a director, former director or alternate director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and alternate director is deemed to have contracted with the Company on the terms of the indemnity contained in the Company's Article 21.2.

Additionally, pursuant to section 21.4 of the Company's Articles, the failure of a director, alternate director or officer of the Company to comply with the BCBCA or these Articles does not invalidate any indemnity to which he or she is entitled under the Articles.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of our directors, executive officers, employees, former directors, former executive officers or former employees, or any of our subsidiaries, and none of their respective associates, is or has within 30 days before the date of this prospectus or at any time since the beginning of the most recently completed financial year been

indebted to us or any of our subsidiaries or another entity whose indebtedness is subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by us or any of our subsidiaries.

CORPORATE GOVERNANCE

Board of Directors

The Board is responsible for supervising the management of our business and affairs. The Board has adopted a formal mandate setting out its stewardship responsibilities, including its responsibilities for the appointment of management, management of the Board, strategic and business planning, monitoring of financial performance, financial reporting, risk management and oversight of the Company's policies and procedures, communications and reporting and compliance.

The Board is currently comprised of five directors: Brent Billey, David Negrin, Norm Mayr, Michael Geller and Jacqueline Tucker.

The Board has established an audit committee (the "**Audit Committee**"), a nominating and corporate governance committee (the "**NCGC**") and the Compensation Committee (collectively, the "**Committees**") and has approved charters for each of these committees, which are described below. The Board has delegated to the applicable committee those duties and responsibilities set out in each committee's charter. The mandate of the Board, as well as the charters of the Committees, set out in writing the responsibilities of the Board.

Independence

As of the date of this prospectus, the Board is comprised of five directors, four of whom are independent. Under National Instrument 52-110 – Audit Committees ("NI 52-110"), an independent director is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a director's exercise of independent judgment. The Board has determined that Brent Billey as Chief Executive Officer of the Company is not considered independent. Each of Norm Mayr, Michael Geller, David Negrin and Jacqueline Tucker are considered independent.

The Board has appointed Michael Geller as the Chair of the Board (the "**Chair**"). In addition to chairing all Board of Directors meetings, the Chair's responsibilities include calling and presiding as Chair over meetings of independent directors, reviewing and making recommendations with respect to the agenda for all of the meetings of the full Board of Directors, and providing the leadership necessary to provide greater assurance that the Board operates and functions independent of management and that the Board functions are effectively carried out. The Chair's responsibilities and duties are described in detail in a position description developed by the Board.

The Audit Committee is comprised of Norm Mayr (Chair), Michael Geller and Jacqueline Tucker. The NCGC Committee is comprised of Brent Billey (Chair), Michael Geller and David Negrin. The Compensation Committee is comprised of David Negrin (Chair), Norm Mayr, and Jacqueline Tucker. In addition, where potential conflicts arise during a director's tenure on the Board, such conflicts are expected to be immediately disclosed to the Board.

The Company has taken steps to ensure that adequate structures and processes are in place to permit the Board to function independently of management. The Board will hold regularly scheduled meetings as well as ad hoc meetings from time to time. It is contemplated that in the course of meetings of the Board or the Committees, the independent directors will hold in camera sessions at which neither non-independent directors nor officers of the Company are in attendance.

Other Directorships

The following directors of the Company are also directors of other reporting issuers (or the equivalent) in Canada or a foreign jurisdiction:

Name of Director	Name of Reporting Issuer and Exchange
Norm Mayr	Sunniva Inc. – CSE: SNN
Jacqueline Tucker	Canadian Imperial Ventures Corp. – NEX: CQV.H

Meeting Attendance

During the year ended December 31, 2019, the Board held one meeting to approve the Option Plan that was attended by Brent Billey and Yao Sun. Mr. Sun resigned from the Board effective February 6, 2020.

Orientation and Continuing Education

New directors of the Company will participate in an initial information session on the Company in the presence of its senior executive officers to learn about, among other things, the business of the Company, its financial situation and its strategic planning. In addition, new directors will be furnished with appropriate documentation, providing them with information about, among other matters, the corporate governance practices of the Company, the structure of the Board and the Committees, the Company's history, its commercial activities, its corporate organization, the charters of the Board and the Committees, the Articles, the Company's Code of Business Conduct and Ethics (the "**Code**") and other relevant corporate policies. The Company will support all directors who wish to attend continuing education programs and intends to facilitate such continuing education of its directors where appropriate, including, from time to time, by hosting brief information sessions during Board of Directors meetings by invited external advisors. In addition, management will periodically make presentations to the directors on various topics, trends and issues related to the Company's activities during meetings of the Board or the Committees, which will be intended to help the directors to constantly improve their knowledge about the Company and its business.

Code of Business Conduct and Ethics

The Board has adopted the Code which applies to directors, officers and employees. The objective of the Code is to provide guidelines for enhancing our reputation for honesty, integrity and the faithful performance of undertakings and obligations. The Code addresses conflicts of interest, use of company assets, inventions, use of Company email and internet services, disclosure, corporate opportunities, confidentiality, fair dealing and compliance with laws. As part of our Code, any person subject to the Code is required to avoid any activity, interest (financial or otherwise) or relationship that would create or appear to create a conflict of interest.

Our directors are responsible for monitoring compliance with the Code, for regularly assessing its adequacy, for interpreting the Code in any particular situation and for approving changes to the Code from time to time.

Directors and executive officers are required by applicable law and our corporate governance practices and policies to promptly disclose any potential conflict of interest that may arise. If a director or executive officer has a material interest in an agreement or transaction, applicable law and principles of sound corporate governance require them to declare the interest in writing or by requesting to have it entered in the minutes of meetings of directors or of meetings of Committees, and where required by applicable law, to abstain from voting with respect to such agreement or transaction.

A copy of the Code may be obtained by contacting the Company.

The Company has also adopted an Insider Trading Policy, a Disclosure Policy, and a Whistleblower Policy, which complement the obligations of the directors, officers and employees under the Code.

Board of Directors Committees

Audit Committee

The Company is relying on the exemption in section 6.1 of NI 52-110 in order to provide the disclosure required under Form 52-110F2 Parts three and five.

The Audit Committee consists of three directors, all of whom are independent. They are also all financially literate in accordance with NI 52-110. The members of the Audit Committee are Norm Mayr (Chair), Michael Geller and Jacqueline Tucker.

For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. All members of the Audit Committee have experience reviewing financial statements and dealing with related accounting and auditing issues. The education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee can be found under the heading "*Directors and Executive Officers — Biographies*".

The Board has adopted a written charter for the Audit Committee. The mandate of the Audit Committee is to assist the Board in fulfilling its financial oversight obligations, including the responsibility: (1) to serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements in accordance with International Financial Reporting Standards ("**IFRS**"); (2) have direct authority to discharge the Board's responsibilities in relation to the selection, appointment, oversight, direction, evaluation, remuneration and, where appropriate, the replacement or removal of the external auditor; and (3) to provide an open avenue of communication among the Company's auditor, financial and senior management and the Board.

A copy of the mandate of the Audit Committee is attached as Appendix B to this prospectus. Under its charter, the Audit Committee is required to pre-approve all audit and non-audit services to be performed by the external auditors in relation to us, together with approval of the engagement letter for all non-audit services and estimated fees thereof.

The pre-approval process for non-audit services will also involve a consideration of the potential impact of such services on the independence of the external auditors.

In 2019, the Company undertook its first audit and has incurred the following fees by its external auditor, Davidson & Company LLP:

	Tear Ended December 31, 2019 (\$)
Audit Fees ⁽¹⁾	\$30,000
Audit Related Fees ⁽²⁾	0
Tax Fees ⁽³⁾	0
All Other Fees ⁽⁴⁾	0
All Fees paid ⁽⁵⁾	\$30,000

Notes:

- (1) Fees for audit services.
- (2) Fees for assurance and related services not included in audit services above.
- (3) Fees for tax compliance, tax advice and tax planning.
- (4) All other fees not included above.
- (5) All audit fees for the period from the date of incorporation to December 31, 2019 were accrued at December 31, 2019.

Corporate Governance and Nominating Committee

The Board has appointed the NCGC comprising of three (3) directors, of whom two are independent. The members of the NCGC are Brent Billey (Chair), Norm Mayr and David Negrin.

Pursuant to the charter of the NCGC, its mandate is to assist the Company's directors in carrying out the Board's oversight responsibility for (i) ensuring that the Company's strategic direction is reviewed annually, and (ii) ensuring that the Board and each of its Committees carry out their respective functions in accordance with an appropriate process. The NCGC is responsible for overseeing and assessing the functioning of the Board, its Committees and individual directors, and for the development, recommendation to the Board, implementation and assessment of effective corporate governance principles. The NCGC is also responsible for identifying candidates for directorship and recommending that the Board select qualified director candidates for election to the Board. There is no formal assessment process. Rather, the NCGC is responsible for determining the appropriate assessment process.

The process by which the Board identifies new candidates for board nomination is set out in the NCGC Mandate.

Compensation Committee

The Board has appointed the Compensation Committee comprising of three directors, all of whom are independent. The members of the Compensation Committee are David Negrin (Chair), Jacqueline Tucker and Norm Mayr.

Pursuant to the charter of the Compensation Committee, its mandate is to assist the Company's directors in carrying out the Board's oversight responsibility for (i) overseeing the Company's human resources and compensation policies and processes, and (ii) demonstrating to the Company's shareholders that the compensation of the directors who are also employees of the Company is recommended by directors who have no personal interest in the outcome of decisions of the Compensation Committee and who will have due regard to the interests of all of the Company's shareholders.

The primary responsibilities of the Compensation Committee with respect to compensation are to make recommendations to the Board in respect of: (1) compensation policies and guidelines; (2) management incentive and perquisite plans and any non-standard remuneration plans; (3) senior management, executive and officer compensation; and (4) Board of Directors compensation matters. In carrying out these responsibilities, the Compensation Committee will evaluate the performance of the Company's CEO and all other senior executives in consideration of the respective performance goals and objectives for each such individual and recommend to the Board the amount of regular and incentive compensation to be paid to the Company's CEO and all other senior executives; review and recommend to the Board the Company's CEO's performance evaluations and recommendations for compensation of our officers and key employees (other than our senior executives); review our compensation philosophy and make recommendations for changes, where appropriate; review and make recommendations to the Board with respect to incentive based compensation plans and equity based plans (including stock option plans); review and recommend to the Board the aggregate bonus pools to be made available under the Company's incentive compensation plans for senior management, executives and officers; prepare or review the report on executive compensation and compensation discussion and analysis required to be included in the Company's continuous disclosure documentation; and review and make periodic recommendations to the Board regarding the compensation of the Board. More information on the process by which compensation for the Company's directors and officers is determined as set forth under the headings "Executive Compensation" and "Director Compensation".

Assessments

As described above, the NCGC is responsible for overseeing and assessing the functioning of the Board and the Committees. The NCGC must annually review and evaluate and make recommendations to the Board with regard to the size, composition and role of the Board and the Committees (including the type of committees to be established) and the methods and processes by which the Board, the Committees and individual directors

fulfill their duties and responsibilities, including the methods and processes for evaluating Board of Directors, the Committee and individual director effectiveness.

Term Limits

The Company has not adopted term limits for directors of the Company. The Board believes that the need to have experienced directors who are familiar with the business of the Company must be balanced with the need for renewal, fresh perspectives and a healthy skepticism when assessing management and its recommendations. In addition, as mentioned above the Board undertakes an assessment process that evaluates its effectiveness. While term limits can help ensure the Board gains fresh perspective, imposing this restriction means the Board would lose the contributions of longer serving directors who have developed a deeper knowledge and understanding of the Company over time. The Board believes that term limits have the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and thereby provide an increasing contribution to the Board as a whole.

RISK FACTORS

Risks Related to an Investment in the Offering

An investment in the Offered Shares should be considered a highly speculative investment that involves significant risk

A prospective purchaser of Offered Shares should carefully consider all of the information disclosed in this prospectus prior to making a decision to purchase the Offered Shares. In addition to the other information presented in this prospectus, the following risk factors should be given special consideration when evaluating an investment in the Company. Some of the following factors are interrelated and, consequently, prospective purchasers of Offered Shares should treat such risk factors as a whole. The following information is a summary only of certain risk factors that prospective purchasers of Offered Shares should consider and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus. These risks and uncertainties are not the only ones that could affect the Company or the Offered Shares and additional risks and uncertainties not currently known to the Company, or that it currently deems immaterial, may also impair the business, financial condition and results of operations of the Company and/or the value of the Offered Shares. If any of the following risks or other risks occur, they could have a material adverse effect on the Company's business, financial condition and results of operations and/or the value of the Offered Shares. There is no assurance that any risk management steps taken by the Company will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

There is currently no market for the Offered Shares and none may develop following the Offering

There is currently no public market for the Offered Shares. The Offering Price of the Offered Shares has been determined by negotiation between the Company and the Agent. The Company cannot predict the price at which the Offered Shares will trade upon Closing and there can be no assurance that an active trading market will develop after Closing or, if developed, that such a market will be sustained at the Offering Price. In addition, if

an active public market does not develop or is not maintained, holders of Common Shares may have difficulty selling their Common Shares.

The Completion Date of the Kyle Road Property may occur prior to Closing

The Kyle Road Property is projected to have a Completion Date in September 2020. The Company is required to pay the remaining amount of the purchase price on the Completion Date, being \$7,180,000. The Company anticipates using \$2,692,500 of proceeds from this Offering and \$4,487,500 of bank financing to complete its obligations to purchase the Kyle Road Property if such financing is available on commercially reasonable terms. If the Completion Date of the Kyle Road property occurs prior to Closing, there is a risk that the Company could default on its payment obligations under the Kyle Road Purchase Agreement, resulting in termination of the agreement and loss of the deposit paid in connection therewith. Termination of the Kyle Road Purchase Agreement could have a material adverse effect on the Company's business, financial condition and results of operations and result in the delay or termination of the Offering and listing of the Common Shares with the TSX-V.

The price of the Offered Shares in public markets may experience significant fluctuations

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following: (i) actual or anticipated fluctuations in the Company's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company; (iv) addition or departure of the Company's executive officers and other key personnel; (v) expiration of the Escrow or other transfer restrictions on Common Shares; (vi) sales or perceived sales of Common Shares; (vii) significant acquisitions or business combinations, Strategic Alliances, joint ventures or capital commitments by or involving the Company or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if the Company's operating results or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment objectives and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, there could be a material adverse effect on the Company's business, financial condition and results of operations, as well as the trading price of the Common Shares.

Management has indicated its plan for the use of proceeds of the Offering hereunder but will ultimately exercise its discretion in how such funds are put to use

The Company currently intends to allocate the net proceeds received from the Offering as described under "Use of Proceeds", however, management will have discretion in the actual application of the net proceeds, and may elect to allocate the net proceeds differently from that described under "Use of Proceeds" if it believes it would be in the Company's best interests to do so. Shareholders may not agree with the manner in which management

chooses to allocate and spend the net proceeds of the Offering. The failure by management to apply these funds effectively could have a material adverse effect on the Company's business.

Holders of Common Shares may be subject to dilution resulting from future offerings of Common Shares by the Company

The Company may raise additional funds in the future by issuing equity securities. Holders of Common Shares will have no pre-emptive rights in connection with such further issues. The Board has the discretion to determine if an issuance of Common Shares is warranted, the price at which such issuance is effected and the other terms of issue of Common Shares. In addition, additional Common Shares may be issued by the Company in connection with the exercise of options granted following the completion of the Offering. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Common Shares.

It is not anticipated that any dividend will be paid to holders of Common Shares for the foreseeable future

No dividends on the common shares have been paid to date. The Company anticipates that, for the foreseeable future, it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including the Company's earnings, operating results, financial condition, current and anticipated cash needs, and restrictions in financing agreements.

Significant holders of the Common Shares may seek to sell all or a portion of their shareholdings in the future, which could reduce the market price of the Common Shares

Sales of a substantial number of Common Shares in the public market could occur at any time before or after the expiration of the Escrow Agreements and Seed Share restrictions described herein. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of the Common Shares. Holders of options to purchase Common Shares will have an immediate income inclusion for tax purposes when they exercise their options (that is, tax is not deferred until they sell the underlying Common Shares). As a result, these holders may need to sell Common Shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of Common Shares being sold in the public market, and fewer long-term holdings of Common Shares by management of the Company and other employees.

Our business may be materially adversely affected by the recent coronavirus (COVID-19) outbreak.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China, which has and is continuing to spread throughout China and other parts of the world, including the United States and Canada. On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease (COVID-19) a "Public Health Emergency of International Concern." On March 11, 2020 the World Health Organization characterized the outbreak as a "pandemic". A significant outbreak of COVID-19 and other infectious diseases have resulted in a widespread health crisis that have adversely affect the economies and financial markets worldwide, and the business Company and future transaction could be materially and adversely affected. Furthermore, we may be unable to complete our planned expansion if continued concerns relating to COVID-19 restrict travel, limiting our ability to conduct meetings to negotiate and consummate transactions in a timely manner.

If the COVID-19 pandemic worsens or continues for a prolonged period of time, we could experience disruptions that could adversely impact our current and planned real property developments and our business activities including:

- delays or difficulties in initiating property evaluations;
- disruptions in supply, logistics or other activities related to the procurement of materials, which could have a negative impact on our ability to develop the Initial Properties;

- interruption of activities, due to limitations on travel imposed or recommended by federal, provincial or municipal governments, employers and others;
- limitations in resources that would otherwise be focused on the conduct of our business, including due to sickness, restrictions on travel, prolonged stay-at-home or shelter-in-place orders and other COVID-19 related concerns; and
- changes in regulations as part of a response to the COVID-19 outbreak which may require us to change the ways in which our business is conducted and incur unexpected costs.

The extent to which COVID-19 impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others. In addition, the recent outbreak of COVID-19 has had a negative impact on capital markets, which may adversely affect our ability to raise capital in the future to fund our expansion plans.

The market price for Common Shares may be less than the Offering Price

The price of the Common Shares will fluctuate with market conditions and other factors. If a holder of Common Shares sells its Common Shares, the price received may be more or less than the original investment.

Requirements to comply with public company reporting obligations, as well as those of any stock exchange, may strain the Company's systems and resources

As a public entity, the Company will be subject to the reporting requirements and related rules and regulations of the Canadian provincial securities regulators, as well as the rules of any stock exchange on which the Company's securities may be listed from time to time. These requirements may place a strain on the Company's systems and resources. The applicable securities legislation requires that the Company file annual, quarterly and event-driven reports with respect to its business and financial condition and operations, and may require that the Company maintain effective DCP and ICFR. In order to maintain and improve the effectiveness of the Company's disclosure controls and procedures, significant resources and management oversight will be required. The Company will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. However, the Company cannot assure prospective purchasers of Offered Shares that these procedures and processes will be sufficient to allow it to satisfy its obligations as a public company on a timely basis. In addition, sustaining the Company's growth will also require it to commit additional management, operational and financial resources to identify new professionals to join the Company and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on the Company's business, financial condition, financial performance and cash flows. The Company expects to incur significant additional annual expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements of the applicable Canadian securities regulatory authorities and other regulators, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

Tax and accounting requirements may change in ways that are unforeseen to the Company and the Company may face difficulty or be unable to implement and/or comply with any such changes

The Company is subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on the Company's financial results, the manner in which it conducts its business or the marketability of any of its products. In the future, the geographic scope of the Company's business may expand, and such expansion will require the Company to comply with the tax laws and regulations of multiple jurisdictions. Requirements as to taxation vary substantially among jurisdictions. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject the Company to penalties and fees in the future if the Company were to inadvertently fail to comply. In the event the Company was to

inadvertently fail to comply with applicable tax laws, this could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to the Business of the Company

Development Stage Company

The Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability. The Company's business is comprised of several recently-acquired properties. As such, the Company has no revenue and a loss from operations of approximately \$496,284 in the period from date of incorporation July 2, 2019 to December 31, 2019 based on limited operations. The Company's lack of operating history, and the lack of historical financial information for the Company makes it difficult for investors to evaluate the Company's prospects for success. Prospective investors should consider the risks and difficulties the Company might encounter, especially given the Company's lack of an operating history or historical financial information, there is no assurance that the Company will be successful and the likelihood of success must be considered in light of its relatively early stage of operations. As the Company has only just begun to generate revenue, it is extremely difficult to make accurate predictions and forecasts of its finances.

Going Concern

The Company is in the development stage and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand. The Company's ability to continue as a going concern is dependent upon its ability in the future to raise capital, grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company.

Financial Position and Expectations

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management. The Company's actual financial position and results of operations may differ materially from management's expectations. The Company has experienced some changes in its operating plans and certain delays in its plans. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Acquisitions and Realization of Growth Targets

The Company's business plan includes, among other things, growth through identifying suitable acquisition and/or development opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. The acquisition of properties entails general risks associated with any real estate investment, including the risk that the investments will fail to perform in accordance with expectations, that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the intended market position for that property may prove inaccurate. If the Company is unable to make accretive acquisitions or otherwise manage its growth effectively, it could adversely impact the Company's financial position and financial performance and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the Company will be able to acquire assets on an accretive basis.

Acquisition and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the Company. Representations and warranties given by third parties to the Company may not adequately protect

against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance with, and that their use complies with, planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on revenues from the relevant properties. The Company's ability to acquire properties on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (a) the Company may be unable to acquire desired properties because of competition from other real estate investors with more capital, including individuals, corporations, institutions (Canadian and foreign), other real estate operating companies, real estate investment trusts and investment funds; (b) the Company may acquire properties that are not accretive to results upon acquisition and the Company may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) the Company may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) the Company may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and the Company may spend significant time and money on potential acquisitions that the Company does not consummate; (g) the Company may be unable to quickly and efficiently integrate new acquisitions into existing operations; (h) the Company may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties, liabilities incurred in the ordinary course and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties; (i) the effort of acquiring or pursuing the acquisition of a new property may divert the attention of the Company's senior management team from existing business operations; and (j) market conditions may result in higher than expected vacancy rates and lower than expected rental rates. If the Company cannot complete property acquisitions on favourable terms, or operate acquired properties to meet the Company's goals or expectations, the Company's business, financial condition, financial performance and cash flow, the per Share trading price and the Company's ability to satisfy debt service obligations could be materially and adversely affected.

Access to Capital and Financing

The real estate industry is highly capital intensive. The Company will require access to capital to maintain its properties, as well as to fund its growth strategy and certain capital expenditures from time to time. There can be no assurances that the Company will have access to sufficient capital or access to capital on terms favourable to the Company for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Market conditions and unexpected volatility or illiquidity in financial markets may inhibit the Company's access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which the Company may require in order to grow and expand its operations, upon the expiry of the term of financing, upon refinancing any particular property owned by the Company or otherwise, may not be available or, if it is available, may not be available on favourable terms to the Company. Failure by the Company to access required capital could have a material adverse effect on the Company's business, cash flows, financial condition and financial performance.

The Company does not anticipate having any indebtedness at Closing. At closing of the Kyle Road Property purchase, the Company plans on satisfying the purchase price with proceeds from the offering and debt financing. The Company may incur further indebtedness in its ongoing operations. Although a portion of the cash flow generated by the Initial Properties will be devoted to servicing such indebtedness, there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Company is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the Company to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the Company's financial condition, liquidity and financial performance. If the Company defaults under a mortgage loan, the Company may lose the properties securing such loan.

The Company will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the Company's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

Risks Relating to the Strategic Alliances

If agreements pursuant to the Strategic Alliances do not materialize, the Company may be unable to execute its business strategy. The Company's business plan contemplates several Strategic Alliances or relationships that may not necessarily materialize in the course of the Company's business, particularly with respect to the acquisition of suitable development properties. In connection therewith, the Company expects to be dependent on its strategic relationship with its real estate developers Attollo, Denciti and Yigeda in accordance with the Strategic Alliance Agreements. There is no assurance as to the volume of opportunities that will be presented to the Company by the Strategic Partners or that such opportunities presented will be opportunities the Company is able to secure or do so on terms favourable to the Company. There can be no assurance that the right of first look granted to the Company by the Strategic Partners in respect of such opportunities will be exercised. These relationships are expected to be critical in the acquisitions of commercial property by the Company for investment and/or development. If these relationships are unsuccessful, or if the Company is unsuccessful in establishing them, the Company may be unable to pursue development opportunities and acquisitions through consortium arrangements with our Strategic Partners and other groups in accordance with its business plan.

Although the Company has certain rights pursuant to the Strategic Alliance Agreements, the Company does not directly control the management of the Strategic Partners and each of the Strategic Partners has its own management. Success of the Company will depend, in part, on the expertise of such management and the maintenance of the Strategic Alliances. There can be no assurance that the Strategic Partners will be successful in identifying or obtaining future projects and no assurance that the Strategic Partners will allow the Company to participate in any future projects.

The Strategic Partners may request, from the Company, additional capital to fund future potential projects. Failure by the Company to meet such a capital requirements may result in the loss of investment opportunities. In the event that the Strategic Partnership project needs additional capital, the Company may need to raise additional funds through debt or equity financings that may be dilutive to the Company's interest in its projects. If the Company and Strategic Partners cannot obtain adequate capital to the extent required on favorable terms or at all, it may be required to scale back or entirely halt its operating or expansion plans and its business, financial condition and results of operations could be adversely affected. Disputes may arise between the Company and the Strategic Partners that may adversely affect the success of the Company and which would have a material adverse effect on the Company's business, results of operations and financial performance.

Fluctuations in Capitalization Rates

As interest rates fluctuate in the lending market, generally so do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

Property Taxes

The Company will be subject to property tax risk as a result of its exposure to the potential for significant increases in property taxes. The assessed or reassessed values of the Company's properties for local and provincial property tax purposes may increase, resulting in an increase to property tax expense. In some instances, improvements to properties may result in significant increases in property assessments following a re-valuation and a corresponding increase in property tax expense.

Litigation at the Property Level

The acquisition, ownership and disposition of real property carries certain specific litigation risks. Litigation may be commenced with respect to a property acquired by the Company or its subsidiaries in relation to activities

that took place prior to the Company's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or damages for misrepresentation relating to disclosures made, if such buyer is passed over in favour of another as part of the Company's efforts to maximize sale proceeds. Similarly, successful buyers may later sue the Company under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

General Litigation Risks

In the ordinary course of the Company's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions in relation to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and financial performance. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Company's business operations.

Property Redevelopment and Renovations

Property redevelopment or major renovation work is subject to a number of risks, including: (i) the potential that the Company may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (ii) the potential that the Company may expend funds on and devote management time to projects which it does not complete; (iii) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (iv) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the Company's cash flow and liquidity; (v) the cost and timely completion of construction (including risks beyond the Company's control, such as weather, labour conditions or material shortages); (vi) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (vii) the failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; (viii) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (ix) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (x) the Company's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (xi) the availability and pricing of financing to fund the Company's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the Company's financial condition, financial performance and cash flow.

Insurance Coverage May be Inadequate

The Company will attempt to obtain and maintain adequate insurance of the type and in the amounts customarily obtained for properties similar to those owned by the Company to cover significant areas of risk to it as an entity and to its properties. However, there are types of losses at the property level, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, tornadoes, hurricanes, pollution or environmental matters, which are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. The Company may not have adequate coverage for such losses. If any of the Company's properties incurs a casualty loss that is not fully insured, the value of the Company's assets will be reduced by any such uninsured loss. In addition, other than any working capital reserve

or other reserves the Company may establish, it may not have any source of funding to repair or reconstruct any uninsured damaged property. Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. The Company may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at reasonable levels of coverage and under reasonable terms. Such insurance may be limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Further, an inability of the Company to obtain adequate insurance may result in the Company being in default under contractual and financial commitments that require the Company to maintain adequate insurance.

New Markets

If the opportunity arises, the Company may explore acquisitions of properties in new markets. Each of the risks applicable to the Company's ability to acquire and successfully integrate and operate properties in its current markets is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, the Company may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could adversely affect its ability to expand into or operate in those markets. The Company may be unable to achieve a desired return on its investments in new markets and be unsuccessful in expanding into new markets.

Geographic Concentration

The Initial Properties are located in British Columbia. As a result, the Company's performance is particularly sensitive to economic changes in the province. In addition, the market value of the Company's properties, the income generated by the Company and the Company's performance are sensitive to changes in the economic condition and regulatory environment of British Columbia. Adverse changes in the economic condition or regulatory environment of British Columbia may have a material adverse effect on the Company.

Lease Renewals and Rental Increases

The expiry of leases for the Company's properties will occur from time to time over the short and long-term. No assurance can be provided that the Company will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the Company's financial condition and financial performance and decrease the amount of cash available for distribution.

Certain provinces of Canada have enacted residential tenancy legislation which, among other things, imposes rent control guidelines that limit the Company's ability to raise rental rates at its properties. Limits on the Company's ability to raise rental rates at its properties may materially adversely affect the Company's ability to increase income from its properties.

In addition to limiting the Company's ability to raise rental rates, provincial residential tenancy legislation provides certain rights to tenants, while imposing obligations upon the landlord. Residential tenancy legislation in the Province of British Columbia prescribes certain procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the applicable administrative body governing residential tenancies as appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Reliance on Key Personnel

The management of the Company depends on the services of certain key personnel, including the executive officers and the directors. The loss of the services of any key personnel and the inability of the Company to

attract and retain qualified and experienced personnel could have an adverse effect on the Company and adversely impact the Company's financial condition and financial performance.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Breach of Privacy or Information Security Systems

The protection of tenant, employee, and company data is critically important to the Company. The Company's business requires it to use and store personally identifiable and other sensitive information of its tenants and employees. The collection and use of personally identifiable information is governed by Canadian federal and provincial laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase the Company's operating costs and adversely impact the Company's ability to market the Company's properties and services. The security measures put in place by the Company, or third party vendors used by the Company for the operation of its business, cannot provide absolute security, and the Company's information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents, including, ransom of data, such as, without limitation, tenant and/or employee information, due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise the Company's or its vendors' networks, and the information stored by the Company or such vendors could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to Company assets, or other harm. Moreover, if a data security incident or breach affects the Company's systems or such vendors' systems or results in the unauthorized release of personally identifiable information, the Company's reputation and brand could be materially damaged and the Company may be exposed to a risk of loss or litigation and possible liability, including, without limitation, loss related to the fact that agreements with such vendors, or such vendors' financial condition, may not allow the Company to recover all costs related to a cyber breach for which they alone or they and the Company should be jointly responsible.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In the future, the Company may expend additional resources to continue to enhance the Company's information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that the Company will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on the Company's systems, or that any such incident will be discovered in a timely manner. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change frequently; accordingly, the Company may be unable to anticipate these techniques or implement adequate preventative measures. If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable information technology infrastructure,

fails to timely identify or appropriately respond to cybersecurity incidents, or the Company's or its third-party vendors' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: the loss of or failure to attract new residents; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

Expanding Social Media Vehicles

The use of social media could cause the Company to suffer brand damage or information leakage. Negative posts or comments about the Company or its properties on any social networking website could damage the Company's reputation. In addition, employees or others might disclose non-public sensitive information relating to the Company's business through external media channels. The continuing evolution of social media will present the Company with new challenges and risks.

Risks Related to the Real Estate Industry

Real Property Ownership and Revenue Risks

Investing in real estate will expose the Company to a certain degree of risk. There is no assurance that the operations of the Company will be profitable. Because real estate, like many other types of long-term investment, experiences significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the Company's portfolio. Further, the Company may buy and/or sell properties at less than optimal times. The marketability and value of the portfolio as well as the Company's revenues will depend on many factors beyond the control of the Company, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics, neighbourhood characteristics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants or purchasers; (vi) competition with other landlords with similar available space and competition from prospective buyers for, and sellers of, other similar properties; (vii) the ability of the Company to provide adequate maintenance at competitive costs and the ongoing need for capital improvements; (viii) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (ix) changes in governmental rules and fiscal policies; (x) the financial condition of tenants, buyers and sellers of property; (xi) changes in real estate tax rates and other operating expenses; (xii) changes in interest rates and in the availability, cost and terms of financing; (xiii) the imposition of rent controls; (xiv) energy and supply shortages and prices; (xv) various uninsured or uninsurable risks; (xvi) civil unrest; (xvii) acts of God and natural disasters; and (xviii) acts of war or terrorism. In the event that any of the Company's properties experience any of the foregoing events or occurrences, the value of, and return on, such investments may be negatively impacted.

There can be no assurance of profitable operations because the costs of operating the portfolio, including debt service, may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the Company's income from such investments.

The success of the Company will depend on the availability of, and the degree of competition for, attractive investments. The Company's operating results will depend on the availability of, as well as the ability of management to identify, consummate, manage and realize, attractive real estate investment opportunities. It may take considerable time for the Company to identify and consummate appropriate investments on satisfactory terms. No assurance can be given that the Company will be successful in identifying and consummating future investments or that such investments, once consummated, will perform as expected. The Company will be engaged in a competitive business and will be competing for attractive investments with other real estate investment vehicles, as well as publicly-traded real estate investment trusts, private investment funds, advisers managing pension fund separate accounts, foreign investors, institutional investors, family groups and

wealthy individuals with similar investment objectives. These factors may affect the Company's ability to make investments in the future.

Rental Income Risks

The Initial Properties generate income through rent payments made by tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. The Company's cash flows and financial position would be materially adversely affected if its tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Company's properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, the Company may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease by the tenant.

Competition

Numerous other developers, managers and owners of properties will compete with the Company in seeking tenants. Some of the properties owned by the Company's competitors are better located or less leveraged than the properties owned by the Company. Some of the Company's competitors are better capitalized and stronger financially and hence better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on the ability of the Company to lease space in its properties and on the rents charged or concessions granted, and could adversely affect the revenues of the Company and its ability to meet its debt obligations and decreased the amount of cash available for distribution.

Regulation and Changes in Applicable Laws

The Company is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord/tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, municipal or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Company (including with retroactive effect). Any changes in the laws to which the Company is subject could materially adversely affect the Company's rights and title to its assets. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the Company is subject or the effect of any such changes on its investments.

Lower revenue growth or significant unanticipated expenditures may result from the Company's need to comply with changes in applicable laws or the enactment of new laws, including: (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the Company's properties, including changes to building codes and fire and life-safety codes. Further, residential landlord/tenant laws in certain provinces may provide tenants with the right to bring certain claims to the applicable judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Company may, in the future, incur capital expenditures which may not be fully recoverable from tenants.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As a current or previous owner of interests in real property in Canada, the Company will be subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Company could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties or at third party sites at which wastes were sent for disposal, including lead-based paints, mold, asbestos, polychlorinated

biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Further, liability may be incurred by the Company with respect to the release of such substances from or to the Company's properties. Those laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibres in the air.

There may be contamination on the Initial Properties of which management is not aware. The presence of contamination or the failure to remediate contamination may adversely affect the Company's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the Company by public or private parties.

The Initial Properties may contain soil or groundwater contamination, hazardous substances and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos, mold or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The Company will bear the risk of cost-intensive assessment, remediation or removal of such soil or groundwater contamination, hazardous substances or other residual pollution. The discovery of any such contamination or residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the Company. The remediation of any contamination and the related additional measures the Company would have to undertake could have a materially adverse effect on the Company and could involve considerable additional costs. The Company will also be exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of soil or groundwater contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and the Company's ability to lease or sell such a property.

The Company's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide the Company with some level of assurance about the condition of the property, the Company may become subject to liability for undetected contamination or other environmental conditions at its properties.

The Company intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the Company's business, financial condition or results of operation. Furthermore, environmental laws can change and the Company may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the Company's financial condition and financial performance.

Capital Expenditures and Fixed Costs

As a matter of conducting business in the ordinary course, certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long term, the Company must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the Company may not be able to pass on to its tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading a property exceed the Company's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties,

or if the Company is not permitted to raise rents due to legal constraints, the Company will incur additional and unexpected costs. If competing rental properties are built in the area where one of the Company's properties is located or similar rental properties located in the vicinity of one of the Company's properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced. Any failure by the Company to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the Company earns from such properties.

The Company is subject to utility risk relating to increased costs that the Company may experience as a result of higher resource prices. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Company cannot charge back to the resident may have a material adverse effect on the Company's cash flows, financial condition and financial performance. Unlike commercial leases, which generally are "net" leases and allow a landlord to recover expenditures from residents, residential leases are generally "gross" leases and the landlord is less able to pass on costs to its residents during the term of a lease.

Liquidity

An investment in real estate is relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Company's ability to vary its portfolio of properties promptly in response to changing economic, investment or other conditions. If the Company were to be required to quickly liquidate its real property investments, the proceeds to the Company might be significantly less than the aggregate carrying or net asset value of its properties or less than what would be expected to be received under normal circumstances which could have an adverse effect on the Company's financial condition and financial performance. Illiquidity may result from the absence of an established market for real property investments, as well as from legal or contractual restrictions on their resale. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and during an economic recession the Company may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the Company to dispose of properties at lower prices in order to generate sufficient cash for operations. There can be no assurance that the fair market value of any properties held by the Company will not decrease in the future.

Current Economic Environment

The Company is subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment, risks arising from global pandemics and geopolitical issues. Poor economic conditions could adversely affect the Company's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the Company to maintain occupancy rates which could harm the Company's financial condition. In weak economic environments, the Company's tenants may be unable to meet their rental payments and other obligations due to the Company, which could have a material and adverse effect on the Company. In addition, fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of the Company's investments and could potentially reduce the value of such investments, or may adversely affect the ability of the Company to complete acquisitions on financially desirable terms.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

LEGAL PROCEEDINGS

The Company is not aware of any existing or contemplated legal proceedings to which it is or was a party to, or to which any of its properties (including the Initial Properties) is or was the subject of.

REGULATORY ACTIONS

The Company is not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against the Company, nor has the Company entered into any settlement agreements before a court or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as noted below, no director or executive officer of the Company, person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of the Common Shares, or associate or affiliate of any of the foregoing persons or companies, has or had a material interest, direct or indirect, in any transaction within the three years before the date of the prospectus that has materially affected or is reasonably expected to materially affect the Company.

On December 18, 2019, the Company purchased a 51% stake in the WestVan Property from the WestVan Vendor, which is a related party to the Company's Strategic Partner Yigeda and Travis Chen, who indirectly owns 12.66% of the Common Shares of the Company. The Company's 51% interest in the WestVan Property is partial security for mortgage debt. The Company and a director have provided corporate and personal guarantees for the mortgage debt and the Company has indemnified the director for this personal guarantee.

On February 25, 2020, the Company entered into the Kyle Road Agreement whereby the Kyle Road Assignor assigned its rights in the Kyle Road Purchase Agreement to the Company. See "*Acquisitions of Assets of the Company*". The Kyle Road Assignor is a related party to the Company's Strategic Partner Yigeda, and Travis Chen, who indirectly owns 12.66% of the Common Shares of the Company. The Kyle Road Assignor received \$1,795,000 for the assignment of its rights under the Kyle Road Purchase Agreement, which was equal to the deposits paid by the Kyle Road Assignor to the Kyle Road Vendor. The Company paid \$179,500 in cash and issued to the Kyle Road Assignor 2,019,375 Common Shares at a price of \$0.80 per Common Share to pay the purchase price of \$1,795,000.

On July 3, 2020, Kadestone entered into the Cornerstone Investment Agreement with the Cornerstone Investor. The Cornerstone Investor is a company incorporated in British Columbia that is 100% controlled by Travis Chen, an insider and may be considered to be a promoter of the Company and principal of one of the Company's Strategic Partners who has agreed to be the cornerstone investor in the Company, see "*Cornerstone Investor*". Pursuant to the Cornerstone Investment Agreement, the Company shall sell Common Shares by way of private placement to the Cornerstone Investor for gross proceeds of between \$5,000,000 and \$12,000,000 at the Offering Price, conditional upon the successful completion of this Offering. The exact amount of the Cornerstone Placement will be calculated based on the amount raised in the Offering under this prospectus such that the total amount raised in the Offering and the Cornerstone Placement will be a minimum of \$14,000,000 and a maximum of \$20,000,000.

RELATIONSHIP BETWEEN ISSUER AND AGENT

The Company is neither a "connected issuer" nor "related issuer" to the Agent, as such terms are defined in NI 33-105.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Davidson & Company LLP, Chartered Professional Accountants, of 1200-609 Granville Street, Vancouver, British Columbia V7Y 1G6. The auditor was appointed on August 12, 2019.

The transfer agent and registrar of the Common Shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia.

MATERIAL CONTRACTS

The following are the only material agreements of the Company or its subsidiaries that will be in effect on Closing (other than certain contracts entered into in the ordinary course of business):

1. Kyle Road Agreement dated February 25, 2020 between the Company and Yigeda Enterprises Inc., pursuant to which Yigeda Enterprises Inc. assigned its interest and deposit in the Kyle Road Purchase Agreement. (See "*Acquisition of Assets of the Business*");
2. Kyle Road Purchase Agreement dated September 18, 2019 and accepted September 19, 2019 between the Kyle Road Vendor and the Kyle Road Assignor, whereby the Kyle Road Vendor agreed to sell and the Kyle Road Assignor agreed to purchase the Kyle Road Property, being strata lots 1 through 20, inclusive (being unit numbers 101 through 120, inclusive) in the commercial development commonly known as "Kyle Road Business Park" to be constructed by the Kyle Road Vendor on the lands currently municipally known as 2648 Kyle Road, West Kelowna, British Columbia, on the terms and conditions set out in the Kyle Road Purchase Agreement. (See "*Acquisition of Assets of the Business*");
3. WestVan Agreement dated December 18, 2019 between the Company and 0995793 B.C. Ltd. whereby the Company purchased a 51% stake in the WestVan Property (See "*Acquisition of Assets of the Business*");
4. Attollo Strategic Alliance Agreement dated February 25, 2020 between Attollo Management Inc. and the Company whereby Attollo has agreed to present the Company with real estate opportunities for investment or development. See "*Business of the Company*";
5. Denciti Strategic Alliance Agreement dated February 27, 2020 between Denciti Development Corporation and the Company whereby Denciti has agreed to present the Company with real estate opportunities for investment or development. (See "*Business of the Company*");
6. Yigeda Strategic Alliance Agreement dated February 25, 2020 between Yigeda Holdings Ltd. and the Company whereby Yigeda Holdings Ltd. has agreed to present the Company with real estate opportunities for investment or development. (See "*Business of the Company*");
7. Cornerstone Investment Agreement dated July 3, 2020 between West Vancouver Private Club Corp. and the Company whereby West Vancouver Private Club Corp. has agreed to purchase from the Company on a prospectus-exempt basis up to 15,000,000 Shares for total gross proceeds of \$12,000,000, conditional upon, and to close concurrently with, the completion of the Offering. (See "*Cornerstone Investor*");
8. Escrow Agreement among the Company, the Escrow Agent and certain shareholders of the Company. See "*Escrowed Securities*"; and
9. Pooling Agreement among the Company, the Escrow Agent and certain shareholders of the Company. See "*Exchange Seed Share Resale Restriction*".

Copies of the foregoing documents will be available on the System for Electronic Document Recovery and Retrieval at www.sedar.com.

EXPERTS

Davidson & Company LLP are the external auditors of the Company and have confirmed that they are independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia (registered name of the Institute of Chartered Accountants of British Columbia).

Certain legal matters relating to the distribution of the Offered Shares will be passed upon by Blake, Cassels & Graydon LLP, on behalf of the Company, and by Harper Grey LLP, on behalf of the Agent. As at the date hereof the partners and associates of Blake, Cassels & Graydon LLP, as a group, and the partners and associates of Harper Grey LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares.

PROMOTER

While Travis Chen is not, and there are no plans to appoint him as, a director or officer of the Company, he may be considered, pursuant to applicable securities laws, to be a “promoter” of the Company in that, as a result of his relationship with Yigeda and its affiliates, Mr. Chen may be considered to have control or direction of up to 5,691,375 Shares in addition to the Cornerstone Investment, for a total of 11,941,375 Shares or 21.42% of the outstanding Shares at closing in the event of the Maximum Offering and 20,691,375 Shares or 44.49% of the outstanding Shares at closing in the event of the Minimum Offering. Additionally, he is a principal of Yigeda Investments, a strategic partner that the Company anticipates will source real estate investment opportunities for the Company going forward.

Please see “*Principal Shareholders*”.

RIGHTS OF WITHDRAWAL AND RECISSION

Securities legislation in certain of the provinces and territories of Canada provides a purchaser with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

FINANCIAL STATEMENT DISCLOSURE

The Company’s audited financial statements for the fiscal year ended December 31, 2019 (being the period from incorporation on July 2, 2019 to December 31, 2019) and the unaudited financial statements for the three and six months ended June 30, 2020 are included herein as Schedule “B”. The Company’s fiscal year end is December 31.

SCHEDULE "A"

Management's Discussion and Analysis of the Company

for the period from incorporation on July 2, 2019 to December 31, 2019 and the six month period ended June 30, 2020

[see attached]

KADESTONE CAPITAL CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended June 30, 2020

As of August 28, 2020

Kadestone Capital Corp.

Management Discussion and Analysis

For the six months ended June 30, 2020

About Kadestone

Kadestone Capital Corp. (the “Company” or “Kadestone”) was incorporated under the British Columbia Business Corporations Act on July 2, 2019. Its principal business activity is the development, acquisition, and management of residential and commercial income producing properties within major urban centres and high-growth, emerging markets in Canada, with an initial focus on the Metro Vancouver and Kelowna markets. Its registered and records office is Suite 2600, Three Burrard Centre, 595 Burrard Street, Vancouver, BC Canada, V7X 1L3.

Basis of Discussion and Analysis

This management discussion and analysis (“MD&A”) of the consolidated financial condition of Kadestone as of June 30, 2020 and the results of its operations for the six months ended June 30, 2020 was prepared as of August 28, 2020. This MD&A should be read in conjunction with the Company’s condensed interim consolidated financial statements and accompanying notes for the six months ended June 30, 2020.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). IFRS comprises IFRS, International Accounting Standards (“IAS”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”) and the former Standing Interpretations Committee (“SIC”).

The Company’s functional currency is the Canadian dollar which is also its presentation currency.

Forward-Looking Statements

This MD&A contains “forward-looking statements” that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, the use of words such as “estimate”, “project”, “belief”, “anticipate”, “intend”, “expect”, “plan”, “predict”, “may”, “should”, “will”, “consider”, “anticipate”, “objective” and the negative of these words or such variations thereon or comparable terminology, are intended to identify forward-looking statements and information, including but not limited to statements regarding the Company’s ability to raise equity financing, the generation of rental revenue or gains through capital appreciation of the properties, renewal of leases or replacement of tenants, and the Company’s ability to maintain sufficient or readily available working capital to meet liquidity requirements. Forward-looking statements are, by their nature, not guarantees of the Company’s future operational or financial performance and are subject to risks and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. No representation or warranty is intended with respect to anticipated future results, or that estimates, or projections will be sustained.

These forward-looking statements involve known and unknown risks and uncertainties that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. These risks include risks related to the real estate industry generally such as, changes in interest rates, demand for office, industrial, and commercial rentals, illiquidity of real estate investments, non-renewal of tenant leases, risks associated with development and related zoning and other permits approvals, fluctuation in real estate values, geographic conditions, environmental matters and uninsured losses. Although the forward-looking statements contained herein are based upon what management believes to be current and reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company undertakes no obligation to publicly update or revise any such forward-looking statements to reflect any change in its expectations or in events, conditions or circumstances on which any such forward-looking statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Kadestone Capital Corp.

Management Discussion and Analysis

For the six months ended June 30, 2020

Current Period Activities and Corporate Developments

- Kadestone was incorporated on July 2, 2019.
- During the period from the date of incorporation on July 2, 2019 to December 31, 2019, Kadestone raised \$1,429,001 in financing through the issuance of 23,315,100 common shares.
- On December 31, 2019 the Company acquired a 51% interest in a commercial real estate property located in West Vancouver. The transaction was accounted for as an asset acquisition. The Company intends to hold the property as an investment property to earn rental income and for capital appreciation. The 51% interest in the property was purchased for its fair value of \$1,679,120 including acquisition costs of \$47,120. The Company paid cash of \$163,200 and issued 3,672,000 common shares with a fair value of \$0.40 per share.
- On December 31, 2019, 1,250,000 stock options were issued to officers and consultants of the Company.
- On February 25, 2020, the Company entered into a purchase agreement which assigned to the Company the rights in an agreement to purchase Phase One of a light industrial development interest on Kyle Road in Kelowna. The total purchase price of the Kyle Road Property is \$8,975,000 payable as follows: i) a first deposit of \$50,000, which has been paid; ii) a second deposit of \$1,745,000, which has been paid and iii) the balance of \$7,180,000 payable on completion, being prior to the outside completion date of December 31 2020. The Company purchased the rights to the Kyle Road Agreement on February 25, 2020 for \$1,795,000 which represents reimbursement of the first and second deposits. The Company paid \$179,500 in cash and issued 2,019,375 shares at a value of \$1,615,500.
- On March 3, 2020, 400,000 stock options were issued to directors of the Company.
- On June 10, 2020, 100,000 stock options were issued to the Chief Financial Officer.

Selected Interim Information

Selected financial information from the statement of loss for the six months ended June 30, 2020:

Expenses (unaudited)	
Stock-based compensation	421,696
Professional fees	404,937
Consulting fees	188,259
Salaries and wages	154,097
Directors fees	55,577
Computer expenses	5,440
Marketing	3,153
Office supplies	3,015
Travel expenses	699
Bank charges	460
	<hr/>
	\$ 1,237,333

Professional fees mainly consist of fees paid to lawyers for professional services.

Consulting fees mainly consist of consulting expenses paid to the Chief Financial Officer and finance and accounting related expenses.

Salaries and wages consist solely of salary paid to the Chief Executive Officer.

Kadestone Capital Corp.

Management Discussion and Analysis

For the six months ended June 30, 2020

Selected financial information from the statement of financial position sheet as at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Total current assets	\$ 174,202	\$ 938,687
Investment properties	1,688,927	1,679,120
Property purchase deposit	1,795,000	-
Total Assets	\$ 3,658,129	\$ 2,617,807
Accounts payable and accrued liabilities	\$ 424,523	\$ 191,415
Shareholders' equity	3,233,606	2,426,392
Total liabilities and shareholders' equity	\$ 3,658,129	\$ 2,617,807

Current assets mainly consist of cash and cash equivalents of \$21,403, receivables of \$32,799, the majority of which is the receivable from input tax credits, and deferred financing costs of \$61,250. The Company is holding the cash to fund Company growth and in anticipation of purchasing additional investment properties.

Investment properties represents the 51% interest in the property in West Vancouver. The property has a gross leasable area of 6,463 square feet and is currently 54% leased.

Property purchase deposit represents the deposit paid on the Kyle Road property which is to be completed in late 2020.

Selected historical cost financial information for the investment property and the Company's 51% allocation of certain assets, revenue and expenses of the investment property has been summarized as follows:

	Investment property at 100%			The Company's allocation of the 51%		
	Six months ended June 30, 2020	Year ended December 31, 2019	Year ended December 31, 2018	Six months ended June 30, 2020	Year ended December 31, 2019⁽¹⁾	Year ended December 31, 2018⁽¹⁾
Total Assets	\$ 2,865,842	\$ 2,845,382	\$ 2,870,302	\$ 1,632,000	\$ 1,632,000	\$ 1,632,000
Total Liabilities	\$ 2,867,140	\$ 2,817,707	\$ 2,859,390	\$ -	\$ -	\$ -
Total Revenue	\$ 48,171	\$ 77,670	\$ 85,334	\$ 25,103	\$ 39,611	\$ 43,521
Profit and Loss	\$ (6,681)	\$ (66,276)	\$ (50,660)	\$ 7,351	\$ 3,368	\$ 7,167

(1) The property at 100% pertains to 0995793 BC Ltd prior to the Company's acquisition of the 51% interest in the property. This historical information includes the property plus assets and liabilities directly related to the property. The Company is entitled to 51% of the revenues less operating expenses (excluding mortgage interest since the mortgage is solely held by the 49% interest holder). The Company is not entitled to any assets nor responsible for any liabilities relating to the property. Accordingly the 51% interest in the assets of \$1,632,000 represents the purchase price of the interest and does not include any of the other assets or liabilities related to the property since the Company is not entitled to the assets nor responsible for the liabilities.

The table above has been prepared for information purposes only, as if the asset had been owned throughout the periods disclosed. Investment property at 100% shows the financial information of the investment property before the Company's allocated assets and liabilities (including debt financing).

Kadestone Capital Corp.

Management Discussion and Analysis

For the six months ended June 30, 2020

Discussion of Operations

For a discussion of current year operations see “Selected Interim Information” in this MD&A.

The Company is currently focused on raising equity financing in order to acquire additional investment properties in order to generate net rental revenue and gains through capital appreciation of these properties.

Summary of Quarterly Results

The following summarizes the selected quarterly results for the Company:

	Period from the date of incorporation on July 2, 2019 September 30, 2019	Three months ended December 31, 2019	Three months ended March 31, 2020	Three months ended June 30, 2020
Total profit interest	-	-	\$ 4,629	2,722
Loss from continuing operations	\$ (195)	\$ (496,089)	\$ (689,625)	(540,357)
Loss per share (diluted and non-diluted)	\$ (2.82)	\$ (0.08)	\$ (0.02)	\$ (0.02)

During the period from the date of incorporation on July 2, 2019 to September 30, 2019 the Company did not have significant activity and therefore incurred only minimal bank expenses.

During the three months ended December 31, 2019 the Company incurred the majority of the expenses discussed above in the selected financial information. This included professional and consulting fees involved with establishing the legal, finance and corporate structure of the company.

During the three months ended March 31, 2020 the Company continued to incur professional and consulting fees involved with establishing the legal, finance and corporate structure of the company and prepare for the initial public offering.

During the three months ended June 30, 2020 the Company continued to incur professional and consulting fees involved with establishing the legal, finance and corporate structure of the company and prepare for the initial public offering.

Liquidity and Capital Resources

The primary objective of the Company’s capital management is to ensure that it maintains adequate capital in order to support its business and maximize shareholder value. The Company manages its capital structure with the goal of minimizing risk to the stability of cash flows from properties.

As at June 30, 2020, the Company had current financial assets of \$54,202 available to settle current financial liabilities of \$424,523.

Risks and Uncertainties

Real Estate Industry

Investment properties are subject to varying degrees of risk. Such risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an over-supply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from others with available space and the ability of the Company to provide adequate maintenance at an economic cost.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether a property is producing sufficient income to

Kadestone Capital Corp.

Management Discussion and Analysis

For the six months ended June 30, 2020

cover such expenses. If the property is unable to generate enough net operating income to make mortgage repayments on any property, losses could be sustained as a result of the lenders exercising their rights of foreclosure or sale.

Real estate is relatively illiquid. Such illiquidity will tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions. Financial difficulties of other property owners resulting in distress sales may further depress real estate values in many of the markets in which the Company operates or intends to operate.

Revenue-Producing Properties

The Company's revenue-producing property generates income through rental receipts from tenants. Upon the expiry of any lease, there is no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Company than the existing lease. Furthermore, at any time, a tenant of the Company's property may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of such tenant's lease and a resultant reduction in cash flow available to the Company.

Revenue generated by the Company's investment property is dependent on the lease rate and occupancy rate of the property. The Company faces a risk of a net operating loss from its investments if the revenue from an investment property is less than the expenses.

The Company's 51% interest in the West Vancouver property is currently only 54% leased and the Company is not guaranteed to lease the remaining space in the future.

Fluctuations in Real Estate Values

The commercial and industrial real estate industry is subject to variability and fluctuations in real estate values. The Company has elected to report its investment properties at fair value. Fair value represents the amount at which the properties could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction at the date of valuation. Adjustments will be made to the fair values when changes in the underlying valuation assumptions occur.

Geographic Concentration

The Company currently holds an interest in one property located in West Vancouver, British Columbia. An economic downturn in any of these markets could cause leasing rates to decline, which could have a material adverse effect on the business and negatively affect the results of operations and financial condition of the Company.

Environmental Matters

As an owner of an investment property, the Company is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. Such laws provide that the Company could be liable for costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell such real estate or pledge real estate as collateral for borrowing. In addition, such a situation could potentially result in claims against the Company. The Company is not aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. It is also possible that asbestos containing material ("ACM") and polychlorinated biphenyls ("PCB") in light fixtures may be present at some properties, which may result in future removal and disposal costs; however, management is not aware of any such presence in its current property.

General Uninsured Losses

The Company's investment property is insured however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination) which are either uninsurable or not insurable on an economic basis. Should an uninsured or underinsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from, the property, while still being obligated to repay any recourse

Kadestone Capital Corp.

Management Discussion and Analysis

For the six months ended June 30, 2020

mortgage indebtedness on such properties. If a loss occurs in excess of insured limits, the Company could lose all or part of its investment in, and anticipated profits and cash flows from such property.

Technology and information security

The Company is also subject to technology and information security risk, including the risk that confidential information held by the Company is stolen or accessed causing financial or personal harm to the affected individual(s) or the Company's business. The Company reduces this risk through enhancement of policies and procedures, and monitoring and auditing to ensure compliance related to information technology, safety of data, and secure storage of physical files. The Company is also subject to risks related to reliance on key personnel and catastrophic and general uninsured loss.

COVID-19

The impact of the COVID-19 pandemic, with its combined health toll and sharp decline in global economic output, is unprecedented and the full extent of the impact will depend on future developments. These developments are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning its severity, its duration and actions by government authorities to contain the outbreak or manage its impact. As a result, it is not possible to determine the impact on the going concern of the Company at this time.

Related Party Transactions

a. Key management personnel

Transactions with key management personnel, including compensatory arrangements, require disclosure. Key management personnel include the Company's officers and directors.

b. Transactions

During three months ended June 30, 2020 the Chief Executive Officer received \$150,000 in salary and the Chief Financial Officer received \$150,833 for consulting fees.

Summary of transactions with key management and directors:

		Six months ended June 30, 2020
Salary	\$	150,000
Consulting fees		150,833
Directors fees		55,577
Stock-based compensation		381,536
	\$	737,946

Included in accounts payable is \$31,250 (December 31, 2019 - \$nil) owing to officers and directors of the Company.

Significant Accounting Estimates and Judgements

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities and expenses, as well as the Company's ability to continue as a going concern. The estimates and assumptions made are continually evaluated and have been based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain. Actual results could differ materially from these estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised and may impact future periods.

Kadestone Capital Corp.

Management Discussion and Analysis

For the six months ended June 30, 2020

In preparation of the condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2019.

Financial Instruments and Other Instruments

The Company classifies its financial instruments as follows:

June 30, 2020	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through profit and loss
Cash and cash equivalents	\$ 21,403	\$ -	\$ -
Receivables	32,799	-	-
Accounts payable and accrued liabilities	-	424,523	-
Total	\$ 54,202	\$ 424,523	\$ -

December 31, 2019	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through profit and loss
Cash and cash equivalents	\$ 829,811	\$ -	\$ -
Receivables	14,293	-	-
Accounts payable and accrued liabilities	-	191,415	-
Total	\$ 844,104	\$ 191,415	\$ -

Risk factors

The Company's financial instruments consist of cash, marketable securities, receivables and other financial liabilities. As at June 30, 2020, the carrying values and fair values of the Company's financial instruments are approximately the same.

The Company is exposed, in varying degrees, to the following financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due at any point in time over available financial assets. The Company's objective in managing liquidity risk is to maintain sufficient readily available working capital to meet its liquidity requirements. At June 30, 2020, the Company had current financial assets of \$54,202 available to settle current financial liabilities of \$424,523.

Market Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on its cash balances is immaterial currently.

Kadestone Capital Corp.

Management Discussion and Analysis

For the six months ended June 30, 2020

Subsequent Events

a. The initial public offering of the Company

The Company is in the process of filing a prospectus offering for common shares at a price of \$0.80 per common share (the "Offering") and has engaged Leede Jones Gable Inc. as its agent (the "Agent") in connection with the Offering. The Company will pay the Agent a commission equal to \$0.056 per offered share, subject to a reduced commission equal to \$0.016 per share sold to president's list purchasers, and a corporate finance fee of \$50,000 plus GST, half of which has already been paid and is non-refundable. "). If the gross proceeds from the prospectus offering is at least \$2,000,000, not including the proceeds from the cornerstone offering, the commission payable pursuant to the combined offering shall be the greater of \$450,000 and the Agent's commission from the Offering, as calculated above. The Company has also paid the Agent a \$35,000 deposit to pay for legal and other costs that the Agent may incur. The Company will also grant to the Agent, options equal to 5% of the number of shares sold under the Offering. Each agent option will be exercisable into one common share at a price per share equal to the Offering price for a period of 24 months from the date the shares are listed on the TSX-V.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

KADESTONE CAPITAL CORP.

Management's Discussion and Analysis

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

As of June 30, 2020

ABOUT KADESTONE

Kadestone Capital Corp. (the “Company” or “Kadestone”) was incorporated under the British Columbia Business Corporations Act on July 2, 2019. Its principal business activity is the development, acquisition, and management of residential and commercial income producing properties within major urban centres and high-growth, emerging markets in Canada, with an initial focus on the Metro Vancouver and Kelowna markets. Its registered and records office is Suite 2600, Three Burrard Centre, 595 Burrard Street, Vancouver, BC Canada, V7X 1L3.

BASIS OF DISCUSSION AND ANALYSIS

This management discussion and analysis (“MD&A”) of the consolidated financial condition of Kadestone as of December 31, 2019 and the results of its operations for the period from the date of incorporation on July 2, 2019 to December 31, 2019 was prepared as of June 30, 2020. This MD&A should be read in conjunction with the Company’s audited consolidated financial statements and accompanying notes for the period from the date of incorporation on July 2, 2019 to December 31, 2019.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). IFRS comprises IFRS, International Accounting Standards (“IAS”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”) and the former Standing Interpretations Committee (“SIC”).

The Company’s functional currency is the Canadian dollar which is also its presentation currency.

FORWARD-LOOKING STATEMENTS

This MD&A contains “forward-looking statements” that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, the use of words such as “estimate”, “project”, “belief”, “anticipate”, “intend”, “expect”, “plan”, “predict”, “may”, “should”, “will”, “consider”, “anticipate”, “objective” and the negative of these words or such variations thereon or comparable terminology, are intended to identify forward-looking statements and information, including but not limited to statements regarding the Company’s ability to raise equity financing, the generation of rental revenue or gains through capital appreciation of the properties, renewal of leases or replacement of tenants, and the Company’s ability to maintain sufficient or readily available working capital to meet liquidity requirements. Forward-looking statements are, by their nature, not guarantees of the Company’s future operational or financial performance and are subject to risks and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. No representation or warranty is intended with respect to anticipated future results, or that estimates, or projections will be sustained.

These forward-looking statements involve known and unknown risks and uncertainties that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. These risks include risks related to the real estate industry generally such as, changes in interest rates, demand for office, industrial, and commercial rentals, illiquidity of real estate investments, non-renewal of tenant leases, risks associated with development and related zoning and other permits approvals, fluctuation in real estate values, geographic conditions, environmental matters and uninsured losses. Although the forward-looking statements contained herein are based upon what management believes to be current and reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company undertakes no obligation to publicly update or revise any such forward-looking statements to reflect any change in its expectations or in events, conditions or circumstances on which any such forward-looking statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

CURRENT YEAR ACTIVITIES AND CORPORATE DEVELOPMENTS

- Kadestone was incorporated on July 2, 2019.

- During the period from the date of incorporation on July 2, 2019 to December 31, 2019, Kadestone raised \$1,429,001 in financing through the issuance of 23,315,100 common shares.
- On December 31, 2019 the Company acquired a 51% interest in a commercial real estate property located in West Vancouver. The transaction was accounted for as an asset acquisition. The Company intends to hold the property as an investment property to earn rental income and for capital appreciation. The 51% interest in the property was purchased for its fair value of \$1,679,120 including acquisition costs of \$47,120. The Company paid cash of \$163,200 and issued 3,672,000 common shares with a fair value of \$0.40 per share.
- On December 31, 2019, 1,250,000 stock options were issued to officers and consultants of the Company.

SELECTED ANNUAL INFORMATION

Selected financial information from the statement of loss for the period from the date of incorporation on July 2, 2019 to December 31, 2019:

Expenses

Professional fees ⁽¹⁾	\$	268,801
Consulting fees ⁽²⁾		184,399
Office supplies		6,416
Marketing		6,120
Computer expenses		4,570
Stock based compensation		24,875
Dues and subscriptions		347
Telephone expense		335
Bank charges		421
	<u>\$</u>	<u>496,284</u>

Notes:

- (1) Professional fees mainly consist of fees paid to lawyers for professional services. Also included in Professional fees was an accrual for audit fees.
- (2) Consulting fees mainly consist of consulting expenses to the Chief Executive Officer, the Chief Financial Officer and finance and accounting related expenses.

Selected financial information from the statement of financial position as at December 31, 2019:

	<u>December 31, 2019</u>	
Total current assets	\$	938,687
Investment properties		1,679,120
Total Assets	<u>\$</u>	<u>2,617,807</u>
Accounts payable and accrued liabilities	\$	191,415
Shareholders' equity		2,426,392
Total liabilities and shareholders' equity	<u>\$</u>	<u>2,617,807</u>

Current assets mainly consist of cash and cash equivalents of \$829,811. The Company is holding the cash to fund Company growth and in anticipation of purchasing additional investment properties.

Investment properties represents the 51% interest in the property in West Vancouver. The property has a gross leasable area of 6,463 square feet and is currently 54% leased.

Selected historical cost financial information for the investment property and the Company's 51% allocation of certain assets, revenue and expenses of the investment property has been summarized as follows:

	Investment property at 100%		The Company's allocation of the 51%	
	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2019⁽¹⁾	Year ended December 31, 2018⁽¹⁾
Total Assets	\$ 2,845,382	\$ 2,780,302	\$ 1,632,000	\$ 1,632,000
Total Liabilities	\$ 2,817,707	\$ 2,859,390	\$ -	\$ -
Total Revenue	\$ 77,670	\$ 85,334	\$ 39,611	\$ 43,521
Profit and Loss	\$ (66,276)	\$ (50,660)	\$ 3,368	\$ 7,167

(1) This historical information includes the property plus assets and liabilities directly related to the property. The company is entitled to 51% of the revenues less operating expenses (excluding mortgage interest since the mortgage is solely held by the 49% interest holder). The Company is not entitled to any assets nor responsible for any liabilities relating to the property. The 51% interest in the assets of \$1,632,000 represents the purchase price of the interest and does not include any of the other assets or liabilities related to the property since the Company is not entitled to the assets nor responsible for the liabilities.

The table above has been prepared for information purposes only, as if the asset had been owned throughout the periods disclosed.

DISCUSSION OF OPERATIONS

For a discussion of current year operations see "Selected Annual Information" in this MD&A.

The Company is currently focused on raising equity financing in order to acquire additional investment properties in order to generate net rental revenue and gains through capital appreciation of these properties.

SUMMARY OF QUARTERLY RESULTS

The following summarizes the selected quarterly results for the Company:

	Period from the date of incorporation on July 2, 2019	Period from October 1, 2019
	September 30, 2019	December 31, 2019
Total revenue	-	-
Loss from continuing operations	\$ (195)	\$ (496,089)
Loss per share (diluted and non-diluted)	\$ (2.82)	\$ (0.08)

During the period from the date of incorporation on July 2, 2019 to September 30, 2019 the Company did not have significant activity and therefore incurred only minimal bank expenses.

During the period from October 1, 2019 to December 31, 2019 the Company incurred the majority of the expenses discussed above in the selected financial information. This included professional and consulting fees involved with establishing the legal, finance and corporate structure of the company.

LIQUIDITY AND CAPITAL RESOURCES

The primary objective of the Company's capital management is to ensure that it maintains adequate capital in order to support its business and maximize shareholder value. The Company manages its capital structure with the goal of minimizing risk to the stability of cash flows from properties.

At December 31, 2019, the Company had current financial assets of \$844,104 available to settle current financial liabilities of \$191,415.

RISKS AND UNCERTAINTIES

Real Estate Industry

Investment properties are subject to varying degrees of risk. Such risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an over-supply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from others with available space and the ability of the Company to provide adequate maintenance at an economic cost.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether a property is producing sufficient income to cover such expenses. If the property is unable to generate enough net operating income to make mortgage repayments on any property, losses could be sustained as a result of the lenders exercising their rights of foreclosure or sale.

Real estate is relatively illiquid. Such illiquidity will tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions. Financial difficulties of other property owners resulting in distress sales may further depress real estate values in many of the markets in which the Company operates or intends to operate.

Revenue-Producing Properties

The Company's revenue-producing property generates income through rental receipts from tenants. Upon the expiry of any lease, there is no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Company than the existing lease. Furthermore, at any time, a tenant of the Company's property may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of such tenant's lease and a resultant reduction in cash flow available to the Company.

Revenue generated by the Company's investment property is dependent on the lease rate and occupancy rate of the property. The Company faces a risk of a net operating loss from its investments if the revenue from an investment property is less than the expenses.

The Company's 51% interest in the West Vancouver property is currently only 54% leased and the Company is not guaranteed to lease the remaining space in the future.

Fluctuations in Real Estate Values

The commercial and industrial real estate industry is subject to variability and fluctuations in real estate values. The Company has elected to report its investment properties at fair value. Fair value represents the amount at which the properties could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction at the date of valuation. Adjustments will be made to the fair values when changes in the underlying valuation assumptions occur.

Geographic Concentration

The Company currently holds an interest in one property located in West Vancouver, British Columbia. An economic downturn in any of these markets could cause leasing rates to decline, which could have a material adverse effect on the business and negatively affect the results of operations and financial condition of the Company.

Environmental Matters

As an owner of an investment property, the Company is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. Such laws provide that the Company could be liable for costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell such real estate or pledge real estate as collateral for borrowing. In addition, such a situation could potentially result in claims against the Company. The Company is not aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. It is also possible that asbestos containing material ("ACM") and polychlorinated biphenyls ("PCB") in light fixtures may be present at some properties, which may result in

future removal and disposal costs; however, management is not aware of any such presence in its current property.

General Uninsured Losses

The Company's investment property is insured however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination) which are either uninsurable or not insurable on an economic basis. Should an uninsured or underinsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from, the property, while still being obligated to repay any recourse mortgage indebtedness on such properties. If a loss occurs in excess of insured limits, the Company could lose all or part of its investment in, and anticipated profits and cash flows from such property.

Technology and information security

The Company is also subject to technology and information security risk, including the risk that confidential information held by the Company is stolen or accessed causing financial or personal harm to the affected individual(s) or the Company's business. The Company reduces this risk through enhancement of policies and procedures, and monitoring and auditing to ensure compliance related to information technology, safety of data, and secure storage of physical files. The Company is also subject to risks related to reliance on key personnel and catastrophic and general uninsured loss.

COVID-19

The impact of the COVID-19 pandemic, with its combined health toll and sharp decline in global economic output, is unprecedented and the full extent of the impact will depend on future developments. These developments are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning its severity, its duration and actions by government authorities to contain the outbreak or manage its impact. As a result, it is not possible to determine the impact on the Company's ability to continue as a going concern at this time.

Related Party Transactions

c. Key management personnel

Transactions with key management personnel, including compensatory arrangements, require disclosure. Key management personnel include the Company's officers and directors.

d. Transactions

During the period from the date of incorporation on July 2, 2019 to December 31, 2019 the Chief Executive Officer received \$28,000 in consulting fees and the Chief Financial Officer received \$25,000 for consulting fees, of which \$8,333 was included in prepaid expenses at December 31, 2019.

Summary of key management compensation:

	For the period from the date of incorporation on July 2, 2019 to December 31, 2019	
Consulting fees	\$	44,667
Stock based compensation		24,875
	\$	69,542

Significant Accounting Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported

amounts of assets, liabilities and expenses, as well as the Company's ability to continue as a going concern. The estimates and assumptions made are continually evaluated and have been based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain. Actual results could differ materially from these estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised and may impact future periods.

Management has applied significant estimates and assumptions to the following:

Valuation of stock-based compensation

The Company measures the cost of equity-settled transactions with directors, officers and employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected: option life, volatility, risk-free interest rate, forfeiture rates, stock option exercise behaviours, dividend yield and corporate performance. Changes in these assumptions affect the fair value estimate for stock-based compensation.

Income Taxes

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Property acquisition

The Company acquires real estate properties in its normal course of business. At the time of acquisition, the Company uses judgement to determine whether or not the acquisition represents the acquisition of a business or assets. In order to aid with this judgement, the Company has early adopted the changes to IFRS 3, which give further clarity to the determination of a business. Specifically, the Company uses the concentration test, which states that if all the fair value of an acquisition is contained in a single asset or group of assets, then the acquisition is an asset acquisition. If the Company concludes the fair value is not concentrated in an asset or group of assets, further judgement is required to determine the type of acquisition.

The Company accounts for an acquisition as a business combination if the acquired property meets the definition of a business, being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the shareholders. If it does not meet the definition of a business, it is treated as an asset acquisition. The Company expenses transaction costs on business combinations.

Fair value of investment properties

After initial recognition, valuations of investment properties are prepared by management based primarily on assumptions relating to cash flows from current leases, rental income from future leases in light of current market conditions, and capitalization rates. These assumptions are compared against information obtained from independent industry experts. Adjustments are made to the carrying values of the investment properties when changes in the underlying valuation assumptions occur.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company classifies its financial instruments as follows:

December 31, 2019	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through profit and loss
Cash and cash equivalents	\$829,811	-	-
Receivables	\$14,293	-	-
Accounts payable and accrued liabilities	-	\$191,415	-
Total	\$844,104	\$191,415	-

Risk factors

The Company's financial instruments consist of cash, marketable securities, receivables and other financial liabilities. As at December 31, 2019, the carrying values and fair values of the Company's financial instruments are approximately the same.

The Company is exposed, in varying degrees, to the following financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due at any point in time over available financial assets. The Company's objective in managing liquidity risk is to maintain sufficient readily available working capital to meet its liquidity requirements. At December 31, 2019, the Company had current financial assets of \$844,104 available to settle current financial liabilities of \$191,415.

Market Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on its cash balances is immaterial currently.

Subsequent Events

a. The initial public offering of the Company

The Company is in the process of filing a prospectus offering for common shares at a price of \$0.80 per common share (the "Offering") and has engaged Leede Jones Gable Inc. as its agent (the "Agent") in connection with the Offering. The Company will pay the Agent a commission equal to \$0.056 per offered share, subject to a reduced commission equal to \$0.016 per share sold to president's list purchasers, and a corporate finance fee of \$50,000 plus GST, half of which has already been paid and is non-refundable. If the gross proceeds from the prospectus offering is at least \$2,000,000, not including the proceeds from the cornerstone offering, the commission payable pursuant to the combined offering shall be the greater of \$450,000 and the Agent's commission from the Offering, as calculated above. The Company has also paid the Agent a \$35,000 deposit to pay for legal and other costs that the Agent may incur. The Company will also grant to the Agent, options equal to 5% of the number of shares sold under the Offering. Each agent option

will be exercisable into one common share at a price per share equal to the Offering price for a period of 24 months from the date the shares are listed on the TSX-V.

b. The acquisition of Kelowna investment property

On February 25, 2020, the Company entered into an Assignment, Assumption and Modification of Purchase Agreement (the “Kyle Road Agreement”) which assigned to the Company the rights in an agreement to purchase Phase One of a light industrial development interest (the “Kyle Road Property”).

The total purchase price of the Kyle Road Property is \$8,975,000 payable as follows: i) a first deposit of \$50,000, which has been paid; ii) a second deposit of \$1,745,000, which has been paid and iii) the balance of \$7,180,000 payable on completion, being prior to the outside completion date of December 31 2020.

The Company purchased the rights to the Kyle Road Agreement on February 25, 2020 for \$1,795,000, representing reimbursement of the first and second deposits. The Company paid \$179,500 in cash and issued 2,019,375 shares at a value of \$1,615,500.

c. Stock option grants

On March 3, 2020, the Company granted 400,000 options with an exercise price of \$0.80, expiry date of March 3, 2030 and a vesting period of 36 months with 1/36th of the award vesting every month. These options were awarded to the Company’s board of directors and each of the four directors received 100,000 options.

On June 10, 2020, the Company granted 100,000 options to the Chief Financial Officer. These options have an exercise price of \$0.80, expiry date of June 10, 2030 and a vesting period of 6 months with 1/6th of the award vesting every month.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

SCHEDULE "B"

Financial Statements of the Company

for the period from incorporation on July 2, 2019 to December 31, 2019 and the six month period ended June 30, 2020

[see attached]

Kadestone Capital Corp.

**Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020**

(Unaudited)

(expressed in Canadian Dollars)

Kadestone Capital Corp.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(in Canadian dollars)

	Notes	June 30, 2020	December 31, 2019
Assets			
Current			
Cash and cash equivalents		\$ 21,403	\$ 829,811
Receivables		32,799	14,293
Prepaid expenses		58,750	33,333
Deferred financing costs		61,250	61,250
		<u>174,202</u>	<u>938,687</u>
Investment properties	4	1,688,927	1,679,120
Property purchase deposit	4	1,795,000	-
		<u>3,658,129</u>	<u>2,617,807</u>
Total Assets			
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		\$ 424,523	\$ 191,415
		<u>424,523</u>	<u>191,415</u>
Total Liabilities			
Shareholders' equity			
Share capital	5	4,513,301	2,897,801
Contributed surplus		446,571	24,875
Deficit		(1,726,266)	(496,284)
		<u>3,233,606</u>	<u>2,426,392</u>
Total Liabilities and Shareholders' Equity			
		<u>\$ 3,658,129</u>	<u>\$ 2,617,807</u>

Business of the Company and Going Concern (Note 1)

Subsequent events (Note 9)

Approved on behalf of the Board of Directors

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See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

(Unaudited)

(in Canadian dollars)

	Notes	Three months ended June 30, 2020	Six months ended June 30, 2020
Revenue			
Net profits interest	4	\$ 2,722	\$ 7,351
Expenses			
Stock-based compensation	5	204,819	421,696
Professional fees		136,860	404,937
Consulting fees	7	79,150	188,259
Salaries and wages	7	90,000	154,097
Directors fees	7	31,250	55,577
Computer expenses		259	5,440
Marketing		196	3,153
Office supplies		321	3,015
Travel expenses		9	699
Bank charges		215	460
		543,079	1,237,333
Loss and comprehensive loss		\$ 540,357	\$ 1,229,982
Basic and diluted loss per share	6	\$0.02	\$0.04

See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Unaudited)

(in Canadian dollars)

	Notes	Number of Common shares	Common shares	Contributed surplus	Accumulated deficit	Total
July 2, 2019		-	\$ -	\$ -	\$ -	\$ -
Issuance of common shares in private placement	5	23,315,100	1,429,001	-	-	1,429,001
Issuance of common shares for investment property acquisition	5	3,672,000	1,468,800	-	-	1,468,800
Stock-based compensation	5	-	-	24,875	-	24,875
Loss for the period		-	-	-	(496,284)	(496,284)
December 31, 2019		26,987,100	2,897,801	24,875	(496,284)	2,426,392
Issuance of common shares for property purchase deposit	5	2,019,375	1,615,500	-	-	1,615,500
Stock-based compensation	5	-	-	421,696	-	421,696
Loss for the period		-	-	-	(1,229,982)	(1,229,982)
June 30, 2020		29,006,475	\$ 4,513,301	\$ 446,571	\$ (1,726,266)	\$ 3,233,606

See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.
Condensed Interim Consolidated Statement of Cash Flows
(Unaudited)
(in Canadian dollars)

	Six months ended June 30, 2020
Operating activities	
Loss for the period	\$ (1,229,982)
Adjustments for items not affecting cash:	
Stock-based compensation	421,696
	<u>(808,286)</u>
Changes in non-cash working capital balances:	
Receivables	(18,506)
Prepaid expenses	(25,417)
Accounts payable and accrued liabilities	247,521
	<u>(604,688)</u>
Net cash used in operating activities	(604,688)
Investing activities	
Acquisition of investment properties	(24,220)
Payment of property purchase deposit	(179,500)
	<u>(203,720)</u>
Net cash used in investing activities	(203,720)
	<u>(808,408)</u>
Change in cash and cash equivalents	(808,408)
Cash and cash equivalents, beginning of the period	829,811
Cash and cash equivalents, end of the period	\$ <u>21,403</u>

The significant non-cash transaction for the period was the issuance of 2,019,375 common shares at a value of \$1,615,500 towards the deposit for the acquisition of an investment property.

Kadestone Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

(Unaudited)

(in Canadian dollars)

1. Business of the Company and Going Concern

Kadestone Capital Corp. (the “Company”) was incorporated under the British Columbia Business Corporations Act on July 2, 2019. Its principal business activity is the development, acquisition, and management of residential and commercial income producing properties within major urban centres and high-growth, emerging markets in Canada, with an initial focus on the Metro Vancouver and Kelowna markets. Its registered and records office is Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, BC Canada, V7X 1L3.

The Company is in the process of completing an initial public offering for common shares at a price to be determined and list on the TSX Venture Exchange (“TSX-V”) (Note 9).

The condensed interim consolidated financial statements have been prepared on a going concern basis. The Company’s ability to continue operations depends on management’s ability to raise additional equity financing in order to acquire additional investment properties to generate ongoing revenue to maintain operations. Management is actively pursuing such additional sources of equity financing. However, there is no assurance that they will be able to do so successfully.

As at June 30, 2020, the Company had current financial assets of \$54,202 available to settle current financial liabilities of \$424,523. However, the Company will require additional funding to maintain its operations and activities. If the Company is not able to raise funds through the initial public offering, the Company may not be able to sustain planned operations for the next twelve months. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The impact of the COVID-19 pandemic, with its combined health toll and sharp decline in global economic output, is unprecedented and the full extent of the impact will depend on future developments. These developments are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning its severity, its duration and actions by government authorities to contain the outbreak or manage its impact. As a result, it is not possible to determine the impact on the Company’s ability to continue as a going concern at this time.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 28, 2020.

2. Basis of Presentation and Statement of Compliance

a. Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements as at and for the period ended December 31, 2019, as some disclosures from the annual financial statements have been condensed or omitted.

b. Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The Company’s functional currency is the Canadian dollar which is also its presentation currency.

See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020
(Unaudited)
(in Canadian dollars)

c. Significant Accounting Estimates and Judgements

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities and expenses, as well as the Company's ability to continue as a going concern. The estimates and assumptions made are continually evaluated and have been based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain. Actual results could differ materially from these estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised and may impact future periods.

In preparation of the condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended December 31, 2019.

3. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied to the consolidated financial statements for the period ended December 31, 2019.

The policies applied are based on the IFRS issued and outstanding as at the date of these condensed interim consolidated financial statements.

4. Investment properties

- a. On December 31, 2019 the Company acquired a 51% interest in a commercial real estate property located in West Vancouver. The transaction was accounted for as an asset acquisition. The 51% interest in the property was purchased for \$1,679,120 including costs of \$47,120. The Company paid cash of \$163,200 and issued 3,672,000 common shares with a value of \$0.40 per share.

The holder of the 49% interest in the property is responsible for the management of the property as set out in the operating agreement. Pursuant to the agreement, the Company will receive a 51% share of the property revenues less operating expenses. The Company has recognized net profits of \$7,351 for the six month period ended June 30, 2020.

The holder of the 49% interest solely holds the mortgage debt of \$1,419,165 on the property. The Company's 51% interest in the property is partial security for the mortgage debt. As well, the Company and a director have provided corporate and personal guarantees for the mortgage debt and the Company has indemnified the director for this personal guarantee.

- b. On February 25, 2020, the Company entered into an Assignment, Assumption and Modification of Purchase Agreement (the "Kyle Road Agreement") which assigned to the Company the rights in an agreement to purchase Phase One of a light industrial development interest (the "Kyle Road Property").

The total purchase price of the Kyle Road Property is \$8,975,000 payable as follows: i) a first deposit of \$50,000, which has been paid; ii) a second deposit of \$1,745,000, which has been paid and iii) the balance of \$7,180,000 payable on completion, being prior to the outside completion date of December 31 2020.

See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

(Unaudited)

(in Canadian dollars)

The Company purchased the rights to the Kyle Road Agreement on February 25, 2020 for \$1,795,000 representing reimbursement of the first and second deposits. The Company paid \$179,500 in cash and issued 2,019,375 shares at a value of \$1,615,500.

5. Shareholders' equity

a. Share capital

The Company has unlimited number of common shares authorized and has issued 29,006,475 as at June 30, 2020 at no par value.

On December 31, 2019, the Company issued 3,672,000 common shares at a value of \$1,468,800 as partial payment for the acquisition of an investment property (note 4).

On February 25, 2020, the Company issued 2,019,375 common shares at a value of \$1,615,500 as partial payment for the deposit on the acquisition of an investment property (note 4).

During the six months ended June 30, 2020 the Company did not issue any shares for cash. During the period ended December 31, 2019, the Company issued the following common shares for cash:

Date	Shares	Price	Value
July 2, 2019	100	\$0.01 \$	1
December 2, 2019	14,200,000	\$0.01	142,000
December 16, 2019	6,740,000	\$0.05	337,000
December 31, 2019	2,375,000	\$0.40	950,000
Total	23,315,100	\$	1,429,001

b. Stock-based compensation

The Company approved the Stock Option Plan (the "Plan") on December 31, 2019. The purpose of this Plan is to attract, retain and motivate qualified Directors, Officers, Employees and Consultants (the "Participants"), to reward those Participants for their contributions toward the long term goals of the Company and to enable and encourage the Participants to acquire common shares as long term investments.

In accordance with the Plan, stock options are granted at the sole discretion of the board of directors of the Company. At issuance of the stock options, the board of directors determines the award date, the number of options granted, the exercise price, vesting schedule, exercise period and any other terms. Common shares available to Participants through the Plan will not exceed 10% of the outstanding common shares of the Company. In addition, no one person will receive more than 5% of the issued and outstanding capital of the Company through the Plan and consultants or persons employed to conduct investor relations will receive no more than 2%.

On December 31, 2019, the Company granted 1,000,000 options with an exercise price of \$0.40, expiry date of December 31, 2029 and a vesting period of 36 months with 1/36th of the award vesting every month and 250,000 options with an exercise price of \$0.40, expiry date of December 31, 2029 and a vesting period of 6 months with 1/6th of the award vesting every month. The fair value of options granted was \$447,766.

On March 3, 2020, the Company granted 400,000 options with an exercise price of \$0.80, expiry date of March 3, 2030 and a vesting period of 36 months with 1/36th of the award vesting every month. These options were

See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020
(Unaudited)
(in Canadian dollars)

awarded to the Company's board of directors and each of the four directors received 100,000 options. The fair value of options granted was \$285,287.

On June 10, 2020, the Company granted 100,000 options to the Chief Financial Officer. These options have an exercise price of \$0.80, expiry date of June 10, 2030 and a vesting period of 6 months with 1/6th of the award vesting every month. The fair value of the options granted was \$71,149.

The Company has valued these grants based on the Black-Scholes option pricing model with the following assumptions. Expected stock price volatility was derived from a sample of similar publicly traded companies.

Grant Date	March 3, 2020	June 10, 2020
Expected dividend yield	Nil	Nil
Expected stock price volatility	100%	100%
Risk-free interest rate	0.96%	0.57%
Expected life of options	10 years	10 years
Forfeiture rate	Nil	Nil

As at June 30, 2020, 505,556 (December 31, 2019 - 69,444) of the total stock options outstanding had vested. The Company recognized \$421,696 in stock-based compensation expense for the six months ended June 30, 2020.

Stock option transactions from July 2, 2019 to June 30, 2020 are as follows:

	Number of options	Weighted Average Exercise Price
Issued options	1,250,000	\$0.40
Balance at December 31, 2019	1,250,000	\$0.40
Issued options	500,000	\$0.80
Balance at June 30, 2020	1,750,000	\$0.51
Exercisable at June 30, 2020	505,555	\$0.45

As at June 30, 2020, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
250,000	194,444	\$0.40	June 30, 2020
1,000,000	250,000	\$0.40	December 31, 2029
400,000	44,444	\$0.80	March 3, 2030
100,000	16,667	\$0.80	June 10, 2030

6. Loss per share

	Three months ended June 30, 2020	Six months ended June 30, 2020
Loss	\$ 540,357	\$ 1,229,982
Weighted average number of shares	29,006,475	28,318,556
Basic and diluted loss per share	\$ 0.02	\$ 0.04

See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

(Unaudited)

(in Canadian dollars)

7. Related party transactions

a. Key management personnel

Transactions with key management personnel, including compensatory arrangements, require disclosure. Key management personnel include the Company's officers and directors.

b. Transactions

During the six months ended June 30, 2020 the Chief Executive Officer received \$150,000 in salary and the Chief Financial Officer received \$150,833 for consulting fees.

Summary of transactions with key management and directors:

	Six months ended June 30, 2020	
Salary	\$	150,000
Consulting fees		150,833
Directors fees		55,577
Stock-based compensation		381,536
	\$	737,946

Included in accounts payable is \$31,250 (December 31, 2019 - \$nil) owing to officers and directors of the Company.

8. Financial instruments and risk factors

The Company classifies its financial instruments as follows:

June 30, 2020	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through profit and loss
Cash and cash equivalents	\$ 21,403	\$ -	\$ -
Receivables	32,799	-	-
Accounts payable and accrued liabilities	-	424,523	-
Total	\$ 54,202	\$ 424,523	\$ -

December 31, 2019	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through profit and loss
Cash and cash equivalents	\$ 829,811	\$ -	\$ -
Receivables	14,293	-	-
Accounts payable and accrued liabilities	-	191,415	-
Total	\$ 844,104	\$ 191,415	\$ -

See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2020

(Unaudited)

(in Canadian dollars)

Risk factors

The Company's financial instruments consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities. As at June 30, 2020, the carrying values and fair values of the Company's financial instruments are approximately the same.

The Company is exposed, in varying degrees, to the following financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due at any point in time over available financial assets. The Company's objective in managing liquidity risk is to maintain sufficient readily available working capital to meet its liquidity requirements. At June 30, 2020, the Company had current financial assets of \$54,202 available to settle current financial liabilities of \$424,523.

Market Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on its cash balances is immaterial currently.

Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its business and maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company's primary source of capital is through the issuance of equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To acquire additional investment properties the Company will seek additional capital funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

9. Subsequent Events

a. The initial public offering of the Company

The Company is in the process of filing a prospectus offering for common shares at a price of \$0.80 per common share (the "Offering") and has engaged Leede Jones Gable Inc. as its agent (the "Agent") in connection with the Offering. The Company will pay the Agent a commission equal to \$0.056 per offered share, subject to a reduced commission equal to \$0.016 per share sold to president's list purchasers, and a corporate finance fee of \$50,000 plus GST, half of which has already been paid and is non-refundable. If the gross proceeds from the prospectus offering is at least \$2,000,000, not including the proceeds from the cornerstone offering, the commission payable pursuant to the combined offering shall be the greater of \$450,000 and the Agent's commission from the Offering, as calculated above. The Company has also paid the Agent a \$35,000 deposit to pay for legal and other costs that the Agent may incur. The Company will also grant to the Agent, options equal to 5% of the

See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020
(Unaudited)
(in Canadian dollars)

number of shares sold under the Offering. Each agent option will be exercisable into one common share at a price per share equal to the Offering price for a period of 24 months from the date the shares are listed on the TSX-V.

Kadestone Capital Corp.

Consolidated Financial Statements

For the period from date of incorporation on July 2, 2019 to December 31, 2019

(expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Kadestone Capital Corp.

Opinion

We have audited the accompanying consolidated financial statements of Kadestone Capital Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the period from the date of incorporation on July 2, 2019 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the period from the date of incorporation on July 2, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that as of December 31, 2019, the Company has current financial assets of \$844,104 available to settle current financial liabilities of \$191,415. As stated in Note 1, if the Company is not able to raise funds through the initial public offering, the Company may not be able to sustain planned operations for the next twelve months. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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



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

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

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

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

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

September 2, 2020

Kadestone Capital Corp.
Consolidated Statement of Financial Position
(in Canadian dollars)

	Notes	December 31, 2019
Assets		
Current		
Cash and cash equivalents	\$	829,811
Receivables		14,293
Prepaid expenses		33,333
Deferred financing costs		61,250
		<u>938,687</u>
Investment properties	4	<u>1,679,120</u>
Total Assets	\$	<u>2,617,807</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$	<u>191,415</u>
Total Liabilities		<u>191,415</u>
Shareholders' equity		
Share capital	5	2,897,801
Contributed surplus		24,875
Deficit		<u>(496,284)</u>
		<u>2,426,392</u>
Total Liabilities and Shareholders' Equity	\$	<u>2,617,807</u>

Business of the Company and Going Concern (Note 1)

Subsequent events (Note 10)

Approved on behalf of the Board of Directors

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Kadestone Capital Corp.

Consolidated Statement of Loss and Comprehensive Loss

(in Canadian dollars)

		For the period from date of incorporation on July 2, 2019 to December 31, 2019	
	Notes		
Expenses			
Professional fees		\$	268,801
Consulting fees	8		184,399
Office supplies			6,416
Marketing			6,120
Computer expenses			4,570
Stock based compensation	5		24,875
Dues and subscriptions			347
Telephone expense			335
Bank charges			421
			<u>496,284</u>
Loss and comprehensive loss		\$	(496,284)
Basic and diluted loss per share	6	\$	(0.16)

Kadestone Capital Corp.

Consolidated Statement of Changes in Shareholders' Equity

(in Canadian dollars)

	Notes	Number of Common shares	Common shares	Contributed surplus	Accumulated deficit	Total
July 2, 2019		-	-	-	-	-
Issuance of common shares in private placement	5	23,315,100	1,429,001	-	-	1,429,001
Issuance of common shares for investment property acquisition	5	3,672,000	1,468,800	-	-	1,468,800
Stock based compensation	5	-	-	24,875	-	24,875
Loss for the period		-	-	-	(496,284)	(496,284)
December 31, 2019		26,987,100	\$ 2,897,801	\$ 24,875	\$ (496,284)	\$ 2,426,392

Kadestone Capital Corp.
Consolidated Statement of Cash Flows
(in Canadian dollars)

	Notes	For the period from date of incorporation on July 2, 2019 to December 31, 2019
Operating activities		
Loss for the period		\$ (496,284)
Adjustments for items not affecting cash:		
Stock based compensation	5	24,875
		<u>(471,409)</u>
Changes in non-cash working capital balances:		
Receivables		(14,293)
Prepaid expenses and deposits		(33,333)
Accounts payable and accrued liabilities		177,002
		<u>(47,624)</u>
Net cash used in operating activities		(342,033)
Investing activities		
Acquisition of investment properties	4	<u>(195,907)</u>
Net cash used in investing activities		(195,907)
Financing activities		
Issuance of common shares	5	1,429,001
Deferred financing costs		<u>(61,250)</u>
Net cash provided by financing activities		1,367,751
Change in cash and cash equivalents		<u>829,811</u>
Cash and cash equivalents, beginning of the period		-
Cash and cash equivalents, end of the period		<u>\$ 829,811</u>

The significant non-cash transaction for the period was the issuance of 3,672,000 common shares at a value of \$1,468,800 towards the acquisition of an investment property. Included in accounts payables and accrued liabilities at December 31, 2019 is \$14,413 relating to the investment property costs.

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

1. Business of the Company and Going Concern

Kadestone Capital Corp. (the “Company”) was incorporated under the British Columbia Business Corporations Act on July 2, 2019. Its principal business activity is the development, acquisition, and management of residential and commercial income producing properties within major urban centres and high-growth, emerging markets in Canada, with an initial focus on the Metro Vancouver and Kelowna markets. Its registered and records office is Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, BC Canada, V7X 1L3.

The Company is in the process of completing an initial public offering for common shares at a price to be determined and list of the TSX Venture Exchange (“TSX-V”) (Note 10).

The consolidated financial statements have been prepared on a going concern basis. The Company’s ability to continue operations depends on management’s ability to raise additional equity financing in order to acquire additional investment properties to generate ongoing revenue to maintain operations. Management is actively pursuing such additional sources of equity financing. However, there is no assurance that they will be able to do so successfully.

As at December 31, 2019, the Company had current financial assets of \$844,104 available to settle current financial liabilities of \$191,415. However, the Company will require additional funding to maintain its operations and activities. If the Company is not able to raise funds through the initial public offering, the Company may not be able to sustain planned operations for the next twelve months. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The impact of the COVID-19 pandemic, with its combined health toll and sharp decline in global economic output, is unprecedented and the full extent of the impact will depend on future developments. These developments are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning its severity, its duration and actions by government authorities to contain the outbreak or manage its impact. As a result, it is not possible to determine the impact on the Company’s ability to continue as a going concern at this time.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on June 30, 2020.

2. Basis of Presentation and Statement of Compliance

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

Significant Accounting Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities and expenses, as well as the Company's ability to continue as a going concern. The estimates and assumptions made are continually evaluated and have been based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain. Actual results could differ materially from these estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised and may impact future periods.

Management has applied significant estimates and assumptions to the following:

Valuation of stock-based compensation

The Company measures the cost of equity-settled transactions with directors, officers and employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected: option life, volatility, risk-free interest rate, forfeiture rates, stock option exercise behaviours, dividend yield and corporate performance. Changes in these assumptions affect the fair value estimate for stock-based compensation.

Income Taxes

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Property acquisition

The Company acquires real estate properties in its normal course of business. At the time of acquisition, the Company uses judgement to determine whether or not the acquisition represents the acquisition of a business or assets. In order to aid with this judgement, the Company has early adopted the changes to IFRS 3, which give further clarity to the determination of a business. Specifically, the Company uses the concentration test, which states that if all the fair value of an acquisition is contained in a single asset or group of assets, then the acquisition is an asset acquisition. If the Company concludes the fair value is not concentrated in an asset or group of assets, further judgement is required to determine the type of acquisition.

The Company accounts for an acquisition as a business combination if the acquired property meets the definition of a business, being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the shareholders. If it does not meet the definition of a business, it is treated as an asset acquisition. The Company expenses transaction costs on business combinations.

Fair value of investment properties

After initial recognition, valuations of investment properties are prepared by management based primarily on assumptions relating to cash flows from current leases, rental income from future leases in light of current

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

market conditions, and capitalization rates. These assumptions are compared against information obtained from independent industry experts. Adjustments are made to the carrying values of the investment properties when changes in the underlying valuation assumptions occur.

3. Significant Accounting Policies

a. Basis of Consolidation

Subsidiaries

These consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company and the results of all controlled entities. Controlled entities are those entities over which the Company has i) the power to govern the financial and operating policies, ii) the right to receive benefits from that entity, and iii) the ability to use its operating decisions to alter the benefits received. These criteria are met by having a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. In addition, for consolidation purposes, factors may exist where an entity may consolidate without having more than 50% of the voting power through ownership or agreements, or in the circumstances of enhanced minority rights, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making abilities that are not shared with others and the ability to give direction with respect to the operating and financial policies of the entity concerned. Where control of an entity is acquired during a financial year results are included in the consolidated statements of income and comprehensive income from the date on which control commences.

The Company's wholly owned subsidiary is 1230609 B.C. Ltd.

All intercompany balances, transactions and unrealized profits resulting from inter-company transactions have been eliminated.

The Company's functional currency is the Canadian dollar which is also its presentation currency.

b. Investment properties

Investment properties are held to earn rental income, for capital appreciation, or for both. Investment properties also include properties being constructed or developed for future use, including existing investment properties which undergo redevelopment for continued future use.

An investment property is initially measured at cost, which includes the cost of the acquisition, property transfer taxes, due diligence costs, and standard closing costs.

After initial recognition, investment properties are carried at fair value. Fair value represents the estimated amount at which the properties could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction at the date of valuation. Valuations are prepared by management based primarily on assumptions relating to cash flow from current leases, rental income from future leases in light of current market conditions, and capitalization rates. These assumptions are compared against information obtained from independent industry experts. Adjustments are made to the fair values of the investment properties when changes in the underlying valuation assumptions occur. Changes in fair values are recognized in the consolidated statement of loss and comprehensive loss.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that the Company will receive future economic benefits associated with the expenditures and the fair value of the

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

investment property exceeds its carrying amount plus subsequent expenditures. All other repair and maintenance costs are expensed when incurred.

For investment properties being constructed, developed or redeveloped for future use, all direct expenditures incurred in connection with the construction or development are capitalized during the development period. This period begins from the date that activities commence to prepare the property for its intended use and ends when such activities are substantially complete.

Depreciation is not taken on investment properties.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on the derecognition of an investment property is recognized as a net gain in the fair value adjustment on investment properties in the consolidated statement of income and comprehensive income in the period in which the investment property is derecognized.

Investment properties are classified as held for sale when the criteria in IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, are met. The resulting sale is recognized when title passes to the purchaser, all or substantially all of the proceeds have been received or are receivable, and all material conditions of the sales agreement have been met.

c. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash held at banks, cheques issued in excess of funds on deposits, demand deposits and term deposits maturing within ninety days from the date of acquisition. The Company currently only holds cash.

d. Leases

The Company has retained substantially all of the risks and benefits of ownership of its revenue properties and therefore accounts for leases with its tenants as operating leases. Properties leased out under operating leases are included in investment properties in the consolidated statement of financial position.

When a tenant lease provides for free rent periods and/or periodic increases in base rent over the lease term, the total amount of net rental revenue to be received from these leases is accounted for on a straight-line basis over the term of the applicable lease. Accordingly, an asset is recorded for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant. As the lease term progresses and the step-rate increase is received, the asset is drawn down. The asset is included in the carrying amount of the related investment property.

Tenant incentives comprise costs incurred to make leasehold improvements to tenants' space and are included in the carrying amount of the related investment property. Such incentives are recognized as a reduction of rental income on a straight-line basis over the term of the applicable lease.

Leasing commissions are fees paid in connection with negotiating lease contracts with lessees. Such fees are included in the carrying amount of the related investment property and are amortized on a straight-line basis over the term of the applicable lease.

e. Right-of-use assets and lease liability

The Company has applied IFRS 16, Leases since its inception. The Company assesses whether a contract is or contains a lease at inception of a contract. The Company recognizes a right-of-use asset and a

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term unless another systematic basis is more representative of the usage of the economic benefits from the leased asset.

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrow rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, payments made on or before the lease commencement and any direct costs. They are subsequently measured at cost less depreciation and any impairment losses. Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

The Company does not currently have any leases that satisfy the conditions under IFRS 16 to record a right-of-use asset and lease liability.

f. Revenue recognition

Property revenues include rental revenue from income producing properties.

Rental revenue from operating leases is recognized on a straight-line basis over the applicable lease term. The cost of tenant incentives is recognized over the term of the applicable lease as a reduction in rental revenue.

Rental revenue includes the recovery of certain operating expenses and property taxes.

Unearned revenue represents deposits received in advance of rent being earned and property taxes recovered prior to their due date.

g. Income taxes

Income taxes on the profit or loss for the period presented comprises current and deferred tax.

Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the financial reporting period.

Deferred tax

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

The carrying amount of the deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

h. Earnings (loss) per share

Basic income (loss) per share is calculated by dividing the net income or loss for the year attributable to shareholders of the Company by the weighted average number of voting common shares outstanding during the year.

Diluted income (loss) per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. Diluted incomes (loss) per share does not adjust the income (loss) attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

i. Fair value

Fair value measurements recognized in the consolidated financial statements are categorized in accordance with the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

j. Stock-based compensation

The Company uses the fair value based method to measure stock-based compensation for all stock-based awards made to employees and directors. The grant date fair value of equity settled stock-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The grant date fair value is determined using the Black-Scholes model for option grants. The market value of the Company's shares on the date of the grant is used to determine the fair value of share units issued. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For stock-based payment awards with non-vesting (i.e. performance) conditions, the grant date fair value of the stock-

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified and if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the stock-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

k. Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

l. Financial instruments

Classification and Measurement of Financial Instruments

At initial recognition, the Company measures a financial instrument at its fair value plus transaction costs that are directly attributable to the acquisition of the financial instrument.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Company classifies its financial instruments:

- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Finance income from these financial instruments is recorded in net income (loss) using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in net income (loss).
- Fair value through profit (loss) (FVTPL): Financial instruments that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit (loss). A gain or loss on a financial instrument that is subsequently measured at fair value through profit (loss) and is not part of a hedging relationship is recognized in net income (loss) and presented net in comprehensive income (loss) in the period in which it arises.

Financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL. Financial liabilities are subsequently measured as FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as FVTPL if eligible.

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

Impairment of Financial Assets

The Company's cash and cash equivalents and receivables are valued using the expected credit loss model which has been assessed to be low risk.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4. Investment properties

On December 31, 2019 the Company acquired a 51% interest in a commercial real estate property located in West Vancouver. The transaction was accounted for as an asset acquisition. The 51% interest in the property was purchased for \$1,679,120 including costs of \$47,120. The Company paid cash of \$163,200 and issued 3,672,000 common shares with a value of \$0.40 per share.

The holder of the 49% interest in the property is responsible for the management of the property as set out in the operating agreement. Pursuant to the agreement, the Company will receive a 51% share of the property revenues less operating expenses.

The holder of the 49% interest solely holds the mortgage debt of \$1,437,679 on the property. The Company's 51% interest in the property is partial security for the mortgage debt. As well, the Company and a director have provided corporate and personal guarantees for the mortgage debt and the Company has indemnified the director for this personal guarantee.

5. Shareholders' equity

a. Share capital

The Company has unlimited number of common shares authorized and has issued 26,987,100 as at December 31, 2019 at a no par value.

On December 31, 2019, the Company issued 3,672,000 common shares at a value of \$1,468,800 as partial payment for the acquisition of an investment property (note 4).

During the period ended December 31, 2019, the Company issued the following common shares for cash:

Date	Shares	Price	Value
July 2, 2019	100	\$0.01 \$	1
December 2, 2019	14,200,000	\$0.01	142,000
December 16, 2019	6,740,000	\$0.05	337,000
December 31, 2019	2,375,000	\$0.40	950,000
Total	23,315,100	\$	1,429,001

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

b. Stock-based compensation

The Company approved the Stock Option Plan (the “Plan”) on December 31, 2019. The purpose of this Plan is to attract, retain and motivate qualified Directors, Officers, Employees and Consultants (the “Participants”), to reward those Participants for their contributions toward the long term goals of the Company and to enable and encourage the Participants to acquire common shares as long term investments.

In accordance with the Plan, stock options are granted at the sole discretion of the board of directors of the Company. At issuance of the stock options, the board of directors determines the award date, the number of options granted, the exercise price, vesting schedule, exercise period and any other terms. Common shares available to Participants through the Plan will not exceed 10% of the outstanding common shares of the Company. In addition, no one person will receive more than 5% of the issued and outstanding capital of the Company through the Plan and consultants or persons employed to conduct investor relations will receive no more than 2%.

On December 31, 2019, the Company granted 1,000,000 options with an exercise price of \$0.40, expiry date of December 31, 2029 and a vesting period of 36 months with 1/36th of the award vesting every month and 250,000 options with an exercise price of \$0.40, expiry date of December 31, 2029 and a vesting period of 6 months with 1/6th of the award vesting every month. As at December 31, 2019, 69,444 options had vested. The fair value of options granted was \$447,766. The Company recognized \$24,875 in share-based compensation expense for the period from the date of incorporation on July 2, 2019 to December 31, 2019.

The Company has valued these grants based on the Black-Scholes option pricing model with the following assumptions. Expected stock price volatility was derived from a sample of similar publicly traded companies.

Expected dividend yield	Nil
Expected stock price volatility	100%
Risk-free interest rate	1.70%
Expected life of options	10 years
Forfeiture rate	Nil

6. Loss per share

	For the period from the date of incorporation on July 2, 2019 to December 31, 2019	
Loss	\$	(496,284)
Weighted average number of shares		3,144,959
Basic and diluted loss per share	\$	(0.16)

7. Income taxes

The following table is a reconciliation from the amounts which would be obtained by applying the statutory income tax rate for the period ended December 31, 2019 – 27.00% to the income for the period as follows:

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

	December 31, 2019
Income (loss) before income taxes	\$ (496,284)
Expected income tax recovery at statutory rates	(133,997)
<i>Adjustments</i>	
Permanent difference and other	6,716
Change in tax benefits not recognized	127,280
Provision for income tax	\$ -

As at December 31, 2019, the Canadian non-capital losses of approximately \$470,000 will expire in 2039.

8. Related party transactions

a. Key management personnel

Transactions with key management personnel, including compensatory arrangements, require disclosure. Key management personnel include the Company's officers and directors.

b. Transactions

During the period from the date of incorporation on July 2, 2019 to December 31, 2019 the Chief Executive Officer received \$28,000 in consulting fees and the Chief Financial Officer received \$25,000 in consulting fees, of which \$8,333 was included in prepaid expenses at December 31, 2019.

Summary of key management compensation:

	For the period from the date of incorporation on July 2, 2019 to December 31, 2019
Consulting fees	\$ 44,667
Stock-based compensation	24,875
	\$ 69,542

9. Financial instruments and risk factors

The Company classifies its financial instruments as follows:

December 31, 2019	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through profit and loss
Cash and cash equivalents	\$ 829,811	\$ -	\$ -
Receivables	14,293	-	-
Accounts payable and accrued liabilities	-	191,415	-
Total	\$ 844,104	\$ 191,415	\$ -

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

Risk factors

The Company's financial instruments consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities. As at December 31, 2019, the carrying values and fair values of the Company's financial instruments are approximately the same.

The Company is exposed, in varying degrees, to the following financial instrument related risks:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due at any point in time over available financial assets. The Company's objective in managing liquidity risk is to maintain sufficient readily available working capital to meet its liquidity requirements. At December 31, 2019, the Company had current financial assets of \$844,104 available to settle current financial liabilities of \$191,415.

Market Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on its cash balances is immaterial currently.

Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its business and maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company's primary source of capital is through the issuance of equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To acquire additional investment properties the Company will seek additional capital funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

10. Subsequent Events

a. The initial public offering of the Company

The Company is in the process of filing a prospectus offering for common shares at a price of \$0.80 per common share (the "Offering") and has engaged Leede Jones Gable Inc. as its agent (the "Agent") in connection with the Offering. The Company will pay the Agent a commission equal to \$0.056 per offered share, subject to a reduced commission equal to \$0.016 per share sold to president's list purchasers, and a corporate finance fee of \$50,000 plus GST, half of which has already been paid and is non-refundable. If the gross proceeds from the prospectus offering is at least \$2,000,000, not including the proceeds from the

Kadestone Capital Corp.

Notes to the Consolidated Financial Statements

For the period from the date of incorporation on July 2, 2019 to December 31, 2019

(in Canadian dollars)

cornerstone offering, the commission payable pursuant to the combined offering shall be the greater of \$450,000 and the Agent's commission from the Offering, as calculated above. The Company has also paid the Agent a \$35,000 deposit to pay for legal and other costs that the Agent may incur. The Company will also grant to the Agent, options equal to 5% of the number of shares sold under the Offering. Each agent option will be exercisable into one common share at a price per share equal to the Offering price for a period of 24 months from the date the shares are listed on the TSX-V.

b. The acquisition of Kelowna investment property

On February 25, 2020, the Company entered into an Assignment, Assumption and Modification of Purchase Agreement (the "Kyle Road Agreement") which assigned to the Company the rights in an agreement to purchase Phase One of a light industrial development interest (the "Kyle Road Property") .

The total purchase price of the Kyle Road Property is \$8,975,000 payable as follows: i) a first deposit of \$50,000, which has been paid; ii) a second deposit of \$1,745,000, which has been paid and iii) the balance of \$7,180,000 payable on completion, being prior to the outside completion date of December 31, 2020.

The Company purchased the rights to the Kyle Road Agreement on February 25, 2020 for \$1,795,000, representing reimbursement of the first and second deposit. The Company paid \$179,500 in cash and issued 2,019,375 shares at a value of \$1,615,500.

c. Stock option grants

On March 3, 2020, the Company granted 400,000 options with an exercise price of \$0.80, expiry date of March 3, 2030 and a vesting period of 36 months with 1/36th of the award vesting every month. These options were awarded to the Company's board of directors and each of the four directors received 100,000 options each

On June 10, 2020, the Company granted 100,000 options to the Chief Financial Officer. These options have an exercise price of \$0.80, expiry date of June 10, 2030 and a vesting period of 6 months with 1/6th of the award vesting every month.

FINANCIAL STATEMENTS OF MARINE DRIVE INVESTMENT PROPERTY

Marine Drive Investment Property

Carve-Out Financial Statements

For the years ended December 31, 2019 and 2018

(expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Owners of
Marine Drive Investment Property

Opinion

We have audited the accompanying carve-out financial statements of Marine Drive Investment Property (the "Entity"), which comprise the carve-out statements of profit and loss for the years ended December 31, 2019 and 2018, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, these carve-out financial statements present fairly, in all material respects, the Entity's financial performance for the years ended December 31, 2019 and 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-out Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the carve-out 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Carve-out Financial Statements

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

In preparing the carve-out financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Carve-out Financial Statements

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



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

- Identify and assess the risks of material misstatement of the carve-out 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

September 2, 2020

Marine Drive Investment Property

Carve-out statements of profit and loss

For years ended

(in Canadian dollars)

	Notes	December 31, 2019	December 31, 2018
Revenue			
Rental income		\$ 39,572	\$ 43,284
Other income		39	237
		<u>39,611</u>	<u>43,521</u>
Expenses			
Accounting		1,785	1,785
Bank charges and interest		37	110
Insurance		3,528	3,416
Legal and professional fees		578	603
Licencing, fees and dues		666	612
Management fees		2,280	1,652
Property taxes		19,593	20,471
Repairs and maintenance		3,647	3,217
Utilities		4,633	1,838
		<u>36,747</u>	<u>33,704</u>
Net income before income taxes		2,864	9,817
Income tax (recovery) expense	5	(504)	2,650
Net income		<u>\$ 3,368</u>	<u>\$ 7,167</u>

Marine Drive Investment Property

Notes to the Carve-Out Statements of profit and loss

For years ended December 31, 2019 and 2018

(in Canadian dollars)

1. Business of the Company and Going Concern

Marine Drive Investment Property (“Carve-out” or the “Entity”) is a commercial investment property in West Vancouver. The Entity earns income by leasing its space to commercial tenants and incurs expenses related to the operation and maintenance of this property. Its registered and records office is Suite 2600, Three Burrard Centre, 595 Burrard Street, Vancouver, BC Canada, V7X 1L3.

As outlined in Note 4, the Carve-out was created on December 31, 2019 when a 51% interest of the commercial property was acquired.

The carve-out financial statements have been prepared on a going concern basis. The property’s 49% interest holds cash to cover any short falls between income and operating expenses.

2. Basis of Presentation and Statement of Compliance

a. Statement of Compliance

The carve-out financial statements of the Entity have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

b. Basis of Presentation

These carve-out financial statements have been prepared using the accrual basis of accounting and presented in Canadian dollars.

The following basis of preparation for the carve-out financial statements have been applied:

- All revenue and expenses directly attributable to the Carve-out have been extracted in the carve-out financial statements.
- Income taxes have been calculated as if Carve-out had been a separate legal entity and had filed separate tax returns for the periods presented.

c. Significant Accounting Estimates and Judgements

The preparation of these carve-out financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of revenue and expenses, as well as the Entity’s ability to continue as a going concern. The estimates and assumptions made are continually evaluated and have been based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain. Actual results could differ materially from these estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised and may impact future periods.

Management has applied significant estimates and assumptions to the following:

Income Taxes

Income tax recovery including those arising from un-utilized tax losses, require management to assess the likelihood that the Entity will generate sufficient taxable earnings in future periods in order to utilize prior period tax losses. Assumptions about the generation of future taxable profits depend on management’s estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Entity to

Marine Drive Investment Property
Notes to the Carve-Out Statements of profit and loss
For years ended December 31, 2019 and 2018
(in Canadian dollars)

obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Entity to realize the prior period tax losses recorded at the reporting date could be impacted.

3. Significant Accounting Policies

a. Revenue recognition

Property revenues include rental revenue from income producing properties.

Rental revenue from operating leases is recognized on a straight-line basis over the applicable lease term. The cost of tenant incentives is recognized over the term of the applicable lease as a reduction in rental revenue.

Rental revenue includes the recovery of certain operating expenses and property taxes.

b. Income taxes

Income tax recovery or expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

4. Purchase Agreement

On December 31, 2019, Kadestone Capital Corp. ("Kadestone") acquired the Entity, which is a 51% interest in a commercial real estate property located in West Vancouver. The Entity was purchased by Kadestone for \$1,679,120 including costs of \$47,120. Kadestone paid cash of \$163,200 and issued 3,672,000 common shares with a value of \$0.40 per share.

The holder of the 49% interest in the property, is responsible for the management of the property as set out in the operating agreement. Pursuant to the agreement, Kadestone will receive a 51% share of the property revenues less operating expenses.

In addition, the holder of the 49% interest solely holds the mortgage debt on the property. The Entity's 51% interest in the property is partial security for the mortgage debt. As well, Kadestone and one of Kadestone's directors have provided corporate and personal guarantees for the mortgage debt.

5. Income taxes

The following table is a reconciliation from the amounts which would be obtained by applying the statutory income tax rate for the year ended December 31, 2019 – 27.0% (year ended December 31, 2018 – 27.0%) to the income for the year as follows:

Marine Drive Investment Property
Notes to the Carve-Out Statements of profit and loss
For years ended December 31, 2019 and 2018
(in Canadian dollars)

	December 31, 2019	December 31, 2018
Income before income taxes	\$ 2,864	\$ 9,817
Expected income taxes at statutory rates	774	2,650
<i>Adjustments</i>		
Straight-line rent	(1,277)	-
Total income tax (recovery) expense	\$ (504)	\$ 2,650

CERTIFICATE OF THE COMPANY

Dated: September 2, 2020

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

Signed (*Brent Billey*)

Signed (*David Negus*)

Brent Billey
President and Chief Executive Officer

David Negus
Corporate Secretary and Chief Financial
Officer

On behalf of the Board

Signed (*Norman Mayr*)

Signed (*Michael Geller*)

Norman Mayr
Director

Michael Geller
Director

CERTIFICATE OF THE PROMOTER

Dated: September 2, 2020

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

Signed (*Travis Chen*)

Travis Chen

CERTIFICATE OF THE AGENT

Dated: September 2, 2020

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

LEEDE JONES GABLE INC.

Signed (*Richard Carter*)

Per: Richard Carter
Senior Vice President
General Counsel & Secretary