Financial Statements

Gulf & Pacific Equities Corp.

For the Year Ended December 31, 2022 and 2021
(Stated in Canadian Dollars)

INDEX

GULF & PACIFIC EQUITIES CORP.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements were prepared by the management of Gulf & Pacific Equities Corp. (the "Company"), reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements and believes that they fairly represent the Company's financial position and the results of operations in accordance with International Financial Reporting Standards. Management has included amounts in the Company's financial statements based on estimates, judgments, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

"Anthony J. Cohen"
President and CEO

"Greg K. W. Wong"
CFO

Toronto, Ontario
April 20, 2023

Independent Auditor's Report

To the Shareholders of Gulf & Pacific Equities Corp.:

Opinion

We have audited the financial statements of Gulf & Pacific Equities Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and December 31, 2021, and the statements of income and other comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Investment Properties - Valuation

Investment properties are measured at fair value and totalled $47,830,000 as at December 31, 2022, which represented approximately 98% of total assets.

Fair value is determined using valuation techniques and assumptions which considers in most cases estimates of projected future cash flows from the properties and estimates of suitable discount rates for these cash flows. Valuation techniques for real estate can be subjective in nature and involve various assumptions regarding pricing factors. These assumptions include, among others, capitalization rate, market rental income, market-derived discount rate, inflation rate, projected net operating income, vacancy levels, and an estimate of the terminal capitalization rate. Because the valuation of investment properties is complex and highly dependent on estimates and assumptions, we consider the valuation of investment properties as a key audit matter in our audit.

Refer to Note 2 Basis of Presentation, Note 3 Summary of Significant Accounting Policies and Note 4 Investment Properties for disclosures regarding the Company's policy for accounting for investment properties and further information on the composition of investment properties.

We responded to this matter by performing procedures over the fair value of investment properties. Our audit work in relation to this included, but was not restricted to, the following:

• We obtained an understanding of management's valuation process;

• We examined management's estimate of the fair value of investment properties, which included examining appraisal reports provided by management to support the values as well as management's internal assessments of the fair value of properties where external appraisals were not obtained or updated at the statement of financial position date;

• We engaged an external qualified property valuation specialist as our auditor expert to independently test the appropriateness of the methodology used by management's expert in measuring the properties at fair value;

• We evaluated the external valuators expertise, independence, and methodology used for the valuation;

• We verified the appropriateness of the key inputs and assumptions used in the valuation model including the appropriateness of the discount rates and the projected net operating incomes;

• We assessed that the internal expert and external appraiser used by the Company have suitable qualifications and experience in local markets;

• We agreed the significant data applied for valuation purposes to supporting documentation; and

• We assessed the appropriateness of the disclosures relating to the assumptions used in the valuations in the notes the financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Matthew S. Pilloud.

Winnipeg, Manitoba

April 20, 2023

MNP LLP

Licensed Professional Accountants

Gulf & Pacific Equities Corp.

Statements of Financial Position
As at December 31, 2022
Stated in Canadian Dollars

	2022	2021
Assets		
Cash	$ 185,227	$ 178,058
Accounts receivable	499,785	275,144
Prepaid expenses	5,674	5,674
Right-of-use asset (note 6)	1,645	21,382
Investment properties (note 4)	47,830,000	43,500,000
Investments (note 7)	40,680	48,816
Other assets	53,452	51,448
	$ 48,616,463	$ 44,080,522
Liabilities		
Accounts payable and accrued liabilities	$ 2,824,931	$ 2,376,605
Mortgages (notes 5, 10)	21,122,881	19,272,565
Lease liability (note 6)	1,865	23,627
Loan payable (notes 8, 10)	2,147,000	1,697,000
Government loan payable (note 9)	38,095	38,099
Deferred income taxes (note 13)	1,660,000	1,424,000
	27,794,772	24,831,896
Shareholders' Equity		
Share Capital (note 11a)	7,453,322	7,453,322
Contributed Surplus	2,946,917	2,946,917
Retained Earnings	10,421,452	8,848,387
	20,821,691	19,248,626
	$ 48,616,463	$ 44,080,522

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board

"Anthony J. Cohen", Director "Greg K. W. Wong", Director

Gulf & Pacific Equities Corp.

Statements of Income and Comprehensive Income
For the Year Ended December 31
Stated in Canadian dollars

	2022	2021
Revenue		
Rental	$ 2,754,853	$ 2,720,704
Step rent	(5,175)	(38,419)
Common area and realty tax recoveries	1,466,073	1,283,112
	4,215,751	3,965,397
Expenses		
Interest	1,307,233	1,126,886
Operating costs and realty taxes	1,909,339	1,629,187
Administration (note 19)	809,300	748,344
Amortization (note 6)	19,737	19,736
Share-based compensation (note 12)	-	134,508
	4,045,609	3,658,661
Net Income before income taxes and the undernoted	170,142	306,736
Unrealized gain (loss) from investments	(8,136)	8,136
Change in estimate of accrued liabilities	-	156,096
Government grant (note 9)	1,814	23,472
Other income	25,575	18,804
Fair value adjustment (note 4)	1,619,670	4,240,766
Net Income before income taxes	1,809,065	4,754,010
Deferred income tax expense (note 13)	(236,000)	(364,000)
Net Income and Comprehensive Income	$ 1,573,065	$ 4,390,010
Net Income per Share - Basic (note 11b)	$ 0.07	$ 0.21
Net Income per Share - Diluted (note 11b)	$ 0.07	$ 0.21
Weighted Average Number of Common Shares Outstanding - Basic (note 11b)	21,290,685	21,290,685
Weighted Average Number of Common Shares Outstanding - Diluted (note 11b)	21,748,519	21,382,376

The accompanying notes form an integral part of these financial statements.

Gulf & Pacific Equities Corp.

Statements of Changes in Shareholders' Equity
For the Years Ended December 31
Stated in Canadian dollars

	Share Capital								
	Shares		Amount		Contributed Surplus		Retained Earnings		Total
Balance - January 1, 2021	21,290,685	$	7,453,322	$	2,812,409	$	4,458,377	$	14,724,108
Share based compensation (note 12)	-		-		134,508		-		134,508
Net income and comprehensive income	-		-		-		4,390,010		4,390,010
Balance - December 31, 2021	21,290,685	$	7,453,322	$	2,946,917	$	8,848,387	$	19,248,626

	Share Capital								
	Shares		Amount		Contributed Surplus		Retained Earnings		Total
Balance - January 1, 2022	21,290,685	$	7,453,322	$	2,946,917	$	8,848,387	$	19,248,626
Net income and comprehensive income	-		-		-		1,573,065		1,573,065
Balance - December 31, 2022	21,290,685	$	7,453,322	$	2,946,917	$	10,421,452	$	20,821,691

The accompanying notes form an integral part of these financial statements.

Gulf & Pacific Equities Corp.

Statements of Cash Flow
For the Years Ended December 31
Stated in Canadian Dollars

	2022	2021
Cash Provided By:		
Operating Activities		
Comprehensive income	$ 1,573,065	$ 4,390,010
Add (deduct) items not affecting cash:		
Amortization of deferred financing costs	3,592	3,235
Amortization	19,737	19,736
Deferred income tax expense	236,000	364,000
Amortization of deferred leasing costs	202,952	202,749
Step rent	5,175	38,419
Interest expense	1,301,831	1,122,080
Interest accretion	1,810	1,571
Fair value adjustments	(1,611,534)	(4,248,902)
Other income	-	(18,653)
Government grant	(1,814)	(23,472)
Change in estimate of accrued liabilities	-	(156,096)
Share-based compensation	-	134,508
	1,730,814	1,829,185
Changes in non-cash balances related to operations:		
Accounts receivable	(224,641)	(17,979)
Other assets	(2,004)	-
Accounts payable and accrued liabilities	236,805	106,164
	1,740,974	1,917,370
Financing Activities		
Repayment of mortgages payable	(1,139,926)	(1,092,154)
Advance of government loan payable	-	60,000
Receipt of mortgage proceeds	3,000,000	-
Receipt of loan proceeds	450,000	500,000
Repayment of loan payable	-	(150,000)
Interest paid	(1,089,686)	(1,026,202)
Payment of lease liability	(22,386)	(22,384)
Financing costs paid	(13,350)	(5,000)
	1,184,652	(1,735,740)
Investing Activities		
Investment property leasing costs	(97,913)	(151,447)
Investment property additions	(2,820,544)	-
	(2,918,457)	(151,447)
Increase in cash	7,169	30,183
Cash - beginning of year	178,058	147,875
Cash - end of year	185,227	178,058

The accompanying notes form an integral part of these financial statements.

1. Nature of Operations

Gulf & Pacific Equities Corp. (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 registered address and records office of the Company is located at 18104 102 Avenue N.W., Edmonton, AB. The Company is listed on the TSX Venture Exchange as "TSX-V: GUF". The Company commenced active operations during the 1999 fiscal year. The Company owns and operates commercial rental properties in Western Canada. The Company does not have any affiliates nor is it the subsidiary of any entity.

In March 2020, the World Health Organization declared a global pandemic related to the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19". This 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 and weakness. 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 Company in future periods.

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 from tenants, the cost of operations at each property and the Company's ability to access funds in the capital markets for financing.

2. Basis of Presentation

a) Statement of Compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company follows accounting policies under IFRS as disclosed in note 3.

These financial statements were authorized for issuance by the Board of Directors on April 20, 2023.

b) Basis of Measurement

The Company's financial statements have been prepared on a going concern basis using the historical cost basis except for investment properties and investments which have been measured at fair value.

c) Functional and Presentation Currency

The Company's functional currency is Canadian Dollars and the financial statements are presented in Canadian Dollars.

2. Basis of Presentation (continued)

d) Critical judgments, accounting estimates and assumptions

The Company makes estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Actual results could differ. The estimates and assumptions that the Company considered critical are described below:

i) Investment properties

The fair value of the investment properties is determined based on either internal valuation models incorporating market evidence or valuations performed by independent third party appraisers. The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as tenant profiles, future revenue streams and overall repair and condition of the property) and discount rates applicable to those cash flows. These estimates are based on market conditions existing at the reporting date. The following approaches, either individually or in combination, are used in the determination of the fair value of the investment properties:

The Direct Capitalization Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal (when obtained) and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an external appraisal is not obtained at the reporting date, management prepares internal valuations, for each investment property, to estimate the fair value.

Judgment is also applied in determining the extent and frequency of independent appraisals in order to determine fair values. The significant assumptions used by management in estimating the fair value of investment properties are set out in note 4.

In addition, the Company makes judgments with respect to whether tenant improvement expenditures represent an asset with a future economic benefit to the Company which impacts whether or not such amounts are treated as additions to the investment properties.

2. Basis of Presentation (continued)

d) Critical judgments, accounting estimates and assumptions (continued)

ii) Leases

The Company makes judgments in determining whether certain leases, in particular those tenant leases with long contractual terms where the lessee is the sole tenant in a property, are operating or finance leases. The Company has determined that all of its leases are operating leases.

Additional critical accounting estimates and assumptions include those used for estimating current and deferred taxes, certain accrued liabilities, assessing the allowance for doubtful accounts on trade receivables and determining the values of financial instruments for disclosure purposes.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

a) Fair value of investment property

Significant portions of the Company's operating assets are considered investment properties under IAS 40, Investment Property ("IAS 40"). Investment property includes land and buildings held primarily to earn rental income or for capital appreciation or both, rather than for use in the production or supply of goods or for sale in the ordinary course of business. The Company's revenue producing properties are classified as investment properties. Investment properties are initially measured at cost including transaction costs under IAS 40. However, subsequent to initial recognition, investment properties are recorded at fair value, which reflects an orderly transaction between market participants and current market conditions, at each financial position statement date. Gains and losses from changes in fair values are recorded in the statement of income and comprehensive income in the period in which they arise.

Leasing costs and lease incentives, which include costs incurred to make leasehold improvements to tenants' space, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction of investment properties revenue.

b) Deferred financing fees

Financing fees incurred in connection with long-term debt financing are included with the related debt and are amortized using the effective interest rate basis.

3. Summary of Significant Accounting Policies (continued)

c) Financial instruments

Classification and measurement of financial assets and financial liabilities

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), and amortized cost. Investments in equity instruments are required to be measured by default at FVTPL. IFRS 9 permits entities to elect into an irrevocable option for equity instruments to report changes in fair value in other comprehensive income.

Classification and measurement of financial assets is dependent on the Company's business model for managing the financial assets and related contractual cash flows. The following table summarizes the classification of the Company's financial assets and liabilities:

Asset/Liability	**Classification under IFRS 9**
Cash	Amortized cost
Accounts receivable	Amortized cost
Investments	FVTPL
Other assets	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Mortgages	Amortized cost
Loan payable	Amortized cost
Government loan payable	Amortized cost

Financial instruments with substantive characteristics of both a financial liability and equity instrument are accounted for through separate classification of the liability and equity elements. The debt component is recognized at fair value and the residual value is allocated to the conversion feature, classified as equity. The initial liability balance recognized is less than the face value of the debt. Therefore, the liability balance is accreted over the term of the debt. The accretion represents the amortization of the debt discount net of actual interest paid. The accretion of the original debt discount is charged to interest expense over the term of the debt using the effective interest rate method. Transaction costs are allocated to the liability and equity elements in proportion to the allocation of the proceeds.

Long-term debt, consisting of mortgages payable, loan payable and government loan payable, is initially recognized at fair value less directly attributable transactions costs. After initial recognition, long-term debt is subsequently measured at amortized cost using the effective interest rate method.

IFRS 9 has a three-stage expected credit loss ("ECL") model for determining impairment of financial assets. The expected credit loss model does not require the occurrence of a triggering event before an entity recognizes credit losses. IFRS 9 requires the Company to recognize expected credit losses upon initial recognition of a financial asset and to update the quantum of expected credit losses at the end of each reporting period to reflect changes to credit risk of the financial asset.

3. Summary of Significant Accounting Policies (continued)

d) Share-based payments

Share-based compensation granted to directors, officers and employees is measured at the fair value of the grants on the grant date. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using an accepted option pricing model. IFRS requires an initial estimate of the number of equity settled instruments that are expected to vest based on expected forfeitures, and subsequently adjustments are made to the estimate to reflect the actual number of equity settled instruments that vest, unless forfeitures are due to market based vesting conditions. Compensation expense is recognized over the tranche's vesting period, based on the number of awards expected to vest, by increasing contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The fair value of options granted to consultants is determined using fair value of the goods or services received. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company cannot be reliably measured, they are measured at fair value of the equity instruments issued. The resulting value is charged to operations over the service period. A corresponding increase in contributed surplus is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

e) Issue costs

The Company accounts for costs related to issuing equity as a charge against share capital in the period incurred.

f) Revenue recognition

Rental income from tenants under leases include components within the scope of IFRS 16, Leases. The Company uses the straight-line method of recognizing rental revenue whereby the total amount of rental revenue to be received from all leases is accounted for on a straight-line basis over the term of the related leases. Step rent recorded on the statement of income and comprehensive income represents the difference between rental revenue recognized on a straight-line basis and the amount of rent contractually due under the lease agreements. Realty tax recoveries are recognized as revenue in the period in which they are earned.

Common area recoveries are considered non-lease components and within the scope of IFRS 15, Revenue from Contracts with Customers. The performance obligation for the recovery of common area recoveries is satisfied over time. The Company receives variable consideration for the common area recoveries under the lease to the extent costs have been incurred, and revenue is recognized on this basis as the best estimate of amounts earned over the period these services are performed. At the end of the period, revenue is constrained by actual costs incurred and any restrictions in the lease agreement with each tenant.

3. Summary of Significant Accounting Policies (continued)

f) Revenue recognition (continued)

Interest income is recognized in earnings on an accrual basis and to the extent not received at year end, recorded as a receivable.

A property is regarded as sold and the gain or loss on sale is recognized when the significant risks and returns have been transferred to the buyer, which is normally upon closing on unconditional contracts. For conditional exchanges, sales are recognized only when all the significant conditions are satisfied.

g) Lease liabilities

The Company measures the lease liability and right-of-use asset at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) and variable lease payments that depend on an index or a rate. The variable lease payments that do no depend on an index or a rate, such as property tax and common area maintenance recoveries, are recognized as an expense in the period in which they are incurred. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow funds over a similar term to obtain an asset of similar value to the right-of-use asset. After the lease commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The right-of-use asset is depreciated on straight-line basis over the lease term and is subject to impairment testing.

h) Income taxes

The Company accounts for income taxes using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are determined based on temporary differences (differences between the accounting basis and the tax basis of the assets and liabilities) and tax loss carryforwards, and are measured using the enacted or substantively enacted tax rates and laws expected to apply when these differences reverse.

Income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Income tax expense or benefit is the sum of the Company's provision for current income taxes and the difference between the beginning and ending balances of the deferred income tax assets and liabilities. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income and comprehensive income.

3. Summary of Significant Accounting Policies (continued)

i) Net income per share

Net income per share is computed by dividing the income for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted net income per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive.

The number of additional shares included in the calculation is based on the weighted average number of shares that would be issued on the conversion of all potentially dilutive options and warrants into common shares.

If the number of shares increases or decreases as a result of capitalization, bonus issue, share splits or share consolidation, net income per share is accounted for retrospectively. If these transactions occur after the reporting period but prior to the issuance of the financial statements, net income per share is calculated based on the new number of shares.

j) Related party transactions

All transactions with related parties are in the normal course of business and are measured at the amount agreed to by the parties involved in the transactions.

k) Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

l) Contributed surplus

Contributed surplus consists of the recorded value of options granted to directors, officers, employees and consultants as well as transfers from the equity component of convertible debentures that have matured and whose equity option was not converted.

3. Summary of Significant Accounting Policies (continued)

m) New accounting standards issued but not yet effective

IFRS 16 Leases (Amendment)

In September 2022, the International Accounting Standards Board (IASB) issued amendments to IFRS 16 *Leases* to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale. The amendments were incorporated into Part I of the CPA Canada Handbook in December 2022.

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The IASB has not prescribed a particular method for measuring the lease liability. A seller-lessee must apply the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will evaluate the impact, if any, on its financial statements prior to the effective date of January 1, 2024.

IAS 1 Presentation of Financial Statements (Amendment)

In January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 *Presentation of Financial Statements* which were incorporated into Part I of the CPA Canada Handbook – Accounting in April 2020. The amendments clarify the requirements for classifying liabilities as either current or non-current by:

- Specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists;
- Clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services;
- Clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and
- Clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will evaluate the impact, if any, on its financial statements prior to the effective date of January 1, 2024.

3. Summary of Significant Accounting Policies (continued)

m) New accounting standards issued but not yet effective (continued)

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Amendments)

In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 1 *Presentation of Financial Statements* which were incorporated into Part I of the CPA Canada Handbook – Accounting and IFRS Practice Statement 2 *Making Materiality Judgements* in June 2021.

The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements.
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments, which should be applied prospectively, are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The adoption of this amendment and the IFRS Practice Statement 2 is not expected to have a significant impact on the Company's financial statements.

IAS 1 Presentation of Financial Statements (Amendment)

In October 2022, the International Accounting Standards Board (IASB) issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook – Accounting in December 2022. The amendments require an entity to disclose, in specified circumstances, information in the notes that enables financial statement users to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. As part of the amendments, a provision was added to clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Covenants which an entity must comply with after the reporting date would not affect classification of a liability as current or non-current at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The Company will evaluate the impact, if any, on its financial statements prior to the effective date of January 1, 2024.

Stated in Canadian Dollars

3. Summary of Significant Accounting Policies (continued)

m) New accounting standards issued but not yet effective (continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)

In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which were incorporated into Part I of the CPA Canada Handbook – Accounting in June 2021.

The amendments introduce a new definition of 'accounting estimates' to replace the definition of 'change in accounting estimates' and also include clarifications intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of this amendment is not expected to have a significant impact on the Company's financial statements.

IAS 12 Income Taxes (Amendment)

In May 2021, the International Accounting Standards Board (IASB) issued amendments to the recognition exemptions under IAS 12 *Income Taxes* which were incorporated into Part I of the CPA Canada Handbook – Accounting in September 2021.

The amendments narrowed the scope of the recognition exemption to require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of this amendment is not expected to have a significant impact on the Company's financial statements.

4. Investment Properties

	December 31, 2022	December 31, 2021
Balance - Opening	$ 43,500,000	$ 39,600,000
Additions	2,820,544	-
Leasing costs	97,913	151,447
Reduction in cost basis	-	(251,045)
Leasing costs amortization	(202,952)	(202,749)
Accrued rent receivable	(5,175)	(38,419)
Fair value adjustment	1,619,670	4,240,766
Balance - Ending	$ 47,830,000	$ 43,500,000

4. Investment Properties (continued)

The Company holds three investment properties and determines the fair value of each investment property based on external appraisals and internal review.

During the year ended December 31, 2022, the Company began and completed construction of a pad site on one of the investment properties. During the year ended December 31, 2022, the Company incurred costs of $2,820,544 (2021 - $Nil) for the construction of the pad site.

As at December 31, 2022, management used a discounted cashflow approach performed by an external appraisal for two (2) of the properties that were appraised as at December 31, 2022 and June 30, 2022 at a total value of $47,200,000. Management performed an assessment of the underlying inputs and principals of the June 30, 2022 appraisal and determined there was a $300,000 reduction in fair value of the property as a result of an increase in the internal rate as at December 31, 2022. As at December 31, 2022, the fair value of $46,900,000 was determined for two properties based on a discounted cash flow approach. Internal rate of return of 8.20% to 8.50% and terminal capitalization rates of 7.20% to 7.50% as at December 31, 2022 were used to determine the fair value of the properties. The weighted average internal rate of return was 8.43% and weighted average terminal capitalization rate was 7.43% for December 31, 2022.

An external appraisal for the third property of $930,000 was obtained as of December 31, 2022 based on the direct capitalization income approach using a capitalization rate of 7%.

As at December 31, 2021, management used a discounted cash flow approach performed by an external appraisal for two (2) of the properties that are material to the financial statements. External appraisals for two of the three properties, totaling $43,100,000, were obtained as of December 31, 2021. As at December 31, 2021, the external fair value of $43,100,000 was determined for two properties based on a discounted cash flow approach. Internal rate of return of 8% to 8.25% and terminal capitalization rates of 7% to 7.25% as at December 31, 2021 were used to determine the fair value of the properties. The weighted average internal rate of return was 8.18% and weighted average terminal capitalization rate was 7.18% for December 31, 2021.

As at December 31, 2021, internal fair value for the third property of $400,000 was determined based on the direct capitalization income approach using a capitalization rate of 7%.

Capitalized income approach: The fair value is determined by applying a capitalization rate to stabilized net operating income which incorporates allowances for vacancy, management fees and structural reserves for capital expenditures for the investment property. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the income and non-recoverable capital expenditures. Management obtains new external appraisals if the conditions disclosed change materially. As at December 31, 2022 and 2021, the Company valued one (1) investment property using this method which is classified as level 3 based on the fair value hierarchy.

Discounted cash flow method: Discount rates are applied to the forecasted cash flows reflecting the initial terms of the leases for the specific property and assumptions as to renewal and new leasing activity. The key assumptions are the normalized first year cash flows, the growth rate applied to the first year cash flows over the analysis period of the investment property, and the discount rate applied over the useful life of the investment property. As at December 31, 2022 and 2021, the Company valued two (2) investment properties using this method which is classified as level 3 based on the fair value hierarchy.

Stated in Canadian Dollars

4. Investment Properties (continued)

The discounted cash flow method includes a variety of inputs, variables, and assumptions as part of its valuation model. The most significant input included is the discount rate. As at December 31, 2022, a 25-basis point increase in the discount rate would result in a $932,000 (2021 - $763,000) decrease in the estimated fair value of investment properties and a 25-basis point decrease in the discount rate would result in a $722,000 (2021 - $785,000) increase in the estimated fair value of the investment properties.

5. Mortgages

	December 31, 2022	December 31, 2021
Mortgage payable, bearing interest at 5.85%, repayable monthly in blended principal and interest payments of $3,835, due December 1, 2023	$ 235,008	$ 266,278
Mortgage payable, bearing interest at 5.26%, repayable monthly in blended principal and interest payments of $112,710, due April 1, 2023[1]	12,013,890	12,714,408
Mortgage payable, bearing interest at 5.26%, repayable monthly in blended principal and interest payments of $29,597, due April 1, 2023[1]	3,154,720	3,338,668
Mortgage payable, bearing interest at prime plus 1%, requires interest only payments until March 4, 2023 and then repayable monthly in fixed principal payments of $12,500 plus interest, due March 4, 2027[2]	3,000,000	-
Loan payable, bearing interest at 5.26%, repayable monthly in blended principal and interest payments of $2,215, due April 1, 2023[1]	236,083	249,848
Non-revolving loan payable, bearing interest at 4.48%, repayable monthly in fixed principal payments of $17,535 plus interest, due April 1, 2025	2,525,105	2,735,530
	21,164,806	19,304,732
Unamortized mortgage financing costs	(41,925)	(32,167)
	$ 21,122,881	$ 19,272,565

1 - Subsequent to the year ended December 31, 2022, these mortgages were renewed for a two (2) year period at an interest rate of 6.98% and maturity of April 1, 2025.

2 - As at December 31, 2022, the interest rate on the mortgage is 7.45%

Stated in Canadian Dollars

5. Mortgages (continued)

The mortgages are secured by a general security agreement, the underlying revenue-producing properties, an assignment of rents and an assignment of fire insurance.

The unamortized mortgage financing costs consist of fees and costs incurred to obtain the mortgage financing less accumulated amortization. For the year ended December 31, 2022, interest expense on the statement of income and comprehensive income includes amortized mortgage financing costs of $3,592 (2021 - $3,235).

During the year ended December 31, 2022, the Company completed a $3,000,000 loan financing for the construction of a pad site at a Company property. Monthly interest only payments are payable on the loan for the first twelve (12) months after drawdown, at a variable rate of the Bank's prime lending rate plus 1%. As at December 31, 2022, the interest rate on the loan is 7.45%. Following, the interest only period, the loan is repayable in monthly payments of principal and interest based on an amortization period of twenty (20) years.

Principal repayments required under the terms of the mortgages are as follows:

2023	15,962,550
2024	360,500
2025	2,254,256
2026	150,000
2027 and later	2,437,500
	$21,164,806

6. Right-of-Use Asset and Lease Liability

a) Right-of-use asset

The following is the continuity of the cost and accumulated amortization of the right-of-use asset for office space as at and for the year ended:

	December 31, 2022	December 31, 2021
Cost		
Balance, beginning of the year	$ 80,590	$ 80,590
Lease additions	-	-
Balance, end of the year	$ 80,590	$ 80,590
Accumulated amortization		
Balance, beginning of the year	$ 59,208	$ 39,472
Amortization	19,737	19,736
Balance, end of the year	$ 78,945	$ 59,208
Carrying amount	$ 1,645	$ 21,382

Stated in Canadian Dollars

6. Right-of-Use Asset and Lease Liability (continued)

b) Lease liability

The following is the continuity of the lease liability as at and for the year end:

	December 31, 2022	December 31, 2021
Balance, beginning of the year	$ 23,627	$ 44,277
Lease additions	-	-
Lease payments	(22,386)	(22,384)
Interest expense on lease liability	624	1,734
Balance, end of the year	$ 1,865	$ 23,627

b) Lease liability (continued)

The Company used its incremental borrowing rate of 5.25% to measure the lease liability.

Future minimum lease payments under the lease liability are as follows:

2023	1,865
Total minimum lease payments	1,865
Less: future interest expense	-
Present value of minimum lease payments	$ 1,865

7. Financial instruments hierarchy and investments at fair value

Fair value measurements are based on a three-level fair value hierarchy based on inputs used in determining fair value of financial assets and liabilities. The hierarchy of inputs is summarized as follows:

Level 1 - inputs used to value financial assets and liabilities are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs used to value financial assets and liabilities are other than quoted prices included in Level 1 that are observable either directly or indirectly for the asset or liability.

Level 3 - inputs used to value financial assets and liabilities are not based on observable market data.

As at December 31, 2022, the Company holds 1,627,200 (2021 - 1,627,200) common shares of a related company at a fair value of $40,680 (2021 - $48,816). The companies are related by virtue of the fact that they have the same President and CFO. Original cost of the investment was $81,360. The aforementioned investment is classified as level 1 in the fair value hierarchy.

The Company did not record any transfers between fair value levels during the year.

Stated in Canadian Dollars

8. Loan Payable

The loan payable is due to a related corporation, Ceyx Properties Ltd. During the year ended December 31, 2022, the Company received additional loan proceeds of $450,000 (2021 - $500,000) and repaid $Nil (2021 - $150,000) of the loan principal. The balance outstanding as at December 31, 2022 is $2,147,000 (2021 - $1,697,000).

The loan is unsecured, has no fixed terms of repayment, with access to a maximum value of up to $6,000,000, with interest payable at 6% per annum. Interest is accrued but not compounded. The loan is to be used for financing of the leasing and development of the investment properties, along with general working capital purposes. The companies are related by virtue of the fact that they have the same President.

9. Government Loan Payable

On February 2, 2021, the Company obtained a $40,000 interest-free loan from the Government of Canada under the Canada Emergency Business Account ("CEBA") COVID-19 Economic Response Plan. The loan is interest free until December 31, 2022. If the Company has repaid at least $30,000 of the loan balance by December 31, 2022, the remaining $10,000 balance is forgiven. If $30,000 of the loan is not repaid by December 31, 2022, an interest rate of 5% per annum is charged on the remaining balance with interest payable on the last day of each month and the outstanding loan balance payable in full by December 31, 2025. The $40,000 of loan proceeds were initially recorded at fair value of $27,331 using an effective rate of 5% to determine the fair value of the interest-free period. The difference between the amount received in cash and the related fair value was recognized as a government grant on the statements of income and comprehensive income.

On April 14, 2021, the Company obtained an additional $20,000 of loan proceeds as part of the expansion of the CEBA program. The terms of the CEBA program were amended such that if the Company has repaid at least $40,000 of the loan balance by December 31, 2022, the remaining $20,000 balance is forgiven. The additional $20,000 loan proceeds were initially recorded at fair value of $9,197 using an effective rate of 5% to determine the fair value of the interest-free period. The difference between the amount received in cash and the related fair value was recognized as a government grant on the statements of statements of income and comprehensive income.

During the year ended December 31, 2022, the repayment deadline for the CEBA loan to qualify for the partial loan forgiveness was extended from December 31, 2022 to December 31, 2023. An adjustment in the fair value of the loan resulted in a gain of $1,814 on the statement of income and comprehensive income.

The summary of the residual value of the loan is as follows:

	December 31, 2022	December 31, 2021
Balance - beginning of the year	$ 38,099	$ -
Loan received	-	60,000
Fair value adjustment	(1,814)	(23,472)
Payments	-	-
Interest accretion	1,810	1,571
Balance - end of the year	$ 38,095	$ 38,099

As at December 31, 2022, the government loan payable has a face value of $60,000 (2021 - $60,000).

Stated in Canadian Dollars

10. Reconciliation of movements of liabilities to cash flows arising from financing activities

	Mortgages Payable	Loan Payable	Interest payable
Balance - January 1, 2022	$ 19,272,565	$ 1,697,000	$ 1,588,050
Proceeds	3,000,000	450,000	-
Payment of principal	(1,139,926)	-	-
Addition of deferred financing costs	(13,350)	-	-
Amortized deferred financing costs	3,592	-	-
Interest expense	1,185,876	-	115,332
Interest paid	(1,089,686)	-	-
Accrued interest	(96,190)	-	-
Balance - December 31, 2022	$ 21,122,881	$ 2,147,000	$ 1,703,382

As at December 31, 2022, interest payable of $1,703,382 (2021 - $1,588,050) is included in accounts payable and accrued liabilities.

As at December 31, 2022, accrued interest of $96,190 (2021 - $Nil) on the mortgages payable is included in accounts payable and accrued liabilities.

11. Share capital and earnings per share

a) Share Capital

The Company is authorized to issue unlimited preferred shares and unlimited common shares. The number of issued and outstanding common shares at December 31, 2022 is as follows:

Common shares	**Number**	**Amount**
Shares outstanding - January 1, 2021, December 31, 2021 and December 31, 2022	21,290,685	$ 7,453,322

b) Earnings per share

For the year ended December 31, 2022, basic earnings per share has been calculated using the weighted average number of shares outstanding of 21,290,685 (2021 - 21,290,685) and diluted earnings per share has been calculated using weighted average number of shares outstanding of 21,748,519 (2021 - 22,062,055) and includes 457,834 (2021 - 91,691) unexercised weighted average dilutive options.

Stated in Canadian Dollars

11. Share capital and earnings per share (continued)

b) Earnings per share (continued)

	December 31, 2022	December 31, 2021
Net income and comprehensive income	$ 1,573,065	$ 4,390,010
Basic weighted average common shares outstanding	21,290,685	21,290,685
Basic & Diluted earnings per share	$ 0.07	$ 0.21
Basic weighted average common shares outstanding	21,290,685	21,290,685
Effect of unexercised dilutive options	457,834	91,691
Diluted weighted average common shares outstanding	21,748,519	21,382,376
Diluted earnings per share	$ 0.07	$ 0.21

12. Share-based compensation

a) The Stock Option Plan reserves a maximum of 10% of the issued and outstanding shares of the Company (determined at the time of the stock option grant) for issuance upon the exercise of stock options granted pursuant to the Stock Option Plan. Stock options granted have a term that does not exceed 10 years and the exercise prices and vesting provisions are determined by the Board of Directors.

A summary of the status of the Company's Plan as at December 31, 2022 and December 31, 2021 and the changes during the years is presented below:

	2022		2021	
	Options	Weighted Average exercise price per option	Options	Weighted Average exercise price per option
Outstanding and exercisable, beginning of year	1,580,000	$ 0.223	873,500	$ 0.267
Granted/vested	-	-	900,000	0.180
Expired	(330,000)	0.260	(193,500)	0.223
Outstanding and exercisable, end of year	1,250,000	$ 0.213	1,580,000	$ 0.223

Stated in Canadian Dollars

12. Share-based compensation (continued)

On April 23, 2021, the Company granted and issued an aggregate of 900,000 stock options to the Company's directors and officers. The stock options were granted in accordance with the Company's stock option plan and are exercisable for a period of ten (10) years from the date of issuance at an exercise price of $0.18 per share. The stock options vested immediately upon issuance.

The share-based compensation expense for options issued to directors, officers and employees was determined based on the estimated fair value of the options at the grant date based on the Black-Scholes option pricing model, with the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.61%
Expected life	10 years
Expected volatility	84%
Stock price	$0.18

Expected volatility is based on the historical volatility of the Company.

During the year ended December 31, 2022, 330,000 (2021 - 193,500) stock options expired unexercised.

b) As at December 31, 2022, options which had been granted to certain directors, officers, employees and consultants to purchase common shares of the Company subject to various requirements were outstanding as follows:

Outstanding	Exercisable	Year of grant	Exercise price per option	Expiry date
200,000	200,000	2014	$ 0.370	April 25, 2024
150,000	150,000	2017	$ 0.205	April 26, 2027
900,000	900,000	2021	$ 0.180	April 23, 2031
1,250,000	1,250,000			

Stated in Canadian Dollars

13. Income Taxes

a) Income tax expense attributable to the income differs from the amounts computed by applying the combined federal and provincial income tax rates of 23% (2021 - 23%) to the pretax income as a result of the following:

	2022	2021
Net income before income taxes	$ 1,809,065	$ 4,754,010
Income taxes computed at statutory rates	416,000	1,094,000
Non-deductible expense	6,000	31,000
Difference in tax rates for capital gains	(186,000)	(488,000)
Other	-	(273,000)
Deferred income tax expense	$ 236,000	$ 364,000

b) The continuity of deferred tax assets and liabilities recorded in the financial statements is as follows:

	January 1, 2022	Recognized in income	December 31, 2022
Deferred tax assets			
Investments	4,000	1,000	5,000
Deferred tax liabilities			
Investment properties	(1,424,000)	(237,000)	(1,661,000)
Financing costs	(4,000)	-	(4,000)
	(1,428,000)	(237,000)	(1,665,000)
Net	$ (1,424,000)	$ (236,000)	$ (1,660,000)

Stated in Canadian Dollars

13. Income Taxes (continued)

	January 1, 2021	Recognized in income	December 31, 2021
Deferred tax assets			
Unused tax losses	$ 6,000	$ (6,000)	$ -
Investments	5,000	(1,000)	4,000
	11,000	(7,000)	4,000
Deferred tax liabilities			
Investment properties	(1,068,000)	(356,000)	(1,424,000)
Financing costs	(3,000)	(1,000)	(4,000)
	(1,071,000)	(357,000)	(1,428,000)
Net	$ (1,060,000)	$ (364,000)	$ (1,424,000)

14. Financial Instruments and Risk Management

Fair Value

The Company's cash, accounts receivable, other assets and loan payable, government loan payable, and accounts payable and accrued liabilities, are carried at amortized cost, which approximates fair value due to their short-term nature. Such fair value estimates may not necessarily be indicative of the amounts that the Company might pay or receive in actual market transactions.

Management has determined that the fair value of mortgages payable does not differ from its carrying value due to their short terms to maturity. The valuation method is classified as level 2 on the fair value hierarchy. The Company has no financial instruments at level 3.

The Company is exposed to the following risks as a result of holding financial instruments: market risk (i.e. interest rate risk, currency risk and other price risks that impact the fair values of financial instruments); credit risk; and liquidity risk.

14. Financial Instruments and Risk Management (continued)

The following is a description of these risks and how they are managed:

Market Risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates such as changes in equity prices, commodity prices or credit spreads.

The Company has fixed rate mortgages and as a result, fluctuations in interest rates does not have a significant impact on the Company as at December 31, 2022 and 2021. The Company is subject to fair value risk on its fixed rate mortgages.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfil their lease commitments. The Company mitigates this risk of credit loss by diversifying its tenant mix and by limiting its exposure to any one tenant. The Company believes that the credit risk of trade accounts receivable is minimal as the balance receivable is limited to the amount receivable as at December 31, 2022 of $499,785 (2021 - $275,144).

Rent and common area and realty tax recoveries are past due when a tenant has failed to make a payment when contractually due. As at December 31, 2022, rent and common area and realty tax recoveries past due amounts to $227,573 (2021 - $160,763).

Equity Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company's investment in the common shares of a related company, Plato Gold Corp., is subject to fair value fluctuations arising from changes in the equity market. At December 31, 2022, should the equity prices of the Company’s holdings increase or decrease by 5%, the impact on net income would be approximately $2,034 (2021 - $2,441).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 15. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company’s operating and capital budgets, as well as any material transactions out of the ordinary course of business. The Company is subject to the risk associated with debt financing, including the ability to refinance indebtedness at maturity. The Company believes these risks are mitigated through the use of long-term debt with maturities over an extended period of time.

Stated in Canadian Dollars

14. Financial Instruments and Risk Management (continued)

Liquidity Risk (continued)

As at December 31, 2022, the Company's financial liabilities include accounts payable and accrued liabilities, loan payable, lease liability, government loan payable and mortgages.

The following are contractual maturities of the Company's financial liabilities at December 31, 2022:

	2023	2024	2025	2026	2027 and later	Total
Accounts payable and accrued liabilities	$ 2,824,931	$ -	$ -	$ -	$ -	$ 2,824,931
Mortgages	15,962,550	360,500	2,254,256	150,000	2,437,500	21,164,806
Lease liability	1,865	-	-	-	-	1,865
Loan payable	2,147,000	-	-	-	-	2,147,000
Government loan payable	40,000	-	-	-	-	40,000
	$ 20,976,346	$ 360,500	$ 2,254,256	$ 150,000	$ 2,437,500	$ 26,178,602

15. Capital Management

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.

The Company sets the amount of capital in proportion to risk. The Company includes equity in its definition of capital. Equity is comprised of share capital, contributed surplus and retained earnings. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristic of underlying assets. In order to maintain or adjust capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

Stated in Canadian Dollars

15. Capital Management (continued)

Debt Covenants

The Company has certain financial covenants associated with their debt. Covenants are tested regularly, and the Company is in compliance with covenant requirements as at December 31, 2022. The Company's significant covenant is listed below:

	Financial Covenant	Requirement	As at December 31, 2022	As at December 31, 2021
Mortgages	Debt service coverage ratio	Not Less than 1.10x	1.15	1.19

16. Related Party Transactions

During the year ended December 31, 2022, the Company:

a) Charged rent to related parties, Plato Gold Corp., $2,400 (2021 - $2,400) and Ceyx Properties Ltd., $3,600 (2021 - $3,600). The companies are related by virtue of the fact that they have the same President. As at December 31, 2022, included in accounts receivable is an amount of $18,600 (2021 - $16,200) due from these related parties.

b) Was charged consulting fees of $148,856 (2021 - $120,156) by Greg K. W. Wong, an officer of the Company. As at December 31, 2022, accounts payable and accrued liabilities included $Nil (2021 - $Nil) of consulting fees payable to this officer.

c) Incurred accounting fees of $118,000 (2021 - $117,000) from a company in which Paul Andersen, one of the Company’s officers, is an officer. As at December 31, 2022, accounts payable and accrued liabilities included $51,085 (2021 - $51,865) owing to this company.

d) Other related party transactions and balances are disclosed in notes 7, 8 and 12.

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 related parties.

Stated in Canadian Dollars

17. Management Compensation

Key management includes all directors (management and non-management directors) and the Chief Financial Officer. The Chief Executive Officer is a management director. The compensation paid or payable to key management for services is shown below:

	December 31, 2022	December 31, 2021
Salaries	$ 183,354	$ 183,241
Consulting	148,856	120,156
Directors fees	103,000	86,128
Share-based compensation	-	134,508
	$ 435,210	$ 524,033

18. Minimum Lease Payments Receivable

The Company enters into leases with tenants for space in its properties. Initial lease terms are generally between 5 and 10 years. Leases generally provide for the tenant to pay the Company base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating cost and realty tax recoveries. Minimum rent payments under non-cancelable operating leases are as follows:

Not later than 1 year	$ 2,911,696
Later than 1 year and not later than 5 years	7,320,814
Later than 5 years	5,555,666
	$ 15,788,176

19. Administration

The breakdown of administration expenses is as follows:

	2022	2021
Bank and service charges	$ 12,291	$ 3,434
Office & general	127,687	129,022
Professional fees	332,383	301,812
Occupancy costs	27,068	27,068
Transfer and filing fees	18,194	17,638
Wages and benefits	291,677	269,370
	$ 809,300	$ 748,344

20. Subsequent Event

Subsequent to the year ended December 31, 2022, the Company renewed mortgages with a carrying value of $18,080,724, bearing interest at 5.26% and maturing on April 1, 2023 (note 5). The renewed mortgages bear interest at 6.98% and mature on April 1, 2025.