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# **Kadestone Capital Corp.**

Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023  
(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

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

# **Kadestone Capital Corp.**

Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2024 and 2023

(Unaudited – Prepared by Management)  
(expressed in Canadian dollars)

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

	Notes	September 30, 2024	December 31, 2023
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	4	\$ 3,522,570	\$ 4,331,129
Short term investment in mortgage fund	5	10,172,461	-
Accounts receivable and other		312,831	283,068
Prepaid expenses and deposits		31,436	19,134
		<u>14,039,298</u>	<u>4,633,331</u>
<b>Non-current assets</b>			
Investments in associates	6	11,743,819	22,866,125
Fixed assets		12,841	-
		<u>11,756,660</u>	<u>22,866,125</u>
<b>Total assets</b>		<b><u>\$ 25,795,958</u></b>	<b><u>\$ 27,499,456</u></b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,067,407	\$ 1,092,538
Loans payable	7	1,250,000	10,840,864
Convertible note	8	5,650,667	5,292,988
		<u>7,968,074</u>	<u>17,226,390</u>
<b>Non-current liabilities</b>			
Loans payable	7	10,072,879	-
		<u>10,072,879</u>	<u>-</u>
<b>Total liabilities</b>		<b><u>18,040,953</u></b>	<b><u>17,226,390</u></b>
<b>Shareholders' equity</b>			
Share capital	9a	18,304,750	18,304,750
Contributed surplus	9b	3,995,829	3,752,019
Equity component of convertible note	8	395,918	395,918
Accumulated deficit		(14,941,492)	(12,179,621)
		<u>7,755,005</u>	<u>10,273,066</u>
<b>Total liabilities and shareholders' equity</b>		<b><u>\$ 25,795,958</u></b>	<b><u>\$ 27,499,456</u></b>

Approved on behalf of the Board of Directors

"Brent Billey" Director

"Norm Mayr" Director

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

# Kadestone Capital Corp.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(expressed in Canadian dollars)

	Notes	Three months ended		Nine months ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Operating expenses</b>					
Consulting fees	12b	\$ 449,500	\$ 15,375	\$ 1,110,683	\$ 56,925
Salaries and wages	12b	182,203	175,515	551,012	547,647
Professional fees		101,535	79,657	478,574	320,241
Share-based compensation	9b, 12b	58,696	149,276	243,810	653,607
Directors' fees	12b	58,519	53,764	148,045	159,528
Rent		16,500	-	55,000	-
Dues and subscriptions		3,781	7,490	38,301	32,134
Marketing		11,165	26,749	32,513	65,711
Insurance		6,250	11,239	17,236	35,640
Computer		1,167	1,370	5,172	4,274
Office supplies		2,899	6,825	4,704	10,598
Bank charges		426	476	1,342	1,697
Depreciation		367	-	367	-
		893,008	527,736	2,686,759	1,888,002
Operating loss		(893,008)	(527,736)	(2,686,759)	(1,888,002)
<b>Other income and expenses</b>					
Interest expense		(403,518)	(257,812)	(1,090,082)	(757,650)
Interest revenue		36,119	87,044	68,601	247,831
Income from associates	6	29,123	25,228	938,728	78,129
Income from investment in mortgage fund	5	172,461	-	172,461	-
Loss and comprehensive loss before tax		(1,058,823)	(673,276)	(2,597,051)	(2,319,692)
Income tax expense		-	-	164,820	-
<b>Loss and comprehensive loss</b>		<b>\$ (1,058,823)</b>	<b>\$ (673,276)</b>	<b>\$ (2,761,871)</b>	<b>\$ (2,319,692)</b>
Basic and diluted loss per share	10	\$ (0.02)	\$ (0.01)	\$ (0.06)	\$ (0.05)

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

# Kadestone Capital Corp.

## Consolidated Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Notes	Number of common shares	Common shares	Contributed surplus	Equity component of convertible note	Accumulated deficit	Total
<b>December 31, 2022</b>		46,928,247	\$ 18,304,750	\$ 2,992,399	\$ 395,918	\$ (10,475,473)	\$ 11,217,594
Share-based compensation	9b	-	-	653,607	-	-	653,607
Loss and comprehensive loss for the period		-	-	-	-	(2,319,692)	(2,319,692)
<b>September 30, 2023</b>		<b>46,928,247</b>	<b>\$ 18,304,750</b>	<b>\$ 3,646,006</b>	<b>\$ 395,918</b>	<b>\$ (12,795,165)</b>	<b>\$ 9,551,509</b>
<b>December 31, 2023</b>		46,928,247	\$ 18,304,750	\$ 3,752,019	\$ 395,918	\$ (12,179,621)	\$ 10,273,066
Share-based compensation	9b	-	-	243,810	-	-	243,810
Loss and comprehensive loss for the period		-	-	-	-	(2,761,871)	(2,761,871)
<b>September 30, 2024</b>		<b>46,928,247</b>	<b>\$ 18,304,750</b>	<b>\$ 3,995,829</b>	<b>\$ 395,918</b>	<b>\$ (14,941,492)</b>	<b>\$ 7,755,005</b>

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

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

	<b>Nine months ended September 30, 2024</b>	<b>Nine months ended September 30, 2023</b>
<b>Operating activities</b>		
Loss and comprehensive loss for the period	\$ (2,761,871)	\$ (2,319,692)
Adjustments for items not affecting cash:		
Share-based compensation	243,810	653,607
Depreciation	367	-
Interest expense	1,090,082	757,650
Interest revenue	(68,601)	(247,831)
Income from associates	(938,728)	(78,129)
Income from investment in mortgage fund	(172,461)	-
	<u>(2,607,402)</u>	<u>(1,234,395)</u>
Interest paid	(388)	(43,237)
Interest received	54,525	256,171
Changes in non-cash working capital:		
Accounts receivable and other	(15,687)	18,133
Prepaid expenses and deposits	(12,302)	(239,002)
Accounts payable and accrued liabilities	(25,131)	(701,293)
	<u>(2,606,385)</u>	<u>(1,943,623)</u>
<b>Investing activities</b>		
Advances to associates	(160,000)	(4,216,000)
Distribution of capital from associate	12,221,034	3,440,000
Advances to investment in mortgage fund	(10,000,000)	-
Investment in fixed assets	(13,208)	-
Investment in restricted term deposit	-	1,000,000
	<u>2,047,826</u>	<u>224,000</u>
Net cash provided by investing activities	2,047,826	224,000
<b>Financing activities</b>		
Repayment of loans payable	(250,000)	(263,725)
	<u>(250,000)</u>	<u>(263,725)</u>
Net cash used in financing activities	(250,000)	(263,725)
<b>Change in cash and cash equivalents</b>	<u>(808,559)</u>	<u>(1,983,348)</u>
<b>Cash and cash equivalents, beginning of period</b>	4,331,129	8,886,147
<b>Cash and cash equivalents, end of period</b>	<u>\$ 3,522,570</u>	<u>\$ 6,902,799</u>
Cash, end of period	996,375	776,199
Cash equivalents, end of period	2,526,195	6,126,600
	<u>\$ 3,522,570</u>	<u>\$ 6,902,799</u>

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

# Kadestone Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2024 and 2023

(Unaudited)

(expressed in Canadian dollars)

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### 1. BUSINESS OF THE COMPANY

Kadestone Capital Corp. (the “Company”) was incorporated under the British Columbia Business Corporations Act on July 2, 2019. On October 29, 2020, the Company completed its initial public offering and commenced trading on the TSX Venture Exchange (the “TSXV”). Its principal business activity is the acquisition, development and management of residential and commercial income producing properties within major urban centres and high-growth, emerging markets in Canada, with an initial focus on the Metro Vancouver market. Its registered and records office is 595 Melville Street Suite 3500, Vancouver, BC Canada, V6E 4E5.

These condensed interim consolidated financial statements were authorized for issuance on behalf of the Board of Directors of the Company on November 14, 2024.

### 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

#### a. Statement of compliance

The unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements as at and for the year ended December 31, 2023, as some disclosures from the annual financial statements have been condensed or omitted.

#### b. Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis.

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

#### c. Significant accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities, and expenses, as well as the Company’s ability to continue as a going concern. The estimates and assumptions made are continually evaluated and have been based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain. Actual results could differ materially from these estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised and may impact future periods.

In the process of applying the Company’s accounting policies in the preparation of the condensed interim consolidated financial statements, the significant judgments and estimates made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2023.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2023.

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

# Kadestone Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2024 and 2023

(Unaudited)

(expressed in Canadian dollars)

### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held at the bank of \$996,375 (December 31, 2023 - \$1,203,263) and guaranteed investment certificates (GICs) of \$2,526,195 (December 31, 2023 - \$3,127,866).

### 5. SHORT TERM INVESTMENT IN MORTGAGE FUND

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

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

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

	Nine months ended September 30, 2024	Year ended December 31, 2023
Balance, beginning of period	\$ -	\$ -
Investment in mortgage fund	10,000,000	-
Income reinvested in mortgage fund	87,278	-
Accrued income	85,183	-
Balance, end of period	\$ 10,172,461	\$ -

### 6. INVESTMENTS IN ASSOCIATES

Investments in associates consist of:

Investments In Associates	General Partnership Ownership	Limited Partnership Ownership (Class A)	Limited Partnership Ownership (Non-voting Class B)	September 30, 2024	December 31, 2023
Denciti Chilliwack Limited Partnership ("Chilliwack LP")	0%	80%	0%	\$ 11,589,190	\$ 12,664,220
Denciti Squamish Limited Partnership ("Squamish LP")	0%	80%	0%	154,629	10,201,905
<b>Total</b>				\$ 11,743,819	\$ 22,866,125

In April 2021, the Company acquired an 80% interest in Chilliwack LP, which was formed for the purpose of acquiring certain lands for development and sale of a light industrial commercial project in Chilliwack, B.C. The Company has contributed cumulative capital of \$13,332,000 (December 31, 2023 - \$13,172,000) to the limited partnership and also received a cumulative distribution of capital of \$2,000,000 (December 31, 2023 - \$720,000). The Company has provided a guarantee of up to \$25,075,200 (December 31, 2023 - \$13,856,000)



# Kadestone Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2024 and 2023

(Unaudited)

(expressed in Canadian dollars)

for a land loan and construction loan held within the limited partnership. The Company's share of net income from the limited partnership for the nine months ended September 30, 2024 is \$44,970 (September 30, 2023 - \$74,249). The Company estimates it will have additional equity funding commitments of approximately \$1,120,000 payable over the remaining 18-month development period as estimated by the Company's development partner.

In May 2021, the Company acquired an 80% interest in Squamish LP, which was formed for the purpose of acquiring certain lands for development and sale of a light industrial commercial project in Squamish, B.C. The Company has contributed cumulative capital of \$11,432,000 (December 31, 2023 - \$11,432,000) to the limited partnership and also received a cumulative distribution of capital and profits of \$14,381,034 (December 31, 2023 - \$3,440,000). The Company's share of net income from the limited partnership for the nine months ended September 30, 2024 is \$893,758 (September 30, 2023 - \$3,880). During the nine months ended September 30, 2024 the Squamish LP sold the remainder of its land inventory and distributed the proceeds after repayment of debt to the limited partners. Squamish LP is currently settling the remaining balances in the partnership associated with the project and will distribute the estimated withheld profits of \$154,629 when complete.

The general partner for each of the limited partnerships has the full authority to administer, manage, control and operate the limited partnerships. The Company's judgment is it does not have control over the limited partnership investments, but it does have significant influence and equity accounting is appropriate.

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

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

	Chilliwack LP		Squamish LP	
	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 1,108,491	\$ 282,293	\$ 24,655	\$ 603,116
Other current assets	18,536,924	17,504,122	674,391	13,609,495
Non-current assets	21,782,643	12,943,234	-	-
Current loans payable	25,222,557	13,314,964	-	913,009
Other current liabilities	1,719,015	1,584,412	449,929	547,220
Revenue	109,651	174,443	15,951,120	20,469,664
Expenses	53,438	53,367	14,500,759	17,707,336
Net income	56,213	121,076	1,450,361	2,762,328
Comprehensive income	\$ 56,213	\$ 121,076	\$ 1,450,361	\$ 2,762,328

### 7. LOANS PAYABLE

On June 25, 2021 and July 7, 2021, the Company was advanced \$1,300,000 and \$6,800,000, respectively, by way of a promissory note from a company controlled by a significant shareholder of the Company and a related party. The note is unsecured and bears interest at 10% per annum, compounded annually. Accrued interest is payable on the maturity date of July 6, 2024.

On November 3, 2021, the Company repaid principal of \$3,930,000 and accrued interest of \$123,552.

On January 28, 2022, the Company repaid \$950,000 of this loan and accrued interest of \$52,239.

On August 16, 2022, the Company repaid \$1,350,000 of this loan and accrued interest of \$150,200.

# Kadestone Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2024 and 2023

(Unaudited)

(expressed in Canadian dollars)

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

As at December 31, 2022 the principal amount of the loan payable was \$263,725 and accrued interest was \$40,096. On February 3, 2023 the Company repaid the remaining principal of \$263,725 and accrued interest of \$42,805 on the promissory note from a company controlled by a significant shareholder of the Company (Note 12c).

On April 24, 2024, the Company amended and restated the agreement for the May 6, 2022 \$10,000,000 promissory note and \$973,540 of accrued interest. The restated \$10,973,540 promissory note is unsecured and bears interest at 9% per annum from May 1, 2024 until April 30, 2025; a rate equal to 11% per annum from May 1, 2025 until April 30, 2026; a rate equal to 13% per annum from May 1, 2026 until April 30, 2027 and a rate equal to 15% from May 1, 2027 to April 30, 2028. Interest is payable in full at the maturity date of May 1, 2028. Principal payments of \$250,000 are payable on the last business day of each fiscal quarter. The loan agreement provides the lender with equity participation rights and a right of first offer with respect to the financing of future real estate development projects. The Company has treated the amendment of the debt as an extinguishment and issuance of new debt for accounting purposes.

As at September 30, 2024 the principal amount of the amended loan payable was \$10,723,540 (before amendment and as at December 31, 2023 - \$10,000,000) and accrued interest was \$599,339 (before amendment and as at December 31, 2023 - \$840,864).

### 8. CONVERTIBLE NOTE

On December 29, 2021, the Company issued an unsecured convertible note. The principal amount of the note of \$4,750,000 matures three years after issuance on December 29, 2024 and accrues interest at 7% per annum payable in cash on the maturity date. The Company incurred transaction costs on the debt issuance of \$34,500.

The holder of the note has the option to convert the principal amount of the note, in whole or in part, at any time between 180 days after the issuance date up to the maturity date. The note has a fixed conversion price of \$2.50 per share.

The convertible note is a compound instrument and the proceeds are required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 10%. The initial fair value of the debt, net of transactions costs, was calculated to be \$4,319,582 with the residual portion of \$395,918 allocated to equity.

	Nine months ended September 30, 2024		Year ended December 31, 2023	
Balance, beginning of period	\$	5,292,988	\$	4,793,632
Accretion and amortization of transaction costs		110,709		141,627
Accrued interest		246,970		357,729
Balance, end of period	\$	5,650,667	\$	5,292,988

# Kadestone Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2024 and 2023

(Unaudited)

(expressed in Canadian dollars)

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### 9. SHAREHOLDERS' EQUITY

#### a. Share Capital

The Company has an unlimited number of common shares authorized and 46,928,247 common shares issued as at September 30, 2024.

From January 1, 2023 to September 30, 2024 the Company has not issued any additional common shares

#### b. Share-based Compensation

The Company has a Stock Option Plan (the "Plan") in which the purpose of this Plan is to attract, retain and motivate qualified Directors, Officers, Employees and Consultants (the "Participants"), to reward those Participants for their contributions toward the long-term goals of the Company, and to enable and encourage the Participants to acquire common shares as long-term investments.

In accordance with the Plan, stock options are granted at the sole discretion of the board of directors of the Company. At issuance of the stock options, the board of directors determines the award date, the number of options granted, the exercise price, vesting schedule, exercise period and any other terms. Common shares available to Participants through the Plan will not exceed 10% of the outstanding common shares of the Company. In addition, no one person will receive more than 5% of the issued and outstanding capital of the Company through the Plan and consultants or persons employed to conduct investor relations will receive no more than 2%.

The exercise price of an option will not be less than the closing price of common shares on the TSXV as of the award date.

On September 27, 2024, the Company granted 750,000 options to directors and consultants of the Company. These options have an exercise price of \$0.87 and an expiry date of September 27, 2034. These options have a vesting period of 36 months with 1/36th of the award vesting every month. The grant date fair value of options granted was \$446,609.

The Company has valued these grants based on the Black-Scholes option pricing model with the following assumptions. Expected stock price volatility was derived from a sample of similar publicly traded companies.

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

As at September 30, 2024, 4,227,583 (December 31, 2023 - 3,657,472) of the total stock options outstanding had vested and 750,000 (December 31, 2023 - 200,000) have forfeited or expired. For the nine months ended September 30, 2024 the Company recognized \$243,810 (nine months ended September 30, 2023 - \$653,607) in share-based compensation expense for vesting of stock options.

# Kadestone Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2024 and 2023

(Unaudited)

(expressed in Canadian dollars)

Stock option transactions from January 1, 2023 to September 30, 2024 are as follows:

	Number of options	Weighted Average Exercise Price
Balance at January 1, 2023	4,638,000	\$1.16
Expired during the year	(200,000)	\$1.60
Balance at December 31, 2023	4,438,000	\$1.14
Granted during period	750,000	\$0.87
Forfeited during the period	(550,000)	\$1.45
Balance at September 30, 2024	4,638,000	\$1.06
Exercisable at September 30, 2024	3,477,583	\$1.02
Exercisable at December 31, 2023	3,457,472	\$1.03

As at September 30, 2024, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price	Expiry Date	Average remaining life (years)
250,000	250,000	\$0.40	December 31, 2029	5.25
1,000,000	1,000,000	\$0.40	December 31, 2029	5.25
300,000	300,000	\$0.80	March 3, 2030	5.42
100,000	100,000	\$0.80	June 10, 2030	5.70
431,000	431,000	\$1.55	March 5, 2031	6.43
382,000	382,000	\$1.60	August 20, 2031	6.89
100,000	94,444	\$1.80	November 23, 2031	7.15
1,325,000	920,139	\$1.50	August 4, 2032	7.85
750,000	-	\$0.87	September 27, 2034	10.00
4,638,000	3,477,583			

### 10. LOSS PER SHARE

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

	Three months ended September 30, 2024		September 30, 2023	
	September 30, 2024	September 30, 2024	September 30, 2023	September 30, 2023
Loss	\$ (1,058,823)	\$ (673,276)	\$ (2,761,871)	\$ (2,319,692)
Weighted average number of common shares, basic and diluted	46,928,247	46,928,247	46,928,247	46,928,247
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.06)	\$ (0.05)

# Kadestone Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2024 and 2023

(Unaudited)

(expressed in Canadian dollars)

### 11. INCOME TAXES

The following table provides the components of income taxes:

	Three months ended		Nine months ended	
	September	September	September	September
	30, 2024	30, 2023	30, 2024	30, 2023
Current income tax expense	\$	-	\$	-
			164,820	
				-

The following table is a reconciliation from the amounts which would be obtained by applying the statutory income tax rate for the year ended December 31, 2023 of 27.00% (December 31, 2022 – 27.00%) to the income (loss) as follows:

	Nine months ended			
	September 30,	September 30,		
	2024	2023		
Loss before income taxes	\$	(2,597,051)		
		\$	(2,319,692)	
Expected income tax recovery at statutory rates		(701,204)	(626,000)	
<i>Adjustments</i>				
Permanent difference and other		728,809	632,000	
Adjustment to prior year provision		55,215	-	
Change in tax benefits not recognized		82,000	(6,000)	
Provision for income tax	\$	164,820	\$	-

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

	September 30,	Expiry date	December 31,	Expiry date
	2024	range	2023	range
<b>Temporary Differences</b>				
Investment properties	\$ 1,120,100	No expiry date	\$ 1,106,892	No expiry date
Share or debt issue costs	17,694	2042 to 2046	42,892	2042 to 2046
Non-capital losses available for future periods	\$ 9,902,895	2039 to 2043	\$ 7,355,463	2039 to 2043

### 12. RELATED PARTY TRANSACTIONS

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

#### a. Key Management Personnel

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

# Kadestone Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2024 and 2023

(Unaudited)

(expressed in Canadian dollars)

### b. Transactions

Summary of transactions with key management and directors:

	<b>Nine months ended September 30, 2024</b>		<b>Nine months ended September 30, 2023</b>
Salary and short-term benefits	\$ 466,182	\$	466,182
Directors' fees	117,000		157,750
Share-based compensation	203,913		658,522
	\$ 787,095	\$	1,282,454

Included in accounts payable is \$29,387 (December 31, 2023 - \$38,948) owing to officers and directors of the Company.

During the nine months ended September 30, 2024, the Company paid \$950,333 (nine months ended September 30, 2023 - \$nil) in consulting fees to companies controlled by a director.

### c. Loan Payable

The Company had a loan payable with a related party which is described in Note 7.

## 13. FINANCIAL INFORMATION AND RISK FACTORS

Fair value measurements recognized in the consolidated financial statements are categorized in accordance with the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

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

The fair value of loans payable and the convertible note is estimated by discounting the future contractual cash flows at the market interest rate that is available to the Company for similar financial instruments.

# Kadestone Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2024 and 2023

(Unaudited)

(expressed in Canadian dollars)

The Company classifies its financial instruments as follows:

	<b>Financial assets at amortized cost</b>	<b>Financial liabilities at amortized cost</b>	<b>Fair Value through profit and loss</b>	<b>Fair Value</b>
<b>September 30, 2024</b>				
Cash and cash equivalents	\$ 3,522,570	\$ -	\$ -	\$ 3,522,570
Short term investment in mortgage fund	-	-	10,172,461	10,172,461
Accounts receivable and other	312,831	-	-	312,831
Accounts payable and accrued liabilities	-	1,067,407	-	1,067,407
Loans payable	-	11,322,879	-	11,557,752
Convertible note	-	5,650,667	-	5,636,246
<b>Total</b>	<b>\$ 14,007,862</b>	<b>\$ 18,040,953</b>	<b>\$ -</b>	

	<b>Financial assets at amortized cost</b>	<b>Financial liabilities at amortized cost</b>	<b>Fair Value</b>
<b>December 31, 2023</b>			
Cash and cash equivalents	\$ 4,331,129	\$ -	\$ 4,331,129
Accounts receivable and other	283,068	-	283,068
Accounts payable and accrued liabilities	-	1,092,538	1,092,538
Loans payable	-	10,840,864	10,740,284
Convertible note	-	5,292,988	5,340,741
<b>Total</b>	<b>\$ 4,614,197</b>	<b>\$ 17,226,390</b>	

### Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its business and maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

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

There have been no changes in the Company's approach to capital management in the nine months ended September 30, 2024.

### Risk Factors

The Company is exposed, in varying degrees, to the following financial instrument related risks:

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Deposits of cash and cash equivalents and term deposits are made with major Canadian banks which have a minimum credit rating of B or higher.

# Kadestone Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements For the three and nine months ended September 30, 2024 and 2023

(Unaudited)

(expressed in Canadian dollars)

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### Interest Rate Risk

The Company does not currently have any variable rate borrowings directly. The Company's loans payable and convertible note bear interest at fixed rates, and therefore, these financial instruments do not expose the Company to significant interest rate risk. The loans held by the Company's associate investments, and guaranteed by the Company, are based on a variable rate and the risk on these loans are managed through a budget contingency on the project.

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

### Liquidity Risk

Liquidity risk arises through the excess of financial obligations due at any point in time over available financial assets. The Company's objective in managing liquidity risk is to maintain sufficient readily available working capital to meet its liquidity requirements. At September 30, 2024, the Company had current financial assets of \$14,007,862 available to settle current financial liabilities of \$7,968,074. On December 29, 2024, the Company's convertible note will mature and will either be converted at the option of the holder or will require repayment of the principal and interest amounts on that date.

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

	<b>Current</b>	<b>1-2 years</b>	<b>2-5 years</b>
Accounts payable and accrued liabilities	\$ 1,067,407	\$ -	\$ -
Loans payable	1,250,000	2,000,000	12,604,061
Convertible note	\$ 5,747,500	\$ -	\$ -