



YORKTON
E Q U I T Y G R O U P I N C .

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

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

The accompanying unaudited condensed interim consolidated financial statements of Yorkton Equity Group Inc. 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 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.

Yorkton Equity Group Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

As at	June 30, 2024	December 31, 2023
Assets		
Non-current assets		
Investment properties (Note 4)	\$ 128,135,744	\$ 126,630,000
Investment	43,166	40,833
Equipment	19,577	11,196
Intangible asset	44,690	49,655
Promissory note receivable	202,092	202,092
	128,445,269	126,933,776
Current assets		
Cash and cash equivalents	306,344	775,005
Restricted cash	408,389	383,969
Accounts receivable	228,571	231,080
Due from related parties (Note 5)	300,317	337,600
Prepays and deposits	549,304	390,253
	1,792,925	2,117,907
Total assets	\$ 130,238,194	\$ 129,051,683
Liabilities		
Non-current liabilities		
Mortgages payable (Note 7)	\$ 91,717,818	\$ 91,921,769
Convertible debentures (Note 8)	4,925,372	4,772,795
Due to related parties (Note 5)	-	3,904
Deferred income taxes	2,640,167	2,335,142
	99,283,357	99,033,610
Current liabilities		
Mortgages payable - current portion (Note 7)	3,542,468	3,610,190
Accounts payable and accrued liabilities (Note 6)	777,441	846,531
Sales taxes payable	2,057	6,126
Refundable security deposits	544,884	514,642
	4,866,850	4,977,489
Shareholders' equity		
Common shares (Note 12(a))	14,234,263	14,234,263
Warrants (Note 12(c))	1,435,775	1,435,775
Contributed surplus	1,503,320	1,503,320
Equity component of convertible debentures (Note 8)	1,063,360	1,063,360
Retained earnings	7,851,269	6,803,866
	26,087,987	25,040,584
Total liabilities and shareholders' equity	\$ 130,238,194	\$ 129,051,683

See accompanying notes to the condensed interim consolidated financial statements

Approved by the Board of Directors:

(signed) "Ben Lui"
Director (signed by)

(signed) "Jason Theiss"
Director (signed by)

Yorkton Equity Group Inc.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

(Unaudited)

For the three and six months ended June 30,	Three Months		Six Months	
	2024	2023	2024	2023
Rental revenue (Note 9)	\$ 2,369,400	\$ 1,737,435	\$ 4,690,215	\$ 2,911,227
Recovery of operating expenses	130,523	86,771	229,727	192,499
Direct operating costs	(1,050,714)	(756,613)	(2,027,610)	(1,211,075)
Net rental income	1,449,209	1,067,593	2,892,332	1,892,651
Expenses				
Financing costs (Note 10)	1,225,423	859,268	2,453,140	1,441,277
General and administration (Note 11)	232,714	295,747	437,013	550,949
Bad debt	39,654	42,000	43,372	42,000
Property tax	5,039	4,764	10,077	9,531
Depreciation and amortization	3,292	700	6,585	1,399
	1,506,122	1,202,479	2,950,187	2,045,156
Loss before other income	(56,913)	(134,886)	(57,855)	(152,505)
Other income				
Fair value adjustment on investment properties (Note 4)	1,398,018	-	1,398,018	-
Interest income	10,285	49	12,265	18,241
Income before income taxes	\$ 1,351,390	\$ (134,837)	\$ 1,352,428	\$ (134,264)
Income tax expense				
Deferred income tax expense	(305,025)	-	(305,025)	-
Net income (loss) and comprehensive income (loss)	\$ 1,046,365	\$ (134,837)	\$ 1,047,403	\$ (134,264)
Income (loss) per common share				
Basic and diluted	\$ 0.01	\$ (0.00)	\$ 0.01	\$ (0.00)
Weighted average number of common shares outstanding				
Basic and diluted	112,680,574	112,716,512	112,680,574	112,697,078

See accompanying notes to the condensed interim consolidated financial statements

Yorkton Equity Group Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Common Shares (Note 12(a))	Warrants (Note 12(c))	Contributed Surplus	Equity component of convertible debentures (Note 8)	Retained Earnings	Equity
Balance December 31, 2022	\$ 14,222,796	\$ 1,435,775	\$ 1,509,029	\$ 407,851	\$ 3,365,906	\$ 20,941,357
Issuance of convertible debentures (Note 8)	-	-	-	133,067	-	133,067
Repurchase of common shares (Note 12(a))	(7,574)	-	(2,310)	-	-	(9,884)
Share-based payments (Note 12(a))	-	-	4,224	-	-	4,224
Exercise of common share purchase options	25,074	-	(4,224)	-	-	20,850
Net loss and comprehensive loss	-	-	-	-	(134,264)	(134,264)
Balance June 30, 2023	\$ 14,240,296	\$ 1,435,775	\$ 1,506,719	\$ 540,918	\$ 3,231,642	\$ 20,955,350

	Common Shares (Note 12(a))	Warrants (Note 12(c))	Contributed Surplus	Equity component of convertible debentures (Note 8)	Retained Earnings	Equity
Balance December 31, 2023	\$ 14,234,263	\$ 1,435,775	\$ 1,503,320	\$ 1,063,360	\$ 6,803,866	\$ 25,040,584
Net income and comprehensive income	-	-	-	-	1,047,403	1,047,403
Balance June 30, 2024	\$ 14,234,263	\$ 1,435,775	\$ 1,503,320	\$ 1,063,360	\$ 7,851,269	\$ 26,087,987

See accompanying notes to the condensed interim consolidated financial statements

Yorkton Equity Group Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

For the three and six months ended June 30,	2024	Three Months 2023	2024	Six Months 2023
Operating Activities				
Net income (loss) and comprehensive income (loss)	\$ 1,046,365	\$ (134,837)	\$ 1,047,403	\$ (134,264)
Adjustments for:				
Fair value adjustment on investment properties	(1,398,018)	-	(1,398,018)	-
Financing costs	1,164,686	763,399	2,426,971	1,256,226
Interest accretion	63,914	32,723	128,055	62,638
Deferred income tax expense	305,025	-	305,025	-
Share-based payments	-	4,224	-	4,224
Depreciation and amortization	3,292	700	6,585	1,399
Accrued interest receivable	(354)	-	(2,334)	(338)
Restricted cash	(19,567)	168,525	(24,420)	(102,047)
Bad debt	39,654	42,000	43,372	42,000
	1,204,997	876,734	2,532,639	1,129,838
Change in non-cash operating working capital (Note 13(a))	(150,651)	(582,048)	(242,831)	130,042
Cash provided by operating activities	1,054,346	294,686	2,289,808	1,259,880
Financing Activities				
Proceeds from exercise of common share purchase options	-	20,850	-	20,850
Repurchase of common shares for cancellation	-	(6,732)	-	(9,884)
Proceeds from issuance of convertible debentures (net of transaction costs)	-	95,955	-	228,220
Proceeds from mortgages payable (net of transaction costs)	-	-	-	39,363,300
Mortgage repayments	(308,762)	(261,217)	(617,146)	(448,728)
Advances from related parties (Note 5)	-	-	-	1,024
Repayments to related parties (Note 5)	(9,883)	(11,843)	-	-
Interest paid	(979,687)	(623,273)	(2,056,976)	(1,210,500)
Cash provided by (used in) financing activities	(1,298,332)	(786,260)	(2,674,122)	37,944,282
Investing Activities				
Acquisition of investment properties	-	-	-	(41,811,440)
Improvements to investment properties	(35,606)	(175,423)	(107,726)	(282,335)
Acquisition of equipment	-	-	(10,000)	-
Advances to related parties (Note 5)	(176,829)	(162,860)	(272,815)	(408,822)
Repayments from related parties (Note 5)	127,844	173,577	306,194	386,912
Cash used in investing activities	(84,591)	(164,706)	(84,347)	(42,115,685)
Net decrease in cash	(328,577)	(656,280)	(468,661)	(2,911,523)
Cash and cash equivalents, beginning of period	634,921	695,393	775,005	2,950,636
Cash and cash equivalents, end of period	\$ 306,344	\$ 39,113	\$ 306,344	\$ 39,113

See accompanying notes to the condensed interim consolidated financial statements

YORKTON EQUITY GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended June 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Business

Yorkton Equity Group Inc. (the “Company” or “Yorkton”) was incorporated on March 4, 2016 under the Business Corporations Act (Alberta). The Company is a growth-oriented real estate company which primarily owns a portfolio of multi-unit residential rental properties in Alberta and British Columbia.

The Company’s shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the symbol “YEG”. The Company’s registered office is located at Suite 3165, 10180 – 101 Street, Edmonton, Alberta, T5J 3S4.

2. Basis of Presentation

a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (the “IASB”). Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed and accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2023.

These condensed interim consolidated financial statements were authorized for issue by the Company’s board of directors on August 20, 2024.

b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for investment properties that have been measured at fair value. These condensed interim consolidated financial statements were prepared on a going concern basis.

c) Functional Currency

The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

d) Use of management critical judgment, estimates and assumptions

The preparation of condensed interim consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses recorded during the reporting period. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The critical accounting estimates and judgments made by management in applying the Company’s accounting policies were the same as those described in Note 2 to the Company’s consolidated financial statements for the years ended December 31, 2023 and 2022.

YORKTON EQUITY GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended June 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

3. Summary of Material Accounting Policies

The material accounting policies applied by the Company in these condensed interim consolidated financial statements are consistent with those applied by the Company in its annual consolidated financial statements for the years ended December 31, 2023 and 2022.

4. Investment Properties

	Land Held for Development	Commercial Property	Residential Properties	Total
Balance, December 31, 2022	\$ 6,450,000	\$ 6,300,000	\$ 41,880,000	\$ 54,630,000
Acquisition of investment properties	-	-	67,361,000	67,361,000
Capitalized acquisition costs	-	-	113,052	113,052
Additions to investment properties	-	11,696	285,908	297,604
Straight-line rents included in revenue	-	67,043	-	67,043
Fair value adjustment	(850,000)	(78,739)	5,090,040	4,161,301
Balance, December 31, 2023	5,600,000	6,300,000	114,730,000	126,630,000
Additions to investment properties	-	15,744	91,982	107,726
Fair value adjustment	-	-	1,398,018	1,398,018
Balance, June 30, 2024	\$ 5,600,000	\$ 6,315,744	\$ 116,220,000	\$ 128,135,744

Included in investment properties is \$192,574 (2023 - \$192,574) of rent receivable arising from the recognition of rental revenue on a straight-line basis over the lease terms.

Investment properties measured at fair value in the condensed interim consolidated statement of financial position are categorized by level according to significance of the inputs used in making the measurements. The level of inputs are as follows:

The Company values its investment property using Level 3 inputs. There have been no transfers during the period between levels.

During the six months ended June 30, 2024, the Company prepared valuations of its residential properties using the direct capitalization of income method. In applying the direct capitalization of income method, the stabilized net operating income is capitalized at the requisite overall capitalization rate using certain key assumptions, including market rents, operating expenses, vacancies, and capitalization rates. The stabilized net operating income and capitalization rate were determined based on internal assessments of available market information related to similar properties in the same geographical region. As at June 30, 2024, the residential properties were valued at \$116,220,000 (December 31, 2023 - \$114,730,000). During the three and six months ended June 30, 2024, a fair value gain of \$1,398,018 (2023 - \$nil) was recorded on the consolidated statement of income (loss) and comprehensive income (loss) as a result of changes in the fair value of the residential properties.

YORKTON EQUITY GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended June 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

4. Investment Properties (continued)

The weighted average capitalization rates used in determining the fair value of the Company's residential properties at June 30, 2024 are as follows:

	June 30, 2024	December 31, 2023
Kelowna, BC	3.75%	3.75%
Penticton, BC	3.75%	3.75%
Langford, BC	3.50%	3.50%
Fort St. John, BC	6.25%	6.03%
Edmonton, AB	5.00%	4.91%
Weighted average - total	4.88%	4.80%

Valuations determined by the direct capitalization income approach method are most sensitive to changes in capitalization rate and stabilized net operating income ("NOI"). The following table summarizes the sensitivity of the fair value of the residential investment properties to changes in net operating income and capitalization rate:

As at June 30, 2024

	Stabilized NOI – 3% (\$5,505,912)	Stabilized NOI – 1% (\$5,619,436)	Stabilized NOI used (\$5,676,198)	Stabilized NOI + 1% (\$5,732,959)	Stabilized NOI + 3% (\$5,846,483)
Capitalization rate – 0.25% (4.63%)	\$ 2,595,248	\$ 5,045,047	\$ 6,269,946	\$ 7,494,846	\$ 9,944,645
Capitalization rate – (4.88%)	\$(3,486,600)	\$(1,162,200)	\$ -	\$ 1,162,200	\$ 3,486,600
Capitalization rate + 0.25% (5.13%)	\$(8,976,138)	\$(6,764,925)	\$ (5,659,318)	\$(4,553,711)	\$ (2,342,497)

As at December 31, 2023

	Stabilized NOI – 3% (\$5,356,436)	Stabilized NOI – 1% (\$5,466,787)	Stabilized NOI used (\$5,522,099)	Stabilized NOI + 1% (\$5,577,320)	Stabilized NOI + 3% (\$5,687,762)
Capitalization rate – 0.25% (4.55%)	\$ 2,685,851	\$ 5,114,746	\$ 6,329,193	\$ 7,543,640	\$ 9,972,534
Capitalization rate – (4.80%)	\$(3,453,466)	\$(1,151,155)	\$ -	\$ 1,151,155	\$ 3,453,466
Capitalization rate + 0.25% (5.05%)	\$(8,984,569)	\$(6,796,302)	\$ (5,702,168)	\$(4,608,035)	\$ (2,419,768)

The above presentation of capitalization rates used in determining the fair value of the Company's residential properties and for the sensitivity to the fair value of the residential investment properties at December 31, 2023 have been revised to conform with the presentation at June 30, 2024, which is based on the weighted average capitalization rates.

The commercial property was valued at \$6,315,744 (2023 - \$6,300,000) using a combination of the direct capitalization of income method and the direct comparison approach at December 31, 2023. In applying the direct capitalization of income method, the stabilized net operating income is capitalized at the requisite overall capitalization rate. In applying the direct comparison method (price per square foot or price per unit), the property was compared to recent sales transactions considered to be similar in terms of location, condition, size, and tenancy. The Company did not identify any significant change in the value of the commercial property during the six months ended June 30, 2024.

YORKTON EQUITY GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended June 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

4. Investment Properties (continued)

The land held for development was valued at \$5,600,000 (December 31, 2023 - \$5,600,000) using the direct comparison approach at December 31, 2023. The land was compared to recent sales transactions of commercial land sales. The Company did not identify any significant change in the value of the land held for development during the six months ended June 30, 2024.

The Company leases space in its commercial property to tenants under operating leases. The leases have various terms between 1 and 5 years. The total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

	June 30, 2024	December 31, 2023
One year or less	\$ 377,274	\$ 367,298
2 – 5 years	822,491	974,206
	\$ 1,199,765	\$ 1,341,504

5. Related Parties

The Company's related parties are its Board of Directors, key management personnel (Chief Executive Officer "CEO" and Acting Chief Financial Officer "CFO", as well as any companies controlled by key management personnel or directors. Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

a) Parent and ultimate controlling party

The parent and ultimate controlling party of the Company is Lui Holdings Corporation, a company controlled by the CEO of the Company.

b) Key management personnel and director remuneration

The remuneration of key management personnel and directors is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Salaries and wages	\$ 12,500	\$ -	\$ 12,500	\$ -
Directors' fees	20,400	15,400	20,400	15,400
Professional fees	23,153	24,708	36,812	51,565
	\$ 56,053	\$ 40,108	\$ 69,712	\$ 66,965

YORKTON EQUITY GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended June 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

5. Related Parties (continued)

c) Related party transactions

During the three and six months ended June 30, 2024, the Company made advances and repayments to related parties of \$176,828 and \$272,814, respectively (2023 – \$162,860 and \$408,822, respectively), and received advances and repayments of \$117,961 and \$306,194, respectively (2023 - \$161,734 and \$387,936, respectively). The comparative amounts have been reclassified to conform with the current period presentation. The amounts were for working capital, property management and administration and accounting fees.

As at June 30, 2024, \$300,317 was receivable from two (2) companies directly controlled by the CEO of the Company (December 31, 2023 - \$337,600). These amounts are short term, unsecured and have no specific terms of repayment and relate to the administrative and accounting services provided by the related companies, as described below.

As at December 31, 2023, \$3,904 was payable to a company directly controlled by the CEO of the Company related to interest owing on a loan.

During the three and six months ended June 30, 2024, the Company incurred property management fees of \$106,244 and \$210,281, respectively (2023 - \$135,414 and \$181,388, respectively), included in direct operating costs, incurred under property management contracts with a company directly controlled by the CEO of the Company.

During the three and six months ended June 30, 2024, the Company incurred administrative and accounting fees of \$60,000 and \$120,000, respectively (2023 - \$120,711 and \$227,007, respectively), included in general and administration expense, incurred under an agreement with a company directly controlled by the CEO of the Company, to provide administrative and accounting services.

On April 20, 2023, the Company completed a non-brokered private placement of unsecured convertible debentures (Note 8). Pursuant to this private placement, the CEO of the Company acquired 55 of the convertible debentures in the principal amount of \$55,000.

6. Accounts Payable and Accrued Liabilities

The major components of accounts payable and accrued liabilities as at June 30, 2024 are as follows:

	June 30, 2024	December 31, 2023
Trade payables	\$ 158,764	\$ 138,690
Accrued liabilities	337,955	135,292
Accrued interest	246,848	546,394
Rent paid by tenants in advance	33,874	26,155
	\$ 777,441	\$ 846,531

YORKTON EQUITY GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended June 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

7. Mortgages Payable

As at June 30, 2024, all of the mortgages payable were fixed rate mortgages which bear a weighted average interest rate of 3.51% per annum (December 31, 2023 – variable rate mortgages of \$3,230,998 which bear interest at prime plus 0.75% per annum and fixed rate mortgages of \$95,029,304 which bear interest at a weighted average rate of 3.38% per annum). The overall weighted average interest rate as at June 30, 2024 was 3.51% per annum (December 31, 2023 – 3.53% per annum). Mortgages payable are payable in monthly principal and interest instalments totalling approximately \$389,000 (December 31, 2023 - \$389,000).

The mortgages payable are secured by specific charges against specific investment properties with a fair value of \$128,135,744 (December 31, 2023 - \$126,630,000), general assignment of rent, general security agreement, a personal guarantee from the CEO of the Company equal to between 40% and 100% of the loan (for certain mortgages payable), and a guarantee and postponement of claim from the Company.

	June 30, 2024	December 31, 2023
Total mortgages payable	\$ 97,643,161	\$ 98,260,302
Deferred financing costs	(2,382,875)	(2,728,343)
	95,260,286	95,531,959
Mortgages payable – current portion	\$ (3,542,468)	\$ (3,610,190)
Mortgages payable – non-current portion	\$ 91,717,818	\$ 91,921,769

Estimated future principal payments required to meet mortgage obligations as at June 30, 2024 are as follows:

Years ending June 30,	Amounts
2025	\$ 4,233,403
2026	1,120,520
2027	29,624,018
2028	39,020,546
2029	23,644,674
Total mortgage principal outstanding	97,643,161
Deferred financing costs	(2,382,875)
	\$ 95,260,286

YORKTON EQUITY GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended June 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

7. Mortgages Payable (continued)

On February 21, 2024, and as amended on June 3, 2024, the Company consolidated the three (3) mortgages payable held by a wholly-owned subsidiary, 1421526 Alberta Ltd., into one (1) demand non-revolving mortgage which bears interest at a fixed rate of 7.24% per annum, is repayable in equal blended monthly payments based on an amortization of 264 months and has a term of one (1) year. Pursuant to the mortgage payable, 1421526 Alberta Ltd. is required to maintain an annual debt service coverage ratio ("DSCR") of 1.25:1, which is measured and tested at December 31st of each year, during the term of the consolidated mortgage payable, based on the financial results of the previous twelve (12) month period. As at June 30, 2024, this mortgage payable had a balance of \$3,146,708 and for the three and six months ended June 30, 2024, the actual DSCR was 0.52 and 0.53, respectively. The mortgage payable has a term of one (1) year and therefore has been presented as a current liability in the condensed interim consolidation statement of financial position.

In addition, the following wholly-owned subsidiaries are required to maintain a certain number of "affordable units", as defined by the Canada Mortgage and Housing Corporation ("CMHC"), with residential rents at or below 30% of the median renter income in Edmonton, Alberta at the time of the issuance of the Certificate of Insurance ("COI") and with allowable annual increases according to the Consumer Price Index ("CPI") as stipulated by Statistics Canada for Alberta.

Investment property holding company	Mortgage balance as at June 30, 2024	Required minimum affordable units	Actual affordable units at June 30, 2024
1999988 Alberta Ltd.	\$39,184,999	25%	25%
1999999 Alberta Ltd.	\$23,547,620	80%	80%

8. Convertible Debentures

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, start of period	\$ 4,941,243	\$ 2,400,139
Proceeds from issuance of convertible debenture units	-	3,244,000
Amount classified as equity for conversion feature	-	(849,745)
Interest accretion	128,055	146,849
Total additions to convertible debentures	128,055	2,541,104
Balance, end of period	5,069,298	4,941,243
Deferred financing costs, end of period	(143,926)	(168,448)
	\$ 4,925,372	4,772,795

YORKTON EQUITY GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

8. Convertible Debentures (continued)

Estimated future principal payments required to meet convertible debenture obligations as at June 30, 2024 are as follows:

Years ending June 30,	Amounts
2027	\$ 3,005,000
2028	508,000
2029	2,736,000
Total convertible debenture principal outstanding	6,249,000
Allocated to equity	(1,541,802)
Interest accretion	362,100
Deferred financing costs	(143,926)
	\$ 4,925,372

9. Rental Revenue

Rental revenue consists of the following components:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Residential lease revenue	\$ 2,158,620	\$ 1,525,733	\$ 4,283,801	\$ 2,538,885
Commercial lease revenue	70,425	98,633	137,070	203,572
Non-lease revenue ⁽¹⁾	140,355	113,069	269,344	168,770
	\$ 2,369,400	\$ 1,737,435	\$ 4,690,215	\$ 2,911,227

⁽¹⁾ Non-lease revenue comprises parking and other ancillary services.

YORKTON EQUITY GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended June 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

10. Financing costs

The components of financing costs are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Mortgage interest	\$ 857,622	\$ 623,273	\$ 1,717,419	\$ 1,013,870
Convertible debenture interest	118,678	62,921	237,128	119,833
Amortization of deferred financing costs	184,999	140,126	369,995	241,212
Interest accretion	63,914	32,723	128,055	62,638
Other interest and financing costs	210	225	543	3,724
	\$ 1,225,423	\$ 859,268	\$ 2,453,140	\$ 1,441,277

11. General and Administration Expenses

The components of general and administrative expenses are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Administration and accounting fee (Note 5)	\$ 60,000	\$ 120,711	\$ 120,000	\$ 227,007
Advertising and promotion	17,468	15,777	20,863	31,917
Insurance	4,400	5,965	8,800	9,746
Office costs	20,116	7,141	38,557	10,232
Professional fees	91,688	113,498	196,919	232,690
Salaries and wages (Note 5)	12,500	-	12,500	-
Share-based compensation	-	4,224	-	4,224
Travel and meetings	23,342	25,807	30,779	30,019
Other	3,200	2,624	8,595	5,114
	\$ 232,714	\$ 295,747	\$ 437,013	\$ 550,949

Directors' fees and costs related to the annual shareholder meeting of \$24,236 were reclassified during the three and six months ended June 30, 2023 from professional fees to travel and meetings to conform with the current period presentation.

YORKTON EQUITY GROUP INC.

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12. Share Capital

Authorized: Unlimited number of common shares without nominal or par value
 Unlimited number of preferred shares without nominal or par value

Shares issued:**a) Common Shares**

	Common Shares	
	Number	Amount
Balance, December 31, 2022	112,677,427	\$ 14,222,796
Repurchase of common shares for cancellation	(119,500)	(13,607)
Exercise of common share purchase options	122,647	25,074
Balance, December 31, 2023 and June 30, 2024	112,680,574	\$ 14,234,263

b) Common Share Purchase Options

The Company has implemented an omnibus security-based compensation plan, most recently approved at the annual general and special meeting of shareholders held on June 7, 2024, which includes a ten percent (10%) rolling stock option plan (the "Stock Option Plan") together with a ten percent (10%) fixed security-based compensation plan (other than stock options) (the "Equity Compensation Plan").

The continuity of the Company's outstanding and exercisable common share purchase options is as follows:

	Six months ended June 30, 2024		Year ended December 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	559,905	\$0.20	559,905	\$0.20
Granted	-	-	177,000	\$0.17
Exercised	-	-	(122,647)	\$0.17
Expired	-	-	(54,353)	\$0.17
Outstanding, end of period	559,905	\$0.20	559,905	\$0.20
Exercisable, end of period	559,905	\$0.20	559,905	\$0.20

As at June 30, 2024, the 559,905 common share purchase options outstanding and exercisable expire on November 18, 2025 and have an exercise price of \$0.20 per common share.

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12. Share Capital (continued)**c) Common Share Purchase Warrants**

The continuity of the Company's outstanding common share purchase warrants is as follows:

	Six months ended June 30, 2024		Year ended December 31, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	1,552,800	\$0.60	21,930,466	\$0.38
Expired	-	-	(20,377,666)	\$0.36
Outstanding, end of period	1,552,800	\$0.60	1,552,800	\$0.60

The following common share purchase warrants are outstanding as at June 30, 2024:

Expiry date	Exercise Price	Warrants exercisable
January 17, 2027	\$0.60	1,488,000
January 25, 2027	\$0.60	64,800
		1,552,800

13. Supplemental Cash Flow Information**a) Net changes in Non-Cash Working Capital Items**

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Prepays and deposits	\$ (109,183)	\$ (404,717)	\$ (159,051)	\$ (290,362)
Accounts receivable	(20,187)	(73,516)	(40,863)	(62,059)
Sales taxes receivable	-	-	-	2,393
Sales taxes payable	(3,897)	(4,915)	(4,069)	1,813
Accounts payable and accrued liabilities	(42,425)	(108,125)	(69,090)	198,460
Refundable security deposits	25,041	9,225	30,242	279,797
	\$ (150,651)	\$ (582,048)	\$ (242,831)	\$ 130,042

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13. Supplemental Cash Flow Information (continued)**b) Reconciliation of Liabilities Arising from Financing Activities**

	Due to Related Party	Loan Payable to Related Party	Mortgages Payable	Convertible Debentures
Balance, December 31, 2022	\$ -	\$ -	\$ 33,126,275	\$ 2,256,566
Advances	-	1,500,000	64,582,440	1,744,000
Addition to deferred financing costs	-	-	(1,681,866)	(67,490)
Amortization of deferred financing costs	-	-	493,303	42,615
Allocated to equity	-	-	-	(849,745)
Transfer on closing of private placement	-	(1,500,000)	-	1,500,000
Interest accretion	-	-	-	146,849
Interest accrual	3,904	-	-	-
Repayments	-	-	(988,195)	-
Balance, December 31, 2023	3,904	-	95,531,959	4,772,795
Advances	9,883	-	-	-
Amortization of deferred financing costs	-	-	345,473	24,522
Interest accretion	-	-	-	128,055
Repayments	(13,787)	-	(617,146)	-
Balance, June 30, 2024	\$ -	\$ -	\$ 95,260,286	\$ 4,925,372

14. Financial Instruments**Fair Value**

Financial instruments include cash, restricted cash, accounts receivable, promissory note receivable, due from related parties, investment, refundable security deposits, mortgages payable, convertible debentures, due to related parties, and accounts payable and accrued liabilities.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

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14. Financial Instruments (continued)**Fair Value** (continued)

The fair values of the Company's financial instruments are presented in the table below:

	June 30, 2024	December 31, 2023
Financial Assets Measured at Amortized Cost:		
Cash	\$ 306,344	\$ 775,005
Restricted cash	\$ 408,389	\$ 383,969
Accounts receivable	\$ 228,571	\$ 231,080
Promissory note receivable	\$ 202,092	\$ 202,092
Investment	\$ 43,166	\$ 40,833
Due from related parties	\$ 300,317	\$ 337,600
Financial Liabilities Measured at Amortized Cost:		
Accounts payable and accrued liabilities	\$ 777,441	\$ 846,531
Refundable security deposits	\$ 544,884	\$ 514,642
Due to related parties	\$ -	\$ 3,904
Mortgages payable	\$ 97,643,161	\$ 98,260,302
Convertible debentures	\$ 6,249,000	\$ 6,249,000

The fair value of cash, restricted cash, accounts receivable, promissory note receivable, investment, due from related parties, accounts payable and accrued liabilities, refundable security deposits and due to related parties approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair values of mortgages payable and convertible debentures are determined using level 2 measurements by discounting the future contractual cash flows under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity.

The nature of these financial instruments and the Company's operations expose the Company to certain principal financial risks. The principal financial risks to which the Company is exposed are described below.

Financial risk management

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

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14. Financial Instruments (continued)**Financial risk management** (continued)**a) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate profile of the Company's interest-bearing financial instruments are as follows:

	June 30, 2024	December 31, 2023
Fixed-rate instruments		
Mortgages payable	\$ 97,643,161	\$ 95,029,305
Convertible debentures	6,053,000	6,053,000
	\$ 103,696,161	\$ 101,082,305
Variable-rate instruments		
Mortgages payable	\$ -	\$ 3,230,997
Convertible debentures	196,000	196,000
	\$ 196,000	\$ 3,426,997

The Company does not account for any fixed-rate financial instruments at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The Company is susceptible to interest rate cash flow risk on variable-rate financial instruments. A reasonably possible change of 1% in market interest rates would, all else being equal, increase or decrease net earnings for the three and six months ended June 30, 2024 by approximately \$500 and \$1,000, respectively (2023 – \$8,250 and \$16,500, respectively).

b) Credit risk

The Company is exposed to credit risk due to unexpected losses that could occur if a tenant fails to satisfy its lease obligations, if a borrower fails to repay on the promissory note receivable or if the related parties fail to repay on the amount due from related parties. Credit risk for the Company primarily arises from the accounts receivable from tenants and the promissory note receivable. The Company's maximum exposure to credit risk is equal to the carrying value of the financial asset.

Residential investment properties

The Company attempts to minimize possible risks by attracting tenants with good credit, limiting exposure to any one tenant and collecting security deposits from tenants. As at June 30, 2024, total rent due from residential tenants was \$67,849 (December 31, 2023 - \$44,798) of which rent due from current tenants amounted to \$41,070 (December 31, 2023 - \$44,798).

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14. Financial Instruments (continued)**Financial risk management** (continued)**b) Credit risk** (continued)**Residential investment properties** (continued)

The aging of accounts receivable for the residential investment properties is as follows:

	June 30, 2024	December 31, 2023
Current	\$ 21,641	\$ 20,511
31-90 days	15,775	25,611
90 + days	35,083	3,326
	72,499	49,448
Allowance for doubtful accounts	(4,650)	(4,650)
	\$ 67,849	\$ 44,798

Commercial investment property

For the commercial investment property, approximately 77% (December 31, 2023 – 85%) of accounts receivable is from one (1) tenant (December 31, 2023 – two (2) tenants) and 78% (2023 – 83%) of commercial rental revenue is from two (2) tenants (2023 – three (3) tenants).

The aging of accounts receivable for the commercial investment property is as follows:

	June 30, 2024	December 31, 2023
Current	\$ 37,336	\$ 85,683
31-90 days	80,313	422,341
90 + days	478,065	922
	595,714	508,946
Allowance for doubtful accounts	(434,993)	(322,664)
	\$ 160,721	\$ 186,282

The promissory note receivable is with a current tenant of the commercial investment property and is personally guaranteed by the tenant. As at June 30, 2024, the promissory note receivable was in default and had not been repaid and the Company had not demanded on its repayment rights. There was a provision for bad debts taken on the promissory note of \$47,908 (December 31, 2023 - \$47,908). The Company continues to work with the tenant on repayment.

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14. Financial Instruments (continued)

Financial risk management (continued)

b) Credit risk (continued)

Other

The amount due from related parties is due from companies directly controlled by the CEO and director of the Company and the credit risk is considered to be minimal.

In relation to cash and restricted cash, the Company believes that its exposure to credit risk is minimal as the Company only places its cash and restricted cash with reputable Canadian financial institutions.

c) Liquidity risk

The Company's exposure to liquidity risk is dependent on generating rental revenue to sustain operations. The Company controls liquidity risk by managing working capital and cash flows. As at June 30, 2024, the Company's contractual obligations for its non-derivative financial liabilities consists of accounts payable and accrued liabilities of \$777,441 (December 31, 2023 - \$846,531) and refundable security deposits of \$544,884 (December 31, 2023 - \$514,642) that have a contractual maturity in the fiscal 2025 year. There is no contractual maturity for the amounts due to related party of \$nil (December 31, 2023 - \$3,904) as there are no terms of repayment. The mortgages payable have terms maturing as disclosed in Note 7. The convertible debentures have terms maturing as disclosed in Note 8.

15. Capital Management

The primary objectives of the Company's capital management strategy are to:

- Provide an adequate return to its shareholders;
- Provide adequate and efficient funding for operations;
- Finance growth; and
- Preserve financial flexibility to benefit from potential opportunities as they arise.

The capital structure of the Company consists of certain liabilities and equity as follows:

	June 30, 2024	December 31, 2023
Mortgages payable	\$ 95,260,286	\$ 95,531,959
Convertible debentures	4,925,372	4,772,795
Due to related parties	-	3,904
Shareholders' equity	26,087,987	25,040,584
	\$ 126,273,645	\$ 125,349,242

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities. Historically, funding for the Company's plan is primarily managed through its rental activities and through obtaining financing. There is no assurance that funds will be made available to the Company when required. There have been no changes to the Company's capital management policies during the six months ended June 30, 2024. The Company is required to maintain mortgage covenants which are assessed by the lender on a periodic basis (Note 7).

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16. Subsequent Event

On July 15, 2024, the Company granted 250,000 common share purchase options to the directors of the Company. The common share purchase options vested immediately upon grant, have an exercise price of \$0.20 per common share and expire on June 10, 2029.