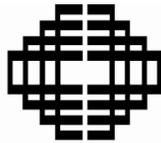

Financial Statements

Gulf & Pacific Equities Corp.

**For the Years Ended December 31, 2018 and 2017
(Stated in Canadian Dollars)**

INDEX

Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2 - 3
Statements of Financial Position	4
Statements of Comprehensive Income (Loss)	5
Statements of Changes in Shareholders' Equity	6
Statements of Cash Flow	7
Notes to the Financial Statements	8



GULF & PACIFIC EQUITIES CORP.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements were prepared by the management of Gulf & Pacific Equities Corp., 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, judgements, 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 24, 2019

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, 2018 and December 31, 2017 and the statements of income (loss) and comprehensive income (loss), statement of changes in shareholders' equity and statement of changes in 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, 2018 and December 31, 2017, 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.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

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. 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 for the Financial Statements 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 entity'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.

The engagement partner on the audit resulting in this independent auditor's report is Kenneth H. Kustra.

*Winnipeg, Manitoba
April 24, 2019*

MNP LLP

Chartered Professional Accountants

Gulf & Pacific Equities Corp.

Statements of Financial Position

(Stated in Canadian Dollars)

	December 31, 2018	December 31, 2017
Assets		
Cash	\$ 355,638	\$ 108,709
Other amounts receivable (note 3)	11,723	134,976
Prepaid expenses	37,182	46,983
Investment properties (note 4)	40,500,000	40,500,000
Investments (note 7)	24,408	73,224
	<u>\$ 40,928,951</u>	<u>\$ 40,863,892</u>
Liabilities		
Accounts payable and accrued liabilities	1,463,934	1,251,897
Mortgages (note 5)	\$ 18,602,645	\$ 19,546,915
Loan payable (note 8)	4,547,000	4,242,000
Purchase price payable (note 6)	658,776	658,776
Deferred income taxes (note 13)	1,165,000	1,040,000
	<u>26,437,355</u>	<u>26,739,588</u>
Commitments (note 10)		
Shareholders' Equity		
Share Capital (note 11)	7,453,322	7,453,322
Contributed Surplus	2,812,409	2,812,409
Retained Earnings	4,225,865	3,858,573
	<u>14,491,596</u>	<u>14,124,304</u>
	<u>\$ 40,928,951</u>	<u>\$ 40,863,892</u>

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 Comprehensive Income (Loss)

For the Years Ended December 31

(Stated in Canadian Dollars)

	2018	2017
Revenue		
Rental	\$ 2,837,602	\$ 2,756,707
Step rent	68,929	25,625
Common area and realty tax recoveries	1,085,775	1,087,531
Interest and other	301	302
	<u>3,992,607</u>	<u>3,870,165</u>
Expenses		
Interest (note 5)	1,289,594	1,164,306
Operating costs and realty taxes	1,496,318	1,249,905
Administration (note 19)	779,222	766,819
Share-based compensation (note 12)	-	27,741
Unrealized loss from Investments	48,816	8,136
	<u>3,613,950</u>	<u>3,216,907</u>
Net Income before fair value adjustment and income taxes	378,657	653,258
Fair value adjustment (note 4)	113,635	(732,846)
Net Income before income taxes	492,292	(79,588)
Deferred income tax expense (note 13)	(125,000)	(89,000)
Net Income (Loss) and Comprehensive Income (Loss)	<u>\$ 367,292</u>	<u>\$ (168,588)</u>
Income (Loss) per Share - Basic (note 11b)	<u>\$ 0.02</u>	<u>\$ (0.01)</u>
Income (Loss) per Share - Diluted (note 11b)	<u>\$ 0.02</u>	<u>\$ (0.01)</u>
Weighted Average Number of Common Shares Outstanding - Basic (note 11b)	<u>21,290,685</u>	<u>21,290,685</u>
Weighted Average Number of Common Shares Outstanding - Diluted (note 11b)	<u>21,686,685</u>	<u>21,290,685</u>

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		Contributed Surplus	Retained Earnings	Total
	Shares	Amount			
Balance - January 1, 2017	21,290,685	\$ 7,453,322	\$ 2,784,668	\$ 4,027,161	\$ 14,265,151
Share based compensation	-	-	27,741	-	27,741
Net income and comprehensive loss	-	-	-	(168,588)	(168,588)
Balance - December 31, 2017	<u>21,290,685</u>	<u>\$ 7,453,322</u>	<u>\$ 2,812,409</u>	<u>\$ 3,858,573</u>	<u>\$ 14,124,304</u>

	Share Capital		Contributed Surplus	Retained Earnings	Total
	Shares	Amount			
Balance - January 1, 2018	21,290,685	\$ 7,453,322	\$ 2,812,409	\$ 3,858,573	\$ 14,124,304
Net income and comprehensive income	-	-	-	367,292	367,292
Balance - December 31, 2018	<u>21,290,685</u>	<u>\$ 7,453,322</u>	<u>\$ 2,812,409</u>	<u>\$ 4,225,865</u>	<u>\$ 14,491,596</u>

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)

	2018	2017
Cash Provided By (Used In):		
Operating Activities		
Comprehensive income	\$ 367,292	\$ (168,588)
Add (deduct) items not affecting cash:		
Amortization of deferred financing costs	40,082	39,605
Deferred income tax expense (recoveries)	125,000	89,000
Amortization of deferred leasing costs	182,564	193,556
Accrued rent receivable	(68,929)	(25,625)
Interest expense	1,245,335	1,124,700
Fair value adjustment	(64,819)	740,982
Share-based compensation	-	27,741
	<u>1,826,525</u>	<u>2,021,371</u>
Changes in non-cash balances related to operations:		
Prepaid expenses	9,801	(7,927)
Other amounts receivable	123,253	(33,843)
Accounts payable and accrued liabilities	(51,858)	(155,773)
	<u>1,907,721</u>	<u>1,823,828</u>
Financing Activities		
Repayment of mortgages payable	(983,852)	(1,659,260)
Receipt of mortgage and loan proceeds	305,000	750,000
Interest paid	(981,440)	(896,441)
Financing costs paid	(500)	(8,275)
Shares issued in lieu of accounts payable	-	(81,360)
	<u>(1,660,792)</u>	<u>(1,895,336)</u>
Increase in cash	246,929	(71,508)
Cash - beginning of period	108,709	180,217
Cash - end of period	<u>\$ 355,638</u>	<u>\$ 108,709</u>

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

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

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.

These financial statements were authorized for issuance by the Board of Directors on April 24, 2019.

1. Basis of Presentation

a) Statement of Compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company follows accounting policies under IFRS as disclosed in note 2.

The policies applied in the Company's financial statements are in accordance with International Financial Reporting Standards (“IFRS”) effective as of December 31, 2018.

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.

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:

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

1. Basis of Presentation and Going Concern (continued)

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

i) Investment properties (continued)

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.

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 and purchase price payable, assessing the allowance for doubtful accounts on trade receivables, estimating the fair value of share-based compensation and determining the values of financial instruments for disclosure purposes.

2. 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.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

2. Summary of Significant Accounting Policies (continued)

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 net 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.

The IASB issued an amendment to IAS 40 Investment Property ("IAS 40") to clarify certain existing requirements in the standard. The amendments require an asset to be transferred to or from investment property only when a change in use occurs. A change in use occurs when a property meets or ceases to meet the definition of investment property and evidence of a change in use exists. The Company adopted the amendment to IAS 40 effective January 1, 2018. The amendment did not have an impact on the Company's financial statements.

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

c) Financial instruments

Effective January 1, 2018, IFRS 9 financial instruments ("IFRS 9") replaced IAS 39, Financial Instruments: recognition and Measurement. IFRS 9 includes guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedging requirements. The company adopted the standard on January 1, 2018 and applied the requirements of the standard retrospectively with no restatement of comparative periods. The adoption of the standard did not have a significant impact on the carrying amounts of the financial instruments as at January 1, 2018.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

2. Summary of Significant Accounting Policies (continued)

c) Financial instruments (continued)

i. 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 permit 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 entity’s business model for managing the financial assets and related contractual cash flows. IFRS 9 retains most of the requirements of IAS 39 related to classification and measurement of financial liabilities.

The following table summarizes the impact of the adoption of IFRS 9 on the classification of the Company’s financial assets and liabilities:

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Investments	FVTPL	FVTPL
Other amounts receivable	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Mortgages	Other liabilities at amortized cost	Amortized cost
Purchase price payable	Other liabilities at amortized cost	Amortized cost
Loan payable	Other liabilities at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities at amortized cost	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 and 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.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

2. Summary of Significant Accounting Policies (continued)

c) Financial instruments (continued)

IFRS 9 introduces 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 an entity 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. The adoption of the ECL model did not have a material impact on the Company’s financial statements.

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.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

2. Summary of Significant Accounting Policies (continued)

f) Revenue recognition

Effective January 1, 2018 IFRS 15 Revenue from Contracts with Customers, (“IFRS 15”) replaced all pre-existing guidance, including, but not limited to IAS 11 Construction Contracts, IAS 18 Revenue, and IFRIC 15 Agreements for the Construction of Real Estate in IFRS related to revenue. IFRS 15 contains a single control-based model (the “model”) that applies to contracts with customers and allows entities to recognize revenue at a point-in-time or over-time. The model consists of a 5-step analysis of transactions to determine whether, how much, and when revenue is recognized. IFRS 15 also includes additional requirements for revenue accounted for under the standard. The company adopted the standard on January 1, 2018 and applied the requirements using the cumulative effect method with no restatement of comparative periods. The adoption of IFRS 15 did not have a significant impact on the Company's financial statements as at January 1, 2018.

The Company completed its assessment of the effect of IFRS 15 and determined the pattern of revenue recognition will remain unchanged. The Company's assessment included an examination of contracts for all revenue streams, which includes base rent for the use of leased space and recoveries of common area costs and realty taxes.

The Company's primary source of revenue generated from leases and such revenue is out of the scope of IFRS 15. Rental income from tenants under lease include components within the scope of IAS 17 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 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.

Common area and realty tax recoveries are considered non-lease components and within the scope of IFRS 15. The performance obligation for the recovery of common area and realty tax recoveries is satisfied over time. The Company receives variable consideration for the common area and realty tax recoveries under the lease to the extent costs have been incurred. 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.

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.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

2. Summary of Significant Accounting Policies (continued)

g) Income taxes

The IASB made amendments to IAS 12, Income Taxes (“IAS 12”) that were applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, Investment Property. The amendments, which were effective for annual periods beginning on or after January 1, 2012, introduced a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. This amendment had no impact on the financial statements of the Company as the Company's deferred tax assets and liabilities with respect to investment properties are measured using the presumption of recovery through sale.

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 profit or loss.

h) Income (loss) per share

Income (loss) per share is computed by dividing the income (loss) 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 income (loss) 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, earnings per share is accounted for retrospectively. If these transactions occur after the reporting period but prior to the issuance of the financial statements, income (loss) per share is calculated based on the new number of shares.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

2. Summary of Significant Accounting Policies (continued)

i) 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.

j) 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.

k) 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.

l) Future accounting changes

IFRS 16, "Leases" is a new standard that sets out the principle for the recognition, measurement and disclosure of leases. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessors, IFRS 16 carries forward the lessor accounting requirement in IAS 17, with enhanced disclosure requirement that will provide information to the users of financial statements about a lessor's risk exposure, particularly to residual value risk. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. The Company intends to adopt the new standard on the required effective date of January 1, 2019 without restatement of comparative information. The Company is currently assessing any effect on its financial statements from the adoption of this standard.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

3. Other Amounts Receivable

Other amounts receivable includes amounts receivable of \$Nil from Canada Revenue Agency (2017 - \$120,808), trade accounts receivable of \$10,248 (2017 - \$13,372) and taxes receivable of \$1,475 (2017 - \$796).

4. Investment Properties

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Balance - Opening	\$ 40,500,000	\$ 41,400,000
Additions	10,831	-
Leasing costs	171	776
Leasing costs amortization	(193,566)	(193,555)
Accrued rent receivable	68,929	25,625
Fair value adjustment	113,635	(732,846)
Balance - Ending	<u>\$ 40,500,000</u>	<u>\$ 40,500,000</u>

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

External appraisals for the three properties, totaling \$41,400,000, were obtained for the year ended December 31, 2016. As at December 31, 2018 and 2017, internal fair value for the three properties of \$40,500,000 was determined based on the direct capitalization income approach as defined below. Capitalization rates of 7.00% to 7.25% as at December 31, 2018 (2017 - 6.00% to 7.50%) were used to determine the fair value of the properties. The weighted average capitalization rate for December 31, 2018 was 7.00% (2017 - 7.41%).

As at December 31, 2017, management performed an assessment of the underlying inputs and principles of the December 31, 2016 appraisals and noted a decrease in revenue on one of the properties; thus an internal review was completed for December 31, 2017. As a result, management recorded an aggregate fair value adjustment of \$732,846 to decrease the carrying value of the properties as at December 31, 2017. The adjustment resulted from a \$900,000 reduction of the fair value of one property, which was offset by a \$167,154 increase of fair value for the other two properties.

The internal fair values were based on the direct capitalization income approach with reference to the direct comparison approach and external appraisers for additional support. 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 will obtain new external appraisals if the conditions disclosed change materially. The Company has classified the three investment properties as level 3 based on the fair value hierarchy.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

5. Mortgages and Loan Payable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Mortgage payable, bearing interest at 5.85%, repayable monthly in blended principal and interest payments of \$3,835, due December 1, 2023	\$ 349,729	\$ 375,803
Mortgage payable, bearing 5 years fixed interest rate at 5.26%, repayable monthly in fixed payments of \$111,240, due September 1, 2023	14,271,207	15,018,234
Mortgage payable, bearing 5 years fixed interest rate at 5.26%, repayable monthly in fixed payments of \$29,210, due September 1, 2023	3,747,468	3,943,629
Loan payable, bearing 5 years fixed interest rate at 5.26%, repayable monthly in fixed payments of \$2,186, due September 1, 2023	280,441	295,031
	<u>18,648,845</u>	<u>19,632,697</u>
Unamortized mortgage financing costs	<u>(46,200)</u>	<u>(85,782)</u>
	<u>\$ 18,602,645</u>	<u>\$ 19,546,915</u>

The mortgage is 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, 2018, interest expense on the statement of comprehensive income (loss) includes amortized mortgage financing costs of \$39,582 (2017 - \$32,106).

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

2019	\$ 793,740
2020	834,067
2021	881,793
2022	929,494
2023 and later	15,209,751
	<u>\$18,648,845</u>

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

6. Purchase Price Payable

In December 2006, the Company acquired the Tri-City Mall in Cold Lake, Alberta and agreed to pay an additional \$658,776 if and when the property became fully leased at any time up to December 31, 2021. Since the Company expects to fully lease the property by this time, the contingency has been fully provided for and was added to the cost of the acquisition. As at December 31, 2018 and 2017, the property was not fully leased.

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, 2018 and 2017, the Company holds 1,627,200 (2017 - 1,627,200) common shares of a related company at fair value \$24,408 (2017 - \$73,224). 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.

8. Loan Payable

During the year ended December 31, 2013, the Company received loan proceeds of \$2,500,000 from a related corporation, Ceyx Properties Ltd. During the year ended December 31, 2014, the Company received further proceeds of \$7,750,000 and also repaid \$4,500,000 of the balance outstanding. During the year ended December 31, 2015 the Company received further proceeds of \$2,250,000 and repaid \$5,000,000 of the balance. During the year ended December 31, 2016 the Company received further proceeds of \$492,000. During the year ended December 31, 2017, the Company received further proceeds of \$750,000.

During the year ended December 31, 2018, the Company received further proceeds of \$305,000. The balance outstanding as at December 31, 2018 is \$4,547,000 (2017 - \$4,242,000).

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. The related corporation is not a subsidiary.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

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

	<u>Mortgage and Loan Payable</u>	<u>Loan Payable</u>	<u>Interest payable</u>
Balance - January 1, 2018	\$ 19,546,915	\$ 4,242,000	\$ 832,193
Proceeds	-	305,000	-
Payment of principal	(983,852)	-	-
Amortized deferred financing costs	39,582	-	-
Interest expense	981,440	-	263,896
Interest paid	(981,440)	-	-
Balance - December 31, 2018	<u>\$ 18,602,645</u>	<u>\$ 4,547,000</u>	<u>\$ 1,096,089</u>

The interest payable at December 31, 2018 of \$1,096,089 (2017 - \$832,193) is included in accounts payable and accrued liabilities.

10. Commitments

Minimum annual lease payments required under an operating lease are approximately as follows:

2019	22,385
2020	22,385
2021	22,385
2022	22,385
2023	1,865
	<u>\$ 91,405</u>

11. Share capital and earnings per share

a) Share Capital

The Company is authorized to issue unlimited preference shares and unlimited common shares. The number of issued and outstanding common shares and unexercised options at December 31, 2018 follows:

Common shares	Number	Amount
Shares outstanding - January 1, 2018 and 2017	21,290,685	\$ 7,453,322
Shares outstanding - December 31, 2018 and 2017	21,290,685	\$ 7,453,322

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

11. Share capital and earnings per share (continued)

b) Earnings per share

Basic earnings per share has been calculated using the weighted average number of shares outstanding 21,290,685 (2017 - 21,290,685). As at December 31, 2018 diluted shares total 21,686,685 and includes 396,000 of unexercised dilutive options.

Common shares	2018	2017
Net income(loss)	\$ 367,292	\$ (168,588)
Basic and weighted average common shares outstanding - January 1	21,290,685	\$ 21,290,685
Basic and weighted average common shares outstanding - December 31	21,290,685	\$ 21,290,685
Basic and diluted earnings per share	\$ 0.02	\$ (0.01)
Basic and weighted average common shares outstanding - January 1	21,290,685	21,290,685
Effect of unexercised dilutive options	396,000	-
Diluted weighted average common shares outstanding - December 31	21,686,685	21,290,685
Diluted earnings per share (loss)	\$ 0.02	\$ (0.01)

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

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, 2018 and December 31, 2017 and the changes during the years is presented below:

	2018		2017	
	Options	Weighted Average exercise price per option	Options	Weighted Average exercise price per option
Outstanding, beginning of period	1,041,000	\$ 0.257	891,000	\$ 0.266
Granted/vested	-	-	150,000	0.205
Outstanding, end of period	1,041,000	\$ 0.257	1,041,000	\$ 0.257
Exercisable, end of period	1,041,000	\$ 0.257	1,041,000	\$ 0.257

- b) No stock options were granted during the year ended December 31, 2018.

On April 26, 2017, the Company granted 150,000 stock options to directors, officers, and employees. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.205 per share until April 26, 2027. The options vested upon grant. The estimated fair value of \$27,741 has been included in share-based compensation expense and contributed surplus.

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

Expected dividend yield	Nil
Risk-free interest rate	1.78%
Expected life	10.0 years
Expected volatility	102%

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

12. Share-based compensation

b) (continued)

At December 31, 2018, 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
150,000	150,000	2010	\$ 0.200	June 21, 2020
96,000	96,000	2011	\$ 0.215	April 20, 2021
100,000	100,000	2011	\$ 0.230	June 23, 2021
345,000	345,000	2012	\$ 0.260	April 30, 2022
200,000	200,000	2014	\$ 0.370	April 25, 2024
150,000	150,000	2017	\$ 0.205	April 26, 2027
<u>1,041,000</u>	<u>1,041,000</u>			

13. Income Taxes

a) Income tax expense (recovery) attributable to the income (loss) differs from the amounts computed by applying the combined federal and provincial income tax rates of 26.8% (2017 - 26.8%) to the pretax loss as a result of the following:

	2018	2017
Net income (loss) before income taxes	<u>\$ 492,292</u>	<u>\$ (79,588)</u>
Income taxes computed at statutory rates	132,000	(21,000)
Non-deductible expense	1,000	7,000
Difference in tax rates for capital gains	(8,000)	99,000
Other	-	4,000
Deferred income tax expense	<u>\$ 125,000</u>	<u>\$ 89,000</u>

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

13. Income Taxes (continued)

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

	January 1, 2018	Recognized in income (loss)	December 31, 2018
Deferred tax assets			
Unused tax losses	\$ 277,000	\$ (97,000)	\$ 180,000
Investments	1,000	7,000	8,000
	<u>278,000</u>	<u>(90,000)</u>	<u>188,000</u>
Deferred tax liabilities			
Investment properties	(1,310,000)	(34,000)	(1,344,000)
Financing costs	(8,000)	(1,000)	(9,000)
	<u>(1,318,000)</u>	<u>(35,000)</u>	<u>(1,353,000)</u>
Net	<u>\$ (1,040,000)</u>	<u>\$ (125,000)</u>	<u>\$ (1,165,000)</u>
	January 1, 2017	Recognized in income (loss)	December 31, 2017
Deferred tax assets			
Unused tax losses	\$ 458,000	\$ (181,000)	\$ 277,000
Financing costs	-	1,000	1,000
	<u>458,000</u>	<u>(180,000)</u>	<u>278,000</u>
Deferred tax liabilities			
Investment properties	(1,402,000)	92,000	(1,310,000)
Convertible debentures	(7,000)	(1,000)	(8,000)
	<u>(1,409,000)</u>	<u>91,000</u>	<u>(1,318,000)</u>
Net	<u>\$ (951,000)</u>	<u>\$ (89,000)</u>	<u>\$ (1,040,000)</u>

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

14. Financial Instruments and Risk Management

Fair Value

The Company's trade accounts receivable, accrued rent receivable and other financial liabilities, which includes mortgages payable, loan payable, purchase price payable, and accounts payable and accrued liabilities, are carried at amortized cost, which approximates fair value. Such fair value estimates may not necessarily be indicative of the amounts that the Company might pay or receive in actual market transactions.

Cash, other amounts receivable and accrued rent receivable approximate their carrying amounts due to the short-term maturities of these instruments. The valuation method is classified as level 1 on the fair value hierarchy.

Management has determined that the fair value of mortgages payable does not differ from its carrying value as underlying interest rates are not materially different than current market conditions. 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.

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.

During the year ended December 31, 2018, the Company converted its variable mortgages to a 5 year fixed rate of 5.26% maturing on September 1, 2023. As a result, fluctuations in interest rates does not have a significant impact on the Company as at December 31, 2018.

During the year ended December 31, 2017, the interest rates on 98% of the Company's mortgages payable were tied to the lender's prime lending rate. Changes in the lender's prime lending rate can cause fluctuations in the amounts of interest paid by the Company.

As at December 31, 2017, a change of 0.5% in the prime rate would increase or decrease the fair value of variable rate mortgages payable by approximately \$98,158.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

14. Financial Instruments and Risk Management (continued)

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, 2018 of \$11,723 (2017 - \$134,976).

Rent is past due when a tenant has failed to make a payment when contractually due. Rent past due amounts to \$10,400 (2017 - \$18,000), which is due from related parties as described in note 16.

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, 2018, should the equity prices of the Company's holdings increase or decrease by 5%, the impact on net loss would be approximately \$1,220 (2017 - \$3,661).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall 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.

As at December 31, 2018, the Company's financial liabilities include accounts payable and accrued liabilities, purchase price payable, loan payable and mortgages payable.

The following are estimated maturities of the Company's financial liabilities at December 31, 2018:

	2019	2020	2021	2022	2023 & later	Total
Accounts payable and accrued liabilities	\$ 1,463,934	\$ -	\$ -	\$ -	\$ -	\$ 1,463,934
Loan payable	4,547,000	-	-	-	-	4,547,000
Mortgages payable	793,740	834,067	881,793	929,494	15,209,751	18,648,845
Purchase price payable	658,776	-	-	-	-	658,776
	<u>\$ 7,463,450</u>	<u>\$ 834,067</u>	<u>\$ 881,793</u>	<u>\$ 929,494</u>	<u>\$ 15,209,751</u>	<u>\$ 25,318,555</u>

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

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.

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, 2018. The Company's significant covenant is listed below:

	Financial Covenant	Requirement	As at December 31, 2018	As at December 31, 2017
Mortgage refinancing	Debts services coverage ratio	Not Less than 1.10x (2017 - 1.05x)	1.22	1.05

16. Related Party Transactions

During the year ended December 31, 2018, the Company:

- a) Charged rent to related parties, Plato Gold Corp., \$3,000 (2017 - \$6,000) and Ceyx Properties Ltd., \$5,000 (2017 - \$12,000). The companies are related by virtue of the fact that they have the same President. As at December 31, 2018, included in accounts receivable is an amount of \$9,000 (2017 - \$6,000) due from these related parties.
- b) Was charged consulting fees of \$114,376 (2017 - \$105,171) by Greg K. W. Wong, an officer of the Company. As at December 31, 2018, accounts payable and accrued liabilities included \$Nil (2017 - \$108) of consulting fees payable to this officer.
- c) Incurred accounting fees of \$80,000 (2017 - \$87,800) with an accounting firm, Forbes Andersen LLP, in which Paul Andersen, one of the Company's officers, is a partner. As at December 31, 2018, accounts payable and accrued liabilities included \$33,800 (2017 - \$44,000) owing to this accounting firm.

Gulf & Pacific Equities Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

(Stated in Canadian Dollars)

16. Related Party Transactions (continued)

d) Other related party transactions information is disclosed in notes 8 & 9.

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.

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, 2018	December 31, 2017
Salaries	\$ 229,038	\$ 212,314
Consulting	114,376	105,171
Directors fees	47,801	28,758
Share-based compensation	-	27,741
	<u>\$ 391,215</u>	<u>\$ 373,984</u>

18. Revenue

The Company enters into long-term lease contracts 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	\$ 3,333,199
Later than 1 year and not later than 5 years	13,701,855
Later than 5 years	<u>12,302,534</u>
	<u>\$ 29,337,588</u>

19. Administration

The administration account is broken down as follows:

	2018	2017
Bank and service charges	\$ 3,283	\$ 4,152
Office & general	103,438	56,806
Professional fees	315,425	348,386
Rent	59,272	87,816
Transfer and filing fees	20,965	19,587
Wages and benefits	276,839	250,072
	<u>\$ 779,222</u>	<u>\$ 766,819</u>