Condensed Interim Financial Statements

Gulf & Pacific Equities Corp.

For the Six Months Ended June 30, 2024 and 2023
(Stated in Canadian Dollars)

INDEX

NOTICE TO READER

The accompanying unaudited condensed interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these interim financial statements

Gulf & Pacific Equities Corp.

Condensed Interim Statements of Financial Position
Unaudited - See Notice to Reader
(Stated in Canadian Dollars)

	June 30, 2024	December 31, 2023 (Audited)
Assets		
Cash and cash equivalents	$ 166,676	$ 729,426
Accounts receivable	346,165	460,948
Prepaid expenses	305,417	5,674
Right-of-use asset (note 6)	18,988	28,482
Investment properties (note 4)	50,360,000	50,360,000
Interest receivable	-	30,572
Investments (note 7)	40,680	24,408
Other assets	56,121	56,121
	$ 51,294,047	$ 51,695,631
Liabilities		
Accounts payable and accrued liabilities	$ 2,380,808	$ 2,465,831
Mortgages (notes 5, 9)	22,968,849	23,316,105
Lease liability (note 6)	19,928	29,384
Loan payable (notes 8, 9)	2,147,000	2,147,000
Deferred income taxes	1,751,000	1,754,000
	29,267,585	29,712,320
Shareholders' Equity		
Share Capital (note 10a)	7,537,022	7,453,322
Contributed Surplus	2,907,617	2,946,917
Retained Earnings	11,581,823	11,583,072
	22,026,462	21,983,311
	$ 51,294,047	$ 51,695,631

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

Approved on behalf of the Board

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

Gulf & Pacific Equities Corp.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
For the Six Months Ended June 30
Unaudited - See Notice to Reader
(Stated in Canadian dollars)

	Six months ended		Three months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue				
Rental	$ 1,580,833	$ 1,414,200	$ 774,578	$ 716,301
Step rent	(34,167)	16,533	(3,940)	7,720
Common area and realty tax recoveries	685,100	616,903	373,242	348,367
	2,231,766	2,047,636	1,143,880	1,072,388
Expenses				
Interest (note 5)	845,548	757,423	421,617	437,966
Operating costs and realty taxes	966,639	998,404	479,299	490,392
Administration	442,455	433,393	224,097	225,216
Amortization (note 6)	9,494	9,556	4,747	7,911
	2,264,136	2,198,776	1,129,760	1,161,485
Net Income (Loss) before income taxes and the undernoted	(32,370)	(151,140)	14,120	(89,097)
Unrealized gain (loss) from investments	16,272	(8,136)	8,136	(8,136)
Other income	6,694	12,985	1,419	12,985
Fair value adjustment (note 4)	5,155	819,645	13,494	689,584
Net Income (Loss) before income taxes	(4,249)	673,354	37,169	605,336
Deferred income tax recovery (expense)	3,000	(55,000)	(6,000)	(95,000)
Net Income (Loss) and Comprehensive Income (Loss)	$ (1,249)	$ 618,354	$ 31,169	$ 510,336
Income (Loss) per Share - Basic (note 10b)	$ -	$ 0.03	$ -	$ 0.02
Income (Loss) per Share - Diluted (note 10b)	$ -	$ 0.03	$ -	$ 0.02
Weighted Average Number of Common Shares Outstanding - Basic (note 10b)	21,334,861	21,290,685	21,379,037	21,290,685
Weighted Average Number of Common Shares Outstanding - Diluted (note 10b)	21,945,843	21,997,804	21,991,900	22,038,453

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

Gulf & Pacific Equities Corp.

Condensed Interim Statements of Changes in Shareholders' Equity
For the Six Months Ended June 30
Unaudited - See Notice to Reader
(Stated in Canadian dollars)

	Share Capital		Contributed	Retained	
	Shares	Amount	Surplus	Earnings	Total
Balance - January 1, 2023	21,290,685	$ 7,453,322	$ 2,946,917	$ 10,421,452	$ 20,821,691
Net income and comprehensive income	-	-	-	618,354	618,354
Balance - June 30, 2023	21,290,685	$ 7,453,322	$ 2,946,917	$ 11,039,806	$ 21,440,045

	Share Capital		Contributed	Retained	
	Shares	Amount	Surplus	Earnings	Total
Balance - January 1, 2024	21,290,685	$ 7,453,322	$ 2,946,917	$ 11,583,072	$ 21,983,311
Exercise of stock options (note 10)	120,000	83,700	(39,300)	-	44,400
Net loss and comprehensive loss	-	-	-	(1,249)	(1,249)
Balance - June 30, 2024	21,410,685	$ 7,537,022	$ 2,907,617	$ 11,581,823	$ 22,026,462

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

Gulf & Pacific Equities Corp.

Condensed Interim Statements of Cash Flow
For the Six Months Ended June 30
Unaudited - See Notice to Reader
(Stated in Canadian Dollars)

	2024	2023
Cash Provided By:		
Operating Activities		
Comprehensive income (loss)	$ (1,249)	$ 618,354
Add (deduct) items not affecting cash:		
Amortization of deferred financing costs	1,844	12,523
Amortization	9,494	9,556
Deferred income tax expense (recovery)	(3,000)	55,000
Amortization of deferred leasing costs	116,706	107,206
Step rent	34,167	(16,533)
Interest expense	843,704	743,960
Interest accretion	-	941
Fair value adjustments	(21,427)	(811,509)
	980,239	719,498
Changes in non-cash balances related to operations:		
Accounts receivable	114,783	40,836
Interest receivable	30,572	(12,985)
Prepaid expenses	(299,743)	(285,202)
Accounts payable and accrued liabilities	(265,340)	(187,185)
	560,511	274,962
Financing Activities		
Bank indebtedness	-	(764,582)
Repayment of mortgages payable	(349,099)	3,300,000
Interest paid	(662,559)	(547,884)
Payment of lease liability	(10,285)	(10,436)
Financing costs paid	-	(13,650)
Proceeds from stock option exercise	44,400	-
	(977,543)	1,963,448
Investing Activities		
Investment property leasing costs	(141,670)	(403,544)
Investment property additions	(4,048)	(147,484)
	(145,718)	(551,028)
Increase in cash	(562,750)	1,687,382
Cash - beginning of period	729,426	185,227
Cash - end of period	$ 166,676	$ 1,872,609
Cash and cash equivalents is comprised of:		
Cash	$ 166,676	$ 172,609
Cash equivalents	-	1,700,000
	$ 166,676	$ 1,872,609

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

1. Nature of Operations

Gulf & Pacific Equities Corp. (the "Company") was incorporated under the Business Corporations Act (Alberta) on April 8, 1998 and on June 17, 1998 filed Articles of Amendment to remove certain private corporation restrictions. The registered address and records office of the Company is located at 18104 102 Avenue N.W., Edmonton, AB. The Company is listed on the TSX Venture Exchange as "TSX-V: GUF". The Company commenced active operations during the 1999 fiscal year. The Company owns and operates commercial rental properties in Western Canada. The Company does not have any affiliates nor is it the subsidiary of any entity.

2. Basis of Presentation

a) Statement of Compliance

The Company's condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). The condensed interim financial statements do not include all of the information required for annual financial statements.

These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2023.

The polices applied in the Company's condensed interim financial statements are in accordance with International Financial Reporting Standards ("IFRS") effective as of June 30, 2024 as issued by the International Accounting Standards Board.

These financial statements were authorized for issuance by the Board of Directors on August 22, 2024.

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:

2. Basis of Presentation (continued)

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

i) Investment properties

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

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

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

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

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

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

ii) Leases

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

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

3. Material Accounting Policies

The Company's complete accounting policies have been included in the audited financial statements for the year ended December 31, 2023. Except for the items described below, the accounting policies the Company followed in the preparation of these condensed interim financial statements were the same as those applied by the Company in the annual financial statements as at and for the year ended December 31, 2023.

a) Changes in accounting standards effective January 1, 2024:

IFRS 16 Leases (Amendment)

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company adopted the amendments effective January 1, 2024 with no material impact to the financial statements.

IAS 1 Presentation of Financial Statements (Amendment)

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

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

(Stated in Canadian Dollars)

3. Material Accounting Policies (continued)

a) Changes in accounting standards effective January 1, 2024 (continued):

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company adopted the amendments effective January 1, 2024 with no material impact to the financial statements.

IAS 1 Presentation of Financial Statements (Amendment)

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company adopted the amendments effective January 1, 2024 with no material impact to the financial statements.

4. Investment Properties

	June 30, 2024	December 31, 2023
Balance - Opening	$ 50,360,000	$ 47,830,000
Additions	4,048	1,315,736
Leasing costs	141,670	544,329
Leasing costs amortization	(116,706)	(216,141)
Accrued rent receivable	(34,167)	38,109
Fair value adjustment	5,155	847,967
Balance - Ending	$ 50,360,000	$ 50,360,000

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

During the period ended December 31, 2023, the Company began and completed renovation of a pad site on one of the investment properties. During the period ended December 31, 2023, the Company incurred costs of $1,125,726 for the renovation of the pad site.

During the period ended December 31, 2023, the Company performed improvements on one of the investment properties and incurred costs of $190,010.

4. Investment Properties (continued)

External appraisals for two (2) of the properties, totaling $47,400,000 were obtained as at March 31, 2023 and June 30, 2022. As at June 30, 2024, management performed an assessment of the underlying inputs and principals of the appraisals and determined fair value of the two (2) properties to be $48,350,000 (December 31, 2023 - $48,350,000) based on the discounted cashflow approach. As at June 30, 2024, an internal rate of return of 8.20% to 8.75% (December 31, 2023 - 8.20% to 8.75%) and terminal capitalization rates of 7.20% to 7.75% (December 31, 2023 - 7.20% to 7.75%) were used to determine the fair value of the properties. As at June 30, 2024, the weighted average internal rate of return was 8.62% (December 31, 2023 - 8.62%) and weighted average terminal capitalization rate was 7.62% (December 31, 2023 - 7.62%).

An external appraisal for the third property of $930,000 was obtained as of December 31, 2022 based on the direct capitalization income approach using a capitalization rate of 7%. As at December 31, 2022, the Company also obtained another appraisal of $2,010,000 which was conditional on signing a new lease agreement with a new tenant, at substantially greater rents than the existing tenant, and performing certain improvements to the property. During the period ended December 31, 2023, the Company signed the lease agreement with the new tenant and completed the improvements to the property. As at June 30, 2024, management performed an assessment of the underlying inputs and principals of the December 31, 2022 appraisal and determined the fair value of the property to be $2,010,000 (December 31, 2023 - $2,010,000) based on the direct capitalization income approach.

Capitalized income approach: The fair value is determined by applying a capitalization rate to stabilized net operating income which incorporates allowances for vacancy, management fees and structural reserves for capital expenditures for the investment property. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the income and non-recoverable capital expenditures. Management obtains new external appraisals if the conditions disclosed change materially. As at June 30, 2024 and December 31, 2023, the Company valued one (1) investment property using this method which is classified as level 3 based on the fair value hierarchy.

Discounted cash flow method: Discount rates are applied to the forecasted cash flows reflecting the initial terms of the leases for the specific property and assumptions as to renewal and new leasing activity. The key assumptions are the normalized first year cash flows, the growth rate applied to the first year cash flows over the analysis period of the investment property, and the discount rate applied over the useful life of the investment property. As at June 30, 2024 and December 31, 2023, the Company valued two (2) investment properties using this method which is classified as level 3 based on the fair value hierarchy.

The discounted cash flow method includes a variety of inputs, variables, and assumptions as part of its valuation model. The most significant input included is the discount rate. As at June 30, 2024, a 25-basis point increase in the discount rate would result in a $1,387,000 (December 31, 2023 - $1,387,000) decrease in the estimated fair value of investment properties and a 25-basis point decrease in the discount rate would result in a $1,369,000 (December 31, 2023 - $1,369,000) increase in the estimated fair value of the investment properties.

(Stated in Canadian Dollars)

5. Mortgages

	June 30, 2024	December 31, 2023
Mortgage payable, bearing interest at 6.98%, repayable monthly in blended principal and interest payments of $92,745, due April 1, 2025	$ 11,641,869	$ 11,787,920
Mortgage payable, bearing interest at 6.98%, repayable monthly in blended principal and interest payments of $23,924, due April 1, 2025	3,003,142	3,040,817
Mortgage payable, bearing interest at 6.98%, repayable monthly in blended principal and interest payments of $23,187, due April 4, 2025	2,904,335	2,941,064
Mortgage payable, bearing interest at 4.48%, repayable monthly in fixed principal payments of $17,535 plus interest, due April 1, 2025	2,209,467	2,314,679
Mortgage payable, bearing interest at 6.98%, requires interest only payments until April 28, 2024 and then repayable monthly in blended principal and interest payments of $15,488, due April 28, 2025	1,992,331	2,000,000
Mortgage payable, bearing interest at 6.98%, repayable monthly in blended principal and interest payments of $10,069, due May 4, 2025	1,266,650	1,282,414
	23,017,794	23,366,894
Unamortized mortgage financing costs	(48,945)	(50,789)
	$ 22,968,849	$ 23,316,105

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

(Stated in Canadian Dollars)

5. Mortgages (continued)

The unamortized mortgage financing costs consist of fees and costs incurred to obtain the mortgage financing less accumulated amortization. For the period ended June 30, 2024, interest expense on the statement of income and comprehensive income includes amortized mortgage financing costs of $1,844 (2023 - $12,523).

During the year ended December 31, 2023, the Company renewed its existing mortgages with a carrying value of $18,080,724, bearing interest at 5.26% and maturing on April 1, 2023. The renewed mortgages bear interest at 6.98% and mature in April 2025.

During the year ended December 31, 2023, the Company obtained a $1,300,000 mortgage for one of its existing investment properties and a $2,000,000 mortgage for the renovation of a pad site on one of the investment properties.

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

2024	373,360
2025	22,644,434
	$23,017,794

6. Right-of-Use Asset and Lease Liability

a) Right-of-use asset

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

	June 30, 2024	December 31, 2023
Cost		
Balance, beginning of the period	$ 126,478	$ 80,590
Lease additions	-	45,888
Balance, end of the period	$ 126,478	$ 126,478
Accumulated amortization		
Balance, beginning of the period	$ 97,996	$ 78,945
Amortization	9,494	19,051
Balance, end of the period	$ 107,490	$ 97,996
Carrying amount	$ 18,988	$ 28,482

(Stated in Canadian Dollars)

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

b) Lease liability

The following is the continuity of the lease liability as at and for the period ended:

	June 30, 2024	December 31, 2023
Balance, beginning of the period	$ 29,384	$ 1,865
Lease additions	-	45,888
Lease payments	(10,285)	(20,721)
Interest expense on lease liability	829	2,352
Balance, end of the period	$ 19,928	$ 29,384

The Company used its incremental borrowing rate of 6.98% to measure the lease liability.

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

2024	10,285
2025	10,285
Total minimum lease payments	20,570
Less: future interest expense	(642)
Present value of minimum lease payments	$ 19,928

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 June 30, 2024, the Company holds 1,627,200 (December 31, 2023 - 1,627,200) common shares of a related company at a fair value of $40,680 (December 31, 2023 - $24,408). 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 period.

(Stated in Canadian Dollars)

8. Loan Payable

The loan payable is due to a related corporation, Ceyx Properties Ltd. The balance outstanding as at June 30, 2024 is $2,147,000 (December 31, 2023 - $2,147,000).

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

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

	Mortgages Payable	Loan Payable	Interest payable
Balance - January 1, 2024	$ 23,316,105	$ 2,147,000	$ 1,832,202
Payment of principal	(349,099)	-	-
Amortized deferred financing costs	1,844	-	-
Interest expense	778,641	-	64,234
Interest paid	(662,559)	-	-
Accrued interest	(116,083)	-	-
Balance - June 30, 2024	$ 22,968,849	$ 2,147,000	$ 1,896,436

As at June 30, 2024, interest payable of $1,896,436 (December 31, 2023 - $1,832,202) is included in accounts payable and accrued liabilities.

As at June 30, 2024, accrued interest of $116,083 (December 31, 2023 - $121,753) on the mortgages payable is included in accounts payable and accrued liabilities.

(Stated in Canadian Dollars)

10. Share capital and earnings per share

a) Share Capital

The Company is authorized to issue unlimited preferred shares and unlimited common shares. The number of issued and outstanding common shares at June 30, 2024 is as follows:

Common shares	**Number**	**Amount**
Shares outstanding - January 1, 2023, and December 31, 2023	21,290,685	$ 7,453,322
Issued on exercise of stock options	120,000	83,700
Shares outstanding - June 30, 2024	21,410,685	7,537,022

b) Earnings per share

For the period ending June 30, 2024, basic earnings per share has been calculated using the weighted average number of shares outstanding of 21,334,861 (2023 - 21,290,685) and diluted earnings per share has been calculated using weighted average number of shares outstanding of 21,945,843 (2023 - 21,997,804) and includes 610,982 (2023 - 707,119) unexercised weighted average dilutive options.

	June 30, 2024	**June 30, 2023**
Net income (loss) and comprehensive income (loss)	$ (1,249)	$ 618,354
Basic weighted average common shares outstanding	21,334,861	21,290,685
Basic earnings (loss) per share	$ -	$ 0.03
Basic weighted average common shares outstanding	21,334,861	21,290,685
Effect of unexercised dilutive options	610,982	707,119
Diluted weighted average common shares outstanding	21,945,843	21,997,804
Diluted earnings (loss) per share	$ -	$ 0.03

(Stated in Canadian Dollars)

11. 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 June 30, 2024 and December 31, 2023 and the changes during the periods is presented below:

	June 30, 2024		December 31, 2023	
	Options	**Weighted Average exercise price per option**	**Options**	**Weighted Average exercise price per option**
Outstanding and exercisable, beginning of period	1,250,000	$ 0.213	1,250,000	$ 0.213
Granted/vested	-	-	-	-
Exercised	(120,000)	0.370	-	-
Expired	(80,000)	0.370	-	-
Outstanding and exercisable, end of period	1,050,000	$ 0.184	1,250,000	$ 0.213

During the period ended June 30, 2024, 120,000 options were exercised and 80,000 options expired unexercised.

b) As at June 30, 2024, 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	2017	$ 0.205	April 26, 2027
900,000	900,000	2021	$ 0.180	April 23, 2031
1,050,000	1,050,000			

12. Financial Instruments and Risk Management

Fair Value

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

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

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

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

Market Risk

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

The Company has fixed rate mortgages and as a result, fluctuations in interest rates does not have a significant impact on the Company as at June 30, 2024 and December 31, 2023. The Company is subject to fair value risk on its fixed rate mortgages.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfil their lease commitments. The Company mitigates this risk of credit loss by diversifying its tenant mix and by limiting its exposure to any one tenant. The Company believes that the credit risk of trade accounts receivable is minimal as the balance receivable is limited to the amount receivable as at June 30, 2024 of $346,165 (December 31, 2023 - $460,948).

Rent and common area and realty tax recoveries are past due when a tenant has failed to make a payment when contractually due. As at June 30, 2024, rent and common area and realty tax recoveries past due amounts to $286,993 (December 31, 2023 - $263,862).

12. Financial Instruments and Risk Management (continued)

Equity Price 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 June 30, 2024, should the equity prices of the Company’s holdings increase or decrease by 5%, the impact on net income would be approximately $2,034 (December 31, 2023 - $1,220).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 13. 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 June 30, 2024, the Company’s financial liabilities include accounts payable and accrued liabilities, loan payable, lease liability and mortgages.

13. 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.

14. Related Party Transactions

During the period ended June 30, 2024, the Company:

a) Charged rent to related parties, Plato Gold Corp., $1,200 (2023 - $1,200) and Ceyx Properties Ltd., $1,800 (2023 - $1,800). The companies are related by virtue of the fact that they have the same President. As at June 30, 2024, included in accounts receivable is an amount of $22,200 (December 31, 2023 - $21,000) due from these related parties.

b) Was charged consulting fees of $87,517 (2023 - $80,840) by Greg K. W. Wong, an officer of the Company. As at June 30, 2024, accounts payable and accrued liabilities included $Nil (December 31, 2023 - $Nil) of consulting fees payable to this officer.

c) Incurred accounting fees of $63,000 (2023 - $59,000) from a company in which Paul Andersen, one of the Company's officers, is an officer. As at June 30, 2024, accounts payable and accrued liabilities included $22,500 (December 31, 2023 - $45,085) owing to this company.

d) Other related party transactions and balances are disclosed in notes 7, 8 and 11.

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.