



Kadestone Capital Corp.

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2025 and 2024
(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

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

Kadestone Capital Corp.

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

	Notes	September 30, 2025	December 31, 2024
Assets			
Current			
Cash and cash equivalents	4	\$ 1,713,996	\$ 1,200,776
Accounts receivable and other	5	51,752	354,387
Income tax asset	12	164,820	164,820
Investment in mortgage fund	6	-	4,832,428
Prepaid expenses and deposits		44,936	26,436
		<u>1,975,504</u>	<u>6,578,847</u>
Non-current assets			
Investments in associates	7	12,755,350	11,799,769
Capital assets		16,251	18,884
		<u>12,771,601</u>	<u>11,818,653</u>
Total assets		<u>\$ 14,747,105</u>	<u>\$ 18,397,500</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 846,982	\$ 1,374,180
Loans payable	8	1,250,000	1,000,000
		<u>2,096,982</u>	<u>2,374,180</u>
Non-current liabilities			
Loans payable	8	10,015,995	10,000,816
		<u>10,015,995</u>	<u>10,000,816</u>
Total liabilities		<u>12,112,977</u>	<u>12,374,996</u>
Shareholders' equity			
Share capital	10a	18,304,750	18,304,750
Contributed surplus		4,763,612	4,543,882
Accumulated deficit		(20,434,234)	(16,826,128)
		<u>2,634,128</u>	<u>6,022,504</u>
Total liabilities and shareholders' equity		<u>\$ 14,747,105</u>	<u>\$ 18,397,500</u>

Business of the Company (Note 1)
Going concern (Note 2)

Approved on behalf of the Board of Directors

"Brent Billey" Director

"Norm Mayr" Director

The accompanying notes are an integral part of these interim financial statements.

Kadestone Capital Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(expressed in Canadian dollars)

	Notes	Three months ended		Nine months ended	
		September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Revenue		\$ -	\$ -	\$ -	\$ -
Operating expenses					
Salaries and wages	13b	487,635	182,203	1,396,715	551,012
Consulting fees	13b	330,300	449,500	1,303,693	1,110,683
Professional fees		79,883	101,535	247,695	478,574
Share-based compensation	10b, 13b	48,788	58,696	219,730	243,810
Directors' fees	13b	62,002	58,519	167,766	148,045
Rent		16,500	16,500	49,500	55,000
Insurance		13,250	6,250	31,500	17,236
Dues and subscriptions		5,497	3,781	26,441	38,301
Marketing		9,802	11,165	20,707	32,513
Computer		4,811	1,167	13,981	5,172
Office supplies		1,648	2,899	8,319	4,704
Depreciation		1,995	367	5,576	367
Bank charges		515	426	1,835	1,342
		<u>1,062,626</u>	<u>893,008</u>	<u>3,493,458</u>	<u>2,686,759</u>
Operating loss		(1,062,626)	(893,008)	(3,493,458)	(2,686,759)
Other income and expenses					
Interest expense		(248,352)	(403,518)	(765,662)	(1,090,082)
Interest income		-	36,119	13,767	68,601
Income from associates	7	187,996	29,123	729,271	938,728
Income from investment in mortgage fund	6	-	172,461	199,484	172,461
Impairment loss on loan receivable	5	-	-	(291,508)	-
Loss and comprehensive loss before tax		<u>(1,122,982)</u>	<u>(1,058,823)</u>	<u>(3,608,106)</u>	<u>(2,597,051)</u>
Income tax expense		-	-	-	164,820
Loss and comprehensive loss		<u>\$ (1,122,982)</u>	<u>\$ (1,058,823)</u>	<u>\$ (3,608,106)</u>	<u>\$ (2,761,871)</u>
Basic and diluted loss per share	11	\$ (0.02)	\$ (0.02)	\$ (0.08)	\$ (0.06)

The accompanying notes are an integral part of these interim 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, 2023		46,928,247	\$ 18,304,750	\$ 3,752,019	\$ 395,918	\$ (12,179,621)	\$ 10,273,066
Share-based compensation	10b	-	-	243,810	-	-	243,810
Loss and comprehensive loss for the period		-	-	-	-	(2,761,871)	(2,761,871)
September 30, 2024		46,928,247	\$ 18,304,750	\$ 3,995,829	\$ 395,918	\$ (14,941,492)	\$ 7,755,005
December 31, 2024		46,928,247	\$ 18,304,750	\$ 4,543,882	\$ -	\$ (16,826,128)	\$ 6,022,504
Share-based compensation	10b	-	-	219,730	-	-	219,730
Loss and comprehensive loss for the period		-	-	-	-	(3,608,106)	(3,608,106)
September 30, 2025		46,928,247	\$ 18,304,750	\$ 4,763,612	\$ -	\$ (20,434,234)	\$ 2,634,128

The accompanying notes are an integral part of these interim financial statements.

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

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Operating activities		
Loss and comprehensive loss for the period	\$ (3,608,106)	\$ (2,761,871)
Adjustments for items not affecting cash:		
Share-based compensation	219,730	243,810
Depreciation	5,576	367
Interest expense	765,662	1,090,082
Interest income	(13,767)	(68,601)
Income from associates	(729,271)	(938,728)
Income from investment in mortgage fund	(199,484)	(172,461)
Impairment loss on loan receivable	291,508	-
	<u>(3,268,152)</u>	<u>(2,607,402)</u>
Interest paid	(483)	(388)
Interest received	4,469	54,525
Changes in non-cash working capital:		
Accounts receivable and other	20,425	(15,687)
Prepaid expenses and deposits	(18,500)	(12,302)
Accounts payable and accrued liabilities	<u>(527,198)</u>	<u>(25,131)</u>
Net cash used in operating activities	(3,789,439)	(2,606,385)
Investing activities		
Advances to associates	(600,000)	(160,000)
Distribution from associates	373,690	12,221,034
Advances to investment in mortgage fund	-	(10,000,000)
Redemption of investment in mortgage fund	5,031,912	(13,208)
Investment in capital assets	<u>(2,943)</u>	<u>-</u>
Net cash provided by investing activities	4,802,659	2,047,826
Financing activities		
Repayment of loans payable	<u>(500,000)</u>	<u>(250,000)</u>
Net cash used in financing activities	(500,000)	(250,000)
Change in cash and cash equivalents	<u>513,220</u>	<u>(808,559)</u>
Cash and cash equivalents, beginning of period	1,200,776	4,331,129
Cash and cash equivalents, end of period	<u>\$ 1,713,996</u>	<u>\$ 3,522,570</u>
Cash, end of period	1,713,996	996,375
Cash equivalents, end of period	-	2,526,195
	<u>\$ 1,713,996</u>	<u>\$ 3,522,570</u>

The accompanying notes are an integral part of these interim financial statements.

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Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2025 and 2024

(Unaudited)

(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 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 595 Melville Street Suite 3500, Vancouver, BC Canada, V6E 4E5.

These condensed interim consolidated financial statements were authorized for issuance on behalf of the Board of Directors of the Company on November 14, 2025.

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 IFRS Accounting Standards and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. 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, 2024, 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.

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

c. Significant accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, 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 in the preparation of the condensed interim consolidated financial statements, the significant judgments and estimates 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, 2024.

Going concern

Judgment is applied in connection with these condensed interim consolidated financial statements and the assessment of conditions relating to the Company’s ability to continue as a going concern. This judgment includes estimated future cash flows including the timing of receipts of cash from investments in associates and payments of debt.

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

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is actively pursuing such additional sources of financing. However, there is no assurance that they will be able to do so successfully.

The Company believes that it has sufficient available liquidity to meet its minimum obligations as they come due for a period of at least 12 months from September 30, 2025. Further, the Company has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. In making this significant judgment, the Company has prepared a cash flow forecast with the most significant assumption in the preparation of such forecast being the ability of its investments in associates to sell its remaining development and land inventory and distribute proceeds to the Company. Additionally, the Company could sell or finance the investments in associates or raise funds from existing shareholders.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The 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 year ended December 31, 2024.

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held at the bank of \$1,713,996 (December 31, 2024 - \$183,230) and guaranteed investment certificates (GICs) of \$nil (December 31, 2024 - \$1,017,546).

5. ACCOUNTS RECEIVABLE AND OTHER

During the nine months ended September 30, 2025, the Company conducted a review of its financial assets and determined that a loan receivable was no longer recoverable. As a result, the Company recognized a full impairment loss of \$291,508 on the loan receivable on the statement of loss.

6. INVESTMENT IN MORTGAGE FUND

On August 1, 2024 the Company purchased 10,000,000 Class A redeemable, non-voting preferred shares ("Class A Shares") in a mortgage investment corporation. The Class A Shares had a purchase price of \$1.00 per share for a total investment of \$10,000,000. Dividend income is paid within 30 days of the end of each fiscal quarter end and within 90 days of the fiscal year end which is August 31. Payments of dividend income may be taken as cash or dividends reinvested in the investee's Class A shares. Since the initial investment, the Company has reinvested all dividends paid. The Company recognizes in income dividends received for each fiscal quarter.

The Company can redeem any or all of the Class A Shares by providing written notice and will have their Class A shares purchased by the mortgage investment corporation including any accrued interest within 90 days. Class A shares are redeemable at their original issuance amount of \$1.00.

The Company has classified this investment as fair value through profit and loss, with changes in fair value recognized in the statement of profit and loss.

On December 1, 2024, the Company redeemed 5,500,000 Class A shares from the mortgage fund at \$1.00 per share.

On March 1, 2025, the Company redeemed 1,250,000 Class A shares from the mortgage fund at \$1.00 per share.

On June 1, 2025, the Company redeemed 2,000,000 Class A shares from the mortgage fund at \$1.00 per share.

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On September 1, 2025, the Company redeemed the remaining balance of 1,781,912 Class A shares from the mortgage fund at \$1.00 per share.

As at September 30, 2025, the Company holds nil Class A units (December 31, 2024 – 4,832,428).

	Nine months ended		Year ended	
	September 30, 2025		December 31, 2024	
Balance, beginning of period	\$	4,832,428	\$	-
Investment in mortgage fund		-		10,000,000
Income reinvested in mortgage fund		199,484		332,428
Redemptions from mortgage fund		(5,031,912)		(5,500,000)
Balance, end of period	\$	-	\$	4,832,428

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)	September 30, 2025	December 31, 2024
Denciti Chilliwack Limited Partnership (“Chilliwack LP”)	0%	80%	0%	\$ 12,755,350	\$ 11,799,769
Denciti Squamish Limited Partnership (“Squamish LP”)	0%	80%	0%	-	-
Total				\$ 12,755,350	\$ 11,799,769

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 cumulative capital of \$14,092,000 (December 31, 2024 - \$13,492,000) to the limited partnership and also received a cumulative distribution of capital of \$2,000,000 (December 31, 2024 - \$2,000,000). The Company has provided a guarantee of up to \$25,075,200 (December 31, 2024 - \$25,075,200) for a land loan and construction loan held within the limited partnership. The Company’s share of net income from the limited partnership for the nine months ended September 30, 2025 is \$355,581 (September 30, 2024 - \$44,970). The Company estimates it will have additional equity funding commitments of approximately \$360,000 payable over the remaining 3-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 cumulative capital of \$11,432,000 (December 31, 2024 - \$11,432,000) to the limited partnership and also received a cumulative distribution of capital and profits of \$14,754,724 (December 31, 2024 - \$14,381,034). The Company’s share of net income from the limited partnership for the nine months ended September 30, 2025 is \$nil (September 30, 2024 – \$893,758). During the nine months ended September 30, 2025 the Squamish LP settled the deposit balances in the partnership associated with the project and distributed the Company’s share of \$373,690, which was recorded as income from associates. The Company does not anticipate any further distributions or contribution requirements related to this project.

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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	
	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
Cash and cash equivalents	\$ 933,491	\$ 287,788	\$ 26,080	\$ 74,741
Other current assets	44,319,758	41,681,952	76,271	620,572
Non-current assets	-	-	-	-
Current loans payable	(28,751,398)	(27,042,115)	-	-
Other current liabilities	(557,666)	(177,916)	(436,954)	(445,923)
Revenue	531,566	195,130	-	15,951,120
Expenses	(87,090)	(75,694)	(103)	(14,500,486)
Net income	444,476	119,436	(103)	1,450,634
Comprehensive income	\$ 444,476	\$ 119,436	\$ (103)	\$ 1,450,634

8. LOANS PAYABLE

On May 6, 2022, the Company was advanced \$10,000,000, by way of a promissory note. The note is unsecured and, pursuant to the original terms of the note, accrued interest at a rate of 5% per annum, compounded annually and payable on the original maturity date of March 31, 2024. The loan agreement, dated May 2, 2022 (the "Original Loan Agreement") provided 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.

On April 24, 2024, the Company amended and restated the Original Loan Agreement for the May 6, 2022 \$10,000,000 promissory note and \$973,540 of accrued interest (as amended and restated, the "Restated Loan Agreement"). The restated \$10,973,540 promissory note is unsecured and bears interest at a rate equal to 9% per annum from May 1, 2024 until April 30, 2025; a rate equal to 11% per annum from May 1, 2025 until April 30, 2026; a rate equal to 13% per annum from May 1, 2026 until April 30, 2027 and a rate equal to 15% from May 1, 2027 to April 30, 2028. Principal payments of \$250,000 are payable on the last business day of each fiscal quarter. The interest and remaining principal is payable in full at the maturity date, which was extended to May 1, 2028. The Restated Loan Agreement provides the lender with equity participation rights and a right of first offer with respect to the financing of future real estate development projects. The Company has treated the amendment of the debt as an extinguishment and issuance of new debt for accounting purposes and no gain or loss was recorded on the condensed interim consolidated statement of loss and comprehensive loss.

During the nine months ended September 30, 2025 the Company made principal payments on this loan of \$500,000 (nine months ended September 30, 2024 - \$250,000). As at September 30, 2025 the principal amount of the amended loan payable was \$9,723,540 (December 31, 2024 - \$10,223,540) and accrued interest was \$1,542,455 (December 31, 2024 - \$777,276).

9. CONVERTIBLE NOTE

On December 29, 2021, the Company issued an unsecured convertible note. The principal amount of the note of

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\$4,750,000 matured three years after issuance on December 29, 2024 and accrued interest at a rate of 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 had 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 at a fixed conversion price of \$2.50 per share.

The convertible note was a compound instrument and the proceeds were 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.

On December 20, 2024, the Company repaid the entirety of the principal and interest on this convertible debt and reclassified the unexercised conversion rights to contributed surplus.

	Nine months ended		Year ended	
	September 30, 2025		December 31, 2024	
Balance, beginning of period	\$	-	\$	5,292,988
Accretion and amortization of transaction costs		-		147,241
Accrued interest		-		299,072
Repayment of principal and interest		-		(5,739,301)
Balance, end of period	\$	-	\$	-

10. SHAREHOLDERS' EQUITY

a. Share capital

The Company has an unlimited number of common shares authorized and 46,928,247 common shares issued as at September 30, 2025 (December 31, 2024 - 46,928,247).

From January 1, 2024 to September 30, 2025 the Company has not issued any additional common shares.

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 September 27, 2024, the Company granted 750,000 options to directors and officers of the Company. These options have an exercise price of \$0.87 and an expiry date of September 27, 2034. These options have a vesting

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period of 36 months with 1/36th of the award vesting every month. The grant date fair value of options granted was \$446,609.

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	September 27, 2024
Expected dividend yield	Nil
Expected stock price volatility	57%
Risk-free interest rate	2.95%
Expected life of options	10 years
Forfeiture rate	Nil

As at September 30, 2025, 4,110,222 (December 31, 2024 - 3,628,278) of the total stock options outstanding had vested and available for exercise. During the nine months ended September 30, 2025, nil stock options were forfeited (year ended December 31, 2024 – 550,000) and nil stock options expired (year ended December 31, 2024 – nil). For the nine months ended September 30, 2025 the Company recognized \$219,730 (nine months ended September 30, 2024 - \$243,810) in share-based compensation expense for vesting of stock options.

Stock option transactions from January 1, 2024 to September 30, 2025 are as follows:

	Number of options	Weighted average exercise price
Balance at January 1, 2024	4,438,000	\$1.14
Granted during year	750,000	\$0.87
Forfeited during the year	(550,000)	\$1.45
Balance at December 31, 2024	4,638,000	\$1.06
Balance at September 30, 2025	4,638,000	\$1.06
Exercisable at September 30, 2025	4,110,222	\$1.08
Exercisable at December 31, 2024	3,628,278	\$1.02

As at September 30, 2025, 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	4.25
1,000,000	1,000,000	\$0.40	December 31, 2029	4.25
300,000	300,000	\$0.80	March 3, 2030	4.42
100,000	100,000	\$0.80	June 10, 2030	4.70
431,000	431,000	\$1.55	March 5, 2031	5.43
382,000	382,000	\$1.60	August 20, 2031	5.89
100,000	100,000	\$1.80	November 23, 2031	6.15
1,325,000	1,325,000	\$1.50	August 4, 2032	6.85
750,000	222,222	\$0.87	September 27, 2034	9.00
4,638,000	4,110,222			

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(Unaudited)

(expressed in Canadian dollars)

11. LOSS PER SHARE

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

	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Loss	\$ (1,122,982)	\$ (1,058,823)	\$ (3,608,106)	\$ (2,761,871)
Weighted average number of common shares, basic and diluted	46,928,247	46,928,247	46,928,247	46,928,247
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.08)	\$ (0.06)

12. INCOME TAXES

The following table provides the components of income taxes:

	September 30, 2025	December 31, 2024
Income tax asset	\$ 164,820	\$ 164,820

Income tax assets as at September 30, 2025 consists of instalments paid on taxes which are expected to be recovered within the next 12 months.

The following table is a reconciliation from the amounts which would be obtained by applying the statutory income tax rate for the nine months ended September 30, 2025 of 27.00% (September 30, 2024 – 27.00%) to the income (loss) as follows:

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Loss before income taxes	\$ (3,608,106)	\$ (2,597,051)
Expected income tax recovery at statutory rates	(974,189)	(701,204)
<i>Adjustments</i>		
Permanent difference and other	74,189	728,809
Adjustment to prior year provision		55,215
Change in tax benefits not recognized	900,000	82,000
Provision for income tax	\$ -	\$ 164,820

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Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2025 and 2024

(Unaudited)

(expressed in Canadian dollars)

The Company's temporary differences, unused tax credits and unused tax losses the tax benefits of which have not been recorded on the condensed interim consolidated statement of financial position, are as follows:

	September 30, 2025	Expiry date range	December 31, 2024	Expiry date range
Temporary differences				
Investment properties	\$ 1,120,100	No expiry date	\$ 1,167,892	No expiry date
Share or debt issue costs	2,324	2042 to 2046	26,807	2042 to 2046
Non-capital losses available for future periods	\$ 14,716,370	2039 to 2045	\$ 11,087,448	2039 to 2044

13. RELATED PARTY TRANSACTIONS

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

a. Key management personnel and significant shareholders

Transactions with key management personnel and significant shareholders, including compensatory arrangements, require disclosure. Key management personnel include the Company's officers and directors as well as their close family members. Significant shareholders are shareholders as well as their close family members, who have significant influence over the Company.

b. Transactions

Summary of transactions with key management personnel and significant shareholders:

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Salaries and wages	\$ 1,224,472	\$ 466,182
Directors' fees	165,750	117,000
Share-based compensation	213,653	203,913
	\$ 1,603,875	\$ 787,095

Included in accounts payable is \$50,820 (December 31, 2024 - \$27,789) payable to directors of the Company for directors' fees and \$nil (December 31, 2024 - \$500,000) for accrued Company officer bonus payments.

During the nine months ended September 30, 2025, the Company paid \$990,000 (nine months ended September 30, 2024 - \$950,333) in consulting fees to companies controlled by a director.

14. FINANCIAL INFORMATION AND RISK FACTORS

Fair value measurements recognized in these condensed interim 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.

Kadestone Capital Corp.

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(Unaudited)

(expressed in Canadian dollars)

The fair value of cash and cash equivalents, accounts receivable and other, investment in mortgage fund, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature 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 is based on fair value hierarchy level 3.

The fair value of loans payable is estimated by discounting the future contractual cash flows at an interest rate derived by combining the market interest rate with an estimated risk premium to determine a rate that would likely be available to the Company for similar financial instruments.

The Company classifies its financial instruments as follows:

	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair Value through profit or loss	Fair value
September 30, 2025				
Cash and cash equivalents	\$ 1,713,996	\$ -	\$ -	\$ 1,713,996
Investment in mortgage fund	-	-	-	-
Accounts receivable and other	51,752	-	-	51,752
Accounts payable and accrued liabilities	-	846,982	-	846,982
Loans payable	-	11,265,995	-	11,853,965
Total	\$ 1,765,748	\$ 12,112,977	\$ -	

	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair Value through profit or loss	Fair value
December 31, 2024				
Cash and cash equivalents	\$ 1,200,776	\$ -	\$ -	\$ 1,200,776
Investment in mortgage fund	-	-	4,832,428	4,832,428
Accounts receivable and other	354,387	-	-	354,387
Accounts payable and accrued liabilities	-	1,374,180	-	1,374,180
Loans payable	-	11,000,816	-	11,530,311
Total	\$ 1,555,163	\$ 12,374,996	\$ 4,832,428	

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

There have been no changes in the Company's approach to capital management in the nine months ended September 30, 2025.

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Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2025 and 2024

(Unaudited)

(expressed in Canadian dollars)

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 term deposits are made with major Canadian banks which have a minimum credit rating of A or higher.

The Company is exposed to credit risk through the investment in mortgage fund. The Company's maximum exposure to credit risk is the full investment value, before considering risk mitigation. The fund manages credit risk by securing loans with real estate collateral, analyzing loan-to-value ratios, and applying strict underwriting standards.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company earns interest income through the investment in GICs which is directly affected by the interest rate. In addition, the Company earns dividend income through the investment in mortgage fund, which is indirectly affected the fluctuation in interest rates. The impact of a 1% change in the interest rates would affect the Company's net income on an annualized basis by \$nil (December 31, 2024 - \$58,914).

The Company does not currently have any variable rate borrowings directly. The Company's loans payable 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.

The Company may prepay at any time, in full or in part, the principal and accrued interest on the loan payable, with no penalty.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's objective in managing liquidity risk is to maintain sufficient readily available working capital to meet its liquidity requirements. At September 30, 2025, the Company had current financial assets of \$1,765,748 (December 31, 2024 - \$6,387,591) available to settle current financial liabilities of \$2,096,982 (December 31, 2024 - \$2,374,180).

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

	Current	1-2 years	2-5 years
Accounts payable and accrued liabilities	\$ 846,982	\$ -	\$ -
Loans payable	1,250,000	12,700,267	-