THE BECKER MILK COMPANY LIMITED

INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2016

(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of The Becker Milk Company Limited were prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the unaudited interim financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Dr. G.W.J. Pottow"
Chief Executive Officer

"Brian Rattenbury"
Chief Financial Officer

NOTICE TO READER

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim financial statements have not been reviewed by the Company's auditors.

The Becker Milk Company Limited
Interim Statements of Financial Position
(Unaudited)

As at	October 31, 2016	April 30, 2016
ASSETS		
Non-Current		
Investment properties (note 3)	**$ 31,820,000**	$ 32,111,000
Long term investment (note 4)	**1,461,876**	1,193,280
Asset held-for-sale	**-**	475,000
Mortgage receivable (note 5)	**124,456**	126,775
	33,406,332	33,906,055
Current		
Mortgage receivable (note 5)	**5,549**	5,335
Income taxes receivable	**59,351**	68,188
Prepaid expenses and deposits	**178,855**	113,605
Accounts receivable (note 6)	**289,091**	152,403
Investments	**1,612,835**	394,571
Cash and cash equivalents	**789,965**	1,848,052
	2,935,646	2,582,154
TOTAL ASSETS	**$ 36,341,978**	$ 36,488,209
LIABILITIES		
Non-Current Liabilities		
Deferred income tax liabilities (note 8)	**$ 3,961,845**	$ 3,971,983
Current Liabilities		
Accounts payable and accrued liabilities	**403,089**	449,135
	403,089	449,135
Total Liabilities	**4,364,934**	4,421,118
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**1,567,243**	1,567,243
Retained earnings	**29,157,504**	29,480,557
Accumulated other comprehensive income	**1,252,297**	1,019,291
Total Equity	**31,977,044**	32,067,091
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 36,341,978**	$ 36,488,209

Commitments and Contingencies (Notes 14 and 15)

On behalf of the Board of Directors:

Signed: "S. Lowden", Director

Signed: "Dr. G.W.J. Pottow", Director

The accompanying notes are an integral part of these unaudited interim financial statements

The Becker Milk Company Limited
Interim Statements of Income
(Unaudited)

	Three Months Ended October 31, 2016	Three Months Ended October 31, 2015	Six Months Ended October 31, 2016	Six Months Ended October 31, 2015
Property revenue (note 10)	**$ 930,272**	$ 985,669	**$ 1,864,860**	$ 1,976,657
Finance income	**6,964**	7,061	**10,581**	10,888
Total revenues	**937,236**	992,730	**1,875,441**	1,987,545
Property operating expenses	**124,753**	137,760	**260,288**	254,676
Administrative expenses	**317,652**	279,124	**633,424**	564,791
Expenses related to strategic review	**-**	58,500	**-**	124,229
Total expenses	**442,405**	475,384	**893,712**	943,696
Income before other items	**494,831**	517,346	**981,729**	1,043,849
Fair value adjustment on investment properties (note 3)	**(123,722)**	(115,070)	**(363,670)**	(210,140)
Loss on sale of investment property	**-**	-	**(4,659)**	-
	(123,722)	(115,070)	**(368,329)**	(210,140)
Income before income taxes	**371,109**	402,276	**613,400**	833,709
Provision for income taxes (note 8)	**116,007**	139,344	**213,109**	285,666
Net income	**$ 255,102**	$ 262,932	**$ 400,291**	$ 548,043
Income per Class B special and common share - basic and diluted	**$ 0.14**	$ 0.15	**$ 0.22**	$ 0.30
Weighted average number of shares	**1,808,360**	1,808,360	**1,808,360**	1,808,360

The accompanying notes are an integral part of these unaudited interim financial statements

The Becker Milk Company Limited
Interim Statements of Comprehensive Income
(Unaudited)

	Three Months Ended October 31, 2016	Three Months Ended October 31, 2015	Six Months Ended October 31, 2016	Six Months Ended October 31, 2015
Net income	**$ 255,102**	$ 262,932	**$ 400,291**	$ 548,043
Other comprehensive income, net of taxes				
Items that will be reclassified subsequently into income:				
Increase in unrealized gains on available-for-sale marketable securities, net of income taxes of $35,590; (2015 - $34,669)	**140,030**	155,276	**233,006**	140,971
Comprehensive income	**$ 395,132**	$ 418,208	**$ 633,297**	$ 689,014

The accompanying notes are an integral part of these unaudited interim financial statements

The Becker Milk Company Limited
Interim Statements of Changes in Shareholders' Equity
(Unaudited)

	Three Months Ended October 31, 2016	Three Months Ended October 31, 2015	Six Months Ended October 31, 2016	Six Months Ended October 31, 2015
Share capital				
Balance, beginning and end of period	**$ 1,567,243**	$ 1,567,243	**$ 1,567,243**	$ 1,567,243
Retained earnings				
Balance, beginning of period	**29,625,746**	28,515,333	**29,480,557**	28,230,222
Net income for the period	**255,102**	262,932	**400,291**	548,043
Dividends paid on Class B special and common shares	**(723,344)**	(723,344)	**(723,344)**	(723,344)
Balance, end of period	**29,157,504**	28,054,921	**29,157,504**	28,054,921
Accumulated other comprehensive income				
Balance, beginning of period	**1,112,267**	1,080,271	**1,019,291**	853,288
Other comprehensive income	**140,030**	(37,454)	**233,006**	189,529
Balance, end of period	**1,252,297**	1,042,817	**1,252,297**	1,042,817
Total shareholders' equity, end of period	**$ 31,977,044**	$ 30,664,981	**$ 31,977,044**	$ 30,664,981

The accompanying notes are an integral part of these unaudited interim financial statements

The Becker Milk Company Limited
Interim Statements of Cash Flows
(Unaudited)

Six Months Ended October 31,		2016		2015
OPERATING ACTIVITIES				
Net income	**$**	**400,291**	$	548,043
Add (deduct) items not affecting cash				
Deferred income taxes		**(10,138)**		1,791
Fair value adjustment on investment properties		**363,670**		193,140
Straight line rent adjustment		**22,556**		29,860
Changes in non-cash working capital balances				
Accounts receivable, net		**(136,688)**		397,144
Prepaid expenses and deposits		**(65,250)**		(51,294)
Accounts payable and accrued liabilities		**(46,046)**		66,840
Income taxes payable		**(26,753)**		(149,127)
Cash provided by operating activities		**501,642**		1,036,397
INVESTING ACTIVITIES				
Decrease in mortgages receivable		**2,105**		1,053
Additions to investment properties		**(95,226)**		-
Net proceeds on disposition of investment property		**475,000**		-
Purchase of investments		**(1,218,264)**		(1,770)
Cash provided by investing activities		**(836,385)**		(717)
FINANCING ACTIVITIES				
Dividends paid		**(723,344)**		(723,344)
Cash used in financing activities		**(723,344)**		(723,344)
Net increase in cash and cash equivalents		**(1,058,087)**		312,336
Cash and cash equivalents, beginning of period		**1,848,052**		1,325,200
Cash and cash equivalents, end of period	**$**	**789,965**	$	1,637,536

The accompanying notes are an integral part of these unaudited interim financial statements

1. NATURE OF OPERATIONS

The Company engages in the ownership and management of retail commercial properties in Ontario, Canada. The Company primarily leases retail stores with a few residential sites.

The Becker Milk Company Limited is incorporated and domiciled in Canada. The registered office address is 393 Eglinton Avenue East, Second Floor, Toronto, Ontario, M4P 1M6, Canada. The Company's class B special shares are listed on the Toronto Stock Exchange ("TSX") - BEK.B.

2. ACCOUNTING POLICIES

Statement of Compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements including International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These interim financial statements should be read in conjunction with the annual financial statements for the year ended April 30, 2016.

The interim financial statements were authorized for issue by the Audit Committee on behalf of the Board of Directors of the Company on December 12, 2016

These financial statements are presented in Canadian dollars.

Accounting Pronouncements Adopted During the Period

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"): Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and Other Comprehensive Income ("OCI") and the statement of financial position maybe disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments were adopted May 1, 2016, with no material impact on the Company's financial statements.

2. ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), issued in July 2014, and replaces IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 addresses the classification and measurement of all financial assets and financial liabilities within the scope of the current IAS 39 and a new expected credit loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting. Also included are the requirements to measure debt-based financial assets at either amortized cost or fair value through profit or loss ("FVTPL") and to measure equity-based financial assets as either held-for-trading or as fair value through other comprehensive income ("FVTOCI"). No amounts are reclassified out of other comprehensive income ("OCI") if the FVTOCI option is elected. Additionally, embedded derivatives in financial assets would no longer be bifurcated and accounted for separately under IFRS 9.

A new general hedge accounting standard, part of IFRS 9 (2013), was issued in November 2013, permitting additional hedging strategies used for risk management to qualify for hedge accounting.

The IASB has set January 1, 2018 as the effective date for the mandatory application of IFRS 9. The Company is in the process of assessing the impact of IFRS 9 on its financial statements.

Revenue from contracts with customers

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), was issued in May 2014, and replaces IAS 11, "Construction Contracts", IAS 18, "Revenue Recognition", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers", and SIC-31, "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17 "Leases"; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, "Consolidated Financial Statements", and IFRS 11, "Joint Arrangements". In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities.

IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its financial statements.

Leases

On January 13, 2016, the IASB released IFRS 16 Leases, completing its long-running project on lease accounting. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (the lessee and the lessor). The standard is effective for annual periods on or after January 1, 2019, with early application permitted in certain circumstances once the Accounting Standards Board has incorporated the standard into Part 1 of the CPA Canada Handbook – Accounting.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. INVESTMENT PROPERTIES

Investment properties include real estate properties in the province of Ontario, Canada, which are owned to earn rentals and capital appreciation. Changes to the carrying amounts presented in the statements of financial position can be summarized as follows:

	October 31, 2016	April 30, 2016
Balance, beginning of the period	$ 32,111,000	$ 31,320,000
Additions	95,226	44,495
Transfer to held-for-sale	-	(475,000)
Dispositions	-	(216,999)
Straight line rent	(22,556)	(54,103)
Fair value adjustment on investment properties	(363,670)	1,492,607
Balance, end of the period	**$ 31,820,000**	**$ 32,111,000**

The Company applies IAS 40 – Investment Property and has chosen the fair value method of presenting its investment properties in the financial statements. The fair value of investment properties is based on a combination of independent appraiser's and management estimates.

Management regularly undertakes a review of its investment property revaluation between appraisal dates to assess the continuing validity of the underlying assumptions such as cash flow and capitalization rates. These assumptions are tested against market information obtained from independent industry experts. Where increases or decreases are warranted, the Company adjusts the carrying values of its investment properties.

As at October 31, 2016, the Company had 24 leases that had been renewed under a commitment letter where the annual rental amounts have yet to be negotiated. In the meantime, the tenant continues to pay rent based on the amount in the previous lease agreement, pending final negotiation or arbitration of rents. The Company has recorded a provision of $200,000 related to this matter.

The amount of ultimate cash flows from the finalization of the lease amounts could vary according to the amount, timing and related costs as the amounts relating to the five year lease renewals are finalized.

During fiscal 2014, the Company carried out Phase I environmental assessments on all investment properties and then carried out Phase II environmental assessments on those investment properties which were identified as having known or probable contaminants. Based on the Phase II reports, management determined that there are a number of investment properties which may require remediation if there should be a change from commercial operations. Accordingly, the Company has estimated the impact on fair value of the investment properties to be $850,000 based on the present value of the potential future expenditures. Following further evaluation of updated Phase II reports received in the quarter ended January 31, 2015, management continues to estimate that there is no further adjustment required to the fair value of the investment properties relating to environmental matters.

Any resulting gain or loss from either a change in the fair value or the sale of an investment property is immediately recognized in the profit or loss on the statements of income.

3. INVESTMENT PROPERTIES (Continued)

Investment Property Subject to Expropriation

During 2014 the Company received Notices of Expropriation and Possession from Metrolinx. These Notices refer to 22% of the land of the Company's property at 393 Eglinton Avenue East, Toronto required in connection with the construction of the Eglinton Crosstown rapid transit line. Title to a portion of this investment property was registered by Metrolinx on April 7, 2014. In addition Metrolinx registered an easement on another portion of the property for a three year period. The notices specify a possession date of August 1, 2014. In May 2015, the Company received compensation of $428,104 for the expropriation and $41,507 plus HST for the easement in connection with the Notices from Metrolinx as determined by their appraiser. The Company maintains this compensation is inadequate and has accepted this payment on an interim, without prejudice basis. The Company has retained professional advisors to assist negotiating appropriate compensation. The disposal of the property and payment for the easement have been recognized in the Company's financial statements, based on the interim compensation amounts. Ultimate proceeds from this matter could require a process similar to the expropriation of the Leamington property described in Note 14**.**

4. LONG-TERM INVESTMENT

As at October 31, 2016, the long term investment consisted of 21,696 shares of Alimentation Couche-Tard Inc. with a fair value of $1,461,876 (April 30, 2016 - $1,193,280).

5. MORTGAGE RECEIVABLE

	October 31, 2016	**April 30, 2016**
Mortgage receivable	**$ 130,005**	$ 132,110
Less: current portion	**(5,549)**	(5,335)
	$ 124,456	$ 126,775

The mortgage, bearing interest at 8% per annum, with a term of five years was due in April 2013. The balance of the mortgage due beyond one year of current payments has been classified as long term. In the prior year, the full mortgage balance was classified as current as the property was listed for sale with full repayment expected within one year. However, no sale has been contracted and there is no such expectation in the foreseeable future. It is secured by the underlying property. This mortgage is carried at amortized cost. Mortgage interest income of $5,679 (six months ended October 31, 2015 - $6,732) calculated using the effective interest method is included in finance income of $10,581 (three months ended October 31, 2015 - $10,888) on the statements of income.

6. ACCOUNTS RECEIVABLE

	October 31, 2016	April 30, 2016
Due from tenants	**$ 286,028**	$ 139,070
Miscellaneous	**3,063**	13,333
	$ 289,091	$ 152,403

7. FINANCIAL ASSETS AND LIABILITIES

The carrying amounts presented in the statements of financial position relate to the following categories of assets and liabilities:

(a) Financial assets	October 31, 2016	April 30, 2015
Available-for-sale		
Long-term investment	**$ 1,461,876**	$ 1,193,280
Loans and receivables		
Cash and cash equivalents	**$ 789,965**	$ 1,848,052
Investments	**$ 1,612,835**	$ 394,571
Accounts receivable	**$ 289,091**	$ 152,403
Mortgage receivable	**$ 130,005**	$ 132,110

(b) Financial liabilities		
Other liabilities measured at amortized cost		
Accounts payable and accrued liabilities	**$ 403,089**	$ 449,135

(c) Financial instruments measured at fair value

The following table illustrates the classification of the Company's assets carried at fair value as at October 31, 2016:

	Level 1	Level 2	Level 3	Total
Long term investment	$ 1,461,876	$ -	$ -	$ 1,461,876
Investment properties	-	-	31,820,000	31,820,000
	$ 1,461,876	$ -	$ 31,820,000	$ 33,281,876

The following table illustrates the classification of the Company's assets carried at fair value as at April 30, 2016:

	Level 1	Level 2	Level 3	Total
Long term investment	$ 1,193,280	$ -	$ -	$ 1,193,280
Investment properties	-	-	32,111,000	32,111,000
	$ 1,193,280	$ -	$ 32,111,000	$ 33,304,280

7. FINANCIAL ASSETS AND LIABILITIES (Continued)

(c) Financial instruments measured at fair value (Continued)

As at October 31, 2016, the carrying and fair value amounts of the Company's financial instruments are the same. The fair value of cash and cash equivalents, and investments is calculated based on current market rates for similar products. The fair value of the long term investment is based on the quoted market price of a public stock. The carrying value of the accounts receivable approximates the fair value due to its short term nature. The carrying value of the mortgage receivable approximates fair value based on the current market rates.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period.

i) The Company is not exposed to significant interest rate risk due to fixed rate mortgages receivable, cash and cash equivalents and investments carried at amortized cost.

ii) The long term investment has equity price risk exposure as a result of a change in the fair value of the instrument.

	October 31, 2016	April 30, 2016
Long-Term Investment in shares of Alimentation Couche-Tard Inc.		
Opening fair value of shares	**$ 1,193,280**	$ 1,001,921
Unrealized gain	**268,596**	191,359
Ending fair value of shares	**$ 1,461,876**	$ 1,193,280

8. INCOME TAXES

The provision for income taxes consists of the following:

Six Months Ended October 31,		2016		2015
Current income taxes	$	258,838	$	286,127
Deferred income taxes		(45,729)		(462)
	$	213,109	$	285,665

Income tax expense differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rates of 26.50% (six months ended October 31, 2015 - 26.50%) to income before income taxes. The reasons for the differences and the related tax effects are as follows:

Six Months Ended October 31,		2016		2015
Income before income taxes	$	613,401	$	833,708
Income tax at the applicable tax rates		162,551		220,933
Permanent differences		50,558		64,721
Other		-		11
Income tax expense	$	213,109	$	285,665

Significant components of the Company's deferred income tax liabilities are as follows:

		October 31, 2016		April 30, 2016
Deferred income tax liabilities				
Investment properties fair value adjustment	$	3,770,571	$	3,815,092
Tax effect of other comprehensive income		191,274		156,891
Total deferred income tax liabilities	$	3,961,845	$	3,971,983

9. SHARE CAPITAL

Authorized

8,000 Class A preference shares, non-voting, cumulative dividend of $6, and redeemable at the stated capital amount
2,459,250 Class B special shares, non-voting, non-cumulative and participating, no par value
640,750 common shares

Issued

	Shares	Consideration
Class B special shares, as at April 30, 2016 and October 31, 2016	**1,267,610**	**$ 1,566,955**
Common shares, as at April 30, 2015 and October 31, 2015	**540,750**	**288**
	1,808,360	**$ 1,567,243**

10. REVENUE AND ECONOMIC DEPENDENCE

For the six months ended October 31, 2016, the Company's largest single tenant, Alimentation Couche-Tard Inc., accounted for 88% (six months ended October 31, 2015 - 78%) of rental revenue.

11. CAPITAL MANAGEMENT

The Company defines capital to include the aggregate of its shareholders' equity and any available credit facilities. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the administration of its investments, mortgage receivable and investment properties, and the payment of periodic dividends issued to shareholders of record. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. To date management believes that the aggregate of its shareholders' equity of $31,977,044 as at October 31, 2016 has adequately provided the funds necessary to meet its capital management objectives.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six months ended October 31, 2016. The Company is not subject to externally imposed capital requirements.

12. RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, investments, accounts receivable, and mortgage receivable. Cash and cash equivalents and investments consist of cash on hand and term deposits with reputable financial institutions which are closely monitored by management. Financial instruments included in accounts receivable consist of rental income receivable from its residential and commercial tenant base for monthly rental charges. Management believes that the potential loss from credit risk with respect to financial instruments is minimal and the maximum exposure is the carrying amount.

	October 31, 2016	April 30, 2016
Trade receivables	**$ 311,319**	$ 169,141
Less: allowance for doubtful accounts	**(22,228)**	(16,738)
	$ 289,091	$ 152,403

The Company constantly monitors its investments and is satisfied with the credit ratings of its banks.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2016, the Company had a cash balance of $789,965 (April 30, 2016 - $1,848,052) and a liquid short-term investment balance of $1,612,835 (April 30, 2016 - $394,571) to settle current liabilities of $403,089 (April 30, 2016 - $449,135). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices including interest rate risk and other price risk.

Interest Rate Risk

The Company has cash balances and no debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The fair value of its investments and mortgage receivable fluctuate with changes in interest rates.

Other Price Risk

The fair value of the long term investment fluctuates with the market price for public company shares.

13. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are those people having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company's key management personnel includes the Chairman and Chief Executive Officer, the Vice-Chairman, and the Chief Financial Officer. The compensation paid or payable to key management personnel for employee services is shown below:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2016	**2015**	**2016**	**2015**
Salaries and other compensation	**$ 100,331**	$ 87,085	**$ 204,619**	$ 197,410

There were no short term employee benefits, post employment benefits, termination benefits or share based payments made to related parties during the period.

14. CONTINGENT GAIN

Leamington

On December 29, 2009 the Municipality of Leamington registered an expropriation plan whereby an 18% portion of the land in the Company's property in that municipality was expropriated for road widening. The expropriation plan has been completed and $36,900 has been received as expropriation proceeds.

However, the Company has obtained advice that the impact of the expropriation on the value of the whole property caused by an injurious affection exceeds the amount offered for the partial taking. The Company has received a final appraisal report on the matter and has asserted a claim based on the report.

A meeting on the matter with the provincial Board of Negotiation was held in November 2016. Negotiations with the Municipality are ongoing.

Toronto

In May 2015, the Company received $428,104 for an expropriation and $41,507 plus HST for an easement as compensation in connection with the Notices of Expropriation from Metrolinx for its property at 393 Eglinton Avenue East, Toronto required in connection with the construction of the Eglinton Crosstown rapid transit line.

The Company maintains this compensation is inadequate as the impact of the expropriation on the value of the whole property caused by an injurious affection exceeds the amount offered for the partial taking. The Company has retained professional advisors to assist negotiating appropriate compensation.

A transaction relating to this claim will be recorded in the Company's accounts when a reasonable assessment can be made of the matter's eventual settlement amount.

15. COMMITMENTS AND CONTINGENCIES

The future aggregate minimum lease payments to be received under non-cancellable leases are as follows:

No later than one year	**$ 2,862,692**
Later than one year and no later than five years	**2,951,745**
Later than five years	**760,484**
	$ 6,574,921

Contingent Liability

The Company has been named as a defendant, along with Mac's Convenience Stores Limited, in a lawsuit served on the Company on May 3, 2016. The Plaintiff is claiming damages of $1,730,000 as a result of the alleged migration of contaminants from the Company's property in Listowel, Ontario to a neighbouring property. The Company has retained legal counsel to review the merits of this claim and advise on an appropriate response and defence. At this time, a preliminary review of materials indicates that if the plaintiff's property is impacted, it may be the result of historic activities undertaken on the plaintiff's property. While the action is in the very early stages, it appears that the Plaintiff's claim is both exaggerated and without merit.

16. STRATEGIC REVIEW

During the second quarter of fiscal 2014, the Company's Board of Directors re-initiated its 2008 review of strategies available to the Company to enhance shareholder value. The Company retained PriceWaterhouseCoopers Real Estate Inc. ("PWC") to explore a possible sale of the Company. The Company previously announced that PWC had completed the initial steps in the sale process and that the Company was engaged in advanced discussions with a single potential acquirer. Although those discussions were terminated in fiscal 2016, the Company continues to review its strategic alternatives and will update the market as appropriate, and as required.

In support of this process, the Company retained the services of an engineering consulting firm to conduct a property condition survey and environmental assessments of all properties in fiscal 2015. These surveys have been completed in fiscal 2015.

The property condition survey report received from the consultant in fiscal 2015 recommended a 10 year schedule of repairs and sustaining investment that is consistent with management's expectations and previous experience.

Phase I environmental assessments were completed on all the Company's properties and Phase II assessments were completed on 30 properties where the Phase I studies indicated a Phase II study was warranted. Management believes none of these assessments found any circumstances that identified a legal or constructive obligation to settle any environmental obligations.