



**YORKTON**  
EQUITY GROUP INC.

**Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 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	September 30, 2024	December 31, 2023
<b>Assets</b>		
Non-current assets		
Investment properties (Note 4)	\$ 129,659,691	\$ 126,630,000
Investment	43,166	40,833
Equipment	18,017	11,196
Intangible asset	47,599	49,655
Promissory note receivable	151,569	202,092
	<b>129,920,042</b>	<b>126,933,776</b>
Current assets		
Cash and cash equivalents	473,913	775,005
Restricted cash	415,598	383,969
Accounts receivable	166,673	231,080
Due from related parties (Note 5)	358,161	337,600
Prepays and deposits	600,011	390,253
	<b>2,014,356</b>	<b>2,117,907</b>
<b>Total assets</b>	<b>\$ 131,934,398</b>	<b>\$ 129,051,683</b>
<b>Liabilities</b>		
Non-current liabilities		
Mortgages payable (Note 7)	\$ 91,613,635	\$ 91,921,769
Convertible debentures (Note 8)	5,002,423	4,772,795
Due to related party (Note 5)	136,733	3,904
Deferred income taxes	2,868,782	2,335,142
	<b>99,621,573</b>	<b>99,033,610</b>
Current liabilities		
Mortgages payable - current portion (Note 7)	3,555,982	3,610,190
Accounts payable and accrued liabilities (Note 6)	897,608	846,531
Sales taxes payable	3,529	6,126
Refundable security deposits	547,815	514,642
	<b>5,004,934</b>	<b>4,977,489</b>
<b>Shareholders' equity</b>		
Common shares (Note 12(a))	14,234,263	14,234,263
Warrants (Note 12(c))	1,435,775	1,435,775
Contributed surplus	1,537,428	1,503,320
Equity component of convertible debentures (Note 8)	1,063,360	1,063,360
Retained earnings	9,037,065	6,803,866
	<b>27,307,891</b>	<b>25,040,584</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 131,934,398</b>	<b>\$ 129,051,683</b>

See accompanying notes to the condensed interim consolidated financial statements

Approved by the Board of Directors:

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

(signed) "Tony Barlott"  
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 nine months ended September 30,	Three Months		Nine Months	
	2024	2023	2024	2023
<b>Rental revenue (Note 9)</b>	\$ 2,325,927	\$ 1,773,863	\$ 7,016,142	\$ 4,685,090
<b>Recovery of operating expenses</b>	82,940	137,926	312,667	330,425
<b>Direct operating costs</b>	(960,301)	(766,323)	(2,987,911)	(1,977,398)
<b>Net rental income</b>	<b>1,448,566</b>	<b>1,145,466</b>	<b>4,340,898</b>	<b>3,038,117</b>
<b>Expenses</b>				
Financing costs (Note 10)	1,221,134	860,688	3,674,274	2,301,965
General and administration (Note 11)	232,105	234,912	669,118	785,861
Bad debt expense	40,979	42,000	84,351	84,000
Property tax	5,957	4,766	16,034	14,297
Depreciation and amortization	4,994	700	11,579	2,099
	<b>1,505,169</b>	<b>1,143,066</b>	<b>4,455,356</b>	<b>3,188,222</b>
<b>Income (loss) before other income</b>	<b>(56,603)</b>	<b>2,400</b>	<b>(114,458)</b>	<b>(150,105)</b>
<b>Other income</b>				
Fair value adjustment on investment properties (Note 4)	1,470,918	-	2,868,936	-
Interest income	96	-	12,361	18,241
<b>Income (loss) before income taxes</b>	<b>1,414,411</b>	<b>2,400</b>	<b>2,766,839</b>	<b>(131,864)</b>
<b>Income tax expense</b>				
Deferred income tax expense	(228,615)	-	(533,640)	-
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 1,185,796</b>	<b>\$ 2,400</b>	<b>\$ 2,233,199</b>	<b>\$ (131,864)</b>
<b>Income (loss) per common share</b>				
Basic and diluted	\$ 0.01	\$ 0.00	\$ 0.02	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>				
Basic and diluted	112,680,574	112,731,487	112,680,574	112,704,351

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))	(15,071)	-	(5,709)	-	-	(20,780)
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	-	-	-	-	(131,864)	(131,864)
Balance September 30, 2023	\$ 14,232,799	\$ 1,435,775	\$ 1,503,320	\$ 540,918	\$ 3,234,042	\$ 20,946,854

	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
Share-based payments (Note 12(a))	-	-	34,108	-	-	34,108
Net income and comprehensive income	-	-	-	-	2,233,199	2,233,199
Balance September 30, 2024	\$ 14,234,263	\$ 1,435,775	\$ 1,537,428	\$ 1,063,360	\$ 9,037,065	\$ 27,307,891

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 nine months ended September 30,	Three Months		Nine Months	
	2024	2023	2024	2023
<b>Operating Activities</b>				
Net income (loss) and comprehensive income (loss)	\$ 1,185,796	\$ 2,400	\$ 2,233,199	\$ (131,864)
Adjustments for:				
Fair value adjustment on investment properties	(1,470,918)	-	(2,868,936)	-
Financing costs	952,779	947,994	3,379,750	2,204,220
Interest accretion	64,790	31,296	192,845	93,934
Deferred income tax expense	228,615	-	533,640	-
Share-based payments	34,108	-	34,108	4,224
Depreciation and amortization	4,994	700	11,579	2,099
Accrued interest receivable	-	-	(2,334)	(338)
Restricted cash	(7,209)	(17,230)	(31,629)	(119,277)
Bad debt	40,979	42,000	84,351	84,000
	<b>1,033,934</b>	<b>1,007,160</b>	<b>3,566,573</b>	<b>2,136,998</b>
Change in non-cash operating working capital (Note 13(a))	145,305	(38,544)	(97,526)	91,498
<b>Cash provided by operating activities</b>	<b>1,179,239</b>	<b>968,616</b>	<b>3,469,047</b>	<b>2,228,496</b>
<b>Financing Activities</b>				
Proceeds from exercise of common share purchase options	-	-	-	20,850
Repurchase of common shares for cancellation	-	(10,896)	-	(20,780)
Proceeds from issuance of convertible debentures (net of transaction costs)	-	-	-	228,220
Proceeds from mortgage payable (net of transaction costs)	-	-	-	39,363,300
Mortgage repayments	(263,396)	(261,447)	(880,542)	(710,175)
Advances from related parties (Note 5)	136,733	1,498,976	136,733	1,500,000
Repayments to related parties (Note 5)	(3,904)	-	(3,904)	-
Interest paid	(767,790)	(640,878)	(2,824,766)	(1,851,378)
<b>Cash provided by (used in) financing activities</b>	<b>(898,357)</b>	<b>585,755</b>	<b>(3,572,479)</b>	<b>38,530,037</b>
<b>Investing Activities</b>				
Acquisition of investment property	-	-	-	(41,811,439)
Improvements to investment properties	(53,029)	(7,088)	(160,755)	(289,424)
Deposit paid for acquisition investment property	-	(980,000)	-	(980,000)
Acquisition of equipment	-	-	(10,000)	-
Acquisition of intangible asset	(6,344)	-	(6,344)	-
Advances to related parties (Note 5)	(238,169)	(131,458)	(510,984)	(540,280)
Repayments from related parties (Note 5)	184,229	105,118	490,423	492,030
<b>Cash used in investing activities</b>	<b>(113,313)</b>	<b>(1,013,428)</b>	<b>(197,660)</b>	<b>(43,129,113)</b>
<b>Net increase (decrease) in cash</b>	<b>167,569</b>	<b>540,943</b>	<b>(301,092)</b>	<b>(2,370,580)</b>
Cash and cash equivalents, beginning of period	306,344	39,113	775,005	2,950,636
<b>Cash and cash equivalents, end of period</b>	<b>\$ 473,913</b>	<b>\$ 580,056</b>	<b>\$ 473,913</b>	<b>\$ 580,056</b>

See accompanying notes to the condensed interim consolidated financial statements

## **YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

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### **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 November 19, 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

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**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
<b>Additions to investment properties</b>	-	<b>49,416</b>	<b>111,339</b>	<b>160,755</b>
<b>Fair value adjustment</b>	-	-	<b>2,868,936</b>	<b>2,868,936</b>
<b>Balance, September 30, 2024</b>	<b>\$ 5,600,000</b>	<b>\$ 6,349,416</b>	<b>\$ 117,710,275</b>	<b>\$ 129,659,691</b>

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 nine months ended September 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 September 30, 2024, the residential properties were valued at \$117,710,275 (December 31, 2023 - \$114,730,000). During the three and nine months ended September 30, 2024, a fair value gain of \$1,470,918 and \$2,868,936, respectively (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

Nine months ended September 30, 2024

(Expressed in Canadian Dollars)

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**4. Investment Properties** (continued)

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

	<b>September 30, 2024</b>	December 31, 2023
Kelowna, BC	<b>3.75%</b>	3.75%
Penticton, BC	<b>3.75%</b>	3.75%
Langford, BC	<b>3.50%</b>	3.50%
Fort St. John, BC	<b>6.25%</b>	6.03%
Edmonton, AB	<b>5.00%</b>	4.91%
<b>Weighted average - total</b>	<b>4.88%</b>	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 September 30, 2024**

	Stabilized NOI – 3% (\$5,579,351)	Stabilized NOI – 1% (\$5,694,390)	Stabilized NOI used (\$5,751,909)	Stabilized NOI + 1% (\$5,809,428)	Stabilized NOI + 3% (\$5,924,466)
<b>Capitalization rate – 0.25% (4.63%)</b>	\$ 2,625,224	\$ 5,106,368	\$ 6,346,940	\$ 7,587,513	\$ 10,068,657
<b>Capitalization rate – (4.88%)</b>	\$(3,531,308)	\$(1,177,103)	\$ -	\$ 1,177,103	\$ 3,531,308
<b>Capitalization rate + 0.25% (5.13%)</b>	\$(9,088,548)	\$(6,848,924)	\$ (5,729,113)	\$(4,609,301)	\$ (2,369,678)

**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)
<b>Capitalization rate – 0.25% (4.55%)</b>	\$ 2,685,851	\$ 5,114,746	\$ 6,329,193	\$ 7,543,640	\$ 9,972,534
<b>Capitalization rate – (4.80%)</b>	\$(3,453,466)	\$(1,151,155)	\$ -	\$ 1,151,155	\$ 3,453,466
<b>Capitalization rate + 0.25% (5.05%)</b>	\$(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 September 30, 2024, which is based on the weighted average capitalization rates.

The commercial property was valued at \$6,349,416 (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 change in the value of the commercial property during the nine months ended September 30, 2024.

**YORKTON EQUITY GROUP INC.**

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(Expressed in Canadian Dollars)

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**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 nine months ended September 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:

	September 30, 2024	December 31, 2023
One year or less	\$ 374,421	\$ 367,298
2 – 5 years	705,343	974,206
	<b>\$ 1,079,764</b>	<b>\$ 1,341,504</b>

**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 September 30, 2024		September 30, 2023		Nine months ended September 30, 2024		September 30, 2023	
Salaries and wages	\$	18,750	\$	-	\$	31,250	\$	-
Directors' fees		10,200		6,200		30,600		21,600
Professional fees		15,912		13,598		52,724		65,163
	<b>\$</b>	<b>44,862</b>	<b>\$</b>	<b>19,798</b>	<b>\$</b>	<b>114,574</b>	<b>\$</b>	<b>86,763</b>

## **YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

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### **5. Related Parties (continued)**

#### ***c) Related party transactions***

During the three and nine months ended September 30, 2024, the Company made advances and repayments to related parties of \$242,073 and \$514,888, respectively (2023 – \$131,458 and \$540,280, respectively), and received advances and repayments of \$320,962 and \$627,156, respectively (2023 - \$104,094 and \$492,030, respectively). The comparative amounts have been reclassified to conform with the current period presentation. The amounts were primarily for working capital purposes.

As at September 30, 2024, \$358,161 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.

As at September 30, 2024, \$136,733 was payable to a company directly controlled by the CEO of the Company (December 31, 2023 - \$3,904).

During the three and nine months ended September 30, 2024, the Company incurred property management fees of \$121,690 and \$331,971, respectively (2023 - \$76,308 and \$199,359, 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 nine months ended September 30, 2024, the Company incurred administrative and accounting fees of \$63,000 and \$183,000, respectively (2023 - \$106,867 and \$333,874, 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.

During the nine months ended September 30, 2023, the Company entered into a loan with Lui Holdings Corporation, a company directly controlled the CEO of the Company (“Lui Holdings”), to borrow up to \$1,700,000, of which it had received \$1,500,000 as at September 30, 2023. The loan had a maturity date twenty-four (24) months from the date of issuance and bore interest at a rate of five percent (5%) per annum for the first thirty days and ten percent (10%) per annum from the 31st day until the maturity date, or upon the early repayment of the loan in full, whichever came first. The loan was made by Lui Holdings for the purpose of satisfying the required deposits and other related payments for the acquisition of The FUSE.

**YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

**6. Accounts Payable and Accrued Liabilities**

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

	<b>September 30, 2024</b>		December 31, 2023
Trade payables	\$ 98,465	\$	138,690
Accrued liabilities	<b>382,268</b>		135,292
Accrued interest	<b>366,831</b>		546,394
Rent paid by tenants in advance	<b>50,044</b>		26,155
	<b>\$ 897,608</b>	\$	846,531

**7. Mortgages Payable**

As at September 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 September 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 \$378,000 (December 31, 2023 - \$389,000).

The mortgages payable are secured by specific charges against specific investment properties with a fair value of \$129,659,691 (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.

	<b>September 30, 2024</b>		December 31, 2023
Total mortgages payable	\$ 97,379,759	\$	98,260,302
Deferred financing costs	<b>(2,210,142)</b>		(2,728,343)
	<b>95,169,617</b>		95,531,959
Mortgages payable – current portion	\$ (3,555,982)	\$	(3,610,190)
Mortgages payable – non-current portion	<b>\$ 91,613,635</b>	\$	91,921,769

**YORKTON EQUITY GROUP INC.**

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended September 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

**7. Mortgages Payable** (continued)

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

Years ending September 30,	Amounts
2025	\$ 4,246,918
2026	11,003,375
2027	19,593,242
2028	38,938,216
2029	23,598,008
Total mortgage principal outstanding	97,379,759
Deferred financing costs	(2,210,142)
	<b>\$ 95,169,617</b>

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 September 30, 2024, this mortgage payable had a balance of \$3,151,868 and for the three and nine months ended September 30, 2024, the actual DSCR was 0.85 and 0.61, 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 September 30, 2024	Required minimum affordable units	Actual affordable units at September 30, 2024
1999988 Alberta Ltd.	\$39,147,340	25%	25%
1999999 Alberta Ltd.	\$23,551,356	80%	80%

**YORKTON EQUITY GROUP INC.**

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**8. Convertible Debentures**

	Nine months ended September 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	192,845	146,849
Total additions to convertible debentures	192,845	2,541,104
Balance, end of period	5,134,088	4,941,243
Deferred financing costs, end of period	(131,665)	(168,448)
	\$ 5,002,423	4,772,795

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

Years ending September 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	426,890
Deferred financing costs	(131,665)
	\$ 5,002,423

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**9. Rental Revenue**

Rental revenue consists of the following components:

	Three months ended September 30, 2024		2023		Nine months ended September 30, 2024		2023	
Residential lease revenue	\$	<b>2,133,490</b>	\$	1,567,637	\$	<b>6,417,291</b>	\$	4,106,522
Commercial lease revenue		<b>68,465</b>		98,722		<b>205,535</b>		302,294
Non-lease revenue <sup>(1)</sup>		<b>123,972</b>		107,504		<b>393,316</b>		276,274
	\$	<b>2,325,927</b>	\$	1,773,863	\$	<b>7,016,142</b>	\$	4,685,090

Note:

<sup>(1)</sup> Non-lease revenue comprises parking and other ancillary services.**10. Financing costs**

The components of financing costs are as follows:

	Three months ended September 30, 2024		2023		Nine months ended September 30, 2024		2023	
Mortgage interest	\$	<b>851,178</b>	\$	624,492	\$	<b>2,568,597</b>	\$	1,638,362
Convertible debenture interest		<b>119,983</b>		64,721		<b>357,111</b>		184,554
Amortization of deferred financing costs		<b>184,988</b>		140,092		<b>554,983</b>		381,304
Interest accretion		<b>64,790</b>		31,295		<b>192,845</b>		93,933
Other interest and financing costs		<b>195</b>		88		<b>738</b>		3,812
	\$	<b>1,221,134</b>	\$	860,688	\$	<b>3,674,274</b>	\$	2,301,965

**YORKTON EQUITY GROUP INC.**

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**11. General and Administration Expenses**

The components of general and administrative expenses are as follows:

	Three months ended September 30, 2024		2023		Nine months ended September 30, 2024		2023	
Administration and accounting fee (Note 5)	\$	63,000	\$	106,867	\$	183,000	\$	333,874
Advertising and promotion		20,094		20,246		40,957		52,163
Insurance		7,774		4,663		16,574		14,409
Office costs		14,485		16,571		53,042		26,803
Professional fees		58,697		59,735		255,615		292,425
Salaries and wages (Note 5)		18,750		-		31,250		-
Share-based compensation		34,108		-		34,108		4,224
Travel and meetings		11,368		15,515		42,146		45,534
Other		3,829		11,315		12,426		16,429
	\$	232,105	\$	234,912	\$	669,118	\$	785,861

**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
<b>Balance, December 31, 2023 and September 30, 2024</b>	<b>112,680,574</b>	<b>\$ 14,234,263</b>

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**12. Share Capital** (continued)**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:

	Nine months ended September 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	250,000	\$0.20	177,000	\$0.17
Exercised	-	-	(122,647)	\$0.17
Expired	-	-	(54,353)	\$0.17
Outstanding, end of period	809,905	\$0.20	559,905	\$0.20
Exercisable, end of period	809,905	\$0.20	559,905	\$0.20

As at September 30, 2024, 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 and 250,000 common share purchase options outstanding and exercisable expire on June 10, 2029, and have an exercise price of \$0.20 per common share.

The Company determined the fair value of the common share purchase options granted using the Black Scholes Model. The weighted average grant date fair value per common share purchase option granted during the nine months ended September 30, 2024 was \$0.14 (2023 - \$0.02) using the following assumptions:

	September 30, 2024	September 30, 2023
Share price	\$0.18	\$0.17
Exercise price	\$0.20	\$0.17
Risk-free interest rate	3.36%	4.20%
Expected dividend yield	Nil	Nil
Estimated common share price volatility	104%	98%
Estimated life in years	4.91	0.13

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**12. Share Capital** (continued)**b) Common Share Purchase Options**

The effects of early exercise were incorporated in the estimate of the expected life of the common share purchase options. Expected volatility was determined based on the historical volatility of the Company's share price over the historical period commensurate with the expected life. Other features of the common share purchase options did not affect the calculation of grant date fair value.

During the three and nine months ended September 30, 2024, total share-based payment expense of \$34,108 (2023 - \$nil and \$4,224, respectively) was recognized and included in general and administration expense.

**c) Common Share Purchase Warrants**

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

	Nine months ended September 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 September 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

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

	Three months ended September 30, 2024		September 30, 2023	
Prepays and deposits	\$ (50,707)	\$ 134,058	\$ (209,758)	\$ (156,304)
Accounts receivable	71,442	(122,337)	30,579	(184,396)
Sales taxes receivable	(2,597)	-	(2,597)	2,393
Sales taxes payable	4,069	4,600	-	6,413
Accounts payable and accrued liabilities	120,167	(69,770)	51,077	128,690
Refundable security deposits	2,931	14,905	33,173	294,702
	<b>\$ 145,305</b>	<b>\$ (38,544)</b>	<b>\$ (97,526)</b>	<b>\$ 91,498</b>

The presentation of a deposit of \$980,000, previously included in the net changes in non-cash working capital during the three and nine months ended September 30, 2023, has been revised and included in cash used in investing activities in the condensed interim consolidated statement of cash flows.

**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
<b>Advances</b>	<b>146,616</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Amortization of deferred financing costs</b>	<b>-</b>	<b>-</b>	<b>518,200</b>	<b>36,783</b>
<b>Interest accretion</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>192,845</b>
<b>Repayments</b>	<b>(13,787)</b>	<b>-</b>	<b>(880,542)</b>	<b>-</b>
<b>Balance, September 30, 2024</b>	<b>\$ 136,733</b>	<b>\$ -</b>	<b>\$ 95,169,167</b>	<b>\$ 5,002,423</b>

**YORKTON EQUITY GROUP INC.**

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**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 party, 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.

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

	<b>September 30, 2024</b>	December 31, 2023
<b>Financial Assets Measured at Amortized Cost:</b>		
Cash	\$ 473,913	\$ 775,005
Restricted cash	\$ 415,598	\$ 383,969
Accounts receivable	\$ 166,673	\$ 231,080
Promissory note receivable	\$ 151,569	\$ 202,092
Investment	\$ 43,166	\$ 40,833
Due from related parties	\$ 358,161	\$ 337,600
<b>Financial Liabilities Measured at Amortized Cost:</b>		
Accounts payable and accrued liabilities	\$ 897,608	\$ 846,531
Refundable security deposits	\$ 547,815	\$ 514,642
Due to related party	\$ 136,733	\$ 3,904
Mortgages payable	\$ 97,379,759	\$ 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 party 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.

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**14. Financial Instruments** (continued)

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.

**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:

	September 30, 2024	December 31, 2023
<b>Fixed-rate instruments</b>		
Mortgages payable	\$ 97,379,759	\$ 95,029,305
Convertible debentures	6,053,000	6,053,000
	\$ 103,432,759	\$ 101,082,305
<b>Variable-rate instruments</b>		
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 fair value through profit or loss ("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 nine months ended September 30, 2024 by approximately \$500 and \$1,500, respectively (2023 – approximately \$8,700 and \$26,000, respectively).

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**14. Financial Instruments** (continued)**Financial risk management** (continued)**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 September 30, 2024, total rent due from residential tenants was \$39,048 (December 31, 2023 - \$44,798) of which rent due from current tenants amounted to \$36,948 (December 31, 2023 - \$44,798).

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

	<b>September 30, 2024</b>	December 31, 2023
Current	\$ 14,400	\$ 20,511
31-90 days	7,006	25,611
90 + days	17,642	3,326
	<b>39,048</b>	49,448
Allowance for doubtful accounts	-	(4,650)
	<b>\$ 39,048</b>	<b>\$ 44,798</b>

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**14. Financial Instruments** (continued)**Financial risk management** (continued)**b) Credit risk** (continued)**Commercial investment property**

For the commercial investment property, approximately 90% (December 31, 2023 – 85%) of accounts receivable is from one (1) tenant (December 31, 2023 – two (2) tenants) and 79% (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:

	<b>September 30, 2024</b>	December 31, 2023
Current	\$ 30,200	\$ 85,683
31-90 days	33,701	422,341
90 + days	538,248	922
	<b>602,149</b>	508,946
Allowance for doubtful accounts	<b>(474,524)</b>	(322,664)
	<b>\$ 127,625</b>	\$ 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 September 30, 2024, the promissory note receivable was in default and had not been repaid and the Company had not demanded on its repayment rights. During the three and nine months ended September 30, 2024, the Company recorded a reserve for bad debt of \$50,523 (2023 - \$nil) on the promissory note, and as at September 30, 2024, the cumulative provision for bad debts taken on the promissory note was \$98,431 (December 31, 2023 - \$47,908). The Company continues to work with the tenant on repayment.

**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.

## YORKTON EQUITY GROUP INC.

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### 14. Financial Instruments (continued)

#### Financial risk management (continued)

##### 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 September 30, 2024, the Company's contractual obligations for its non-derivative financial liabilities consists of accounts payable and accrued liabilities of \$897,608 (December 31, 2023 - \$846,531) and refundable security deposits of \$547,815 (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 \$136,733 (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:

- a) Provide an adequate return to its shareholders;
- b) Provide adequate and efficient funding for operations;
- c) Finance growth; and
- d) 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:

	September 30, 2024	December 31, 2023
Mortgages payable	\$ 95,169,617	\$ 95,531,959
Convertible debentures	5,002,423	4,772,795
Due to related party	136,733	3,904
Shareholders' equity	27,307,891	25,040,584
	<b>\$ 127,616,664</b>	<b>\$ 125,349,242</b>

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 financing obtained. 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 nine months ended September 30, 2024. The Company is required to maintain mortgage covenants which are assessed by the lender on a periodic basis (Note 7).