



PARKIT ENTERPRISE INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2022
(UNAUDITED)**

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the condensed consolidated interim financial statements.

The accompanying unaudited condensed consolidated interim financial statements of 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 condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

PARKIT ENTERPRISE INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

| AS AT | September 30, 2022 | December 31, 2021 |
|--|-------------------------------|------------------------------|
| ASSETS | | |
| Investment properties (note 3) | \$ 201,116,640 | \$ 140,213,868 |
| Investment in equity-accounted investees and long-term receivable (note 4) | 15,496,108 | 14,435,303 |
| Prepaid expenses and other assets (note 5) | 1,256,586 | 140,137 |
| Accounts receivable (note 6) | 576,058 | 1,054,139 |
| Cash | 18,631,008 | 21,797,256 |
| | \$ 237,076,400 | \$ 177,640,703 |
| LIABILITIES AND EQUITY | | |
| Liabilities | | |
| Debt (note 7) | \$ 71,083,583 | \$ 17,126,214 |
| Accounts payable and other liabilities (note 8) | 4,375,743 | 2,188,409 |
| | 75,459,326 | 19,314,623 |
| Equity (note 9) | | |
| Share capital | 174,492,290 | 168,898,901 |
| Contributed surplus | 3,175,065 | 3,175,065 |
| Deficit | (16,050,281) | (13,747,886) |
| | 161,617,074 | 158,326,080 |
| | \$ 237,076,400 | \$ 177,640,703 |

Commitments (note 4)
Subsequent events (note 16)

Approved and authorized by the Board on November 14, 2022:

| | | | |
|-----------------------|----------|---------------------|----------|
| <u>“Steven Scott”</u> | Director | <u>“Iqbal Khan”</u> | Director |
|-----------------------|----------|---------------------|----------|

PARKIT ENTERPRISE INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

| | For the three months ended September 30, 2022 | For the three months ended September 30, 2021 | For the nine months ended September 30, 2022 | For the nine months ended September 30, 2021 |
|---|---|---|--|--|
| Investment properties revenue | \$ 2,846,709 | \$ 1,741,371 | \$ 7,649,000 | \$ 3,663,562 |
| Investment properties expenses | (1,256,850) | (694,785) | (3,816,925) | (1,455,130) |
| Net rental income | 1,589,859 | 1,046,586 | 3,832,075 | 2,208,432 |
| Other income (loss) | | | | |
| Share of profit (loss) from equity-accounted investees (note 4) | 160,236 | (6,547) | 404,328 | (320,002) |
| Interest and other income | 69,651 | 71,485 | 157,731 | 221,960 |
| | 229,887 | 64,938 | 562,059 | (98,042) |
| Operating expenses | | | | |
| General and administrative (note 10) | 376,062 | 362,617 | 1,300,848 | 1,071,333 |
| Share-based compensation | - | - | - | 1,667,520 |
| Transaction costs and land transfer taxes | - | 689,838 | - | 1,793,739 |
| Depreciation (note 3) | 959,906 | 562,434 | 2,740,760 | 1,159,224 |
| Finance costs (note 11) | 660,961 | 174,945 | 1,279,357 | 594,037 |
| | 1,996,929 | 1,789,834 | 5,320,965 | 6,285,853 |
| Loss before tax | (177,183) | (678,310) | (926,831) | (4,175,463) |
| Income tax expense | - | - | (319) | (12,847) |
| NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD | \$ (177,183) | \$ (678,310) | \$ (927,150) | \$ (4,188,310) |
| Loss per share attributable to shareholders of the Company: | | | | |
| Basic | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.02) |
| Diluted | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.02) |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 239,686,672 | 233,549,647 | 238,220,282 | 209,469,301 |
| Diluted | 239,686,672 | 233,549,647 | 238,220,282 | 209,469,301 |

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

PARKIT ENTERPRISE INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

| | For the nine months ended September 30, 2022 | For the nine months ended September 30, 2021 |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (927,150) | \$ (4,188,310) |
| Items not affecting cash: | | |
| Share of (profit) loss from joint venture | (404,328) | 320,002 |
| Share-based compensation | - | 1,667,520 |
| Unrealized foreign exchange | (113,449) | (2,463) |
| Transaction costs and land transfer taxes | - | 1,793,739 |
| Depreciation | 2,740,760 | 1,159,224 |
| Finance costs | 1,279,357 | 594,893 |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 490,375 | (218,069) |
| Prepaid expenses and deposits | (1,116,449) | (1,270,923) |
| Accounts payable and other liabilities | 1,622,398 | 743,468 |
| Cash flows from operating activities | 3,571,514 | 599,081 |
| INVESTING ACTIVITIES | | |
| Acquisition of investment properties | (39,694,785) | (61,773,204) |
| Transaction costs and land transfer taxes | - | (1,909,284) |
| Contributions to joint venture (note 4) | (557,692) | (172,456) |
| Cash flows used in investing activities | (40,252,477) | (63,854,944) |
| FINANCING ACTIVITIES | | |
| Proceeds from private placements | - | 125,261,003 |
| Proceeds from debt issuance | 41,486,630 | - |
| Share issuance costs | - | (5,523,590) |
| Proceeds from exercise of stock options | - | 28,000 |
| Purchase of common shares under NCIB (note 9(a)) | (5,915,293) | - |
| Repayment of debt | (517,709) | (8,698,198) |
| Interest paid | (1,180,126) | (581,651) |
| Debt issuance costs | (361,158) | (61,087) |
| Cash flows from financing activities | 33,512,344 | 110,424,477 |
| Change in cash during the period | (3,168,619) | 47,168,614 |
| Effect of exchange rate changes on cash | 2,371 | (3,246) |
| Cash, beginning of period | 21,797,256 | 9,140,322 |
| CASH, END OF PERIOD | \$ 18,631,008 | \$ 56,305,690 |

Supplemental information with respect to cash flows (note 14)

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

PARKIT ENTERPRISE INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

| | <u>Share capital</u> | | <u>Contributed Surplus</u> | <u>Deficit</u> | <u>Total</u> |
|---|----------------------|-----------------------|--------------------------------|------------------------|-----------------------|
| | <u>Number</u> | <u>Amount</u> | | | |
| Balance, December 31, 2020 | 114,854,257 | \$ 43,405,872 | \$ 34,700 | \$ (9,759,511) | \$ 33,681,061 |
| Shares issued – private placements | 115,928,390 | 125,261,003 | - | - | 125,261,003 |
| Shares issued – consideration for acquisition of investment properties | 2,667,000 | 4,000,500 | - | - | 4,000,500 |
| Shares issued – exercise of stock options | 100,000 | 40,358 | (12,358) | - | 28,000 |
| Share issuance costs | - | (5,507,574) | - | - | (5,507,574) |
| Share-based compensation | - | - | 1,667,520 | - | 1,667,520 |
| Net loss for the period | - | - | - | (4,188,310) | (4,188,310) |
| Balance, September 30, 2021 | 233,549,647 | \$ 167,200,159 | \$ 1,689,862 | \$ (13,947,821) | \$ 154,942,200 |
| Shares issued – consideration for acquisition of investment properties | 764,033 | 1,633,400 | - | - | 1,633,400 |
| Shares issued – exercise of stock options | 150,000 | 65,342 | (22,342) | - | 43,000 |
| Share-based compensation | - | - | 1,507,545 | - | 1,507,545 |
| Net income for the period | - | - | - | 199,935 | 199,935 |
| Balance, December 31, 2021 | 234,463,680 | 168,898,901 | 3,175,065 | (13,747,886) | 158,326,080 |
| Shares issued – consideration for acquisition of investment properties | 7,885,982 | 10,133,437 | - | - | 10,133,437 |
| Purchase and cancellation of common shares under NCIB (note 9(a)) | (6,145,700) | (4,540,048) | - | (1,375,245) | (5,915,293) |
| Net loss for the period | - | - | - | (927,150) | (927,150) |
| Balance, September 30, 2022 | 236,203,962 | \$ 174,492,290 | \$ 3,175,065 | \$ (16,050,281) | \$ 161,617,074 |

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

PARKIT ENTERPRISE INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Expressed in Canadian Dollars)
September 30, 2022

1. NATURE OF OPERATIONS

Parkit Enterprise Inc. (“Parkit” or the “Company”) was incorporated pursuant to the Business Corporations Act (British Columbia) on December 6, 2006. The Company was continued into the Province of Ontario on July 9, 2021. The Company’s head office, principal address is 100 Canadian Rd, Toronto, Ontario, Canada, M1R 4Z5, and its registered and records office is Suite 6000, 1 First Canadian Place, 100 King Street West, Toronto, Ontario, Canada, M5X 1E2. Parkit's common shares are listed on TSX Venture Exchange (“TSX-V”) (Symbol: PKT).

Parkit is engaged in the acquisition, growth and management of industrial real estate in Canada to complement its parking assets in the United States. The Company, through its subsidiary Greenswitch America, Inc. holds investments in parking real estate in the United States of America.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s most recent fiscal year-end consolidated financial statement, and should be read in conjunction with the Company’s consolidated financial statements as of December 31, 2021, which were prepared in accordance with IFRS as issued by the IASB. The accounting policies set out in Note 3 of the Company’s audited financial statements as at December 31, 2021 have been applied in preparing these condensed interim consolidated financial statements.

Certain comparative figures in preparing these consolidated financial statements have been reclassified to conform to the current period presentation.

Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements in accordance with IFRS requires that the Company’s management make assumptions and estimates of effects of various future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period. Estimates are reviewed on an ongoing basis using historical experience and other factors that are considered relevant given the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively. Actual results may materially differ from these estimates.

A full list of the key sources of estimation uncertainty can be found in the Company’s audited consolidated financial statements as of December 31, 2021.

The full extent of the impact of COVID-19 on the Company’s and its joint venture operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets and any new information that may emerge concerning the severity of the virus. It is difficult to estimate the nature, timing, and extent of the business and economic impact on the Company’s financial performance and this uncertainty could materially affect the Company’s operations and financial condition. This uncertainty could also materially affect estimates including those used in its impairment testing on receivables and on its investments in associates and joint ventures.

PARKIT ENTERPRISE INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Expressed in Canadian Dollars)
September 30, 2022

3. INVESTMENT PROPERTIES

Investment properties include industrial properties that are held for long-term rental yields or capital appreciation or both, and that is not occupied by the Company. Investment properties also include property that is being constructed or developed for future use as investment properties.

The Company elected the cost model for measurement for its investment properties where the investment properties are stated at cost less accumulated depreciation and accumulated impairment loss.

| | September 30, 2022 |
|--|---------------------------|
| Balance at beginning of period | \$ 140,213,868 |
| Additions: | |
| Direct acquisitions | 57,913,437 |
| Building improvements | 4,292,618 |
| Transaction costs and land transfer taxes | 1,437,477 |
| Total additions to investment properties | 63,643,532 |
| Changes included in net loss: | |
| Depreciation | (2,740,760) |
| Total changes included in net loss | (2,740,760) |
| Balance at end of period ⁽ⁱ⁾⁽ⁱⁱ⁾ | \$ 201,116,640 |

- i. Certain investment properties are pledged as security for debt as of September 30, 2022 (note 7).
- ii. See note 15 for additional disclosure on the estimated fair value of the investment properties.

Acquisitions

The Company elected to use the optional concentration test under IFRS 3 to the acquisition of the investment properties for the nine months ended September 30, 2022 and concluded that they constitute an acquisition of assets as substantially all of the fair value was concentrated in a single asset.

The Company's investment properties acquisitions for the nine months ended September 30, 2022 are detailed below:

| | Purchase price | Date acquired |
|--|-----------------------|----------------------|
| 1665 Lionel-Bertrand Boulevard, Boisbriand, Quebec | \$ 8,500,000 | January 7, 2022 |
| 568 Second Street, London, Ontario (note 9) | 8,500,000 | February 22, 2022 |
| 3455 Mainway Drive, Burlington, Ontario | 6,180,000 | May 2, 2022 |
| 5300 Harvester Rd, Burlington, Ontario (note 9) | 17,133,437 | May 11, 2022 |
| 1155 Lola Street, Ottawa, Ontario | 17,600,000 | May 25, 2022 |
| Total direct acquisition of investment properties | \$ 57,913,437 | |

Consideration for the \$57,913,437 in direct acquisitions for the nine months ended September 30, 2022 was satisfied by the issuance of 7,885,982 common shares of the Company for \$10,133,437 (note 9(a)), the assumption of mortgages of \$13,266,748 (note 7) and by the remaining \$34,513,252 from cash on hand.

PARKIT ENTERPRISE INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Expressed in Canadian Dollars)
September 30, 2022

4. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES AND LONG-TERM RECEIVABLE

| | September 30, 2022 | December 31, 2021 |
|---------------------------------|-----------------------|----------------------|
| Investment in joint venture | \$ 13,559,891 | \$ 12,597,871 |
| Investment in associate | 620,344 | 620,344 |
| Long-term receivable | 1,315,873 | 1,217,088 |
| Balance at end of period | \$ 15,496,108 | \$ 14,435,303 |

Investment in joint venture

Carrying amounts of joint venture

| | September 30, 2022 |
|------------------------------------|-----------------------|
| Balance – beginning of period | \$ 12,597,871 |
| Contributions | 557,692 |
| Share of profit from joint venture | 404,328 |
| Balance – end of period | \$ 13,559,891 |

Interests in joint venture

The Company uses the equity method for accounting for joint ventures. The significant joint venture of the Company is as follows:

| Name of Joint Venture | Place of Incorporation | Percentage Ownership September 30, 2022 | Percentage Ownership December 31, 2021 | Principal Activity | Functional Currency |
|------------------------------|-------------------------------|--|---|--|----------------------------|
| PAVe Admin, LLC | Delaware, USA | 50% | 50% | Member/Manager of Parking Acquisition Ventures LLC | USD |

In April 2015, the Company’s subsidiary, Greenswitch America Inc. and Parking Real Estate, LLC (“PRE”), jointly created separate legal entities, Parking Acquisition Ventures, LLC (“PAVe LLC”) and PAVe Admin, LLC (“PAVe Admin”) to manage and oversee the parking assets of OP Holdings JV, LLC (“OP Holdings”), as an administrator. PAVe Admin is an entity created for legal purposes and consolidates PAVe LLC under IFRS.

PAVe LLC has different class of membership units, and the entitlements to distributions from these investments are different among each class PAVe LLC.

The Company is entitled to an 82.83% (December 31, 2021 – 82.83%) pro-rata allocation of distributions from OP Holdings to PAVe LLC. PAVe LLC is a 29.45% (December 31, 2021 - 29.45%) equity member of OP Holdings with PAVe LLC accounting for OP Holdings as an investment in associate. OP Holdings holds a portfolio of U.S. based parking facilities, including Canopy Airport Parking (“Canopy”), previously held by the Company’s associate Green Park Denver, LLC (“Green Park Denver”).

PARKIT ENTERPRISE INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Expressed in Canadian Dollars)
September 30, 2022

4. INVESTMENT IN EQUITY-ACCOUNTED INVESTEES AND LONG-TERM RECEIVABLE (continued)

Interests in joint venture (continued)

PAVe LLC also consolidates PAVe Nashville, LLC (“Nashville”) which owns Fly Away Parking. Nashville is held by PAVe LLC directly, and is not part of OP Holdings. The Company is entitled to a 50% allocation of distributions from Nashville to PAVe LLC.

Commitments

Pursuant to the OP Holdings joint venture and the PAVe LLC operating agreements, the Company has a commitment to contribute up to 5% of any capital call made by the OP Holdings joint venture. Capital calls will be made for the purpose of acquiring new parking real estate assets as jointly agreed by the members, and at other times as the joint venture may require working capital. No provision has been accrued by the Company at September 30, 2022 (December 31, 2021- \$Nil) with respect to this commitment.

In connection with the acquisition of Fly-Away Parking in October 2015, Greenswitch America together with PAVE and two other parties (collectively the “Borrowers”) entered into a loan and security agreement pursuant to which the Borrowers received a bank loan as partial consideration for the acquisition (the “Loan”). In connection with the Loan, the Borrowers have each granted a security interest in all of their present and future assets and property including the property and assets of Fly-Away Parking. The loan bears interest at LIBOR plus 285 basis points and matures on December 31, 2022. As of September 30, 2022, the outstanding principal balance was US\$4,021,587. No provision has been accrued by the Company at September 30, 2022 (December 31, 2021- \$Nil) with respect to this commitment.

Summarized financial information of joint venture

The assets and liabilities of the joint venture translated into Canadian dollars are summarized as follows:

| | September 30, 2022 | December 31, 2021 |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Cash | \$ 580,873 | \$ 489,443 |
| Other current assets | 8,504 | 10,487 |
| Parking facility | 6,268,379 | 5,986,864 |
| Goodwill | 951,559 | 880,125 |
| Interest in associate | 17,270,310 | 15,535,639 |
| | <u>25,079,625</u> | <u>22,902,558</u> |
| Liabilities | | |
| Accounts payable | 185,467 | 829,686 |
| Borrowings | 6,414,560 | 6,601,074 |
| | <u>6,600,027</u> | <u>7,430,760</u> |
| Net assets of joint venture | <u>18,479,598</u> | <u>15,471,798</u> |
| Net assets attributable to the Company ^{(i) (ii)} | <u>\$ 14,938,656</u> | <u>\$ 12,863,070</u> |
| Investment in joint venture ⁽ⁱⁱⁱ⁾ | <u>\$ 13,559,891</u> | <u>\$ 12,597,871</u> |

PARKIT ENTERPRISE INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Expressed in Canadian Dollars)
September 30, 2022

4. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEs AND LONG-TERM RECEIVABLE (continued)

Summarized financial information of joint venture (continued)

The operations of the joint venture translated using average exchange rates for the period are summarized as follows:

| | For the three months ended September 30, 2022 | For the three months ended September 30, 2021 | For the nine months ended September 30, 2022 | For the nine months ended September 30, 2021 |
|---|--|--|---|---|
| Property revenue | \$ 750,788 | \$ 522,058 | \$ 2,065,467 | \$ 1,099,970 |
| Property expenses | (548,184) | (537,003) | (1,609,174) | (1,201,445) |
| Net property profit (loss) | 202,604 | (14,945) | 456,293 | (101,475) |
| Depreciation expense | (64,892) | (64,340) | (191,301) | (178,052) |
| Mortgage interest expense | (74,721) | (62,807) | (193,419) | (241,884) |
| Profit (loss) from property operations | 62,991 | (142,092) | 71,573 | (521,411) |
| Profit (loss) from associate | 154,666 | 71,016 | 443,365 | (67,051) |
| Profit (loss) | \$ 217,657 | \$ (71,076) | \$ 514,938 | \$ (588,462) |
| Share of profit or (loss) from joint venture ^(iv) | \$ 160,236 | \$ (6,547) | \$ 404,328 | \$ (320,002) |

- i. The joint venture has different classes of membership units, and the entitlements to voting and distributions are different among each membership class. The Company's entitlements to each membership class ranges from 0% to 82.83%. Under the equity method, on initial recognition the investment in the joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.
- ii. The functional currency of the joint venture is the United States dollar. The net assets of the joint venture and the net assets attributable to the Company in the above table were translated using the period end exchange rates.
- iii. In accordance with the Company's accounting policy, the carrying value of the investment in the joint venture on the consolidated statements of financial position is translated into Canadian dollars at historical cost. The difference in the translation method accounts for the difference between "net assets attributable to the Company" and "investment in joint venture" in the above table.
- iv. The Company, based on its membership in the OP Holdings joint venture and Fly Away Parking joint venture, is entitled to profits (losses) on the investments included in the joint ventures ranging from 50% to 82.8% based on the membership agreement and waterfall calculations for each joint venture. As a result, the calculated percentage of the Company's total share of profits (losses) of the joint venture profits (losses) will vary from period to period.

Investment in Associate

In April 2015, the Company's then subsidiary Green Park Denver sold Canopy Airport Parking ("Canopy") to OP Holdings, and in July 2015 Green Park Denver was deconsolidated as a subsidiary with the fair value of the retained interest in Green Park Denver recorded as an investment in associate accounted for using the equity method.

The only significant asset retained in the associate is an earnout receivable from OP Holdings. The associate measures the earnout receivable at fair value through profit or loss. The associate has no continuing operations and is being maintained to receive the earn-out payments.

PARKIT ENTERPRISE INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Expressed in Canadian Dollars)
September 30, 2022

4. INVESTMENT IN EQUITY-ACCOUNTED INVESTEES AND LONG-TERM RECEIVABLE (continued)

Investment in Associate (continued)

The earn-out is payable in three tranches. The first tranche was earned and paid upon achievement of targets on April 22, 2016. The second tranche was earned and paid upon achievement of targets on April 22, 2017. The final tranche is payable upon disposition of certain assets in OP Holdings. Pursuant to the members' agreement, the Company's interest was 47.7% for the first tranche and 40.6% for the second and third tranches.

There was no activity for the nine months ended September 30, 2022.

Long-term receivable

| | September 30, 2022 | December 31, 2021 |
|---------------------------------|-----------------------|----------------------|
| Advances to PRE | \$ 1,315,873 | \$ 1,253,603 |
| Less current portion (note 6) | - | (36,515) |
| Balance at end of period | \$ 1,315,873 | \$ 1,217,088 |

At the inception of the joint ventures, the Company advanced funds to Parking Real Estate, LLC ("PRE"), a joint venture partner, for the purpose of PRE funding investments in income-producing properties and related costs of acquisition. As at September 30, 2022, the balance of the advance to PRE was \$1,315,873 (US\$960,000) to be repaid upon disposition of certain investments or parking assets.

5. PREPAID EXPENSES AND OTHER ASSETS

| | September 30, 2022 | December 31, 2021 |
|---------------------------------|-----------------------|----------------------|
| <i>Current:</i> | | |
| Prepaid expenses and deposits | \$ 1,256,586 | \$ 140,137 |
| Balance at end of period | \$ 1,256,586 | \$ 140,137 |

PARKIT ENTERPRISE INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
(Expressed in Canadian Dollars)
September 30, 2022

6. ACCOUNTS RECEIVABLE

| | September 30, 2022 | December 31, 2021 |
|---|-----------------------|----------------------|
| Current: | | |
| Rent receivable on investment properties | \$ 2,353 | \$ 107,091 |
| Accrued tax, maintenance and insurance recoveries | 96,567 | 248,069 |
| Management fees | 22,617 | 363,225 |
| Current portion of advances to PRE (note 4) | - | 36,515 |
| Other receivables | - | 98,381 |
| | 121,537 | 853,281 |
| Non-current: | | |
| Straight-line rent adjustments | 454,521 | 200,858 |
| | \$ 576,058 | \$ 1,054,139 |

7. DEBT

The following table summarizes the debt as of September 30, 2022 and December 31, 2021.

| | September 30, 2022 | | | December 31, 2021 | | |
|---|---------------------------------------|------------------|----------------------|---------------------------|------------------|----------------------|
| | Rate Range | Weighted Average | Balance | Rate Range | Weighted average | Balance |
| Mortgages: | | | | | | |
| At amortized cost - Fixed/Variable | 2.31% to 5.68% | 3.62% | \$ 19,242,332 | 4.46% | 4.46% | \$ 8,199,628 |
| | <i>Maturity: Jan 2024 to Dec 2025</i> | | | <i>Maturity: Jan 2024</i> | | |
| At FVTPL - Variable | | | 14,320,314 | | | 8,876,796 |
| - Interest rate swap ⁽ⁱⁱ⁾ | | | (1,142,065) | | | 108,488 |
| | | 3.56% | 13,178,249 | | 3.49% | 8,985,284 |
| | <i>Maturity: May 2025 to Nov 2029</i> | | | <i>Maturity: Nov 2029</i> | | |
| Credit facilities: | | | | | | |
| At amortized cost – Variable ^(v) | | 6.34% | 19,000,000 | - | - | - |
| | <i>Maturity: Jan 2025</i> | | | | | |
| At amortized cost – Variable | | | 20,553,851 | - | - | - |
| - Interest rate swap ^(vi) | | | (553,851) | | | - |
| | | 5.10% | 20,000,000 | | | - |
| | <i>Maturity: Jan 2025</i> | | | | | |
| Total Debt ⁽ⁱ⁾ | | 4.75% | 71,420,581 | | 3.95% | 17,184,912 |
| Financing costs, net ⁽ⁱⁱⁱ⁾ | | | (336,998) | | | (58,698) |
| Carrying value ^(iv) | | | \$ 71,083,583 | | | \$ 17,126,214 |

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7. DEBT (continued)

- i. The mortgages are collateralized by a first charge certain investment properties (note 3).
- ii. The mortgage models a fixed rate mortgage with a set interest rate ranging from of 3.49% to 3.69% over a 5-to-10-year amortization period with a fixed monthly repayment. The mortgages consist of a banker's acceptance (BA) rate of 3.52% to 3.67% plus associated BA stamping fees of 1.50% to 2.75% per annum. There is an interest rate swap that limits the floating interest rate exposure under the loans to a fixed rate between the range of 3.49% to 3.69% per annum. The swap contracts require settlement of net interest receivable or payable every 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying mortgage payable. The mortgage and interest rate swap have been accounted for at FVTPL. As at September 30, 2022, the interest rate swap on mortgages was in a net asset position of \$1,142,065 (December 31, 2021 – liability position \$108,488).
- iii. The deferred financing costs consist of fees and costs incurred to obtain the related mortgage financing, less accumulated amortization of \$82,858 at September 30, 2022 (December 31, 2021 - \$19,671).
- iv. See note 15 for additional disclosure on the estimated fair value of the debt.
- v. On October 3, 2022, the company made a repayment of \$14,000,000 on its revolving credit facility. On October 26, 2022, the company entered into a swap agreement to fix the remaining line of credit balance of \$5,000,000 at 5.74%, for the remainder of the loan term maturing on January 28, 2025.
- vi. The company has entered into a swap agreement to fix the interest rate to 5.1% on the \$20,000,000 non-revolving line of credit, for the remainder of the loan term maturing on January 28, 2025. The swap contracts require settlement of net interest receivable or payable every 30 days and have been accounted for at FVTPL. As of September 30, 2022, the interest rate swap on mortgages was in a net asset position amounting to \$533,851.

The following table provides a continuity of total debt for the nine months ended September 30, 2022.

| | September 30, 2022 | |
|---|---------------------------|-------------------|
| Balance at beginning of period | \$ | 17,126,214 |
| Debt issuance ⁽ⁱ⁾ | | 41,486,630 |
| Debt assumed on acquisition of investment properties (note 3) | | 13,266,748 |
| Transaction costs capitalized | | (361,158) |
| Debt repayment ⁽ⁱ⁾ | | (517,709) |
| Change in fair value of mortgage payable measured at FVTPL | | 1,804,404 |
| Change in fair value of interest rate swap | | (1,804,404) |
| Amortization of debt issuance costs | | 82,858 |
| Balance at end of period | \$ | 71,083,583 |

- i. Debt issuance is net of debt repayments on the revolving credit facility at a financial institution

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7. DEBT (continued)

Principal repayments on mortgages in each of the next five years and thereafter are estimated as follows:

| | Total |
|---------------------------|----------------------|
| 2022 | \$ 249,310 |
| 2023 | 1,024,838 |
| 2024 ⁽ⁱ⁾ | 8,557,050 |
| 2025 ⁽ⁱ⁾ | 53,703,510 |
| 2026 | 299,646 |
| Thereafter ⁽ⁱ⁾ | 7,586,227 |
| | \$ 71,420,581 |

i. Includes debt balance due at maturity.

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

| | September 30, 2022 | December 31, 2021 |
|--|---------------------------|--------------------------|
| Current: | | |
| Accounts payable and accrued liabilities | \$ 2,941,548 | \$ 1,630,103 |
| Rents received in advance | 491,478 | 116,979 |
| Accrued interest on debt (note 7) | 72,701 | 56,328 |
| Other liabilities | - | 4,349 |
| | 3,505,727 | 1,807,759 |
| Non-current: | | |
| Tenant deposits | 870,016 | 380,650 |
| Total | \$ 4,375,743 | \$ 2,188,409 |

9. EQUITY

a) Authorized

Unlimited common shares, without par value.

On February 22, 2022, the Company issued 2,000,744 common shares valued at \$1.25 per common share for gross proceeds of \$2,500,000 as part of the consideration for an investment property acquisition (note 3). The common shares issued in connection with the acquisition were subject to a four month hold period under applicable Canadian securities laws which expired on June 23, 2022.

On May 11, 2022, the Company issued 5,885,238 common shares valued at \$1.30 per common share for gross proceeds of \$7,633,437 as part of the consideration for an investment property acquisition (notes 3 and 12). The common shares issued in connection with the acquisition were subject to a four month hold period under applicable Canadian securities laws which expired on September 11, 2022.

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9. EQUITY (continued)

Normal Course Issuer Bid Program

In March 2022, the Company implemented a Normal Course Issuer Bid (“NCIB”) program to purchase for cancellation, during the 12-month period starting March 18, 2022, up to 11,823,221 of the outstanding common shares of the Corporation (the “Common Shares”), representing 5% of the common shares outstanding. The program will end on March 17, 2023 unless the maximum amount of common shares is purchased before then or the Company provides earlier notice of termination. The price paid for the common shares is, subject to NCIB pricing rules contained in securities laws, the prevailing market price of such common shares on the TSX Venture Exchange at the time of such purchase.

During the nine months ended September 30, 2022, the Company purchased and cancelled 6,145,700 common shares pursuant to its NCIB for a total of \$5,915,293 at an average price of \$0.96 per share. The Company’s share capital was reduced by \$4,540,048 for the average carrying value of the shares purchased for cancellation with the excess of \$1,375,245 paid over the average carrying value recognized as an increase in deficit.

b) Stock Options

Stock option transactions are summarized as follows:

| | Number of options | Weighted average exercise price |
|---|------------------------------|--|
| Balance as at December 31, 2021 | 7,400,000 | \$ 1.50 |
| Balance as at September 30, 2022 | 7,400,000 | \$ 1.50 |

As at September 30, 2022, the following stock options were outstanding and exercisable:

| Exercise Price | Number of exercisable options | Number of outstanding options | Weighted average years to expiry |
|-----------------------|--|--|---|
| \$1.50 | 7,400,000 | 7,400,000 | 8.99 |

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10. GENERAL AND ADMINISTRATIVE EXPENSES

| | For the three months ended September 30, 2022 | For the three months ended September 30, 2021 | For the nine months ended September 30, 2022 | For the nine months ended September 30, 2021 |
|--|--|--|---|---|
| Management salaries and fees (note 12) | \$ 145,116 | \$ 83,571 | \$ 391,213 | \$ 233,113 |
| Director fees (note 12) | 36,000 | 42,000 | 120,000 | 120,000 |
| Professional fees | 213,561 | 231,834 | 628,701 | 542,792 |
| Other administrative expenses | 70,487 | 49,134 | 275,364 | 178,357 |
| Foreign exchange gain | (89,102) | (43,922) | (114,430) | (2,929) |
| Total | \$ 376,062 | \$ 362,617 | \$ 1,300,848 | \$ 1,071,333 |

11. FINANCE COSTS

| | For the three months ended September 30, 2022 | For the three months ended September 30, 2021 | For the nine months ended September 30, 2022 | For the nine months ended September 30, 2021 |
|---|--|--|---|---|
| Interest expense on debt (note 7) | \$ 621,667 | \$ 170,027 | \$ 1,196,499 | \$ 579,284 |
| Amortization of debt issuance costs (note 7) | 39,294 | 4,918 | 82,858 | 14,753 |
| Unrealized change in fair value on mortgage payable (note 7) | 618,898 | 170,345 | 1,804,404 | 588,249 |
| Unrealized change in fair value interest rate swap (note 7) | (618,898) | (170,345) | (1,804,404) | (588,249) |
| Total | \$ 660,961 | \$ 174,945 | \$ 1,279,357 | \$ 594,037 |

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12. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Senior management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. Senior management personnel include the Company's executive officers and members of the Board of Directors.

| | For the three months ended September 30, 2022 | For the three months ended September 30, 2021 | For the nine months ended September 30, 2022 | For the nine months ended September 30, 2021 |
|---|--|--|---|---|
| Total for all senior management | | | | |
| Salaries, fees, and short-term benefits | \$ 88,532 | \$ 60,720 | \$ 237,784 | \$ 203,958 |
| Share-based compensation | - | - | - | 967,161 |
| | <u>88,532</u> | <u>60,720</u> | <u>237,784</u> | <u>1,171,119</u> |
| Total for all directors | | | | |
| Fees | 36,000 | 42,000 | 120,000 | 120,000 |
| Share-based compensation | - | - | - | 583,632 |
| | <u>36,000</u> | <u>42,000</u> | <u>120,000</u> | <u>703,632</u> |
| Total | \$ 124,532 | \$ 102,720 | \$ 357,784 | \$ 1,874,751 |

Transactions with related parties

Included in accounts payable and accrued liabilities as of December 31, 2021 is \$9,361 due to officers for expense reimbursements.

Concurrent with completion of the investment properties acquisitions on December 29, 2020, the Company entered into a property management agreement with Access Results Management Services Inc. ("ARMS"). ARMS and the Company are related by having common members on its Board of Directors. The management agreement has, subject to certain conditions, a five-year term. The Company also receives invoices from ARMS and its related companies for construction, maintenance and other services related to the day-to-day property management.

- For the three and nine months ended September 30, 2022, the Company incurred property management fees and other rental and general operating expenses totalling \$432,102 and \$1,403,639, respectively, from ARMS and its related companies (three and nine months ended September 30, 2021 - \$274,739 and \$445,525, respectively).
- For the three and nine months ended September 30, 2022, \$2,330,733 and \$3,817,549, respectively, of costs incurred through ARMS and its related companies have been capitalized to investment properties (three and nine months ended September 30, 2021 - \$1,399,329).
- Amounts due to ARMS and its related companies at September 30, 2022 includes \$2,066,987 in accounts payable and accrued liabilities (December 31, 2021 - \$1,069,163). Amounts due from ARMS and its related companies at September 30, 2022 include \$56,626 in accounts receivable (December 31, 2021 - \$104,203).

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12. RELATED PARTY TRANSACTIONS (continued)

For the three and nine months ended September 30, 2022, the Company earned \$329,574 and \$872,006, respectively, in investment properties revenues from leases with companies controlled by two directors of the Company (three and nine months ended September 30, 2021 - \$176,810 and \$378,534, respectively).

On May 11, 2022, the Company purchased an industrial property located in Burlington, Ontario, for an aggregate purchase price of \$17,133,437, subject to customary adjustments. The vendor of the property is a related party that is a company wholly owned by a director and chair of Parkit, and the acquisition constituted a non-arm's length transaction. The purchase price was satisfied through the issuance of 5,885,238 common shares in the capital of Parkit for \$7,633,437, the assumption of a mortgage of \$4,445,129, and with the remainder of the purchase price paid with available cash on hand.

13. SEGMENTED INFORMATION

The Company operates in two reportable business segments:

- Investment Properties – involves the acquisition and management of income producing industrial properties across key markets in Canada, with a focus on the Greater Toronto Area and Ottawa.
- Parking Assets – involves the acquisition and management of income producing parking facilities across the United States.

Each segment is a component of the Company for which separate discrete financial information is available by the chief decision makers of the Company. The Company evaluates performance and allocates resources based on earnings before interest, taxes, depreciation, amortization, and stock-based compensation. Corporate costs are not allocated to the segments and are shown separately.

| For the three months ended September 30, 2022 | Investment Properties | Parking Assets | Corporate | Total |
|--|----------------------------------|---------------------------|-----------------------|---------------------|
| Investment properties revenue | \$ 2,846,709 | \$ - | \$ - | \$ 2,846,709 |
| Investment properties expenses | (1,256,850) | - | - | (1,256,850) |
| Net rental income | 1,589,859 | - | - | 1,589,859 |
| Other income | | | | |
| Share of profit from equity-accounted investees | - | 160,236 | - | 160,236 |
| Interest and other income | - | 32,315 | 37,336 | 69,651 |
| | - | 192,551 | 37,336 | 229,887 |
| Operating expenses | | | | |
| General and administrative expenses | - | - | 376,062 | 376,062 |
| Depreciation | - | - | 959,906 | 959,906 |
| Finance costs | - | - | 660,961 | 660,961 |
| | - | - | 1,996,929 | 1,996,929 |
| Income or (loss) before tax | 1,589,859 | 192,551 | (1,959,593) | (177,183) |
| Income tax expense | - | - | - | - |
| NET INCOME (LOSS) | \$ 1,589,859 | \$ 192,551 | \$ (1,959,593) | \$ (177,183) |
| Additions: | | | | |
| Investment properties | \$ 2,436,236 | \$ - | \$ - | \$ 2,436,236 |

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13. SEGMENTED INFORMATION (continued)

| For the three months ended September 30, 2021 | Investment Properties | Parking Assets | Corporate | Total |
|--|----------------------------------|---------------------------|-----------------------|---------------------|
| Investment properties revenue | \$ 1,741,371 | \$ - | \$ - | 1,741,371 |
| Investment properties expenses | (694,785) | - | - | (694,785) |
| Net rental income | 1,046,586 | - | - | 1,046,586 |
| Other income (loss) | | | | |
| Share of loss from equity-accounted investees | - | (6,547) | - | (6,547) |
| Interest and other income | - | 31,185 | 40,300 | 71,485 |
| | - | 24,638 | 40,300 | 64,938 |
| Operating expenses | | | | |
| General and administrative expenses and other income | - | - | 362,617 | 362,617 |
| Transaction costs | 689,838 | - | - | 689,838 |
| Depreciation | - | - | 562,434 | 562,434 |
| Finance costs | - | - | 174,945 | 174,945 |
| | 689,838 | - | 1,099,996 | 1,789,834 |
| Income or (loss) before tax | 356,748 | 24,638 | (1,059,696) | (678,310) |
| Income tax expense | - | - | - | - |
| NET INCOME (LOSS) | \$ 356,748 | \$ 24,638 | \$ (1,059,696) | \$ (678,310) |
| Additions: | | | | |
| Investment properties | \$ 25,984,076 | \$ - | \$ - | 25,984,076 |
| <hr/> | | | | |
| For the nine months ended September 30, 2022 | Investment Properties | Parking Assets | Corporate | Total |
| Investment properties revenue | \$ 7,649,000 | \$ - | \$ - | 7,649,000 |
| Investment properties expenses | (3,816,925) | - | - | (3,816,925) |
| Net rental income | 3,832,075 | - | - | 3,832,075 |
| Other income | | | | |
| Share of profit from equity-accounted investees | - | 404,328 | - | 404,328 |
| Interest and other income | - | 95,253 | 62,478 | 157,731 |
| | - | 499,581 | 62,478 | 562,059 |
| Operating expenses | | | | |
| General and administrative expenses and other income | - | - | 1,300,848 | 1,300,848 |
| Depreciation | - | - | 2,740,760 | 2,740,760 |
| Finance costs | - | - | 1,279,357 | 1,279,357 |
| | - | - | 5,320,965 | 5,320,965 |
| Income or (loss) before tax | 3,832,075 | 499,581 | (5,258,487) | (926,831) |
| Income tax expense | - | - | (319) | (319) |
| NET INCOME (LOSS) | \$ 3,832,075 | \$ 499,581 | \$ (5,258,806) | \$ (927,150) |
| Additions: | | | | |
| Investment properties | \$ 63,643,532 | \$ - | \$ - | 63,643,532 |

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13. SEGMENTED INFORMATION (continued)

| For the nine months ended September 30, 2021 | Investment Properties | Parking Assets | Corporate | Total |
|--|----------------------------------|---------------------------|-----------------------|-----------------------|
| Investment properties revenue | \$ 3,663,562 | \$ - | \$ - | 3,663,562 |
| Investment properties expenses | (1,455,130) | - | - | (1,455,130) |
| Net rental income | 2,208,432 | - | - | 2,208,432 |
| Other income (loss) | | | | |
| Share of loss from equity-accounted investees | - | (320,002) | - | (320,002) |
| Interest and other income | - | 92,916 | 129,044 | 221,960 |
| | - | (227,086) | 129,044 | (98,042) |
| Operating expenses | | | | |
| General and administrative expenses and other income | - | - | 1,071,333 | 1,071,333 |
| Share-based compensation | - | - | 1,667,520 | 1,667,520 |
| Transaction costs and land transfer taxes | 1,793,739 | - | - | 1,793,739 |
| Depreciation | - | - | 1,159,224 | 1,159,224 |
| Finance costs | - | - | 594,037 | 594,037 |
| | 1,793,739 | - | 4,492,114 | 6,285,853 |
| Income or (loss) before tax | 414,693 | (227,086) | (4,363,070) | (4,175,463) |
| Income tax expense | - | - | (12,847) | (12,847) |
| NET INCOME (LOSS) | \$ 414,693 | \$ (227,086) | \$ (4,375,917) | \$ (4,188,310) |
| Additions: | | | | |
| Investment properties | \$ 66,756,302 | \$ - | \$ - | 66,756,302 |

14. SUPPLEMENTAL INFORMATION WITH RESPECT TO CASH FLOWS

| | For the nine months ended September 30, 2022 | For the nine months ended September 30, 2021 |
|---|---|---|
| Cash paid for taxes: | \$ 319 | \$ 198,291 |
| Non-cash transactions: | | |
| <i>Asset Acquisitions</i> | | |
| Acquisition of investment properties (note 3) | (23,400,185) | (4,000,500) |
| Debt assumed on acquisition of investment property (notes 3 and 7) | 13,266,748 | - |
| Share capital issued for investment properties acquisition (notes 3 and 9(a)) | 10,133,437 | 4,000,500 |
| <i>Amounts included in accounts payable and other liabilities</i> | | |
| Additions to investment properties | 1,448,859 | - |
| Share issuance costs | - | 982,598 |

15. FAIR VALUE MEASUREMENTS

Fair value is 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.

There are three levels of fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with level 1 inputs having the highest priority. The levels used to value the Company's financial assets and liabilities are described below.

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within 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 an observable market, i.e. unobservable inputs.

The fair value of the Company's accounts receivable, long-term receivable, and accounts payable and accrued liabilities, accrued interest, and tenant deposits approximate carrying value, which is the amount recorded on the consolidated statements of financial position.

The following table provides a summary of the remaining fair value measurements of the Company:

| | Fair Value Hierarchy | Carrying Amount | Fair Value |
|---|---------------------------------|----------------------------|-------------------|
| Financial assets measured at fair value: | | | |
| Cash | Level 1 | \$ 18,631,008 | \$ 18,631,008 |
| Non-financial assets for which fair value is disclosed: | | | |
| Investment properties – cost model | Level 3 | 201,116,640 | 235,061,464 |
| Financial liabilities measured at fair value: | | | |
| Debt at FVTPL – mortgages and credit facilities | Level 2 | 34,874,164 | 34,874,164 |
| Interest rate swaps | Level 2 | (1,695,916) | (1,695,916) |
| Financial liabilities for which fair value is disclosed: | | | |
| Debt at amortized cost - mortgages and credit facilities | Level 3 | 38,242,333 | 38,205,953 |

Valuation processes for investment property

The fair value of an individual investment property was prepared by preparing:

- a valuation using the income capitalization approach, which is calculated with a stabilized net operating income and capitalized at the requisite overall capitalization rate; and
- the discounted cash flow approach, which discounts the expected future cash flows, including a terminal value, based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows, and
- a direct comparison method, which is the primary method of appraising investment properties consisting solely of land. Recent sales of parcels of land, similar in terms of physical characteristics, and location are compared to the subject property to determine a representative value for the unit of comparison, i.e. sale price per acre.

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15. FAIR VALUE MEASUREMENTS (continued)

Updating the fair value for changes in the property cash flow, physical condition and changes in market conditions includes key assumptions and estimates for capitalization rates, normalized property operating revenues less property operating expense, discount rates, terminal rates, market rents, leasing costs and vacancy rates.

The Company's management team is responsible for determining the fair value measurements on a quarterly basis, including verifying all major inputs included in the valuation and reviewing the results. The Company's management, along with its Audit Committee, discuss the valuation process and key inputs on a quarterly basis. At September 30, 2022, a weighted average of 77% of the fair market value of the investment properties were appraised within the last year by qualified external valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The fair value of the remaining portfolio of investment properties was determined internally by the Company's management team by individuals who are knowledgeable and have specialized industry experience in real estate valuations, with support from external valuation professionals, using similar assumptions and valuation principles as used by external appraisers.

The significant and unobservable level 3 valuations metrics used in the methods at September 30, 2022 are set out in the table below for investment properties consisting of land and building:

| | Range (%) | Weighted Average (%) |
|-------------------------------------|-----------|----------------------|
| Income capitalization method | | |
| Stabilized capitalization rate | 2.60-6.42 | 4.82 |
| Discounted cash flow method | | |
| Terminal capitalization rate | 4.00-6.55 | 5.22 |
| Discount rate | 4.65-6.75 | 5.82 |

Sensitivities on assumptions:

Generally, under the income capitalization method, an increase in stabilized net operating income will result in an increase in the fair value of an investment property, and an increase in the stabilized capitalization rate will result in a decrease to the fair value of the investment property.

Generally, under the discounted cash flow method, an increase in discount rate and terminal capitalization rate will result in a decrease to the fair value of an investment property.

Changes in the capitalization rates and discount rates would result in a change to the fair value of the investment properties as set out below as at September 30, 2022:

| | (Decrease)/Increase |
|--|---------------------|
| Income capitalization method | |
| Weighted average stabilized capitalization rate | |
| 25-basis point increase | \$ (12,785,163) |
| 25-basis point decrease | 10,804,461 |
| Discounted cash flow method | |
| Weighted average terminal capitalization rate: | |
| 25-basis point increase | (6,507,402) |
| 25-basis point decrease | 7,191,260 |
| Weighted average discount rate: | |
| 25-basis point increase | (4,257,803) |
| 25-basis point decrease | 4,362,421 |

15. FAIR VALUE MEASUREMENTS (continued)

Valuation processes for financial liabilities measured at FVTPL

The fair value of the mortgages with interest rate swaps are held at FVTPL. For mortgages which contain swaps, as the interest rate on the facilities fluctuates with changes in market rates, debt and the swap work to offset any changes in effective interest rate, which effectively creates a fixed rate mortgage. The fair value of the mortgages is equivalent to a) the fair value of the interest rate swap based on the present value of the estimated cash flows determined using observable yield curves and b) the fair value of the underlying debt instrument. The Company computes the fair value analyzing both the debt and swap instrument together as one financial instrument.

Valuation processes for financial liabilities measured at amortized cost

The fair value of the fixed rate mortgages held at amortized cost are determined by discounting the expected cash flows each mortgage using market discount rates. The discount rates are determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for the Company's specific credit risk. In determining the adjustment for credit risk, the Company considers market conditions, the fair value of the investment properties that the mortgages are secured by and other indicators of the Company's creditworthiness. As a result, these measurements are classified as Level 3 in the fair value hierarchy.

16. SUBSEQUENT EVENTS

Subsequent to September 30, 2022, the Company received \$2,194,620 (US\$1,602,840) in distributions from the joint venture.

Subsequent to September 30, 2022, the Company purchased and cancelled 1,587,800 common shares pursuant to its NCIB for a total of \$1,549,465 (note 9(a)).