Kadestone Capital Corp.

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(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.

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Table of Contents	**Page**

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

	Notes		September 30, 2022		December 31, 2021
Assets					
Current					
Cash and cash equivalents	4	$	10,195,919	$	5,017,287
Restricted term deposits	5		1,019,714		1,005,498
Receivables			6,585		122,183
Prepaid expenses and deposits			43,024		41,084
			11,265,242		6,186,052
Non-current assets					
Investment properties	6		1,453,500		1,453,500
Investments in associates	7		16,352,519		15,494,706
Total assets		**$**	**29,071,261**	**$**	**23,134,258**
Liabilities and shareholders' equity					
Current liabilities					
Accounts payable and accrued liabilities		$	316,883	$	361,615
Non-current liabilities					
Loans payable	9, 13d		12,301,607		4,367,256
Convertible note	10		4,674,376		4,322,153
Total liabilities			17,292,866		9,051,024
Shareholders' equity					
Share capital	11a		17,811,892		17,811,892
Contributed surplus			2,738,851		1,792,949
Equity component of convertible note	10		395,918		395,918
Deficit			(9,168,266)		(5,917,525)
			11,778,395		14,083,234
Total liabilities and shareholders' equity		**$**	**29,071,261**	**$**	**23,134,258**

Business of the Company and Going Concern (Note 1)
Subsequent Events (Note 17)

Approved on behalf of the Board of Directors

"Brent Billey" "Norm Mayr"

Brent Billey Norm Mayr

See notes to condensed interim consolidated financial statements

Kadestone Capital Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(expressed in Canadian dollars)

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenue					
Rental revenue		$ -	$ 81,479	$ -	$ 110,910
Sales revenue		-	2,500	-	47,755
Net profits interest	6	(128,654)	4,520	(100,520)	1,548
		(128,654)	88,499	(100,520)	160,213
Rental property operating expense		-	89,832	-	184,446
Cost of goods sold		-	10,603	-	50,953
		(128,654)	(11,936)	(100,520)	(75,186)
Operating expenses					
Professional fees		50,851	75,426	423,056	235,295
Share-based compensation	11b, 13b	445,012	339,143	945,902	614,612
Consulting fees	13b	10,800	13,950	53,700	78,734
Salaries and wages	13b	172,567	153,000	847,338	439,824
Directors' fees	13b	49,856	37,611	153,372	125,890
Dues and subscriptions		7,465	8,321	36,564	54,653
Insurance		12,142	11,484	36,572	29,067
Computer		663	532	2,276	3,884
Marketing		8,305	9,282	27,917	52,529
Office supplies		1,527	1,702	2,979	4,277
Bank charges		646	585	1,464	2,001
		759,834	651,036	2,531,140	1,640,766
Operating loss		(888,488)	(662,972)	(2,631,660)	(1,715,952)
Other income and expenses					
Fair value adjustments on investment properties	6	-	(133,223)	-	160,999
Interest expense		(311,625)	(261,876)	(789,525)	(419,047)
Interest revenue		91,333	2,604	118,418	37,428
Income from associates		9,847	1,461	49,813	1,461
Foreign exchange gain		-	-	2,213	-
Loss and comprehensive loss		**$ (1,098,933)**	**$ (1,054,006)**	**$ (3,250,741)**	**$ (1,935,111)**
Basic and diluted loss per share	12	$ (0.02)	$ (0.02)	$ (0.07)	$ (0.04)

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	Equity component of convertible note	Accumulated deficit	Total
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	11c	2,625	3,195	(1,095)	-	-	2,100
Share-based compensation	11b	-	-	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**
December 31, 2021		46,523,362	17,811,892	1,792,949	395,918	(5,917,525)	14,083,234
Share-based compensation	11b	-	-	945,902	-	-	945,902
Loss for the period		-	-	-	-	(3,250,741)	(3,250,741)
September 30, 2022		**46,523,362**	**$ 17,811,892**	**$ 2,738,851**	**$ 395,918**	**$ (9,168,266)**	**$ 11,778,395**

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, 2022	Nine months ended September 30, 2021
Operating activities		
Loss for the period	$ (3,250,741)	$ (1,935,111)
Adjustments for items not affecting cash:		
Share-based compensation	945,902	614,612
Accrued interest	671,265	191,450
Accretion and amortization of finance costs	103,532	73,106
Amortization of leasing commissions	-	4,476
Fair value adjustment on investment properties	-	(160,999)
Income from associates	(49,813)	(1,461)
	(1,579,855)	(1,213,927)
Changes in non-cash working capital:		
Restricted term deposits	-	161,707
Receivables	115,598	(19,575)
Prepaid expenses and deposits	(1,940)	(15,360)
Accounts payable and accrued liabilities	(44,732)	192,464
Net cash used in operating activities	(1,510,929)	(894,691)
Investing activities		
Advances to associates	(808,000)	(16,200,000)
Return of capital from associate	-	720,000
Repayment of loan receivable	-	1,000,000
Investment in restricted term deposits	-	(1,000,000)
Additions to investment properties	-	(477,785)
Other investment property expenditures	-	(13,990)
Net cash used in investing activities	(808,000)	(15,971,775)
Financing activities		
Cash from loans payable	10,000,000	8,100,000
Repayment of loans payable and accrued interest	(2,502,439)	-
Cash from exercise of stock options	-	2,100
Net cash provided by financing activities	7,497,561	8,102,100
Change in cash and cash equivalents	5,178,632	(8,764,366)
Cash and cash equivalents, beginning of the period	5,017,287	8,802,170
Cash and cash equivalents, end of the period	$ 10,195,919	$ 37,804

Supplemental cash flow information (Note 14)

See notes to condensed interim consolidated financial statements

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 acquisition, development 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, 2022, the Company had current financial assets of $11,222,218 available to settle current financial liabilities of $316,883. The Company's business does not currently generate sufficient funds to maintain long-term operations and will require additional financing in the future. However, management believes current financial assets at September 30, 2022 and the additional cash resulting from access to additional advances from a significant shareholder of the Company (note 13d) 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 17, 2022.

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, 2021, 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 investment properties and 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 and its subsidiaries' functional currency is the Canadian dollar which is also the Company's 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, 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 year ended December 31, 2021.

d. Basis of consolidation

Subsidiaries

These condensed interim 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 that 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 polices of the entity concerned. Where control of an entity is acquired during a financial year, results are included in the consolidated statements of loss and comprehensive loss from the date on which control commences.

The Company's wholly owned subsidiaries are Kadestone (Kyle Road) Property Ltd., Kadestone Building Materials Ltd., 1230609 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.

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 loss and comprehensive loss.

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, 2021.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held at the bank of $108,122 (December 31, 2021 - $5,017,287) and guaranteed investment certificates (GICs) of $10,087,797 (December 31, 2021 - $nil).

(expressed in Canadian dollars)

5. RESTRICTED TERM DEPOSITS

Restricted term deposits consist of a restricted GIC held as security towards a construction loan within an associate (note 7) guaranteed by the Company. As at September 30, 2022, the GIC had a balance of $1,019,714 (December 31, 2021 – $1,005,498).

6. INVESTMENT PROPERTIES

The Company holds a 51% interest in a commercial real estate property located in West Vancouver. The holder of the 49% interest in the property is responsible for the management of the property as set out in an 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 loss of $100,520 for the nine months ended September 30, 2022 (nine months ended September 30, 2021 – $1,548).

The holder of the 49% interest solely holds the mortgage debt of $2,477,012 (December 31, 2021 - $1,346,223) 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.

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.

On November 1, 2021, the Company completed the sale of the Kyle Road Property. The property was sold for a price of $10,100,000 less $237,000 in selling commissions and other closing costs resulting in a gain of $160,999 included in fair value adjustments.

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

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period	$ 1,453,500	$ 10,527,661
Other additions	-	594,586
Leasing commissions	-	70,056
Amortization of leasing commissions	-	(4,476)
Fair value adjustments	-	128,673
Sale of Kyle Road Property, net	-	(9,863,000)
Balance, end of period	$ 1,453,500	$ 1,453,500

For the nine months ended September 30, 2022, the Company recorded a fair value adjustment of $nil for its investment properties (nine months ended September 30, 2021 – gain of $294,222).

Valuation Methodology

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

a) 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.

(expressed in Canadian dollars)

b) 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 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 $69,000 (2021 - $70,000).

7. INVESTMENTS IN ASSOCIATES

Investments in associates consist of:

Investments In Associates	General Partnership Ownership	Limited Partnership Ownership	September 30, 2022	December 31, 2021
Denciti Chilliwack Limited Partnership ("Chilliwack LP")	0%	80%	$ 8,176,417	$ 7,694,474
Denciti Squamish Limited Partnership ("Squamish LP")	0%	80%	8,176,102	7,800,232
Total			$ 16,352,519	$ 15,494,706

In April 2021, the Company acquired an 80% interest in a limited partnership formed for the purposed of acquiring certain lands for development and sale of a light industrial commercial project in Chilliwack, B.C. The Company contributed capital of $8,832,000 to the limited partnership and also received a return of capital of $720,000. The Company has provided a guarantee of up to $10,800,000 for a land acquisition loan held within the limited partnership. The Company's share of net income from the limited partnership for the nine months ended September 30, 2022 is $49,943 (net loss for the nine months ended September 30, 2021 - $1,207). The Company estimates it will have additional equity funding commitments of approximately $4,340,000 payable over the 46-month development period as estimated by the Company's development partner.

In May 2021, the Company acquired an 80% interest in a limited partnership formed for the purposed of acquiring certain lands for development and sale of a light industrial commercial project in Squamish, B.C. The Company contributed capital of $8,176,000 to the limited partnership. The Company has provided a guarantee of up to $9,600,000 for a construction loan held within the limited partnership and has provided a deposit in favour of the lender of $1,000,000 (note 5). The Company's share of net loss from the limited partnership for the nine months ended September 30, 2022 is $130 (nine months ended September 30, 2021 - $254). The Company estimates it will have additional equity funding commitments of approximately $3,728,000 payable over the 40-month development period as estimated by the Company's development partner.

(expressed in Canadian dollars)

The general partner for each of the limited partnerships has the full authority to administer, manage, control and operate the limited partnerships. The Company's judgment is it does not have control over the limited partnership investments, but it does have significant influence and equity accounting is appropriate.

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

	Chilliwack LP		Squamish LP	
	September 30, 2022	**December 31, 2021**	**September 30, 2022**	**December 31, 2021**
Current assets	$ 150,351	$ 905,736	$ 42,726	$ 431,709
Non-current assets	23,479,183	22,376,417	22,219,718	21,288,231
Current liabilities	123,981	413,996	12,042,316	11,969,650
Non-current liabilities	13,285,032	13,250,064	-	-
Revenue	108,202	33,465	-	342
Expenses	45,773	15,372	162	52
Net income (loss)	$ 62,429	$ 18,093	$ (162)	$ 290

8. DEBT ON INVESTMENT PROPERTY

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 was due on demand but no later than October 31, 2021 and bore interest at the greater of prime plus 2% per annum or 4.45% per annum. The Company incurred transaction costs of $97,298, which were amortized over the term of the loan. The loan was secured by a fixed first charge over the property.

On November 1, 2021, the Company sold the Kyle Road Property and the balance of $4,925,000 was repaid.

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period	$ -	$ 4,843,620
Proceeds from debt issuances	-	-
Costs associated with debt issuance	-	-
Amortization of deferred financing costs	-	81,380
Repayment of loan	-	(4,925,000)
Balance, end of period	$ -	$ -

9. LOANS PAYABLE

On May 6, 2022, the Company was advanced $10,000,000, by way of a promissory note. The loan is unsecured and bears interest at 5% per annum, compounded annually. Accrued interest is payable on the maturity date of March 31, 2024. The loan agreement provides the lender with certain participation rights in future equity financings of Kadestone as well as a right of first offer with respect to the financing of future real estate development projects.

As at September 30, 2022 the principal amount of the loan payable was $10,000,000 and accrued interest of $198,440.

(expressed in Canadian dollars)

For related party loan payable see note 13d.

10. CONVERTIBLE NOTE

On December 29, 2021, the Company issued an unsecured convertible note. The principal amount of the note of $4,750,000 matures three years after issuance on December 29, 2024 and accrues interest at 7% per annum payable in cash on the maturity date. The Company incurred transaction costs on the debt issuance of $34,500.

The holder of the note has the option to convert the principal amount of the note, in whole or in part, at any time between 180 days after the issuance date up to the maturity date. The note has a fixed conversion price of $2.50 per share.

The convertible note is a compound instrument and the proceeds are required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 10%. The initial fair value of the debt, net of transactions costs, was calculated to be $4,319,582 with the residual portion of $395,918 allocated to equity.

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period	$ 4,322,153	$ -
Additions of principal amounts	-	4,750,000
Transaction costs associated with issuance	-	(34,500)
Equity component	-	(395,918)
Accretion and amortization of transaction costs	103,532	749
Accrued interest	248,691	1,822
Balance, end of period	$ 4,674,376	$ 4,322,153

11. SHAREHOLDERS' EQUITY

a. Share Capital

The Company has an unlimited number of common shares authorized and has issued 46,523,362 shares as at September 30, 2022.

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.

On June 9, 2021, 1,875 shares were issued for agent's options exercised.

On December 29, 2021, 7,812 shares were issued for agent's options exercised.

(expressed in Canadian dollars)

From December 31, 2019 to September 30, 2022 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(1)	750	$0.80		913
June 9, 2021(1)	1,875	$0.80		2,282
December 29, 2021(1)	7,812	$0.80		9,509
Total – December 31, 2021	46,523,362		$	17,811,892
Total – September 30, 2022	46,523,362		$	17,811,892

(1) Shares issued for exercise of agent's options, values include transfers from contributed surplus

As at September 30, 2022, the Company had 14,400,664 and 991,000 common shares subject to escrow and pooling restrictions respectively. The remainder of these shares will be released from restrictions in tranches through October 2023.

b. Share-based Compensation

The Company has a Stock Option Plan (the “Plan”) in which 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 TSXV 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 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.

(expressed in Canadian dollars)

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.

On November 23, 2021, the Company granted 100,000 options to a director. These options have an exercise price of $1.80, expiry date of November 23, 2031 and a vesting period of 36 months with 1/36th of the award vesting every month. The fair value of options granted was $135,347.

On August 4, 2022, the Company granted 1,325,000 options to the Chief Executive Officer, the Chief Financial Officer, other employees and directors. These options have an exercise price of $1.50 and an expiry date of August 4, 2032. These options have a vesting period of 36 months with 1/36th of the award vesting every month. The fair value of options granted was $1,515,767.

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**	**November 23, 2021**	**August 4, 2022**
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Expected stock price volatility	100%	100%	69%	69%	69%	69%
Risk-free interest rate	0.96%	0.57%	1.50%	1.14%	1.81%	2.66%
Expected life of options	10 years	10 years	10 years	10 years	10 years	10 years
Forfeiture rate	Nil	Nil	Nil	Nil	Nil	Nil

As at September 30, 2022, 2,387,473 (December 31, 2021 - 1,526,583) of the total stock options outstanding had vested. For the nine months ended September 30, 2022 the Company recognized $945,902 in share-based compensation expense for vesting of options.

Stock option transactions from December 31, 2019 to September 30, 2022 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	1,563,000	$1.60
Balance at December 31, 2021	3,313,000	$1.03
Issued options	1,325,000	$1.50
Balance at September 30, 2022	4,638,000	$1.16
Exercisable at September 30, 2022	2,387,473	$0.86

(expressed in Canadian dollars)

As at September 30, 2022, 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	916,667	$0.40	December 31, 2029
400,000	333,333	$0.80	March 3, 2030
100,000	100,000	$0.80	June 10, 2030
481,000	240,500	$1.55	March 5, 2031
982,000	482,389	$1.60	August 20, 2031
100,000	27,778	$1.80	November 23, 2031
1,325,000	36,806	$1.50	August 4, 2032

c. Agent's Options

The Company granted 415,322 agent's options related to the Company's 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, 2022, 10,437 options have been exercised and 404,885 remain outstanding and exercisable. These options were exercised subsequent to September 30, 2022 (note 17). These options were exercised subsequent to September 30, 2022 (note 17).

12. LOSS PER SHARE

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Loss	$ (1,098,933)	$ (1,054,006)	$ (3,250,741)	$ (1,935,111)
Weighted average number of shares	46,523,362	48,250,881	46,523,362	48,930,367
Basic and diluted loss per share	$ (0.02)	$ (0.02)	$ (0.07)	$ (0.04)

13. 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, 2022	Nine months ended September 30, 2021
Salary	$ 809,000	$ 431,000
Consulting fees	-	32,258
Directors' fees	151,783	119,750
Share-based compensation	787,747	311,149
	$ 1,748,530	$ 894,157

Included in accounts payable is $38,995 (December 31, 2021 - $39,716) owing to officers and directors of the Company.

(expressed in Canadian dollars)

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 and accrued interest was repaid.

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 company controlled by 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.

On November 3, 2021 the Company repaid principal of $3,930,000 and accrued interest of $123,552.

On January 28, 2022 the Company repaid $950,000 of this loan and accrued interest of $52,239.

On August 16, 2022, the Company repaid $1,350,000 of this loan and accrued interest of $150,200.

As at September 30, 2022 the principal amount of loan payable was $1,870,000 (December 31, 2021 - $4,170,000) and accrued interest of $233,167 (December 31, 2021 - $197,256).

14. SUPPLEMENTAL CASH FLOW INFORMATION

		Nine months ended September 30, 2022		Nine months ended September 30, 2021
Interest received	$	16,405	$	42,298
Interest paid	$	202,951	$	164,147

There were no significant non-cash transactions for the nine months ended September 30, 2022 and 2021.

15. SEGMENT DISCLOSURE

The Company and its subsidiaries operate in two distinct operating segments in Canada. These segments are property investment and the sale of building materials.

Operating performance of the Company is evaluated primarily based on the net operating income of these two segments.

	Property Investment		Building Materials		Consolidated	
Nine months ended September 30,	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Revenue	$ (100,520)	$ 112,458	$ -	$ 47,755	$ (100,520)	$ 160,213
Operating loss	(2,625,513)	(1,707,498)	(6,147)	(8,454)	(2,631,660)	(1,715,952)
Other income and expenses	(621,294)	(219,159)	2,213	-	(619,081)	(219,159)
Net loss	$(3,246,807)	$ (1,926,657)	$ (3,934)	$ (8,454)	$ (3,250,741)	$ (1,935,111)

(expressed in Canadian dollars)

16. FINANCIAL INFORMATION AND RISK FACTORS

The Company classifies its financial instruments as follows:

September 30, 2022	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through profit and loss
Cash and cash equivalents	$ 10,195,919	$ -	$ -
Restricted term deposits	1,019,714	-	-
Receivables	6,585	-	-
Accounts payable and accrued liabilities	-	316,883	-
Loans payable	-	12,301,607	-
Convertible note	-	4,674,376	-
Total	$ 11,222,218	$ 17,292,866	$ -

December 31, 2021	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial assets at fair value through profit and loss
Cash and cash equivalents	$ 5,017,287	$ -	$ -
Restricted term deposits	1,005,498	-	-
Receivables	122,183	-	-
Accounts payable and accrued liabilities	-	361,615	-
Loans payable	-	4,367,256	-
Convertible note	-	4,322,153	-
Total	$ 6,144,968	$ 9,051,024	$ -

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, loans payable and convertible notes. 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, 2022.

Risk Factors

The Company's financial instruments consist of cash and cash equivalents, restricted term deposits, receivables, accounts payable and accrued liabilities, loans payable and convertible note. As at September 30, 2022, 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.

Deposits of cash and cash equivalents and restricted term deposits are made with major Canadian banks and only with counterparties meeting certain credit criteria.

The Company has provided loans to facilitate business development and 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. However, as at September 30, 2022, the Company did not have any loans receivable from other business.

The Company mitigates credit 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.

Interest Rate Risk

The Company does not currently have any variable rate borrowings directly. The Company's loans payable and convertible note bear interest at fixed rates, and therefore, these financial instruments do not expose the Company to significant interest rate risk. The loans held by the Company's associate investments, and guaranteed by the Company, are based on a variable rate and the risk on these loans are managed through a budget contingency on the project.

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 September 30, 2022, the Company had current financial assets of $11,222,218 available to settle current financial liabilities of $316,883.

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 has exposure to floating interest rates through the investments in associates which is managed through a contingency on the project.

17. SUBSEQUENT EVENTS

In October 2022, all 404,885 of the remaining outstanding agent's options were exercised. These options were related to the Company's initial public offering and had an exercise price of $0.80, expiry date of October 29, 2022 and vested immediately on their grant date.