GULF & PACIFIC EQUITIES CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

Quarterly Report for the six and three months ended June 30, 2020

This Management Discussion and Analysis ("**MD&A**") of Gulf & Pacific Equities Corp (the "**Company**") provides analysis of the Company's financial results for the six and three months ended June 30, 2020. The following information should be read in conjunction with the accompanying unaudited condensed interim financial statements and the related notes for the six and three months ended June 30, 2020 and the audited financial statements and the related notes for the year ended December 31, 2019.

The unaudited condensed interim financial statements and related notes of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Refer to the Notes of the June 30, 2020 unaudited condensed interim financial statements for disclosure of the Company's significant accounting policies. The Company's functional and reporting currency is the Canadian dollar.

The Company is publicly traded on the TSX Venture Exchange (TSX-V: **GUF**).

International Financial Reporting Standards

The Company's unaudited condensed interim financial statements for the six and three months ended June 30, 2020 and the December 31, 2019 audited financial statements have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

Date of Report

This report is prepared as of August 20, 2020.

Forward Looking Statements

This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address the Company's ability to lease vacant property units, collect minimum rents, diversify its tenant base, undertake land intensification projects, refinance loans and mortgages at their maturity, complete accretive acquisitions and other events that impact the growth of the Company are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include interest rates, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Additional information including press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and are available online under our profile at www.sedar.com or the Company's website at www.gpequities.com.

Company Overview

The Company was incorporated under the *Business Corporations Act* (Alberta) on April 8, 1998 and on June 17, 1998 filed Articles of Amendment to remove certain private corporation restrictions. The Company is listed on the TSX Venture Exchange (TSX-V: GUF). The Company commenced active operations during the 1999 fiscal year and is focused on the acquisition, management, and development of anchored shopping centres in Western Canada.

The Company's current portfolio consists of three properties located in Alberta. The three properties consist of Tri-City Mall located in Cold Lake, Alberta with a gross lease area of 141,289 sq. ft., St. Paul Shopping Centre, in St. Paul, Alberta with a gross lease area of 79,042 sq. ft. and a stand-alone property in Three Hills, Alberta with 9,003 sq. ft. of gross lease area. The Company still holds a vacant lot in Merritt, B.C..

Second Quarter 2020 Highlights

In the Second Quarter 2020:

- The second quarter of 2020 was the peak of the national and global battle against the COVID-19 pandemic, resulting in the closing of retail activities across Canada except for those who are deemed essential services. Our properties located in northern Alberta are in regions with low confirmed COVID-19 cases, however many of our tenants closed due to social distancing requirement for individuals. As a result, some of our tenants closed their premises other than those who were deemed essential services such as the drug store, grocery store, dollar stores, banks, government services and fast food. We are pleased to report that many of the tenants who closed continued to pay their monthly rent.

- During the quarter from April to June a total of 9 tenants did not pay full rent

  - 4 small local tenants paid no rent or partial rent
  - 1 national tenant paid 50% of base rent for 3 months and full additional rent
  - 2 national tenants on percentage rent paid rent for the period they were in operation

    - 2 national tenants made partial payments during this period and renegotiated their lease to percentage rent going forward

- As well, two national tenants negotiated rent deferrals. One tenant is deferring base rent for three months and the second tenant is deferring base & additional rent for two months. The deferred payments are due in 2021.

- The result is that the Company collected approximately 86% pre-COVID-19 rent in April, 89% in May, 83% in June and 91% in July. The rent presented for June and July includes the deferred rent for two national tenants which will be due in 2021. The Company anticipates that August rent will be approximately 96% if percentage rents are the same as July.

- In the second quarter, the Company wrote down the rental revenue loss as a bad debt charge totaling $62,267. In July, the Company applied for the Canadian Emergency Commercial Rent Assistance (CECRA) program for those tenants who qualified. In August, the Company received approval for the CECRA grant and will be reporting the funds in the third quarter.

- In July one tenant who paid full rent during second quarter gave notice to stop operations effective August 1, 2020

- At **Tri-City Mall**, due to COVID-19 leasing activities have stopped. The Company continues to monitor the market and look for emerging opportunities with new national & local tenants. Gulf & Pacific is committed to lease out the remaining vacancies and working to fully lease the mall.

- At **St. Paul Shopping Centre**, management is pleased to report that the St. Paul Shopping Centre is fully leased in its current configuration.

- In **Three Hills**, Red Apple Stores Inc. continues to operate the premises as The Bargain Shop and was deemed an essential service and continued to operate.

- In **Merritt**, the Company still holds a vacant lot with nominal value.

- The Company has a revolving unsecured loan agreement with Ceyx Properties Ltd. ("**Ceyx**") for up to $6 million at an annual interest rate of 6% with no fixed terms for repayment (the "**Loan**"). As of June 30, 2020, the balance outstanding was $1,347,000.

Overall Performance

Condensed Interim Statements of Financial Position

On the Condensed Interim Statements of Financial Position, total assets were $40,530,719 at June 30, 2020, compared to $40,228,443 as of December 31, 2019. The increase of $302,276 in total assets during the quarter is primarily due to rental revenue, cam recoveries, and deferral of mortgage payments for three months, offset by decreases right-of-use asset, and normal operations of the company.

The Company's cash balance decreased by $1,234 during the quarter to $282,391 at June 30, 2020, from $283,625 as of December 31, 2019. The decrease is mostly due to use of funds for payment of property taxes in the quarter, regular property management expenses, and administration, offset by cash provided from the Company's normal operations.

Other amounts receivable increased to $252,158 at June 30, 2020 from $196,679 as of December 31, 2019 mostly due to property taxes receivable from tenants who pays property taxes annually and the Company's outstanding receivables in common area and property taxes.

Total prepaid expenses for the Company is at $288,232 for June 30, 2020 due mainly to payment of property taxes in June for the full year compared to $38,469 for December 31, 2019.

Effective January 1, 2019, in accordance with IFRS 16, the Company recorded a right-of-use asset of $80,590 for its corporate office lease. As at June 30, 2020, the right-of-use asset has a remaining balance of $50,986.

Investment properties is unchanged at $39,600,000 as of June 30, 2020 and as of December 31, 2019.

The Company holds common shares of a related company. The value of the shares is $56,952 as of June 30, 2020 compared to $48,816 as of December 31, 2019.

With respect to liabilities, accounts payable and accrued liabilities increased to $2,084,319 as of June 30, 2020 from $1,961,124 as of December 31, 2019 due to normal operations such as property taxes, common area expenses, and loan interest.

Mortgages payable increased to $20,868,990 as of June 30, 2020 from $17,836,171 as of December 31, 2019 due to additional loan of $3,000,000 secured in April and the three months defer payment of interest and principal during the quarter.

Effective January 1, 2019, in accordance with IFRS 16, the Company recorded a lease liability of $82,470 for its corporate office lease. As at June 30, 2020, the lease liability has a remaining balance of $54,204.

As June 30, 2020, the Company had an outstanding loan obligation of $1,347,000 from a related corporation, Ceyx Properties Ltd. The loan is unsecured, with access to a maximum value of up to $6,000,000 and interest payable of 6% per annum. Interest is accrued but not compounded. The companies are related by virtue of the fact that they have the same President. The related corporation is not a subsidiary.

The purchase price payable of $658,776 represents an agreement whereby the Company is obliged to pay the amount if the Tri-City Mall becomes fully leased subsequent to the purchase. As at June 30, 2020, the property was not fully leased. Since the Company expects to fully lease the property in the future, this obligation has been fully provided for.

The deferred income tax liability of $1,102,000 as of June 30, 2020 represents the Company's future obligations due to the net of items including temporary differences between the accounting basis and the tax basis of the assets and liabilities, and tax loss carry forwards.

Total liabilities increased to $26,115,289 as of June 30, 2020 from $25,935,945 as of December 31, 2019. This increase is primarily due to defer payments of interest and principal.

Shareholders' equity was $14,415,430 as of June 30, 2020 compared to $14,292,498 as of December 31, 2019. The increase in shareholder's equity was mainly due to increase in retained earnings due to rental revenue, and common area and property taxes recoveries.

<u>Condensed Interim Statements of Income and Comprehensive Income</u>

For the quarter ended June 30, 2020 revenue increased to $937,139 from $800,040 for the quarter ended June 30, 2019. The increase was mostly due to an increase in common area and realty tax recoveries in the quarter in 2020 compared to lower rental revenue in the second quarter of 2019 due to the departure of a tenant in the first quarter of 2019.

Accordingly, rental income increased by $38,469 or 6.0% as a result of increases in annual rent for several tenants compared to the departure of a tenant in the first quarter of 2019. Step rent revenue improved from negative $24,570 in the quarter ended June 30, 2019 to negative $20,517 in the quarter ended June 30, 2020, a non-cash amount representing the straight-line recognition of future rent increase for the new leases. Common area and realty tax recoveries increased by $94,577 or 50.6% for the quarter compared to the same period last year, due mostly to recovery of realty taxes from tenants paying annually.

Expenses for the quarter increased to $1,082,688 as of June 30, 2020 from $821,230 for the quarter ended June 30, 2019, an increase of $261,458 or 31.8%. The primary reason for the increase in expenses is due to annual realty taxes payables received in the quarter and administration expenses which include an one-time bad debt charge as noted above in the second quarterly highlight, offset by reduced interest expenses to a related party.

In detail, a decrease in interest of $43,779 or 15.7% is due mostly to a decrease in interest loans payable as a result of the repayment of $3,000,000 in the quarter. Increases in operating costs and realty taxes of $228,535 or 78.0% is due to accounting of the property taxes for the first and second quarter. Administration expenses increased by $76,702 or 38.3% due to one-time bad debt charges as noted above.

Overall, within the normal operations of the Company, excluding one-time items, expenses are holding steady and management remains focused on controlling costs and operating efficiently.

Net loss before fair value adjustment and income taxes for the quarter ended June 30, 2020 was $145,549 compared to net loss of $21,190 for the quarter ended June 30, 2019. As a result, basic and diluted net income per share before fair value adjustment and income taxes was $Nil per share for the quarter ended June 30, 2020 and $Nil for the quarter ended June 30, 2019.

Net income and comprehensive income for the quarter ended June 30, 2020 was a loss of $65,320 compared to income of $89,706 for the quarter ended June 30, 2019. As a result, basic and diluted income per share was a net income of $Nil per share for the quarter ended June 30, 2020 and the quarter ended June 30, 2019.

Condensed Interim Statements of Cash Flow

On the statements of cash flows, cash provided by operations totaled $462,710 for the six months ended June 30, 2020 compared to cash provided by operations of $734,222 for the six months ended June 30, 2019.

Financing activities for the six months ended June 30, 2020 recorded funds used of $462,111 compared to funds used of $890,020 for the six months ended June 30, 2019.

As at June 30, 2020, the Company had cash of $282,391 compared to cash of $199,840 as at June 30, 2019.

Selected Annual Information

The following selected financial data for each of the three most recently completed financial years are derived from the audited annual financial statements of the Company, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and presented for the years ended December 31, 2019, 2018 and 2017.

For the Years Ended December 31,	2019	2018	2017
	$	$	$
Revenue	3,838,060	3,992,607	3,870,165
Net Income (Loss) before fair value adjustment and income taxes	215,716	427,473	653,258
Net Income (Loss) before fair value adjustment and income taxes, per share - basic and diluted	0.01	0.02	0.03
Net Income (Loss) and Comprehensive Income (Loss)	(197,218)	367,292	(168,588)
Net Income (Loss) and Comprehensive Income (Loss), per share - basic	(0.01)	0.02	(0.01)
Net Income (Loss) and Comprehensive Income (Loss), per share - fully diluted	(0.01)	0.02	(0.01)
Total Assets	40,228,443	40,928,951	40,863,892
Total Liabilities	25,935,945	26,437,355	26,739,588
Cash Dividends	-	-	-

Summary of Quarterly Results

The following selected financial data are derived from the unaudited quarterly financial statements of the Company, which were prepared in accordance with IFRS for the results from July 1, 2018 to June 30, 2020.

	2020		2019				2018	
For the Quarters Ended	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**
	$	$	$	$	$	$	$	$
Revenue (i)	937,139	907,191	941,671	1,103,183	800,040	993,166	1,000,789	1,005,051
Net Income (Loss) before fair value adjustment and income taxes (i)	(145,549)	163,554	97,047	46,743	(21,190)	93,116	214,269	82,278
Net Income (Loss) before fair value adjustment and income taxes, per share - basic and fully diluted	-	0.01	0.01	-	-	-	0.02	-
Net Income (Loss) and Comprehensive Income (Loss)	(65,320)	188,252	(428,218)	65,935	89,706	75,359	298,888	(66,480)
Net Income (Loss) and Comprehensive Income (Loss), per share - basic	-	0.01	(0.01)	-	-	-	0.02	-
Net Income (Loss) and Comprehensive Income (Loss), per share – fully diluted	-	0.01	(0.01)	-	-	-	0.02	-

* Not presented as effect of dilutive items are anti-dilutive

(i) Certain amounts from the unaudited quarterly financial statements of the Company have been reclassified in this table to conform with current period presentation. These reclassifications did not have any impact on the total net income (loss) and comprehensive income (loss). Amounts may not agree with the previously filed financial statements.

Liquidity and Capital Resources

The Company had cash of $282,391 as of June 30, 2020 which is sufficient to cover the Company's near-term cash requirements. If additional capital resources are required, management believes that it has the ability to raise sufficient funds for the continuation of operations. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to obtain the required financing.

The Company has commitments for capital expenditures related to the landlord's work in securing the new tenants. The Company currently has access of up to $6,000,000 in loan proceeds from a related party. As at June 30, 2020, $1,347,000 is outstanding on this loan.

The Company is committed under lease contract for the rental of its office premises in Toronto.

To date, the Company has not paid any dividends on its shares and as of the date of this MD&A does not plan to pay dividends in the immediate future.

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and

b) to provide adequate return to shareholders by obtaining an appropriate amount of debt commensurate with the level of risk, to reduce after-tax cost of capital.

Second Quarter 2020

Major events and results relating to the quarter ending June 30, 2020 are covered in the section "Second Quarter 2020 Highlights".

Changes in Accounting Policies

There were no changes in accounting policies effective January 1, 2020.

Financial Instruments

All of the Company's financial instruments are initially measured at fair value, with subsequent measurements dependent on the classification of each financial instrument as follows:

Asset/Liability	Classification under IFRS 9
Investments	FVTPL
Other amounts receivable	Amortized cost

Cash	Amortized cost
Mortgages	Amortized cost
Purchase price payable	Amortized cost
Loan payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As of June 30, 2020, the Company had issued and outstanding 21,290,685 common shares with a recorded value of $7,453,322.

The Company is also authorized to issue an unlimited number of preference shares without par value, of which none have been issued.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet transactions for the six and three months ended June 30, 2020 or the year ended December 31, 2019.

Related Party Transactions

During the six months ended June 30, 2020, the Company:

a) Charged rent at 1240 Bay Street to related parties, Plato Gold Corp., $1,200 (June 30, 2019 - $1,200) and Ceyx Properties Ltd., $1,800 (June 30, 2019 - $1,800). The companies are related parties of the Company by virtue of the fact that they both have the same President of the Company. As at June 30, 2020, included in accounts receivable is an amount of $12,500 (December 31, 2019 - $11,300) due from these related parties.

b) Was charged consulting fees for financial and management services of $57,188 (June 30, 2019 - $57,188) by Greg K. W. Wong, an officer of the Company. As at June 30, 2020, accounts payable and accrued liabilities included $12,654 (December 31, 2019 - $Nil) of consulting fees payable to this officer.

c) Incurred accounting fees for bookkeeping and financial statement preparation of $71,000 (June 30, 2019 - $30,000) with an accounting firm, Forbes Andersen LLP, in which Paul Andersen, one of the Company's officers, is a partner. As at June 30, 2020, accounts payable and accrued liabilities included $7,695 (December 31, 2019 - $42,396) payable to this accounting firm.

d) Other related party transactions are disclosed in note 8 & 9 to the accompanying financial statements.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the particular related parties and the Company.

Contractual Obligations and Commitments

The Company's contractual obligations and commitments consists of loans and mortgages which are disclosed in the notes to the unaudited condensed interim financial statements ended June 30, 2020 and in the notes to the audited financial statements ended December 31, 2019. In February 2018, the Company moved to new offices and has lease obligations for its new offices until 2023.

Internal Control over Financial Reporting

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the audited annual financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited annual financial statements and (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the audited annual financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**MI 52-109**"), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer (such as the Company) to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risk and Uncertainties

The Company depends on several national retail chains for a significant part of its income. If any of these chains were adversely affected by economic or business conditions, it would have a negative impact on the Company. The Company would also be adversely affected by a long-standing large increase in interest rates or a severe economic slowdown.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures which include the implementation of travel bans, self-imposed quarantine periods, and social distancing have caused material disruption to businesses resulting in a global economic disruption. At the same time, global equity markets have experienced historic volatility. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize domestic economic conditions. The duration and eventual impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods.

For the Company, COVID-19 has no physical impact on the three properties located in northern Alberta. However, COVID-19 does significantly impact the daily operations of the company, the operations of the tenants, the rental payments by tenants, the cost of operations at each property and the Company's ability to access funds in the capital markets for financing. The current impact of COVID-19 on the Company is reported in the section "Second Quarter 2020 Highlights". Going forward, until a vaccine is approved to battle COVID-19, the uncertainty and its impact on the Company remains difficult to measure for the coming quarters.

OUTLOOK

COVID-19 has crashed the economies for nations from China to Europe to North America and around the world. In some parts of the world such as India, COVID-19 is well into its second wave, which is anticipated to hit North America in the fall of 2020. The result is that global economic uncertainty will be with us for the rest of the year and likely into 2021.

Terms such as recession and depression have been used by economists, and governments worldwide are reacting to the economic downturn with historic decreases in interest rates and monumental government spending to keep domestic economies afloat.

Nationally, governments have been focused on social isolation to “flatten the curve” to ensure that current health care capacity is not overwhelmed, but with huge negative economic impact. In recent months, governments have slowly reopened the economy as the number of COVID-19 cases have declined. However, until a vaccine is developed, the duration of the reopening might be short as a second wave of the COVID-19 is anticipated in the fall of 2020.

In Canada, the Bank of Canada dropped the interest rate to a historic low of 0.25% and Canadian Government spending at all levels are resulting in record high deficits.

The economic future is uncertain for every sector of the economy, including commercial real estate holdings.

In Alberta, the oil price has rebounded but the Alberta economy is still facing many economic challenges for years ahead. As such, the Alberta government has embarked on an austerity program in the province and is putting pressure on Ottawa to make policy changes to revitalize the oil sector in the province. The Keystone XL pipeline continues to be a political football in the US elections. Given the impact of COVID-19 and low oil prices, the retail sector will face an uphill challenge in Alberta which will impact negatively on the properties held by the Company. However, this is mitigated somewhat by the fact that the Company has many tenants that qualify as essential services. Our mix of “everyday basic needs” has served us well during the pandemic so far.

For the Company, our properties are in regions with diverse economies and do not solely depend on the oil sector. While it’s anticipated that low oil prices will have an impact on local economies, it will be soften somewhat in these two regions due to their diversification, with agriculture, tourism, and the Canada Forces Base in Cold Lake, in addition to the oil and gas industry.

As well, there have been very few cases of COVID-19 reported in Cold Lake or in St. Paul and as mentioned previously, many of our tenants are deemed essential services, which will help the economic recovery locally.

The low interest rate environment will be around for a long time which is an advantage for the Company as it should reduce the interest cost for future refinancing. The Company regularly monitors interest rates and in the first quarter of 2018 the Company locked in a 5-year mortgage for its two key properties. On April 2, 2020, the Company completed a $3 million financing for 5 years with a fixed rate of 4.48% replacing a higher cost loan bearing an interest rate of 6%.

Operationally, our business model has enabled the Company to weather past economic downturns better than most sectors, as our anchor tenants and national retailers are key retailers in their region. In addition, groceries, pharmacies, and some of our other tenants are deemed essential services during COVID-19.

While the Canadian retail market will be facing a major reorganization after COVID-19, the Company has historically been able to renew leases when due and secure new tenants when opportunities arise.

Management is continuing its efforts to fully lease the remaining vacancies at Tri-City Mall.

Tri-City Mall, Cold Lake, Alberta

The Tri-City Mall remains the flagship mall in the Company's portfolio and represents a major portion of the revenue generated for the Company.

In the quarter ended June 30, 2020, the Company worked hard with the tenants to weather the economic challenges due to COVID-19 as reported in the second quarter highlights. The Company is committed to lease the remaining space in Tri-City Mall and working to fully lease the mall.

With the changes noted above, the current tenant profile remains stable with Ardene, ATB Financial, Government of Alberta Infrastructure, Bootlegger, Bross Hair, Dollar Tree, Easy Financial, Pet Valu, Pizza Hut, Sobeys, Sportchek, V-Nails & Spa, Value Drug Mart, Warehouse One, and Winners. When fully leased, the mall will add substantial value to the Company's investment portfolio.

St. Paul Shopping Centre, St. Paul, Alberta

St. Paul Shopping Centre continues to be fully leased in its current configuration. The current tenant profile consists of Peavey Mart, Ardene, Dollar Tree, Marks, and Giant Tiger Stores occupying the mall. The two pad sites are leased by Tim Hortons and Petro Canada.

Three Hills, Alberta

Our Three Hills property is operating as a Bargain! Shop and is deemed an essential service.

In Merritt, British Columbia, the Company still holds a vacant lot.

Our long-term financing consists of mortgages and an unsecured loan with a related party. As of June 30, 2020, the mortgages outstanding for the Cold Lake and St. Paul properties stand at $20,586,125 for these two properties bearing interest at 5.26% ($17,563,622) maturing on September 1, 2023 and at 4.48% ($3,022,503) maturing on April 1, 2025. The Three Hills property has a mortgage balance of $309,794 as at June 30, 2020, paying interest at 5.85% and maturing on December 1, 2023.

The Company has access to the loan with Ceyx of up to $6 million to finance the redevelopment of the two malls and general operation of the Company of which $1,347,000 is outstanding as of June 30, 2020 and with accumulated interest of $1,453,165. On April 2, 2020, the Company repaid $3,000,000 on the loan leaving a balance of $1,347,000.

The Company had cash of $282,391 as of June 30, 2020 with 21,290,685 shares outstanding. The closing price of the Company's common shares on the TSXV on June 30, 2020 was $0.215.

Management continues to reduce costs at the corporate level and, when appropriate, to maintain or reduce Common Area Maintenance expenses on all properties.

As noted above, particularly due to COVID-19, the current economic situation remains challenging for new financing. Financing will be difficult to obtain in the small markets where our properties are located.

We are focused on maintaining a strong relationship with our many quality tenants such as Ardene, ATB Financial, Government of Alberta Infrastructure, Bootlegger, Dollar Tree, Easy Financial, Giant Tiger Stores, Mark's Work Warehouse, Peavey Mart, Pet Valu, Petro Canada, Pizza Hut, Sobeys, Sportchek, The Bargain Shop, Tim Hortons, V-Nails & Spa, Value Drug Mart, Warehouse One, and Winners. To view a complete list of our tenants please visit our website at www.gpequities.com.

Our business model of investing in anchored shopping centres, with a focus on everyday needs, remains our competitive advantage during good and difficult economic conditions.

In the past year, the Company continued to focus on securing new leases based on the current interest by national and local tenants. Looking forward to the remainder of 2020 management is committed to fully lease Tri-City Mall which will provide a substantial increase in valuation of the investment portfolio based on external appraisals. The Company is pleased to report that St. Paul Shopping Centre continues to be fully leased based in the current configuration.

However, uncertainty related to economic changes during and after COVID-19 will impact on the performance of the company in the coming quarters but we will endeavour as best as we can to fill consumers' basic everyday needs with our collection of retailers and services.

On a personal note, I want to thank all of the healthcare, frontline and essential workers, custodians, and property managers who are true heroes today, keeping Canadians fed, safe, and with the ability to see an end to this major disruption to our economy and way of life. We will emerge on the other side of this pandemic stronger and better prepared than we were before, and all Canadians will have a better appreciation of the important part that retail workers, and the aforementioned property management workers, play in giving some normality to all of our lives during such a difficult time and keeping us supplied with life's basic needs. I think all would agree that the importance of frontline retail workers to our way of life should not be underestimated. Thank you again on behalf of Gulf & Pacific for the important role that all of you play.

Yours truly,

(signed) "Anthony J. Cohen"
Anthony J. Cohen
President & CEO
August 20, 2020