



Kadestone Capital Corp.

Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

(expressed in Canadian Dollars)

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KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Tel 604-691-3000
Fax 604-691-3031

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kadestone Capital Corp.

Opinion

We have audited the consolidated financial statements of Kadestone Capital Corp. (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of loss and comprehensive loss for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evaluation of the grant date fair value of share-based awards

Description of the matter

We draw attention to Note 2(c), Note 3(i) and Note 10(b) to the financial statements. The grant date fair value of share-based awards granted to employees is 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 share-based awards. During the year ended December 31, 2022, the Entity granted 1,325,000 options to the Chief Executive Officer, the Chief Financial Officer, other employees and directors. The grant date fair value of the options was \$1,515,767.

This estimate requires determining the appropriate inputs to the valuation model, with the significant assumption being the expected stock price volatility.

Why the matter is a key audit matter

We identified the evaluation of the grant date fair value of share-based awards as a key audit matter. This matter represented an area requiring significant auditor attention given the degree of estimation uncertainty in determining the expected stock price volatility used in determining the grant date fair value of the share-based awards. Further, professionals with specialized skills and knowledge were required to assess the expected stock price volatility.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We involved valuation professionals with specialized skills and knowledge who assisted in assessing the appropriateness of the expected stock price volatility used in determining the grant date fair value of the share-based awards. The expected stock price volatility was evaluated by comparing it to an expected stock price volatility that was independently developed using publicly available market data for comparable entities.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 18, 2022.



Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Ivan Wong.

Vancouver, Canada
April 20, 2023

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

	Notes	December 31, 2022	December 31, 2021
Assets			
Current			
Cash and cash equivalents	4	\$ 8,886,147	\$ 5,017,287
Restricted term deposits	5	1,017,103	1,005,498
Accounts receivable and other		26,812	122,183
Prepaid expenses and deposits		30,881	41,084
		<u>9,960,943</u>	<u>6,186,052</u>
Non-current assets			
Investment properties	6	-	1,453,500
Investments in associates	7	17,643,402	15,494,706
		<u>17,643,402</u>	<u>15,494,706</u>
Total assets		<u>\$ 27,604,345</u>	<u>\$ 23,134,258</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 964,665	\$ 361,615
Non-current liabilities			
Loans payable	8, 13d	10,628,454	4,367,256
Convertible note	9	4,793,632	4,322,153
		<u>15,422,086</u>	<u>8,689,409</u>
Total liabilities		<u>16,386,751</u>	<u>9,051,024</u>
Shareholders' equity			
Share capital	10a	18,304,750	17,811,892
Contributed surplus		2,992,399	1,792,949
Equity component of convertible note	9	395,918	395,918
Deficit		(10,475,473)	(5,917,525)
		<u>11,217,594</u>	<u>14,083,234</u>
Total liabilities and shareholders' equity		<u>\$ 27,604,345</u>	<u>\$ 23,134,258</u>

Business of the Company (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.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Revenue			
Rental revenue		\$ -	\$ 146,711
Sales revenue from building materials		-	47,755
Net (loss) profits from investment properties	6	(125,932)	16,301
		<u>(125,932)</u>	<u>210,767</u>
Rental property operating expense		-	202,232
Cost of goods sold		-	50,953
		<u>(125,932)</u>	<u>(42,418)</u>
Operating expenses			
Salaries and wages	13b	1,520,686	592,824
Share-based compensation	10b, 13b	1,368,400	1,025,985
Professional fees		801,910	362,238
Directors' fees	13b	199,135	166,157
Marketing		75,668	77,181
Consulting fees		69,000	95,434
Insurance		48,715	38,572
Dues and subscriptions		43,183	65,658
Office supplies		4,538	6,473
Computer		3,939	4,362
Bank charges		2,239	2,550
		<u>4,137,413</u>	<u>2,437,434</u>
Operating loss		<u>(4,263,345)</u>	<u>(2,479,852)</u>
Other income and expenses			
Fair value adjustments on investment properties	6	490,449	128,673
Interest expense		(1,086,011)	(589,281)
Interest revenue		198,050	40,322
Income from associates	7	100,696	14,706
Foreign exchange gain		2,213	-
		<u>\$ (4,557,948)</u>	<u>\$ (2,885,432)</u>
Loss and comprehensive loss			
Basic and diluted loss per share	11	\$ (0.10)	\$ (0.06)

See notes to consolidated financial statements

Kadestone Capital Corp.

Consolidated Statements of Changes in Shareholders' Equity

(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	10c	10,437	12,704	(4,355)	-	-	8,349
Share-based compensation	10b	-	-	1,025,985	-	-	1,025,985
Equity portion of convertible note, net of transaction costs	9	-	-	-	395,918	-	395,918
Loss for the year		-	-	-	-	(2,885,432)	(2,885,432)
December 31, 2021		46,523,362	\$ 17,811,892	\$ 1,792,949	\$ 395,918	\$ (5,917,525)	\$ 14,083,234
Issuance of common shares from exercise of stock options	10c	404,885	492,858	(168,950)	-	-	323,908
Share-based compensation	10b	-	-	1,368,400	-	-	1,368,400
Loss for the year		-	-	-	-	(4,557,948)	(4,557,948)
December 31, 2022		46,928,247	\$ 18,304,750	\$ 2,992,399	\$ 395,918	\$ (10,475,473)	\$ 11,217,594

See notes to consolidated financial statements

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

	Year ended December 31, 2022	Year ended December 31, 2021
Operating activities		
Loss and comprehensive loss for the year	\$ (4,557,948)	\$ (2,885,432)
Adjustments for items not affecting cash:		
Share-based compensation	1,368,400	1,025,985
Accrued interest	-	318,885
Interest expense	1,086,011	-
Interest revenue	(198,050)	-
Amortization of financing costs	-	82,129
Amortization of leasing commissions	-	4,476
Fair value adjustment on investment properties	(490,449)	(128,673)
Income from associates	(100,696)	(14,706)
	<u>(2,892,732)</u>	<u>(1,597,336)</u>
Interest paid	(447,059)	-
Interest received	186,445	-
Changes in non-cash working capital:		
Restricted term deposits	-	200,846
Accounts receivable and other	191,203	(60,881)
Prepaid expenses and deposits	10,203	24,741
Accounts payable and accrued liabilities	603,050	49,592
	<u>(2,348,890)</u>	<u>(1,383,038)</u>
Net cash used in operating activities	(2,348,890)	(1,383,038)
Investing activities		
Advances to associates	(2,048,000)	(16,200,000)
Return of capital from associate	-	720,000
Advance of loan receivable	(500,000)	-
Repayment of loan receivable	500,000	1,000,000
Investment in restricted term deposits	-	(1,000,000)
Additions to investment properties	-	(594,586)
Other investment property expenditures	-	(70,056)
Sale of investment properties, net of transactions costs	1,848,117	9,863,000
	<u>(199,883)</u>	<u>(6,281,642)</u>
Net cash used in investing activities	(199,883)	(6,281,642)
Financing activities		
Cash from exercise of stock options	323,908	8,349
Cash from loans payable	10,000,000	8,100,000
Repayment of loans payable	(3,906,275)	(4,053,552)
Cash from issuance of convertible note	-	4,750,000
Repayment of debt on investment property	-	(4,925,000)
	<u>6,417,633</u>	<u>3,879,797</u>
Net cash provided by financing activities	6,417,633	3,879,797
Change in cash and cash equivalents	<u>3,868,860</u>	<u>(3,784,883)</u>
Cash and cash equivalents, beginning of year	5,017,287	8,802,170
Cash and cash equivalents, end of year	<u>\$ 8,886,147</u>	<u>\$ 5,017,287</u>
Cash, end of year	\$ 7,872,924	\$ 5,017,287
Cash equivalents, end of year	1,013,223	-
	<u>\$ 8,886,147</u>	<u>\$ 5,017,287</u>

See notes to consolidated financial statements

Kadestone Capital Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(expressed in Canadian dollars)

1. BUSINESS OF THE COMPANY

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.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 20, 2023.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. 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 International Financial Reporting Interpretations Committee (“IFRIC”) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (“IASB”).

b. Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for investment properties which are measured at fair value.

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 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 the process of applying the Company’s accounting policies, management has made the following critical judgments and estimates.

Judgements:

Consolidation of investees

Judgment is applied in assessing whether the Company exercises control or significant influence over investees, in which the Company directly or indirectly is a participant or owns an interest. Control is defined as the power to govern the financial and operating decisions of an entity so as to obtain benefits from its activities, and significant influence is defined as the power to participate in the financial and operating decisions of the entity. Where the Company is determined to have control, these entities are consolidated.

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Identification of compound financial liabilities

The Company applied judgment when determining the separate components of the convertible note and measuring the equity component of the convertible note.

Estimates:

Evaluation of grant date fair value of share-based awards

The Company measures share-based award transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for granted share-based awards requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate requires determining the appropriate inputs to the valuation model, with the significant assumption being the expected stock price volatility. Expected stock price volatility was derived from a sample of similar publicly traded companies. The assumptions and models used for estimating the grant date fair value of share-based awards are disclosed in Note 10.

Fair value of investment properties

After initial recognition, valuations of investment properties are prepared by management based primarily on assumptions relating to stabilized net operating income from current leases, non-recoverable capital expenditures 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.

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. The Company recognizes a tax benefit from an uncertain tax position when it is probable that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been uniformly applied to each of the Company's subsidiaries, associates and to all periods presented in these consolidated financial statements.

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 over the investee, ii) exposure, or rights, to variable returns from its involvement with the investee, and iii) the ability to use its power over the investee to affect the amount of the investor's returns. 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

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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 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., 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.

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 as investment property, 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, in the principal or, in its absence, the most advantageous market to which the Company has access at that date. Management relies on external valuations performed by independent real estate valuation firms prepared on a regular basis. Updates to these 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 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 as investment property, 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.

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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. Property inventory

Property inventory comprises property intended for sale in the ordinary course of business or in the process of construction or development for such sale. Property inventory is measured at the lower of cost and net realizable value. The cost of property inventory comprises all costs of purchase, costs of conversion and other costs incurred in bringing the property inventory to its present location and condition.

Property inventory is written down to net realizable value when the cost of property inventory is determined not to be recoverable. Write-downs are reversed when circumstances that previously caused property inventory to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances.

d. Borrowing costs

Borrowing costs directly attributable to acquiring or constructing a qualifying investment property are capitalized. Capitalization commences when the activities necessary to prepare an asset for development or redevelopment begin, and ceases once the asset is substantially complete, or is suspended if the development of the asset is suspended. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross costs incurred on those borrowings. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

e. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash held at banks, demand deposits, term deposits and GICs maturing or cashable within ninety days from the date of acquisition.

f. Revenue recognition

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.

Revenue recognition of 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.

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g. Income taxes

Income taxes on the profit or loss for the years 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

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.

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.

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. Dilutive instruments (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. Share-based compensation

The Company initially measures new issuances of share-based awards at their grant date fair value for all share-based awards made to employees, directors and agents. The grant date fair value of share-based awards granted to employees is 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 share-based awards. 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 share-based payment awards with non-vesting (i.e. performance) conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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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 share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

j. 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.

k. Convertible notes

Convertible notes are compound financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

l. Financial instruments

Classification and Measurement of Financial Instruments

At initial recognition, the Company measures a financial instrument at its fair value. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as Fair value through profit (loss) in which case transaction costs are expensed as incurred. 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 recognized in net income (loss) in the period in which it arises.

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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.

The Company's financial instruments have been classified in the table in Note 14.

Impairment of Financial Assets

The Company's financial assets classified at amortized cost are subject to expected credit losses. The Company has assessed its financial assets to have low credit 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 be recognized.

m. Future accounting standards

The Company has reviewed future new and amended IFRS pronouncements and determined that there are no standards that are not yet effective that would be expected to have a material impact on the Company's financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held at the bank of \$7,872,924 (December 31, 2021 - \$5,017,287) and guaranteed investment certificates (GICs) of \$1,013,223 (December 31, 2021 - \$nil).

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 December 31, 2022, the GIC had a balance of \$1,017,103 (December 31, 2021 - \$1,005,498).

6. INVESTMENT PROPERTIES

Prior to December 31, 2022, the Company held a 51% interest in a commercial real estate property located on Marine Drive in West Vancouver. The holder of the 49% interest in the property was responsible for the management of the property as set out in an operating agreement. Pursuant to the agreement, the Company received a 51% share of the property revenues less operating expenses. The Company has recognized net loss from investment properties of \$125,932 for the year ended December 31, 2022 (year ended December 31, 2021 net profit - \$16,301).

The holder of the 49% interest solely holds the mortgage debt of \$2,462,895 (December 31, 2021 - \$1,346,223) on the property. The Company's 51% interest in the property was partial security for the mortgage debt. As well, the Company and a director provided corporate and personal guarantees for the mortgage debt and the Company had indemnified the director for this personal guarantee.

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On December 31, 2022 the Company sold the 51% interest in the Marine Drive property to the owner of the remaining 49%. The Company's interest in the property was sold for consideration of \$1,943,949, consisting of net cash consideration of \$1,848,117 and the non-cash settlement of net loss payable of \$95,832. With the completion of this sale, the Company and the director no longer provide corporate and personal guarantees for the mortgage debt on the property. The holder of the 49% interest and the purchaser of the 51% interest is a related party of the Company (note 13e).

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:

	Year ended		Year ended	
	December 31, 2022		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		490,449		128,673
Sale of Kyle Road Property, net		-		(9,863,000)
Sale of Marine Drive Property, net		(1,943,949)		-
Balance, end of period	\$	-	\$	1,453,500

For the year ended December 31, 2022, the Company recorded a fair value adjustment of \$490,449 for its investment properties (year ended December 31, 2021 – \$128,673).

Valuation Methodology

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

- a) The income approach – This approach derives market value from stabilized net operating income of each property divided by an appropriate capitalization rate with adjustments for items such as vacancy rates, non-recoverable capital expenditures and other non-recurring items. Stabilized net operating income is determined from the terms of an existing lease or market rents for similar properties.
- a) 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.

The fair value of the Company's investment properties is considered to be at Level 3 in the fair value hierarchy (note 14), as significant unobservable inputs are required to determine fair value.

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 \$nil (2021 - \$69,000).

7. INVESTMENTS IN ASSOCIATES

Investments in associates consist of:

Investments In Associates	General Partnership Ownership	Limited Partnership Ownership (Class A)	Limited Partnership Ownership (Non-voting Class B)	December 31, 2022	December 31, 2021
Denciti Chilliwack Limited Partnership ("Chilliwack LP")	0%	80%	0%	\$ 8,947,359	\$ 7,694,474
Denciti Squamish Limited Partnership ("Squamish LP")	0%	80%	0%	8,696,043	7,800,232
Total				\$ 17,643,402	\$ 15,494,706

In April 2021, the Company acquired an 80% interest in Chilliwack LP, which was formed for the purpose of acquiring certain lands for development and sale of a light industrial commercial project in Chilliwack, B.C. The Company has contributed capital of \$9,552,000 (December 31, 2021 - \$8,400,000) to the limited partnership and also received a return of capital of \$720,000 (December 31, 2021 - \$720,000). The Company has provided a guarantee of up to \$10,800,000 (December 31, 2021 - \$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 year ended December 31, 2022 is \$100,885 (year ended December 31, 2021 - \$14,474). The Company estimates it will have additional equity funding commitments of approximately \$3,620,000 payable over the remaining 24-month development period as estimated by the Company's development partner.

In May 2021, the Company acquired an 80% interest in Squamish LP, which was formed for the purpose of acquiring certain lands for development and sale of a light industrial commercial project in Squamish, B.C. The Company has contributed capital of \$8,696,000 (December 31, 2021 - \$7,800,000) to the limited partnership. The Company has provided a guarantee of up to \$14,880,000 (December 31, 2021 - \$9,600,000) for a construction loan held within the limited partnership and has provided a deposit in favour of the lender of \$1,017,103 (December 31, 2021 - \$1,000,000) (note 5). The Company's share of net loss from the limited partnership for the year ended December 31, 2022 is \$189 (net income for the year ended December 31, 2021 - \$232). The Company estimates it will have additional equity funding commitments of approximately \$6,480,000 payable over the remaining 21-month development period as estimated by the Company's

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development partner.

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.

The Class B Limited Partners are entitled to receive a performance distribution. This carried interest is calculated as 20% of the remaining Net Income of the Partnership subject to priority distributions to Class A Limited Partners and will be paid at the time of a distribution to the Limited Partners.

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

	Chilliwack LP		Squamish LP	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 615,026	\$ 860,314	\$ 164,391	\$ 410,751
Current assets	648,856	905,736	12,465,565	431,709
Non-current assets	23,971,004	22,376,417	10,479,277	21,288,231
Current loans payable	-	-	12,000,000	11,903,609
Current liabilities	138,975	413,996	12,074,788	11,969,650
Non-current liabilities	13,296,688	13,250,064	-	-
Revenue	167,023	33,465	-	342
Expenses	40,918	15,372	236	52
Net income (loss)	126,105	18,093	(236)	290
Comprehensive income (loss)	\$ 126,105	\$ 18,093	\$ (236)	\$ 290

8. LOANS 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 and a related party. 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.

On December 31, 2022, the Company repaid \$1,606,275 of this loan and accrued interest of \$243,725.

As at December 31, 2022, the principal amount of loan payable was \$263,725 (December 31, 2021 - \$4,170,000) and accrued interest of \$40,096 (December 31, 2021 - \$197,256). Subsequent to year end this loan was repaid (note 15).

On May 6, 2022, the Company was advanced \$10,000,000, by way of a promissory note. The note 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 a right of first offer with respect to the financing of future real estate development projects.

As at December 31, 2022 the principal amount of the loan payable was \$10,000,000 and accrued interest of \$324,633.

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9. 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.

	Year ended	Year ended
	December 31, 2022	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	138,979	749
Accrued interest	332,500	1,822
Balance, end of period	\$ 4,793,632	\$ 4,322,153

10. SHAREHOLDERS' EQUITY

a. Share Capital

The Company has an unlimited number of common shares authorized and has issued 46,928,247 common shares as at December 31, 2022.

From January 1, 2021 to December 31, 2022 the Company has issued the following common shares:

Date	Shares	Price	Value
Total – January 1, 2021	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
October 12, 2022 ⁽¹⁾	200,000	\$0.80	243,456
October 17, 2022 ⁽¹⁾	1,750	\$0.80	2,130
October 18, 2022 ⁽¹⁾	203,135	\$0.80	247,272
Total – December 31, 2022	46,928,247	\$	18,304,750

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

As at December 31, 2022, the Company had 9,600,443 (December 31, 2021 – 19,200,885) common shares subject to escrow and nil (December 31, 2021 – 1,982,000) pooling restrictions. The remainder of these shares will be released from restrictions in tranches through October 2023.

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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 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. These options were awarded to the Company’s Chief Executive Officer, Chief Financial Officer and a consultant of the Company. The grant date 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 awarded to the Company’s board of directors and each of the four directors received 100,000 options. The grant date 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 grant date 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 grant date fair value of options granted was \$557,626.

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 grant date 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 grant date 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 grant date 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

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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 December 31, 2022, 2,728,139 (December 31, 2021 - 1,526,583) of the total stock options outstanding had vested. For the year ended December 31, 2022 the Company recognized \$1,368,400 (year ended December 31, 2021 - \$1,025,985) in share-based compensation expense for vesting of options.

Stock option transactions from December 31, 2019 to December 31, 2022 are as follows:

	Number of options	Weighted Average Exercise Price
Balance at December 31, 2019	1,250,000	\$0.40
Granted during the year	500,000	\$0.80
Forfeited during the year	-	-
Expired during the year	-	-
Balance at December 31, 2020	1,750,000	\$0.51
Granted during the year	1,563,000	\$1.60
Forfeited during the year	-	-
Expired during the year	-	-
Balance at December 31, 2021	3,313,000	\$1.03
Granted during the year	1,325,000	\$1.50
Forfeited during the year	-	-
Expired during the year	-	-
Balance at December 31, 2022	4,638,000	\$1.16
Exercisable at December 31, 2022	2,728,139	\$0.91
Exercisable at December 31, 2021	1,526,584	\$0.70

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As at December 31, 2022, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date	Average remaining life (years)
250,000	250,000	\$0.40	December 31, 2029	7.01
1,000,000	1,000,000	\$0.40	December 31, 2029	7.01
400,000	366,667	\$0.80	March 3, 2030	7.18
100,000	100,000	\$0.80	June 10, 2030	7.45
481,000	280,583	\$1.55	March 5, 2031	8.18
982,000	547,556	\$1.60	August 20, 2031	8.64
100,000	36,111	\$1.80	November 23, 2031	8.90
1,325,000	147,222	\$1.50	August 4, 2032	9.60
4,638,000	2,728,139			

c. Agent's Options

On October 29, 2020, the Company granted 415,322 agent's options related to the Company's initial public offering. These options had 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 December 31, 2022, 415,322 (December 31, 2021 - 10,437) options have been exercised and nil (December 31, 2021 - 404,885) remain outstanding and exercisable.

11. LOSS PER SHARE

The following table summarizes the weighted average number of common shares used in calculating basic and diluted loss per share:

	Year ended December 31, 2022	Year ended December 31, 2021
Loss	\$ (4,557,948)	\$ (2,885,432)
Weighted average number of common shares, basic and diluted	46,608,741	46,514,526
Basic and diluted loss per share	\$ (0.10)	\$ (0.06)

12. 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, 2022 of 27.00% (December 31, 2021 - 27.00%) to the income (loss) as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Loss before income taxes	\$ (4,557,948)	\$ (2,885,432)
Expected income tax recovery at statutory rates	(1,231,000)	(779,067)
<i>Adjustments</i>		
Permanent difference and other	459,000	263,199
Other items	-	138,868
Change in tax benefits not recognized	772,000	377,000
Provision for income tax	\$ -	\$ -

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The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2022	Expiry date range	2021	Expiry date range
Temporary Differences				
Investment properties	\$ 1,106,892	No expiry date	\$ 1,099,000	No expiry date
Share or debt issue costs	88,740	2042 to 2045	125,000	2042 to 2045
Non-capital losses available for future periods	\$ 6,039,878	2039 to 2042	\$ 3,146,000	2039 to 2041

13. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in these consolidated financial statements, related party transactions include:

a. Key Management Personnel

Transactions with key management personnel, including compensatory arrangements, require disclosure. Key management personnel include the Company's officers and directors as well as their close family members.

b. Transactions

Summary of transactions with key management and directors:

	Year ended December 31, 2022	Year ended December 31, 2021
Salary and short-term benefits	\$ 1,515,990	\$ 584,000
Consulting fees	-	32,258
Directors' fees	197,033	159,639
Share-based compensation	1,166,930	730,560
	\$ 2,879,953	\$ 1,506,457

Included in accounts payable is \$38,755 (December 31, 2021 - \$39,716) 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 and accrued interest was repaid.

d. Loan Payable

The Company had a loan payable with a related party which is described in Note 8.

e. Sale of Marine Drive property

The sale of the Marine Drive property on December 31, 2022 described in Note 6 was a related party transaction with a company controlled by a significant shareholder of the Company.

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14. FINANCIAL INFORMATION AND RISK FACTORS

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.

The fair value of cash and cash equivalents, restricted term deposits, accounts receivable and other and accounts payable and accrued liabilities approximate their carrying values due to the short-term natures of those instruments. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments. The fair value of loans payable and the convertible note is based on fair value hierarchy level 3.

The Company classifies its financial instruments as follows:

December 31, 2022	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair Value
Cash and cash equivalents	\$ 8,886,147	\$ -	\$ 8,886,147
Restricted term deposits	1,017,103	-	1,017,103
Accounts receivable and other	26,812	-	26,812
Accounts payable and accrued liabilities	-	964,665	964,665
Loans payable	-	10,628,454	10,250,127
Convertible note	-	4,793,632	4,967,798
Total	\$ 9,930,062	\$ 16,386,751	

December 31, 2021	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair Value
Cash and cash equivalents	\$ 5,017,287	\$ -	\$ 5,017,287
Restricted term deposits	1,005,498	-	1,005,498
Accounts receivable and other	122,183	-	122,183
Accounts payable and accrued liabilities	-	361,615	361,615
Loans payable	-	4,367,256	4,327,568
Convertible note	-	4,322,153	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 note. 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

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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 year ended December 31, 2022.

Risk Factors

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 which have a minimum credit rating of B or higher.

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 December 31, 2022, the Company had current financial assets of \$9,930,062 available to settle current financial liabilities of \$964,665.

The contractual cash flows of the Company's financial liabilities including expected interest payments are as follows:

	Current	1-2 years
Accounts payable and accrued liabilities	\$ 964,665	\$ -
Loans payable	-	10,973,540
Convertible note	\$ -	\$ 5,820,033

In addition to the financial liabilities in the table above, the Company is required to contribute \$10,020,000 in equity funding over the next 24 months (note 7). In order to manage this equity funding requirement, the Company will source additional debt and equity financing as required.

15. SUBSEQUENT EVENTS

- a. On January 3, 2023 the Company made an additional equity contribution of \$2,080,000 and on February 1, 2023 received a return of capital of \$3,440,000 from the Squamish project.
- b. On February 3, 2023 the Company repaid the remaining principal of \$263,725 and accrued interest of \$42,805 on the promissory note from a company controlled by a significant shareholder of the Company (note 13d).