



Kadestone Capital Corp.

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Unaudited – Prepared by Management)

(expressed in Canadian Dollars)

These unaudited condensed interim consolidated financial statements of Kadestone Capital Corp. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

Kadestone Capital Corp.

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020

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(expressed in Canadian Dollars)

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

	Notes	September 30, 2021	December 31, 2020
Assets			
Current			
Cash and cash equivalents	4	\$ 37,804	\$ 8,802,170
Restricted term deposits	5	1,039,139	200,846
Receivables		90,302	61,302
Prepaid expenses and deposits		81,185	65,825
Loan receivable	11c	-	1,001,753
Investment property held for sale	6	9,863,000	-
		<u>11,111,430</u>	<u>10,131,896</u>
Non-current assets			
Investment properties	6	1,485,826	10,527,661
Investments in associates	7	15,481,461	-
		<u>15,481,461</u>	<u>-</u>
Total assets		<u>\$ 28,078,717</u>	<u>\$ 20,659,557</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 660,182	\$ 277,523
Debt on investment property held for sale	8	4,916,726	4,843,620
		<u>5,576,908</u>	<u>5,121,143</u>
Non-current liabilities			
Loan payable	11d	8,281,794	-
		<u>8,281,794</u>	<u>-</u>
Total liabilities		<u>13,858,702</u>	<u>5,121,143</u>
Shareholders' equity			
Share capital	9a	17,802,383	17,799,188
Contributed surplus		1,384,836	771,319
Deficit		(4,967,204)	(3,032,093)
		<u>14,220,015</u>	<u>15,538,414</u>
Total liabilities and shareholders' equity		<u>\$ 28,078,717</u>	<u>\$ 20,659,557</u>

Business of the Company and Going Concern (Note 1)
Subsequent Events (Note 15)

Approved on behalf of the Board of Directors

“Brent Billey”

Brent Billey

“Norm Mayr”

Norm Mayr

Kadestone Capital Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(expressed in Canadian dollars)

		Three months ended		Nine months ended	
	Notes	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue					
Rental revenue		\$ 81,479	\$ -	\$ 110,910	\$ -
Sales revenue		2,500	-	47,755	-
Net profits interest		4,520	3,494	1,548	10,845
		<u>88,499</u>	<u>3,494</u>	<u>160,213</u>	<u>10,845</u>
Property operating expense		89,832	-	184,446	-
Costs of goods sold		10,603	-	50,953	-
		<u>(11,936)</u>	<u>3,494</u>	<u>(75,186)</u>	<u>10,845</u>
Operating expenses					
Professional fees		75,426	108,109	235,295	513,046
Stock-based compensation	9b	339,143	162,869	614,612	584,565
Consulting fees	11b	13,950	87,699	78,734	275,958
Salaries and wages	11b	153,000	90,000	439,824	244,097
Directors' fees	11b	37,611	37,250	125,890	92,827
Dues and subscriptions		8,321	-	54,653	-
Insurance expense		11,484	2,027	29,067	2,027
Computer expense		532	7,896	3,884	13,336
Marketing		9,282	1,204	52,529	4,357
Office supplies		1,702	50	4,277	3,764
Bank charges		585	141	2,001	601
		<u>651,036</u>	<u>497,245</u>	<u>1,640,766</u>	<u>1,734,578</u>
Operating loss		<u>(662,972)</u>	<u>(493,751)</u>	<u>(1,715,952)</u>	<u>(1,723,733)</u>
Other income and expenses					
Fair value adjustment on investment properties	6	(133,223)	-	160,999	-
Interest expense		(261,876)	-	(419,047)	-
Interest revenue		2,604	-	37,428	-
Income from associates		1,461	-	1,461	-
Loss and comprehensive loss		<u>\$(1,054,006)</u>	<u>\$ (493,751)</u>	<u>\$ (1,935,111)</u>	<u>\$ (1,723,733)</u>
Basic and diluted loss per share	10	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.06)

See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(expressed in Canadian dollars)

	Notes	Number of Common shares	Common shares	Contributed surplus	Accumulated deficit	Total
December 31, 2019		26,987,100	\$ 2,897,801	\$ 24,875	\$ (496,284)	\$ 2,426,392
Issuance of common shares for property purchase	9a	2,019,375	1,615,500	-	-	1,615,500
Stock-based compensation	9b	-	-	584,565	-	584,565
Loss for the period		-	-	-	(1,723,733)	(1,723,733)
September 30, 2020		29,006,475	4,513,301	609,440	(2,220,017)	2,902,724
December 31, 2020		46,512,925	17,799,188	771,319	(3,032,093)	15,538,414
Issuance of common shares from exercise of stock options	9a	2,625	3,195	(1,095)	-	2,100
Stock-based compensation	9b	-	-	614,612	-	614,612
Loss for the period		-	-	-	(1,935,111)	(1,935,111)
September 30, 2021		46,515,550	\$ 17,802,383	\$ 1,384,836	\$ (4,967,204)	\$ 14,220,015

See notes to condensed interim consolidated financial statements

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

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Operating activities		
Loss for the period	\$ (1,935,111)	\$ (1,723,733)
Adjustments for items not affecting cash:		
Stock-based compensation	614,612	584,565
Accrued interest	191,450	-
Amortization of finance costs	73,106	-
Amortization of leasing commissions	4,476	-
Fair value adjustment on investment properties	(160,999)	-
Income from associates	(1,461)	-
	<u>(1,213,927)</u>	<u>(1,139,168)</u>
Changes in non-cash working capital:		
Restricted term deposits	161,707	-
Receivables	(19,575)	(1,939)
Prepaid expenses and deposits	(15,360)	(44,640)
Cheques in excess of funds on deposit	-	138,458
Accounts payable and accrued liabilities	<u>192,464</u>	<u>421,198</u>
Net cash used in operating activities	(894,691)	(626,091)
Investing activities		
Advances to equity accounted associate investments	(16,200,000)	-
Return of capital from equity accounted associate	720,000	-
Repayment of loan receivable	1,000,000	-
Acquisition of investment properties	-	(24,220)
Loan to related party	-	(179,500)
Investment in restricted term deposits	(1,000,000)	-
Additions to investment properties	(477,785)	-
Other investment property expenditures	<u>(13,990)</u>	<u>-</u>
Net cash used in investing activities	(15,971,775)	(203,720)
Financing activities		
Cash from exercise of stock options	2,100	-
Cash from loan payable	<u>8,100,000</u>	<u>-</u>
Net cash from financing activities	8,102,100	-
Change in cash and cash equivalents	<u>(8,764,366)</u>	<u>(829,811)</u>
Cash and cash equivalents, beginning of the period	8,802,170	829,811
Cash and cash equivalents, end of the period	<u>\$ 37,804</u>	<u>\$ -</u>

Supplemental cash flow information (Note 12)

Kadestone Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2021 and 2020

(Unaudited)

(expressed 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. On October 29, 2020, the Company completed its initial public offering and commenced trading on the TSX Venture Exchange (the “TSXV”). Its principal business activity is the development, acquisition, and management of residential; and commercial income producing properties and the procurement and sale of building materials within major urban centres and high-growth, emerging markets in Canada, with an initial focus on the Metro Vancouver market. Its registered and records office is Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, BC Canada, V7X 1L3.

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 financing in order to acquire additional investment properties to generate ongoing revenue to maintain operations. Management is actively pursuing such additional sources of financing. However, there is no assurance that they will be able to do so successfully.

As at September 30, 2021, the Company had current financial assets of \$1,167,245 available to settle current financial liabilities of \$5,576,908. The Company’s business does not currently generate sufficient funds to maintain long-term operations and may require additional financing in the future. However, management believes current financial assets at September 30, 2021 and the additional cash resulting from access to additional advances from a significant shareholder of the Company (note 11) will be sufficient to meet the Company’s known financial commitments for the next twelve months.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 25, 2021.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. Statement of Compliance

The unaudited condensed interim consolidated financial statements of the Company 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 year ended December 31, 2020, as some disclosures from the annual financial statements have been condensed or omitted.

b. Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for investment properties and 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.

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

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, revenues, 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

Kadestone Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

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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 year ended December 31, 2020 with the addition of judgement used to determine the accounting basis for investments in associates.

d. Basis of Consolidation

The Company's wholly owned subsidiaries are Kadestone (Kyle Road) Property Ltd., Kadestone Building Materials Ltd., 1230609 B.C. Ltd., 1231477 B.C. Ltd., Kadestone Property (Lickman Road) Ltd. and Kadestone Properties Squamish Ltd.

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

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, 2020 with the addition of the following:

Accounting for Investments in Associates

Associates are entities for which the Company has significant influence over the financial and operating policies of the entities and that are neither subsidiaries nor interests in joint ventures.

Investments in associates are accounted for using the equity method and initially recorded at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income or loss of the associate. The Company's share of the associate's profit or loss and other comprehensive income or loss is recognized in the Company's consolidated statements of comprehensive income.

Revenue Recognition – Building Materials

The Company recognizes revenue from the sale of building materials in Canada and the United States from its relationships with overseas suppliers. Revenue from the sale of products and services is recognized, net of discounts and customer rebates, at the time the transfer of control of the related products has taken place (based on shipping or delivery terms as specified in the sales contract), and collectability is reasonably assured.

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held at the bank of \$37,804 (December 31, 2020 - \$796,449) and guaranteed investment certificates (GICs) of \$nil (December 31, 2020 - \$8,005,721).

5. RESTRICTED TERM DEPOSITS

Restricted term deposits consist of an interest reserve associated with debt on investment property (note 8) and a restricted GIC held for deposit on construction. As at September 30, 2021, the restricted GIC had a balance of \$1,002,604 (December 31, 2020 - \$nil) and interest reserve had a balance of \$36,535 (December 31, 2020 - \$200,846).

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6. INVESTMENT PROPERTIES

On December 31, 2019, the Company acquired a 51% interest in a commercial real estate property located in West Vancouver.

On October 30, 2020, the Company completed the transaction for the purchase of an industrial property located on Kyle Road in West Kelowna.

The total purchase price of the Kyle Road Property was \$8,975,000, plus transaction costs of \$177,165 net of \$83,104 in construction refunds. The purchase price was settled with cash of \$7,359,500 and the issuance of 2,019,375 common shares with a value of \$1,615,500. The Company also paid costs of \$24,319 related to the extension of the purchase contract closing date and these costs were expensed.

Changes to the carrying amounts of investment properties are summarized as follows:

	Nine months ended September 30, 2021		Year ended December 31, 2020	
Balance, beginning of period	\$	10,527,661	\$	1,679,120
Acquisitions		-		9,069,061
Other additions		594,586		9,807
Leasing commissions		70,056		-
Amortization of leasing commissions		(4,476)		-
Fair value adjustments		160,999		(230,327)
Investment property held for sale		(9,863,000)		-
Balance, end of period	\$	1,485,826	\$	10,527,661

For the nine months ended September 30, 2021, the Company recorded a fair value adjustment gain of \$160,999 for its investment properties (year ended December 31, 2020 – loss of \$230,327).

As at September 30, 2021 the Company has classified the industrial property located on Kyle Road in West Kelowna with a value of \$9,863,000 as held for sale. See Subsequent events (note 15) for additional disclosure.

Valuation Methodology

The appraised fair value of investment properties is most commonly determined using the following methodologies:

- Discounted cash flow method - Under this approach, discount rates are applied to the projected annual operating cash flows, generally over a minimum ten-year period, including any terminal value of the properties based on a capitalization rate applied to the estimated net operating income (“NOI”), a non-GAAP measure. This method is primarily used to value rental property portfolios.
- Comparable sales method - This approach compares a subject property’s characteristics with those of comparable properties which have recently sold. The process uses one of several techniques to adjust the price of the comparable transactions according to the presence, absence, or degree of characteristics which influence value. These characteristics include the cost of construction incurred at a property under development. This method is primarily used to value development property portfolios.

As part of the Company’s valuation process, 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. In addition, management will utilize external valuations performed by

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independent real estate valuation firms. On a quarterly basis, the valuation models are reviewed and updated as necessary to reflect current market data.

Significant Inputs

There are significant unobservable inputs used, such as capitalization rates, in determining the fair value of each investment property. Accordingly, all investment properties are measured in accordance with the fair value measurement levels and the inputs for investment properties comprise Level 3 unobservable inputs, reflecting management's best estimate of what market participants would use in pricing the asset at the measurement date. Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted NOI. Generally, an increase in NOI will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties.

Assuming no change to NOI, a 5% change in the capitalization rate would change the fair value of the investment properties by approximately \$70,000.

7. INVESTMENTS IN ASSOCIATES

Investments in associates consist of:

Equity Accounted Investments	General Partnership Ownership	Limited Partnership Ownership	September 30, 2021	December 31, 2020
Kadestone Property (Lickman Road) Ltd.	0%	80%	\$ 7,681,207	\$ -
Kadestone Properties Squamish Ltd.	0%	80%	7,800,254	-
Total			\$ 15,481,461	\$ -

On April 30, 2021, the Company made an initial equity deposit of \$1,600,000 to acquire an 80% interest in limited partnership units in an entity which holds a development property located in Chilliwack, B.C. Land for the project was acquired for a purchase price of \$23,432,500 and will be used for a future light industrial and commercial development. The Company will guarantee all loans incurred in respect of the property and future development. The Company made an additional equity deposit of \$6,800,000 on July 7, 2021 and on September 3, 2021 the project returned capital of \$720,000 to the Company. The Company has additional estimated equity funding commitments of approximately \$4,772,000 payable over the 42-month development period.

On May 12, 2021, the Company made an initial deposit of \$400,000 to acquire an 80% interest in limited partnership units in an entity which holds a development property located in Squamish, B.C. Land for the project was acquired for a purchase price of \$20,818,725 and will be used for a future light industrial development. The Company will guarantee all loans incurred in respect of the property and future development. The Company made additional equity deposits of \$6,800,000 and \$600,000 on June 25, 2021 and September 9, 2021, respectively. The Company has additional equity funding commitments of \$4,104,000 payable over the 36-month development period.

Summary financial information for equity accounted investments, not adjusted for the percentage ownership held by the Company is as follows:

Equity Accounted Investments	September 30, 2021	December 31, 2020
Current assets	\$ 44,879,548	\$ -
Current liabilities	25,527,722	-
Revenue	1,952	-
Expenses	\$ 126	\$ -

Kadestone Capital Corp.

Notes to the Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2021 and 2020

(Unaudited)

(expressed in Canadian dollars)

8. DEBT ON INVESTMENT PROPERTY HELD FOR SALE

On October 30, 2020, the Company obtained a \$4,925,000 capital loan from a major credit union to provide financing for the acquisition of the Kyle Road Property. The loan is due on demand but no later than October 31, 2021 and bears interest at the greater of prime plus 2% per annum or 4.45% per annum. The prime rate at September 30, 2021 was 2.45%. The Company incurred transaction costs of \$97,298 which are being amortized over the term of the loan. The loan is secured by a fixed first charge over the property. See Subsequent events (note 15) for additional disclosure.

	Nine months ended September 30, 2021	Year ended December 31, 2020
Balance, beginning of period	\$ 4,843,620	\$ -
Proceeds from debt issuances	-	4,925,000
Costs associated with debt issuance	-	(97,298)
Amortization of deferred financing costs	73,106	15,918
Balance, end of period	\$ 4,916,726	\$ 4,843,620

9. SHAREHOLDERS' EQUITY

a. Share Capital

The Company has an unlimited number of common shares authorized and has issued 46,515,550 as at September 30, 2021 at no par value.

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 the Kyle Road investment property (note 6).

On October 29, 2020, the Company completed its cornerstone placement of common shares whereby the Company issued 9,200,000 common shares at a price of \$0.80 per common share for total gross proceeds of \$7,360,000.

On October 29, 2020, the Company completed its initial public offering of common shares whereby the Company issued 8,306,450 common shares at a price of \$0.80 per common share for total gross proceeds of \$6,645,160. The Company also incurred \$545,967 in issuance costs related to the offering and issued 415,322 agent options with a fair value of \$173,306.

On May 13, 2021, 750 shares were issued for agent's options exercised. These options had an exercise price of \$0.80.

On June 9, 2021, 1,875 shares were issued for agent's options exercised. These options had an exercise price of \$0.80.

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Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited)
(expressed in Canadian dollars)

From December 31, 2019 to September 30, 2021 the Company has issued the following common shares:

Date	Shares	Price	Value
Total – December 31, 2019	26,987,100	\$	2,897,801
February 25, 2020	2,019,375	\$0.80	1,615,500
October 29, 2020	9,200,000	\$0.80	7,360,000
October 29, 2020	8,306,450	\$0.80	6,645,160
	46,512,925		18,518,461
Share issuance costs			(719,273)
Total – December 31, 2020	46,512,925		17,799,188
May 13, 2021	750	\$1.22	913
June 9, 2021	1,875	\$1.22	2,282
Total – September 30, 2021	46,515,550	\$	17,802,383

As at September 30, 2021, the Company has 24,001,106 and 2,973,000 common shares subject to escrow and pooling restrictions respectively. These shares will be released from restrictions in tranches through October 2023.

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%.

The exercise price of an option will not be less than the closing price of common shares on the TSX-V as of the award date.

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. 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.

On March 5, 2021, the Company granted 481,000 options to the board of directors, the Chief Financial Officer and three consultants. These options have an exercise price of \$1.55, expiry date of March 5, 2031 and a vesting period of 36 months with 1/36th of the award vesting every month. The fair value of options granted was \$557,626.

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On August 20, 2021, the Company granted 982,000 options to the Chief Executive Officer, the Chief Financial Officer and three consultants. These options have an exercise price of \$1.60, expiry date of August 20, 2031. Of these options 782,000 have a vesting period of 36 months with 1/36th of the award vesting every month and the remaining 200,000 have a vesting period of 12 months with 1/12th of the award vesting every month. The fair value of options granted was \$1,167,797.

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	March 5, 2021	August 20, 2021
Expected dividend yield	Nil	Nil	Nil	Nil
Expected stock price volatility	100%	100%	69%	69%
Risk-free interest rate	0.96%	0.57%	1.50%	1.14%
Expected life of options	10 years	10 years	10 years	10 years
Forfeiture rate	Nil	Nil	Nil	Nil

As at September 30, 2021, 1,251,889 (December 31, 2020 - 822,222) of the total stock options outstanding had vested. For the nine months ended September 30, 2021 the Company recognized \$614,612 (nine months ended September 30, 2020 - \$584,565) in stock-based compensation expense for vesting of options.

Stock option transactions from December 31, 2019 to September 30, 2021 are as follows:

	Number of options	Weighted Average Exercise Price
Balance at December 31, 2019	1,250,000	\$0.40
Issued options	500,000	\$0.80
Balance at December 31, 2020	1,750,000	\$0.51
Issued options	1,463,000	\$1.58
Balance at September 30, 2021	3,213,000	\$1.00
Exercisable at September 30, 2021	1,251,889	\$0.61

As at September 30, 2021, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date
250,000	250,000	\$0.40	December 31, 2029
1,000,000	583,333	\$0.40	December 31, 2029
400,000	200,000	\$0.80	March 3, 2030
100,000	100,000	\$0.80	June 10, 2030
481,000	80,167	\$1.55	March 5, 2031
982,000	38,389	\$1.60	August 20, 2031

c. Agent's Options

The Company granted 415,322 agent's options related to the initial public offering. These options have an exercise price of \$0.80, expiry date of October 29, 2022 and vested immediately. The fair value of the options granted of \$173,306 was estimated using the Black-Scholes options pricing model using expected dividend yield of nil, stock price volatility of 100%, risk-free interest rate of 0.23% and an expected term of 2 years. As at September 30, 2021, 2,625 options have been exercised and 412,697 remain outstanding and exercisable.

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Notes to the Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2021 and 2020

(Unaudited)

(expressed in Canadian dollars)

10. LOSS PER SHARE

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Loss	\$ (1,054,006)	\$ (493,751)	\$ (1,935,111)	\$ (1,723,733)
Weighted average number of shares	48,250,881	29,006,475	48,930,367	28,549,536
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.06)

11. 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

Summary of transactions with key management and directors:

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Salary	\$	431,000	\$	240,000
Consulting fees		32,258		217,500
Directors' fees		119,750		92,827
Stock-based compensation		311,149		532,669
	\$	894,157	\$	1,082,996

Included in accounts payable is \$31,781 (December 31, 2020 - \$45,250) owing to officers and directors of the Company.

c. Loan Receivable

On December 15, 2020 the Company advanced \$1,000,000 by way of promissory note to a company controlled by a significant shareholder of the Company. The note was unsecured, due on 30 days written demand and bore interest at 4% per annum payable at the end of each quarter. On June 25, 2021, the principal amount of this loan was repaid and as of September 30, 2021 accrued interest was \$nil (December 31, 2020 - \$1,753).

d. Loan Payable

On June 25, 2021 and July 7, 2021, the Company was advanced \$1,300,000 and \$6,800,000, respectively, by way of a promissory note from a significant shareholder of the Company. The note is unsecured and bears interest at 10% per annum, compounded annually. Accrued interest is payable on the maturity date of July 6, 2024. As at September 30, 2021 accrued interest was \$181,794. See Subsequent events (note 15) for additional disclosure.

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(Unaudited)

(expressed in Canadian dollars)

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Interest received	\$	42,298	\$	-
Interest paid	\$	164,147	\$	-

The significant non-cash transaction for the nine months ended September 30, 2020 was the issuance of 2,019,375 common shares at a value of \$1,615,500 towards the acquisition of an investment property.

There were no significant non-cash transactions for the nine months ended September 30, 2021.

13. SEGMENT DISCLOSURE

The Company and its subsidiaries operate in two distinct operating segments throughout Canada with some sales in the United States. These segments are property investment and the sale of building materials.

Nine months ended September 30, 2021	Property investment	Building materials	Total
Rental revenue and net profits interest	\$ 112,458	\$ -	\$ 112,458
Sales revenue	-	47,755	47,755
	112,458	47,755	160,213
Property operating costs	184,446	-	184,446
Costs of goods sold	-	50,953	50,953
	(71,988)	(3,198)	(75,186)
Operating expenses	1,635,510	5,256	1,640,766
Operating loss	(1,707,498)	(8,454)	(1,715,952)
Other income and expenses	(219,159)	-	(219,159)
Net loss	\$ (1,926,657)	\$ (8,454)	\$ (1,935,111)

14. FINANCIAL INFORMATION AND RISK FACTORS

The Company classifies its financial instruments as follows:

September 30, 2021	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through profit and loss
Cash and cash equivalents	\$ 37,804	\$ -	\$ -
Restricted term deposits	1,039,139	-	-
Receivables	90,302	-	-
Accounts payable and accrued liabilities	-	660,182	-
Debt on investment property	-	4,916,726	-
Loan payable	-	8,281,794	-
Total	\$ 1,167,245	\$ 13,858,702	\$ -

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For the nine months ended September 30, 2021 and 2020

(Unaudited)

(expressed in Canadian dollars)

December 31, 2020	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through profit and loss
Cash and cash equivalents	\$ 8,802,170	\$ -	\$ -
Restricted term deposits	200,846	-	-
Receivables	61,302	-	-
Loan receivable	1,001,753	-	-
Accounts payable and accrued liabilities	-	277,523	-
Debt on investment property	-	4,843,620	-
Total	\$ 10,066,071	\$ 5,121,143	\$ -

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 defines capital as the aggregate of shareholders' equity, debt on investment property and loans payable. 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.

There have been no changes in the Company's approach to capital management in the nine months ended September 30, 2021.

Risk Factors

The Company's financial instruments consist of cash and cash equivalents, restricted term deposits, receivables, accounts payable and accrued liabilities, debt on investment properties and loan payable. As at September 30, 2021, 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. As the Company has provided loans to facilitate business development, further credit risks arise in the event that borrowers default on the repayment of their amounts owing to the Company. The Company's loans and advances will be subordinate to prior ranking mortgages or charges. As at September 30, 2021, the Company did not have any loans receivable from other business.

The Company mitigates this risk by performing credit checks on potential borrowers, monitoring the financial and operating performance of borrowers, and ensuring interest payments are made on time. Credit risk from lease receivables arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments, resulting in the Company incurring a financial loss. The Company manages credit risk to mitigate exposure to financial loss by staggering lease maturities, diversifying revenue sources over a large user base, ensuring no individual user contributes a significant portion of the company's revenues and conducting credit reviews of new users.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due at any point in time over available financial

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Notes to the Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2021 and 2020

(Unaudited)

(expressed in Canadian dollars)

assets. The Company's objective in managing liquidity risk is to maintain sufficient readily available working capital to meet its liquidity requirements. At September 30, 2021, the Company had current financial assets of \$1,167,245 available to settle current financial liabilities of \$5,576,908.

Market Risk

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in market prices. The Company is exposed to interest rate risk on its borrowings. The Company's mortgages payable as at September 30, 2021, are at floating interest rates and are exposed to changes in interest rates during the term of the debt. As at September 30, 2021, the mortgages payable, which are at floating interest rates and are exposed to changes in interest rates, had a balance outstanding of \$4,916,726 (December 31, 2020 - \$4,843,620).

15. SUBSEQUENT EVENTS

- a. On November 3, 2021, the Company repaid \$3,930,000 of a loan payable and accrued interest thereon of \$123,552 to a significant shareholder of the Company which decreased the principal amount of loan payable to \$4,170,000.
- b. On November 1, 2021, the Company completed the sale of the Company's industrial strata property located at Kyle Road, Kelowna. The Company sold the property for a price of \$10,100,000 less \$202,000 in selling commissions, and estimated closing costs. Concurrently, the Company repaid the remaining balance of debt on the investment property of \$4,925,000 and accrued interest of \$18,614.