



REGENT PACIFIC PROPERTIES

Management’s Discussion and Analysis (“MD&A”)

The following management discussion and analysis as of April 27, 2023 is provided to enhance the reader’s understanding of, and should be read in conjunction with, Regent Pacific Properties Inc.’s (the “Company”) annual audited consolidated financial statements for the years ended December 31, 2022 and 2021, and accompanying notes thereto (the “Financial Statements”). All dollar amounts are expressed in Canadian funds unless otherwise stated. The Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“the IASB”). Additional information relating to the Company, including the Financial Statements, is available on SEDAR at www.sedar.com.

Core Business

The Company is a real estate development and investment company with a portfolio consisting of a premiere 72,675 sq. ft. three-story commercial office tower and attached single-story bays with underground parking facility (“Cassel Centre”) The property is located in Edmonton, Alberta.

Objectives and Strategy

The Company seeks to expand its portfolio of high-quality, income producing properties.

Overall Performance

As at December 31, 2022, Cassel Centre had fixed-term leases in place with AAA tenants for approximately 86% of its rentable area and tenant leases in the building have lease terms remaining of between approximately 1 and 5 years.

Going Concern

The Financial Statements have been prepared in accordance with IFRSs 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 \$17,322,889 (December 31, 2021 - \$17,943,373) and has an accumulated deficit of \$1,009,212 (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 generating a profit from operations and obtaining additional financing as required.

The Financial Statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported revenues and expenses and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

Selected Annual Information (in accordance with IFRS)

	2022	2021	2020
Total Assets	\$ 22,881,278	\$ 23,655,985	\$ 24,782,924
Total Current Liabilities	\$ 17,336,797 ⁽¹⁾	\$ 18,028,618 ⁽²⁾	\$ 18,714,617 ⁽³⁾
Total Long-term Liabilities	\$ 1,825,539	\$ 1,787,899	\$ 1,693,050
Total Liabilities	\$ 19,162,336	\$ 19,816,517	\$ 20,407,667
Revenue	\$ 2,460,852	\$ 2,455,030	\$ 2,561,236
Expenses	\$ (1,225,303)	\$ (1,197,418)	\$ (1,218,050)
Income Taxes	\$ -	\$ -	\$ -
Deferred Income Tax Recovery (Expense)	\$ (89,277)	\$ (59,911)	\$ 136,073
Fair value adjustment on investment property	\$ (678,832)	\$ (1,198,893)	\$ (2,461,312)
Other expense	\$ (587,966)	\$ (534,597)	\$ (719,200)
Loss on Disposal of Investment Property	\$ -	\$ -	\$ (334,130)
Net Loss	\$ (120,526)	\$ (535,789)	\$ (2,035,383)
Number of Shares Outstanding	40,039,000	40,039,000	40,039,000
Loss per Share	\$ (0.003)	\$ (0.013)	\$ (0.050)
Diluted Loss per Share	\$ (0.003)	\$ (0.013)	\$ (0.050)

Notes:

- (1) 2022 Total Current Liabilities included a \$16,275,951 mortgage payable which is due on demand on a 5 year term, and an interest rate of 3.25%.
- (2) 2021 Total Current Liabilities included a \$16,943,901 mortgage payable which is due on demand on a 5 year term, and an interest rate of 3.25%.
- (3) 2020 Total Current Liabilities included a \$17,537,654 mortgage payable which is due on demand on a 5 year term, and an interest rate of 3.25%.

Discussion of Annual Operations and Financial Condition:

Revenue

Total revenue of \$2,460,852 in 2022 was consistent with total revenue of \$2,455,030 in 2021. Current year revenue is comprised of \$1,532,947 of commercial rental income from Cassel Centre (2021 - \$1,557,120) and \$927,905 of operating cost recoveries from tenants (2021 - \$897,910).

During the year ended December 31, 2022, one (1) tenant lease expired and was not renewed, one (1) tenant lease was renewed, and one (1) new tenant lease was entered into, with Cassel Properties Ltd, a company controlled by Eddie Yu, the CEO, director and majority shareholder of the Company.

Expenses

Total expenses in 2022 were \$1,225,303, an increase of \$27,885 or approximately 2%, as compared to \$1,197,418 in 2021. Expenses include operating expenses, general and administrative expenses, and amortization.

Direct operating costs in 2022 increased by \$42,105, or approximately 4%, to \$585,783 in 2022 as compared to \$621,012 in 2021. This was due to additional repairs and maintenance conducted combined with increased costs driven by inflation. General and administrative expenses decreased by \$13,378 or approximately 7%, to \$180,180 in 2022 as compared to \$193,558 in 2021 due to cost cutting measures as the Company works to streamline its operations. Amortization expense was not significant in 2022 and 2021.

Other Income (Expenses)

Other income (expenses) is composed of interest income, fair value adjustment on CEBA loan and finance costs. Finance costs decreased by \$35,229, or approximately 6%, to \$585,783 in 2022 as compared to \$621,012 in 2021. The decrease in finance costs is due to the continued paydown of the Company's mortgage payable. Interest income decreased from \$61,353 in 2021 to \$262 in 2022. Interest income in 2021 was related to interest earned on a loan receivable from Silhouette at Carlton Ltd., a company owned 50% by Eddie Yu, the CEO, director and majority shareholder of the Company. The loan was due on demand and carried an interest rate of 5%. On December 24, 2021, the Company entered into a purchase contract to acquire ten (10) condominium units in Edmonton, Alberta, see "Transactions with Related Parties" section below. Pursuant to the purchase contract and in satisfaction of the deposit required, the loan receivable from Silhouette at Carlton Ltd. was assigned to the seller. The fair vale adjustment on CEBA loan is not significant in 2022 and 2021.

Fair value adjustment on Investment Property

The Company's investment property is measured using the fair value model. The investment is recorded at fair value, determined based on available market evidence at each reporting date. Changes in fair value are recognized in profit or loss in the period in which it arises. The fair value is determined by a third-party valuation professional using a combination of income approach via overall income capitalization, income approach via discounted cash flow and direct comparison approach. The Company recorded a fair value reduction on its investment property totaling \$678,832 during 2022 (2021 - \$1,198,893).

Summary of Quarterly Results (in accordance with IFRS)

	Dec 31, 2022 \$	Sep 30, 2022 \$	Jun 30, 2022 \$	Mar 31, 2022 \$	Dec 31, 2021 \$	Sep 30, 2021 \$	Jun 30, 2021 \$	Mar 31, 2021 \$
Revenues	586,954	627,242	609,524	637,132	702,899	584,043	584,044	584,044
Expenses	(304,417)	(304,907)	(327,037)	(288,942)	(331,150)	(297,096)	(301,799)	(267,373)
Income Tax Expense	-	-	-	-	-	-	-	-
Deferred Income Tax (Expense) Recovery	(89,277)	-	-	-	(59,911)	-	-	-
Fair value adjustment on investment property	(725,390)	16,009	29,139	1,410	(1,198,893)	-	-	-
Other expense	(135,094)	(157,599)	(147,394)	(147,879)	(116,787)	(141,145)	(137,564)	(139,101)
Net Income (Loss)	(667,224)	180,745	164,232	201,721	(1,003,842)	145,802	144,681	177,570
Earnings (Loss) per Share	(0.02)	0.00	0.00	0.01	(0.03)	0.00	0.00	0.00
Fully Diluted Earnings (Loss) per Share	(0.02)	0.00	0.00	0.01	(0.03)	0.00	0.00	0.00

Discussion of Fourth Quarter Operations and Financial Condition:

Revenue

Total revenue during the three months ended December 31, 2022 was \$586,954, a decrease of \$115,945 or approximately 16% from 2021 which totaled \$702,899. The decrease was due to the expiry of one (1) tenant lease on September 30, 2022 which was not renewed, and which was partially offset by one (1) new tenant lease with Cassel Properties Ltd. which commenced on October 1, 2022.

Expenses

Total expenses for the three-month period ending December 31, 2022 were \$304,417, a decrease of \$26,733 or approximately 8%, as compared to \$331,150 in the same period of 2021. Expenses include operating expenses, general and administrative expenses, and amortization.

Direct operating costs for the three months ending December 31, 2022 were \$268,483 which was similar to the same period in 2021, of \$273,881. General and administrative expenses decreased by \$20,283 or approximately 36%, to \$35,934 in the three months ended December 31, 2022 as compared to \$56,217 in the same period in 2021 due to cost cutting measures as the Company works to streamline its operations. Amortization expense was not significant during the three months ended December 31, 2022 and 2021.

Other Income (Expenses)

Other income (expenses) is composed of interest income, fair value adjustment on CEBA loan and finance costs. Finance costs decreased by \$22,589, or approximately 14%, to \$134,724 in the three months ended December 31, 2022 as compared to \$157,313 in the same period in 2021. The decrease in finance costs is due to the continued paydown of the Company's mortgage payable. Interest income decreased from \$15,464 in the three months ended December 31, 2021 to \$262 in the same period in 2022. Interest income in 2021 was related to interest earned on a loan receivable from Silhouette at Carlton Ltd. The loan was due on demand and carried an interest rate of 5%. On December 24, 2021, the Company entered into a purchase contract to acquire ten (10) condominium units in Edmonton, Alberta, see "Transactions with Related Parties" section below. Pursuant to the purchase contract and in satisfaction of the deposit required, the loan receivable from Silhouette at Carlton Ltd. was assigned to the seller. During the three months ended December 31, 2021, there was an adjustment of \$20,000 which relates to the forgivable portion of the CEBA loan. The fair value adjustment on CEBA loan is not significant in the three months ended December 31, 2022 and 2021.

Fair value adjustment on Investment Property

The Company's investment property is measured using the fair value model. The investment is recorded at fair value, determined based on available market evidence at each reporting date. Changes in fair value are recognized in profit or loss in the period in which it arises. The fair value is determined by a third-party valuation professional using a combination of income approach via overall income capitalization, income approach via discounted cash flow and direct comparison approach. The Company recorded a fair value reduction on its investment property totaling \$725,390 during the three months ended December 31, 2022 (2021 - \$1,198,893).

Liquidity and Capital Resources

As at December 31, 2022, the Company had bank indebtedness of \$295,148 (2021 - \$286,958) through its overdraft facility and a working capital deficiency of \$17,322,889 (December 31, 2021 - \$17,943,373). Working capital is calculated as current assets less current liabilities. The \$16,275,951 mortgage payable (2021 - \$16,943,901) is due on demand and 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 December 31, 2022, the Company was not in compliance with this covenant. The Company is working together with the lender with respect to the mortgage covenant and does not expect that the lender will demand on the mortgage payable. In accordance with generally accepted accounting principles, the entire amount of the mortgage is included in current liabilities and as such contributes to the working capital deficiency.

Net cash from operations was \$1,345,300 during 2022 (2021 - \$1,217,482). Cash used in financing activities during 2022 included scheduled repayments on the mortgage of \$661,612 (2021 - \$644,904), interest payments of \$534,788 (2021 - \$599,099), a repayment of the principle of a loan payable of \$100,000 (2021 - \$nil) and repayment of a portion of the loan payable to Cassel Properties Ltd. of \$49,500 (2021 - \$70,167).

The Company expects to manage its working capital deficiency through a combination of cash flow generated from its operating activities or additional financing, as necessary.

As at December 31, 2022, the Company had a loan payable of \$75,791 (2021 - \$169,997) which is unsecured, bears interest at a rate of 7% per annum, with no regular payments, and principal repayment is due on February 10, 2023. On February 4, 2023 the Company and the lender amended the terms so that the maturity date is no longer February 10, 2023 and the loan payable is due on demand. Accordingly, the entire amount of the loan payable has been included in current liabilities. The Company expects to repay the remaining balance of the loan payable in 2023. No demand has been made by the lender as of the date of this MD&A.

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 as it expects to repay the loan before the deadline to secure the \$20,000 loan forgiveness with cash generated from operations or additional financing, as necessary.

As at December 31, 2022, the Company had a loan payable to related party of \$334,912 (2021 - \$358,078). The loan is payable to Cassel Properties Ltd. and is unsecured, bears interest at a rate of 8% per annum and has no fixed terms of repayment. Principal repayment is due on November 10, 2023. The Company expects to repay the loan over time using cash generated from operations or additional financing, as necessary.

As at December 31, 2022, the Company had a mortgage payable of \$16,275,951 (2021 - \$16,943,901). The mortgage payable has a maximum borrowing limit of \$17,706,249, is due on demand with monthly blended instalments of \$100,450, bears interest at 3.25% per annum, and has a term expiring on August 1, 2025. The mortgage payable is secured by the commercial investment property which has a carrying value of \$21,550,000 as at December 31, 2022 (December 31, 2021 - \$22,250,000), general assignment of rent and a general security agreement. 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 December 31, 2022, the Company was not in compliance with this covenant. The Company expects to repay the mortgage instalments over the term with cash generated from its operations and will seek to renew the mortgage at the end of its term. The Company is working together with the lender with respect to the mortgage covenant and does not expect that the lender will demand on the mortgage payable.

Capital expenditures are generally funded by cash on hand, and/or cash provided by operating activities, or by obtaining new financing. It is the Company's objective to maintain its properties at a high level, consequently, capital expenditures may be regularly required, however the timing of such expenditures is often discretionary and may be deferred, for example with a repair rather than replacement. During both 2022 and 2021, the Company had minimal capital expenditures.

From time to time the Company anticipates incurring direct leasing costs and/or tenant improvement allowances related to acquiring new tenants or maintaining existing tenants. For example, there may be direct leasing costs and/or tenant improvement allowances incurred as a result of securing a new lease or acquiring a new tenant.

Another significant use for cash could be the acquisition of or investment in new properties. The Company is actively and continuously seeking new investment opportunities.

Risk and Uncertainty

The Company is exposed to a variety of business and other risks and uncertainties including the following:

Economic Risk

The performance of real estate investments is impacted by local market conditions, which in turn can be affected by national or global economic conditions. Economic trends can also be exacerbated in smaller markets, resulting in greater risk. The Company mitigates economic risk by focusing on larger markets, maintaining tenants from various industries, and maintaining high quality properties.

Fair value risk

Real estate markets are in a constant state of flux and prices and values can vary in a short timeframe due to such factors as economic conditions, the general desirability of real estate investments, the number and nature of potential purchasers in the market, the availability of comparable investment opportunities, the motivation of vendors, the availability and cost of financing, etc. Changes in fair value will result in gains or losses in earnings being recorded in the financial statements, although these would be non-cash gains or losses until such time as a property is sold. Upon sale, there is a risk that the Company may realize sale proceeds of less, or even significantly less, than the fair value recorded in its real estate investments. In addition, transaction costs are not included in the fair value of investment properties which will reduce fair value gain (or increase the loss) on disposal of investment properties. Lower property value may also make refinancing of maturing mortgages more difficult, although with low leverage, this is less likely to occur.

Tenant Terminations and Financial Stability

The Company's revenues would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Company's properties were not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Company than the existing lease.

In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the Company's investment may be incurred. Furthermore, at any time, a tenant of any of the Company's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the Company. The

ability to rent unleased space in the properties in which the Company will have an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property required by a new tenant. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the Company's financial condition.

Credit 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. Tenant default can occur because of economic conditions or tenant specific circumstances. The Company manages this risk by having multiple tenants, retaining security deposits on leases, staggering lease expiry dates, and screening tenants for longevity and credit worthiness.

The aging of accounts receivable is as follows:

	<u>2022</u>	<u>2021</u>
Current	\$ 12,231	\$ 81,989
31-90 days	-	3,182
91 + days	<u>1,677</u>	<u>74</u>
	<u>\$ 13,908</u>	<u>\$ 85,245</u>

The Company is subject to concentration risk through the volume of revenues derived from certain key tenants. For the year ended December 31, 2022, revenue earned from four key tenants represents 91% (2021 – 91%) of total revenues. As at December 31, 2022, there were no amounts receivable from these tenants (December 31, 2021 – 82%).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The 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 year ended December 31, 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 (2021 – not significant).

Financing risk

There is the risk that the Company will be unable to obtain satisfactory financing when required, particularly to refinance maturing debt. This risk is mitigated by actively managing the Company's capacity to service debt, and by maintaining good borrowing relations with sound lenders.

Environmental risk

Environmental liability is a risk for any owner in the real-estate industry, and primarily stems from the possibility of inheriting an existing unknown liability through the acquisition of a property or from environmental liability caused by a tenant. The Company manages the former risk by obtaining professional environmental assessments of potential acquisition properties as a condition of acquisition, which assessments, among other things, investigate the historical use and current condition of the property. The risk of potential environmental liability caused by a tenant is mitigated by screening tenants, by obliging tenants to be responsible for any environmental contamination or other issues caused by them, and by monitoring properties for any apparent environmental threats.

Property Loss Risk

The Company contracts with an insurance agency that specializes in commercial insurance. Insurance coverage is reviewed annually for each property.

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 December 31, 2022, the Company's contractual obligation consists of accounts payable and accrued liabilities of \$281,109 (December 31, 2021 - \$224,799) that have a current contractual maturity. Repayment of the \$40,000 CEBA loan is required by December 31, 2023. The mortgage payable of \$16,275,951 (December 31, 2021 - \$16,943,901) is due on demand and has terms which expire in fiscal 2025. The loan payable of \$75,791 (December 31, 2021 - \$169,997) is due on demand. The loan payable to related party of \$334,912 (December 31, 2021 - \$358,078) has terms which expire in November 2023. The overdraft facility of \$295,148 (December 31, 2021 - \$286,958) is due on demand with revolving terms.

Government Regulation

The Company currently has an interest in a property located in the province of Alberta. The nature of real estate construction and operation is such that refurbishment and structural repairs are required periodically, in addition to regular ongoing maintenance. In addition, legislation relating to, among other things, environmental and fire safety standards is continually evolving, and changes thereto may give rise to ongoing financial and other obligations of the Company, the costs of which may not be fully recoverable from tenants.

Dependence on Key Personnel

The Company will depend on the good faith, experience and judgment of the directors and officers of the Company to manage the business and affairs of the Company. The management of the Company depends on the services of certain key personnel, including in particular Eddie Yu, as Chief Executive Officer. There can be no assurance that the Company will be able to retain its existing key personnel, attract qualified executives or adequately fill new or replace existing senior management positions or vacancies created by expansion, turnover or otherwise. The loss of the services of any one or more of the Company's key personnel or the inability to retain, attract or fill any such personnel or positions or vacancies could have an adverse effect on the Company.

Failure or Unavailability of Computer and Data Processing Systems and Software

The Company is dependent upon the successful and uninterrupted functioning of its computer and data processing systems and software. The failure or unavailability of these systems could interrupt operations or materially impact the Company's ability to collect revenues and make payments. If sustained or repeated, a system failure or loss of data could negatively and materially adversely affect the ability of the Company to discharge its duties and the impact on the Company may be material.

Cyber Security Risk

Cyber security is an increasingly important aspect of business operations. A cyber-attack is an intentional attack which can include gaining unauthored access to information systems to disrupt business operations, corrupt data or steal confidential information. Such an attack could compromise the Company, its employees and tenants' confidential information and may result in negative consequences, including remediation costs, loss of revenue, data corruption, additional regulatory scrutiny, litigations and reputational damages. As a result, the Company has implemented controls to help mitigate cyber security risks but these measures do not guarantee that a cyber attack will not occur or may not be successful due to the ever changing and increased sophistication of these types of attacks.

Litigation Risks

The Company may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. The unfavorable resolution of any legal proceedings could have an adverse effect on the Company and its financial position and results of operations that could be material.

Financial Instruments and Other Instruments

Financial instruments of the Company 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 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 year.

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

- The carrying amounts of accounts receivable, 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	<u>2022</u>	<u>2021</u>
Financial Liabilities:			
Loan payable	Level 3	\$ 75,791	\$ 169,997
Loan payable to related party	Level 3	\$ 334,912	\$ 358,078
CEBA Loan	Level 3	\$ 37,383	\$ 34,938
Mortgage payable	Level 3	\$ 16,275,951	\$ 16,943,901

Off – Balance Sheet Arrangements

As at December 31, 2022, the Company did not enter into any off-balance sheet arrangements.

Contingencies

Management of the Company is aware of no contingent liabilities as at December 31, 2022.

Share Structure

The Company has 40,039,000 common shares outstanding at December 31, 2022. There are 2,955,000 stock options exercisable and outstanding as at December 31, 2022 with a weighted average exercise price of \$0.09 per common share; 800,000 of the stock options expire on August 27, 2023, and 2,155,000 of the stock options outstanding expire on December 19, 2024. On January 16, 2023, the Company granted an additional 1,048,900 stock options to directors, officers and consultants of the Company. The stock options have an exercise price of \$0.07 per common share for a term of five (5) years and vested immediately upon grant.

As at the date of this MD&A, the Company has common shares issued and outstanding of 40,039,000 and fully diluted common share capital of 44,042,900.

Transactions with Related Parties

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

During the year ended December 31, 2022, the Company incurred \$16,095 in consulting fees due to the CFO of the Company (2021 - \$nil). As at December 31, 2022, \$10,990 was included in accounts payable and accrued liabilities as owing to the CFO (December 31, 2021 - \$nil).

During the year ended December 31, 2022, the Company charged a total of \$150,403 to Cassel Properties Ltd., an entity owned and controlled by the CEO, director and majority shareholder of the Company, for recovery of operating expenses (2021 - \$123,012).

During the year ended December 31, 2022, the Company received rental income, before straight-line adjustments, of \$268,140 from Cassel Properties Ltd. (2021 - \$245,700) and as at December 31, 2022, \$46,928 was included in prepaid rent for rent paid in advance and rental deposits (2021 - \$19,928).

During the year ended December 31, 2022, the Company incurred interest expense of \$26,334 to Cassel Properties Ltd. (2021 - \$29,031).

During the year ended December 31, 2022, the Company accrued interest income of \$nil from Silhouette at Carlton Ltd., an entity owned 50% by the CEO, director and majority shareholder of the Company (2021 - \$61,353).

During the year ended December 31, 2022, \$20,267 has been included in general and administrative expenses related to fees with Parlee McLaws LLP, a law firm where one of the directors of the Company is a partner, (2021 - \$4,431). As at December 31, 2022, \$13,471 was included in accounts payable and accrued liabilities as owing to Parlee McLaws LLP (December 31, 2021 - \$445).

During the year ended December 31, 2022, \$92,502 has been included in general and administrative expenses related to administration fees with Cassel Properties Ltd. (2021 - \$110,502) and as at December 31, 2022, \$19,557 was included in accounts payable and accrued liabilities (December 31, 2021 - \$nil).

During the year ended December 31, 2022, \$32,076 has been included in general and administrative expenses related to rent with Cassel Properties Ltd. (2021 - \$32,076) and as at December 31, 2022, \$8,420 was included in accounts payable and accrued liabilities (December 31, 2021 - \$nil).

During the year ended December 31, 2022, \$77,170 has been included in direct operating costs related to property management fees with Cassel Properties Ltd. (2021 - \$88,519) and as at December 31, 2022, \$26,125 was included in accounts payable and accrued liabilities (December 31, 2021 - \$nil).

On December 24, 2021, the Company entered into a purchase contract to acquire ten (10) condominium units in Edmonton, Alberta from 1784338 Alberta Ltd. for a total purchase price of \$3,229,762 subject to certain conditions to be satisfied by December 31, 2022.

On December 31, 2022, the purchase contract was amended such that the following conditions are to be satisfied by December 31, 2023, or as mutually further 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.

IFRS Accounting Policies

The Company's significant accounting policies under IFRS are disclosed in the Financial Statements.

New Accounting Standards Adopted

IAS 1 Presentation of financial statements

The amendment to IAS 1 clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition.

Income taxes – deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of when the existing exemption for recognizing deferred income tax assets and deferred income tax liabilities on initial recognition of an asset and a liability is applied. The amendments clarify the requirement to account for deferred tax on transactions such as initial recognition of leases and decommissioning obligations where the transaction gives rise to an equal taxable and deductible temporary difference.

Impact of COVID-19 Pandemic

The changes brought on by the COVID-19 pandemic continue to exert downward pressure on the fair value of the Company's investment property due to the changing trends in commercial and retail rental markets. More employers are allowing employees to work from home, creating uncertainty around the demand for office space. Additional uncertainty in retail arises from changing demand for products and services from consumers and more consumers choosing to shop online rather than in physical stores. As these trends continue to evolve, there remains additional uncertainty surrounding the leasing of vacant space and additional uncertainty whether leases up for renewal will be renewed or renewed on similar terms and rates.

Forward Looking Information

This management discussion and analysis may contain forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. These statements are not historical acts and are subject to risks and uncertainties which could cause actual results and the timing of certain events to differ materially from those set forth in or implied herein including, without limitation, risks associated with the Company's proposed activities.

Additional Information

Additional information on the Company can be found on SEDAR at www.sedar.com.

Shareholder communications information may be obtained here:

Regent Pacific Properties Inc.: 1-780-424-9898

Email: info@cassel.ca

The Company's shares are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "RPP".

The Company's registered office is located at 2607 Ellwood Drive SW, Edmonton, Alberta, T6X 0P7.