

**REGENT PACIFIC PROPERTIES INC.**  
(Unaudited)  
Interim Condensed Consolidated  
Financial Statements  
For the Three and Nine Months Ended  
September 30, 2022  
(Expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

The Company's external auditors have not performed a review of these interim condensed consolidated financial statements.

"Eddie Yu"  
Signed  
**Eddie Yu**  
Chief Executive Officer

"William Harper"  
Signed  
**William Harper**  
Interim Chief Financial Officer

November 17, 2022

**REGENT PACIFIC PROPERTIES INC.**

(Unaudited)

Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	September 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Investment properties (Note 5)	\$ 22,250,000	\$ 22,250,000
Deposits (Note 22)	1,303,888	1,303,888
Furniture and fixtures (Note 6)	<u>13,482</u>	<u>16,852</u>
	<u>23,567,370</u>	<u>23,570,740</u>
<b>Current Assets</b>		
Accounts receivable (Note 7)	<u>9,331</u>	<u>85,245</u>
	<u>\$ 23,576,701</u>	<u>\$ 23,655,985</u>
<b>LIABILITIES</b>		
<b>Non-current Liabilities</b>		
Prepaid rents	\$ 150,811	\$ 167,510
CEBA Loan (Note 9)	36,751	34,938
Deferred income taxes	<u>1,585,451</u>	<u>1,585,451</u>
	<u>1,773,013</u>	<u>1,787,899</u>
<b>Current Liabilities</b>		
Mortgage payable (Note 12)	16,451,209	16,943,901
Loan payable (Note 8)	178,945	169,997
Loan payable to related party (Note 10)	328,914	358,078
Prepaid rents	-	44,885
Accounts payable and accrued liabilities (Note 13)	172,311	224,799
Overdraft facility (Note 14)	<u>286,143</u>	<u>286,958</u>
	<u>17,417,522</u>	<u>18,028,618</u>
	<u>19,190,535</u>	<u>19,816,517</u>
<b>EQUITY</b>		
Share capital (Note 15)	4,167,624	4,167,624
Contributed surplus	560,530	560,530
Deficit	<u>(341,988)</u>	<u>(888,686)</u>
	<u>4,386,166</u>	<u>3,839,468</u>
	<u>\$ 23,576,701</u>	<u>\$ 23,655,985</u>

**Gong Concern** (Note 2)

Approved on behalf of the Board of Directors:

"Eddie Yu"  
Signed \_\_\_\_\_  
Director

"Ted Power"  
Signed \_\_\_\_\_  
Director

See accompanying notes to the interim condensed consolidated financial statements

**REGENT PACIFIC PROPERTIES INC.**

(Unaudited)

Interim Condensed Consolidated Statements of Comprehensive Income

For the Three and Nine-Month Period Ended September 30, 2022

(Expressed in Canadian dollars)

	<b>Three Months Ended September 30, 2022</b>	Three Months Ended September 30, 2021	<b>Nine Months Ended September 30, 2022</b>	Nine Months Ended September 30, 2021
Rental revenue (Note 16)	<b>\$ 388,801</b>	\$ 372,261	<b>\$ 1,168,603</b>	\$ 1,116,783
Recovery of operating expenses	<b>238,441</b>	211,782	<b>705,295</b>	635,348
Direct operating expenses	<u><b>(254,021)</b></u>	<u>(257,386)</u>	<u><b>(773,270)</b></u>	<u>(725,767)</u>
<b>Net rental income</b>	<u><b>373,221</b></u>	<u>326,657</u>	<u><b>1,100,628</b></u>	<u>1,026,364</u>
<b>Expenses</b>				
General and administrative	<b>49,201</b>	38,656	<b>144,246</b>	137,341
Amortization (Note 6)	<u><b>1,685</b></u>	<u>1,054</u>	<u><b>3,370</b></u>	<u>3,160</u>
	<u><b>50,886</b></u>	<u>39,710</u>	<u><b>147,616</b></u>	<u>140,501</u>
<b>Income before fair value adjustment on investment property and other income (expenses)</b>	<u><b>322,335</b></u>	<u>286,947</u>	<u><b>953,012</b></u>	<u>885,863</u>
Fair value adjustment on investment Property (Note 5)	<u><b>16,009</b></u>	<u>-</u>	<u><b>46,558</b></u>	<u>-</u>
<b>Income before other income (expenses)</b>	<u><b>338,344</b></u>	<u>286,947</u>	<u><b>999,570</b></u>	<u>885,863</u>
<b>Other income (expenses)</b>				
Interest income	-	15,465	-	45,889
Fair value adjustment on CEBA loan	<b>(621)</b>	-	<b>(1,813)</b>	-
Finance costs (Note 17)	<u><b>(156,978)</b></u>	<u>(156,610)</u>	<u><b>(451,059)</b></u>	<u>(463,699)</u>
	<u><b>(157,599)</b></u>	<u>(141,145)</u>	<u><b>(452,872)</b></u>	<u>(417,810)</u>
<b>Net income and comprehensive income</b>	<u><b>\$ 180,745</b></u>	<u>\$ 145,802</u>	<u><b>\$ 546,698</b></u>	<u>\$ 468,053</u>
<b>Net income per share:</b>				
<b>Basic net income per common share (Note 18)</b>	<u><b>\$ 0.00</b></u>	<u>\$ 0.00</u>	<u><b>\$ 0.01</b></u>	<u>\$ 0.01</u>
<b>Diluted net income per common share (Note 18)</b>	<u><b>\$ 0.00</b></u>	<u>\$ 0.00</u>	<u><b>\$ 0.01</b></u>	<u>\$ 0.01</u>

See accompanying notes to the interim condensed consolidated financial statements

**REGENT PACIFIC PROPERTIES INC.**

(Unaudited)

Interim Condensed Consolidated Statements of Changes in Equity

For the Nine-Month Periods Ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

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	<u>Share Capital</u> (Note 15)		<u>Contributed Surplus</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>			
Balance, January 1, 2021	40,039,000	\$ 4,167,624	\$ 560,530	\$ (352,897)	\$ 4,375,257
Net income	-	-	-	468,053	468,053
Balance, September 30, 2021	<u>40,039,000</u>	<u>\$ 4,167,624</u>	<u>\$ 560,530</u>	<u>\$ 115,156</u>	<u>\$ 4,843,310</u>

  

	<u>Share Capital</u> (Note 15)		<u>Contributed Surplus</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>			
<b>Balance, January 1, 2022</b>	<b>40,039,000</b>	<b>\$ 4,167,624</b>	<b>\$ 560,530</b>	<b>\$ (888,686)</b>	<b>\$ 3,839,468</b>
Net income	-	-	-	546,698	546,698
<b>Balance, September 30, 2022</b>	<b><u>40,039,000</u></b>	<b><u>\$ 4,167,624</u></b>	<b><u>\$ 560,530</u></b>	<b><u>\$ (341,988)</u></b>	<b><u>\$ 4,386,166</u></b>

*See accompanying notes to the interim condensed consolidated financial statements*

**REGENT PACIFIC PROPERTIES INC.**

(Unaudited)

Interim Condensed Consolidated Statements of Cash Flows

For the Nine-Month Periods Ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	<b>September 30, 2022</b>	September 30, 2021
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Net income	\$ 546,698	\$ 468,053
Adjustments for:		
Accrued interest income	-	(45,889)
Finance costs (Note 17)	451,059	463,699
Amortization	3,370	3,160
Straight-line rent adjustment	45,148	90,733
Fair value adjustment to investment property	(46,558)	-
Fair value adjustment to investment property	1,813	-
Net changes in non-cash working capital items (Note 19)	<u>(38,158)</u>	<u>(80,348)</u>
Net cash from operations	<u>963,372</u>	<u>899,408</u>
<b>Investing Activity</b>		
Reversal of prior addition to investment property	<u>1,410</u>	<u>-</u>
<b>Financing Activities</b>		
Repayments of mortgage financing	(492,692)	(481,325)
Interest paid	(421,275)	(457,284)
Proceeds from CEBA loan (Note 9)	-	60,000
Repayment of loan payable to related party (Note 10)	<u>(50,000)</u>	<u>(70,167)</u>
Net cash used in financing activities	<u>(963,967)</u>	<u>(948,776)</u>
<b>Increase (decrease) in cash</b>	<b>815</b>	<b>(49,368)</b>
<b>Overdraft facility, beginning of period</b>	<u>(286,958)</u>	<u>(248,860)</u>
<b>Overdraft facility, end of period</b>	<u>\$ (286,143)</u>	<u>\$ (298,228)</u>

*See accompanying notes to the interim condensed consolidated financial statements*

# REGENT PACIFIC PROPERTIES INC.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2022

(Expressed in Canadian dollars)

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## 1. Nature of Business

Regent Pacific Properties Inc. (the “Company”) is incorporated and domiciled in Canada and is a real estate development and investment Company that invests in residential and commercial properties located in Edmonton, Alberta. The address of the Company’s registered head office is 2607 Ellwood Dr SW, Edmonton, AB, T6X 0P7. The Company trades on the TSX Venture Exchange under the symbol “RPP”.

These interim condensed consolidated financial statements were authorized for issue by the Company’s Board of Directors on November 17, 2022.

## 2. Going Concern

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of operations. There are material uncertainties that may cast significant doubt on the validity of this assumption. The Company has negative working capital of \$17,408,191 (December 31, 2021 - \$17,943,373 and has an accumulated deficit of \$341,988 (December 31, 2021 - \$888,686). The Company’s mortgage is due on demand and there is no assurance the mortgage would not be called or renewed with similar terms. The Company’s ability to continue as a going concern is dependent on continued support from related parties, generating a profit from operations, and obtaining additional financing as required.

## 3. Basis of Presentation

### a) Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These interim condensed consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2021.

### b) Basis of Measurement

The interim condensed consolidated financial statements have been prepared on a going concern and historical cost basis except for the measurement of investment properties, which are stated at fair value.

### c) Functional Currency

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

## REGENT PACIFIC PROPERTIES INC.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2022

(Expressed in Canadian dollars)

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### 3. Basis of Presentation (continued)

#### d) Use of Estimates and Judgements

The preparation of interim condensed consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of revenues and expenses.

The critical accounting estimate and judgments have been set out in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2021.

### 4. Significant Accounting Policies

The accounting policies applied by the Company in these interim condensed consolidated financial statements are consistent with those applied by the Company in its audited consolidated financial statements for the year end December 31, 2021.

### 5. Investment Properties

	<u>Commercial</u>
Balance, December 31, 2020	\$23,500,000
Straight-line rent adjustment	(52,517)
Fair value adjustment	(1,198,893)
Addition to property	<u>1,410</u>
Balance, December 31, 2021	22,250,000
Straight-line rent adjustment	<b>(45,148)</b>
Fair value adjustment	<b>46,558</b>
Reversal of prior addition	<u><b>(1,410)</b></u>
<b>Balance, September 30, 2022</b>	<b><u>\$22,250,000</u></b>

The Company values its investment property using Level 3 inputs. The investment property was appraised by third party accredited valuation professionals. For the investment property a combination of income approach via overall income capitalization, income approach via discounted cash flow and direct comparison approach was used.

Management estimates that there has been no material change on the valuation of the investment property as at September 30, 2022 as compared to December 31, 2021.

## REGENT PACIFIC PROPERTIES INC.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2022

(Expressed in Canadian dollars)

### 5. Investment Properties (Continued)

The Company leases space in its investment property to tenants under operating leases. The leases have various terms between 1 and 5 years. The total future contractual minimum base rent lease payments expected to be received under non-cancellable leases as at September 30, 2022 are as follows:

One year or less	\$ 1,444,336
2 – 5 years	\$ 3,237,296

### 6. Furniture and Fixtures

<b>Cost</b>							
	Balance at January 1, 2021	Additions	Disposals	Balance at December 31, 2021	Additions	Disposals	Balance at September 30, 2022
Furniture and fixtures	\$ 82,259	\$ -	\$ -	\$ 82,259	\$ -	\$ -	\$ 82,259

<b>Accumulated Depreciation</b>							
	Balance at January 1, 2021	Additions	Disposals	Balance at December 31, 2021	Additions	Disposals	Balance at September 30, 2022
Furniture and fixtures	\$ 61,195	\$ 4,212	\$ -	\$ 65,407	\$ 3,370	\$ -	\$ 68,777

<b>Net Book Value</b>		
	Balance at September 30, 2022	Balance at December 31, 2021
Furniture and fixtures	\$ 13,482	\$ 16,852

### 7. Accounts Receivable

Accounts receivable is comprised of the following items:

	September 30, 2022	December 31, 2021
Rents receivable	\$ 1,931	\$ 74,033
Goods and Services Tax receivable	7,400	11,212
	<u>\$ 9,331</u>	<u>\$ 85,245</u>

Included in accounts receivable is an amount of \$nil (2021 - \$20,000) which is rents receivable from entities owned and controlled by one of the directors of the Company.

**REGENT PACIFIC PROPERTIES INC.**

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2022

(Expressed in Canadian dollars)

**8. Loan Payable**

	<b>September 30,</b>	December 31,
	<b>2022</b>	2021
Loan payable is unsecured, bears interest at 7% per annum, with no regular payments, and principal repayment is due February 10, 2023.	<b>\$ 169,997</b>	\$ 160,749
Interest accrued	<b>8,948</b>	9,248
	<b><u>\$ 178,945</u></b>	<u>\$ 169,997</u>

**9. CEBA Loan**

On April 30, 2021, the Company was advanced \$60,000 of bank financing as part of the Government of Canada COVID-19 assistance for small business. The loan bears interest at 0% until December 31, 2023 and has no terms of repayment until that date. Full repayment of loan balance before December 31, 2023 will result in debt forgiveness of \$20,000. After December 31, 2023, any unpaid balance is payable over a two-year term at interest of 5% per annum.

The loan was advanced to assist with the payment of eligible non-deferrable expenses. The Company has recognized the \$20,000 forgivable portion of the loan as government assistance received during fiscal 2021.

**10. Loan payable to related party**

	<b>September 30,</b>	December 31,
	<b>2022</b>	2021
Loan payable is unsecured, bears interest at 8% per annum, with no regular payments, and principal repayment is due November 10, 2022	<b>\$ 308,078</b>	\$ 354,154
Interest accrued	<b>20,836</b>	3,924
	<b><u>\$ 328,914</u></b>	<u>\$ 358,078</u>

The loan payable is repayable to an entity owned and controlled by one of the directors of the Company.

## REGENT PACIFIC PROPERTIES INC.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2022

(Expressed in Canadian dollars)

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### 11. Related Party Transactions

Related party transactions not disclosed elsewhere in the financial statements:

Key management of the Company includes the Chief Executive Officer (“CEO”) and Interim Chief Financial Officer (“CFO”).

During the three and nine months ended September 30, 2022, the Company incurred \$5,390 and \$8,890, respectively, in consulting fees due to the CFO of the Company (three and nine months ended September 30, 2021 - \$nil). As at September 30, 2022, \$9,160 was included in accounts payable and accrued liabilities as owing to the CFO (December 31, 2021 - \$nil).

During the three and nine months ended September 30, 2022, the Company charged a total of \$32,956 and \$98,868, respectively, to an entity owned and controlled by the CEO, director and majority shareholder of the Company for recovery of operating expenses (three and nine months ended September 30, 2021 - \$30,753 and \$92,259, respectively).

During the three and nine months ended September 30, 2022, the Company received rental income, before straight-line adjustments, of \$61,200 and \$183,600, respectively, from an entity owned and controlled by the CEO, director and majority shareholder of the Company (three and nine months ended September 30, 2021 - \$61,300 and \$184,350, respectively).

During the three and nine months ended September 30, 2022, the Company incurred interest expense of \$7,835 and \$20,836, respectively, to an entity owned and controlled by the CEO, director and majority shareholder of the Company (three and nine months ended September 30, 2021 - \$10,504 and \$26,429, respectively) (Note 10).

During the three and nine months ended September 30, 2022, the Company accrued interest income of \$nil and \$nil, respectively, from an entity owned and controlled by the CEO, director and majority shareholder of the Company (three and nine months ended September 30, 2021 - \$15,465 and \$45,889, respectively).

During the three and nine months ended September 30, 2022, an amount of \$12,797 and \$20,267, respectively has been included in general and administrative expenses related to fees paid to a law firm where one of the directors of the Company is a partner (three and nine months ended September 30, 2021 - \$153 and \$453, respectively). As at September 30, 2022, \$13,471 was included in accounts payable and accrued liabilities as owing to the law firm (December 31, 2021 - \$445).

During the three and nine months ended September 30, 2022, \$18,626 and \$73,877, respectively, has been included in general and administrative expenses related to administration fees paid to an entity owned and controlled by the CEO, director and majority shareholder of the Company (three and nine months ended September 30, 2021 - \$27,626 and \$82,877, respectively) and as at September 30, 2022, \$7,254 was included in accounts payable and accrued liabilities (December 31, 2021 - \$nil).

During the three and nine months ended September 30, 2022, an amount of \$8,019 and \$24,057, respectively has been included in general and administrative expenses related to rent paid to an entity owned and controlled by the CEO, director and majority shareholder of the Company (three and nine months ended September 30, 2021 - \$8,019 and \$24,057, respectively).

## REGENT PACIFIC PROPERTIES INC.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2022

(Expressed in Canadian dollars)

### 11. Related Party Transactions (Continued)

On December 24, 2021, the Company entered into a purchase contract to acquire ten (10) condominium units in Edmonton, Alberta from a company indirectly majority owned by the CEO, director and majority shareholder of the Company for a total purchase price of \$3,229,762 which is due on January 31, 2023, or as mutually extended by the parties.

The purchase contract is subject to the following conditions to be satisfied by December 31, 2022, or as mutually extended by the parties:

- securing satisfactory financing on suitable terms and conditions;
- obtaining TSXV conditional acceptance as a Reviewable Transaction in accordance with TSXV policies;
- receiving all other necessary regulatory and securities commissions approvals, if any; and
- receiving all necessary shareholder approvals, as required.

### 12. Mortgage Payable

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
<u>Commercial Investment Property – Cassel Centre</u>		
Mortgage payable with a maximum borrowing limit of \$17,706,249, due on demand, with monthly blended instalments of \$100,450, interest at 3.25% per annum, with a term expiring on August 1, 2025, and secured by the commercial investment property with a carrying amount of \$22,250,000, general assignment of rent and a general security agreement	<b>\$ 16,400,058</b>	\$ 16,892,750
Accrued interest	<u>51,151</u>	<u>51,151</u>
	<b>16,451,209</b>	16,943,901
Less current portion of mortgage payable	<u>(16,451,209)</u>	<u>(16,943,901)</u>
	<b>\$ -</b>	<b>\$ -</b>

As at September 30, 2022, the minimum contractual principal payments if not demanded earlier are as follows:

<u>Year ended September 30,</u>	<u>Amount</u>
2023	\$ 682,555
2024	703,675
2025	<u>15,013,828</u>
	<u>\$ 16,400,058</u>

The mortgage payable is subject to an annual debt service coverage ratio covenant of no less than 1:20:1 based on the operations of the commercial investment property. As at September 30, 2022, the Company was not in compliance with this covenant and therefore the entire amount of the mortgage payable was classified as a current liability in the interim condensed consolidated statement of financial position.

## REGENT PACIFIC PROPERTIES INC.

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2022

(Expressed in Canadian dollars)

### 13. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following items:

	<b>September 30, 2022</b>	December 31, 2021
Trade payables	\$ 162,311	\$ 117,250
Accrued liabilities	10,000	55,350
Goods and Services Tax payable	-	52,199
	<u>\$ 172,311</u>	<u>\$ 224,799</u>

Included in accounts payable and accrued liabilities is an amount of \$8,705 (December 31, 2021 - \$nil) owing to entities owned and controlled by one of the directors of the Company.

### 14. Overdraft Facility

The Company has an demand overdraft facility of up to \$300,000 (2021 – \$300,000) with a Canadian financial institution bearing an annual rate of interest equal to the financial institution's Prime Lending Rate plus 1.00%, floating, calculated daily and payable monthly in arrears, secured with a general security agreement, and personal guarantee by a director of the Company.

### 15. Share Capital

Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares without nominal or par value

The preferred shares may be issued in one or more series and the board of directors are authorized to fix the number of shares in each series and determine the rights, privileges and conditions of the preferred shares.

	Number of Common Shares	Amount
Balance, January 1, 2021, December 31, 2021 and September 30, 2022	<u>40,039,000</u>	<u>\$ 4,167,624</u>

### Stock Options

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time-to-time, in its discretion, and in accordance with securities exchange requirements, grant to directors, officers, and employees to the Company, non-transferable options to purchase common shares.

**REGENT PACIFIC PROPERTIES INC.**

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2022

(Expressed in Canadian dollars)

15. **Share Capital** (Continued)**Stock Options** (Continued)

The maximum number of shares reserved for issue under the Stock Option Plan shall not exceed 10% of the issued and outstanding shares of the Company as at the date of the grant. The maximum number of shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of shares at the date of the grant, unless the Company has obtained disinterested shareholder approval. The maximum number of shares reserved for issue to a consultant or a person engaged in investor relations activities in any 12-month period cannot exceed 2% of the issued and outstanding shares at the date of the grant. The aggregate number of options available for issuance under the Stock Option Plan in any 12-month period to an employee conducting investor relations activities shall not exceed 2% of all issued shares calculated at the date of the grant.

The exercise price of each option granted under the Stock Option Plan shall be determined from time to time by the Board of Directors of the Company, but in any event, shall not be lower than the lowest exercise price permitted by the Exchange. Options may be granted for a maximum term of 10 years. Options shall have such equitable vesting provisions as determined by the Board of Directors of the Company from time to time, provided that any such options granted to individuals who perform investor relations activities must vest in stages over 12 months with no more than ¼ of the options vesting in any 3-month period. Options are non-assignable and expire immediately upon termination of employment or holding office as a director or officer of the Company and, in the case of death, expire within one year thereafter.

The following table summarizes the activity of the stock options as follows:

	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding, beginning of year	2,955,000	\$ 0.09	2,955,000	\$ 0.09
Granted	-	-	-	-
Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding, end of period	<u>2,955,000</u>	<u>\$ 0.09</u>	<u>2,955,000</u>	<u>\$ 0.09</u>
Exercisable, end of period	<u>2,955,000</u>	<u>\$ 0.09</u>	<u>2,955,000</u>	<u>\$ 0.09</u>

The following table summarizes information on stock options outstanding and exercisable as at September 30, 2022:

	<b>Exercise Price</b>	<b>Number Outstanding</b>	<b>Number Exercisable</b>	<b>Expiry Date</b>
August 28, 2018	\$ 0.10	800,000	800,000	Aug 27, 2023
December 20, 2019	<u>\$ 0.08</u>	<u>2,155,000</u>	<u>2,155,000</u>	<u>Dec 19, 2024</u>

**REGENT PACIFIC PROPERTIES INC.**

(Unaudited)

Notes to the Interim Condensed Consolidated Financial Statements

For the Nine Months Ended September 30, 2022

(Expressed in Canadian dollars)

**16. Rental Revenue**

	<b>Three Months Ended September 30, 2022</b>	Three Months Ended September 30, 2021	<b>Nine Months Ended September 30, 2022</b>	Nine Months Ended September 30, 2021
Commercial tenant leases	<b>\$ 371,858</b>	\$ 355,343	<b>\$ 1,115,575</b>	\$ 1,064,230
Parking and storage	<b>16,943</b>	16,918	<b>53,028</b>	52,553
	<b><u>\$ 388,801</u></b>	<u>\$ 372,261</u>	<b><u>\$ 1,168,603</u></b>	<u>\$ 1,116,783</u>

**17. Finance Costs**

	<b>Three Months Ended September 30, 2022</b>	Three Months Ended September 30, 2021	<b>Nine Months Ended September 30, 2022</b>	Nine Months Ended September 30, 2021
Interest on mortgages	<b>\$ 142,143</b>	\$ 140,200	<b>\$ 411,358</b>	\$ 421,019
Interest on loan payable	<b>3,103</b>	2,837	<b>8,947</b>	8,120
Interest on loan payable to related party	<b>7,836</b>	10,504	<b>20,837</b>	26,429
Interest on overdraft facility	<b>3,896</b>	3,069	<b>9,917</b>	8,131
	<b><u>\$ 156,978</u></b>	<u>\$ 156,610</u>	<b><u>\$ 451,059</u></b>	<u>\$ 463,699</u>

**18. Net Income per Common Share**

The basic and diluted net income per common share is based on the weighted average number of common shares outstanding as at September 30, 2022 of 40,039,000 (September 30, 2021 - 40,039,000). The inclusion of the Company's stock options in the computation of the diluted net income per share would be anti-dilutive and are excluded from the computation.

**19. Net changes in Non-Cash Working Capital Items**

	<b>September 30, 2022</b>	September 30, 2021
Accounts receivable	<b>\$ 75,914</b>	\$ 6,206
Prepaid rents	<b>(61,584)</b>	(29,408)
Accounts payable and accrued liabilities	<b>(52,488)</b>	(57,146)
	<b><u>\$ (38,158)</u></b>	<u>\$ (80,348)</u>

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### 20. Reconciliation of Liabilities Arising From Financing Activities

	<u>Mortgages</u>	<u>Loan Payable</u>	<u>Loan From Related Party</u>	<u>CEBA Loan</u>
Balance, January 1, 2021	\$ 17,584,925	\$ 159,041	\$ 421,167	\$ -
Repayments made	(644,904)	-	(70,167)	-
Proceeds received	-	-	-	60,000
Forgiven portion recognized	-	-	-	(20,000)
Fair value adjustment	-	-	-	(5,062)
Accrued interest	<u>(3,880)</u>	<u>10,956</u>	<u>7,078</u>	<u>-</u>
Balance, December 31, 2021	16,943,901	169,997	358,078	34,938
Repayments made	<b>(492,692)</b>	-	<b>(50,000)</b>	-
Fair value adjustment	-	-	-	1,813
Accrued interest	<u>-</u>	<u>8,948</u>	<u>20,836</u>	<u>-</u>
Balance, September 30, 2022	<b><u>\$ 16,451,209</u></b>	<b><u>\$ 178,945</u></b>	<b><u>\$ 328,914</u></b>	<b><u>\$ 36,751</u></b>

### 21. Financial Instruments

All financial instruments are initially measured at fair value with transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities that are measured at amortized cost, added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial instruments recognized in the statements of financial position include accounts receivable, CEBA Loan, mortgage payable, loan payable to related party, loan payable, accounts payable and accrued liabilities and overdraft facility.

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

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

There were no transfers between levels of the fair value hierarchy during the period.

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### 21. Financial Instruments (Continued)

The fair value of the Company's financial instruments were determined as follows:

- The carrying amounts of accounts receivable, and accounts payable and accrued liabilities and overdraft facility approximate their fair value due to the relatively short periods to maturity of these financial instruments.
- The fair value of the CEBA loan, mortgage payable, loan payable, and loan payable to related party are determined by discounting the future contractual cash flow under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity (Level 3).

	Fair Value Hierarchy	September 30, 2022	December 31, 2021
<b>Financial Assets:</b>			
Accounts receivable	Level 3	\$ 9,331	\$ 85,245
<b>Financial Liabilities:</b>			
Loan payable	Level 3	\$ 178,945	\$ 169,997
Loan payable to related party	Level 3	\$ 328,914	\$ 358,078
CEBA Loan	Level 3	\$ 36,751	\$ 34,938
Mortgage payable	Level 3	\$ 16,451,209	\$ 16,943,901

### Financial risk management

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

#### Market risk

Market risk includes currency risk and interest rate risk. The Company is not susceptible to any currency risk as all financial instruments are denominated in Canadian dollars.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is susceptible to interest rate fair value risk on its mortgage payable, loan payable to related party and loan payable that bear a fixed interest rate. There is the risk of interest rates increasing when renewing fixed rate liabilities at the end of their terms. The Company mitigates this risk by monitoring interest rates, negotiating renewals, and obtaining quotes from multiple lenders. The Company's overdraft facility bears interest at a variable rate and for the three and nine months ended September 30, 2022, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates is not expected to be significant (three and nine months ended September 30, 2021 – not significant).

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### 21. Financial Instruments (Continued)

#### Credit and concentration risk

The Company is exposed to credit risk on its accounts receivable due to unexpected losses that could occur if a tenant fails to satisfy its lease obligations. The Company's maximum exposure to credit risk is equal to the carrying value of the accounts receivable. The Company mitigates its credit risk by attracting tenants with good credit, taking rental deposits from tenants, and by limiting exposure to any one tenant.

The aging of accounts receivable is as follows:

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current	\$ 7,654	\$ 81,989
31-90 days	-	3,182
91 + days	<u>1,677</u>	<u>74</u>
	<u>\$ 9,331</u>	<u>\$ 85,245</u>

The Company is subject to concentration risk through the volume of revenues derived from certain key tenants. For the three and nine months ended September 30, 2022, revenue earned from four key tenants represents 96% and 97%, respectively (three and nine months ended September 30, 2021 – 93%) of total revenues. As at September 30, 2022, there were no amounts receivable from these tenants (December 31, 2021 – receivable from these tenants total 82% of total accounts receivable).

#### Liquidity risk

The Company's exposure to liquidity risk is dependent on generating rental revenue to sustain operations. The Company controls liquidity risk by management of working capital and cash flows. Operating cashflow remains positive, and is largely dependent on occupancy and collection. During the COVID-19 pandemic, the Company has maintained high occupancy and continues to closely monitor the collection of receivables from tenants.

As at September 30, 2022, the Company's contractual obligation consists of accounts payable and accrued liabilities of \$172,311 (December 31, 2021 - \$224,799) that have a current contractual maturity. Repayment of the \$40,000 CEBA loan is not required until December 31, 2023. The mortgage payable of \$16,451,209 (December 31, 2021 - \$16,943,901) is due on demand and has terms which expire in fiscal 2025 (Note 12). The loan payable of \$178,945 (December 31, 2021 - \$169,997) has no fixed terms of repayment. The loan payable to related party of \$328,914 (December 31, 2021 - \$358,078) has terms which expire in November 2022. The overdraft facility of \$286,143 (December 31, 2021 - \$286,958) is due on demand with revolving terms (Note 14).

### 22. Deposits

As at September 30, 2022 and December 31, 2021, the deposit is with a company indirectly majority owned by the CEO, director and majority shareholder of the Company for the purchase of ten (10) condominium units in Edmonton, Alberta (note 11).

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### 23. Capital Management

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures.

The capital structure consists of the following components as at September 30, 2022:

	<b>September 30,</b> <b>2022</b>	December 31, 2021
Mortgage payable	<b>\$ 16,451,209</b>	\$ 16,943,901
Loan payable	<b>178,945</b>	169,997
Loan payable to related party	<b>328,914</b>	358,078
CEBA Loan	<b>36,751</b>	34,938
Overdraft facility	<b>286,143</b>	286,958
Equity	<b><u>4,386,166</u></b>	<u>3,839,468</u>
	<b><u>\$ 21,668,128</u></b>	<u>\$ 21,633,340</u>

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.