

Regent Pacific Properties Inc.
(the “Company”)
FORM 51-102F1

Management’s Discussion and Analysis

The following discussion and analysis as of August 28, 2015 should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended December 31, 2014 and accompanying notes thereto. All dollar amounts are expressed in Canadian funds unless otherwise stated. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

Overall Performance

The Company was incorporated under the Business Corporations Act of Alberta on August 31, 2007 and was initially classified as a Capital Pool Corporation (CPC) as defined in Policy 2.4 of the TSX Venture Exchange (“the exchange”). The Company completed its qualifying transaction on October 15, 2010 and commenced trading on the TSX Venture Exchange under the trading symbol RPP. The Company is a real estate development company with an investment property located in Edmonton, Alberta.

Selected Annual Information

	2014	2013 (Restated)	2012 (Restated)
Total Assets	\$27,215,723	\$ 25,975,707	\$ 21,690,273
Total Current Liabilities	\$21,368,013	\$ 15,675,138	\$11,654,909
Total Long-term Liabilities	\$2,192,632	\$ 1,097,001	\$ 1,693,326
Total Liabilities	\$23,560,645	\$ 16,772,139	\$ 13,348,235
Revenue	\$ 2,214,086	\$ 1,626,864	\$ 343,618
Cost of Sales	\$ -	\$ -	\$ -
Expenses	\$ 1,545,913	\$ 1,035,787	\$ 356,686
Income Taxes	\$ -	\$ -	\$ -
Deferred Income Taxes	\$ 488,189	\$ 246,930	\$ 676,022
Other Income (expenses)	\$ 145,511	\$ (418,222)	\$ 4,543,413
Net Income (Loss)	\$ 325,495	\$ (74,075)	\$ 3,854,323
Number of Shares Outstanding	40,039,000	39,550,000	25,800,000
Income (Loss) per Share	\$ 0.00	\$ (0.00)	\$ 0.09
Diluted Income (Loss) per Share	\$ 0.00	\$ (0.00)	\$ 0.09

Summary of Quarterly Results

	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013 (Restated)	Sep 30, 2013
Revenues	\$601,420	\$558,503	\$630,457	\$566,706	\$502,084	\$514,839	\$667,362	\$257,865
Cost of Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses (Recovery)	\$481,291	\$478,514	\$56,434	\$521,970	\$542,736	\$424,773	\$97,444	\$250,213
Income Tax (Recovery)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Income Tax (Recovery)	\$ -	\$ -	\$488,189	\$ -	\$ -	\$ -	\$246,930	\$ -
Other Income (Expenses)	\$ -	\$ -	\$65,754	\$24,651	\$24,383	\$30,723	\$(434,663)	\$16,441
Net Income (Loss)	\$120,129	\$79,989	\$151,588	\$69,387	\$(16,269)	\$120,789	\$(111,675)	\$24,093
Earnings (Loss) per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$(0.00)	\$0.00
Fully Diluted Earnings (Loss) per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$(0.00)	\$0.00

Change in Accounting Policy

On January 1, 2014, the Company changed its accounting policy in accordance with IAS 40 with respect to the subsequent measurement of investment property from the cost model to the fair value model, with changes in fair value recognized in profit or loss. The Company believes that measurement of this asset at fair value better reflects the risks associated with this asset to the users and is consistent with industry practice in relation to these types of assets. The change in accounting policy was applied retrospectively.

The changes to this accounting policy resulted in a restatement to the financial statements of the Company at January 1, 2013 and December 31, 2013. The effects of this change in policy are disclosed in the Company's December 31, 2014 annual consolidated financial statements.

Discussion of Operations and Financial Condition:

Revenue:

The revenue of \$601,420 for the current quarter is comprised of \$425,608 of rental income (2014 - \$341,658) and \$175,812 of operating cost recoveries from tenants (2014 - \$160,426). No interest revenue was generated during the current quarter (2014 – \$24,383). Revenue has increased over the prior year due to the increased occupancy and rent rate increases.

As of June 30, 2015, there are lease agreements signed for 100% of the total leaseable space in the building.

Expenses:

Expenses include operating expenses, general and administrative expenses, depreciation and amortization, and finance charges. Overall expenses have increased over prior year due to an increase in finance costs related to the current mortgages, and increased operating expenses, partially offset by the reduced amortization from the change in accounting policy.

Liquidity and Solvency

As at June 30, 2015, the Company had bank indebtedness of \$(4,774) (December 31, 2014 – cash \$34,288) and a working capital deficiency of \$20,943,677 (December 31, 2014 - \$21,282,571). Cash from operations was positive due to occupancy of the property. Investing activities included a repayment received from a related party. Financing activities included repayments on the mortgages.

On July 9, 2015, the company signed an agreement for a new mortgage to consolidate and refinance the existing two mortgages and the loan from a related company. The approved financing was for \$19,000,000, interest at 3.55%, repayable in monthly blended instalments of \$110,715 for 60 months, and was advanced after the second quarter on August 11, 2015. The new financing will result in a projected interest savings of approximately \$80,000 on an annual basis.

Capital Resources

The Company has no commitment for capital expenditures to note at this time as the construction of the building is substantially complete.

Risk Factors

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

- Volatility in the market price of our common shares.
- Risk of tenants defaulting on rent payments

Financial Instruments and Other Instruments

Financial instruments of the Company consists of cash, accounts receivable, amounts due from related parties, mortgages payable, amounts due to related parties, convertible debentures, and accounts payable and accrued liabilities. The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximates their carrying value due to the relatively short periods to maturity of these financial instruments. The fair value of amounts due from related parties cannot be determined as there is no market for financial instruments which have no terms of repayment. The fair value of the convertible debentures is determined by discounting the future contractual cash flow under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity. The fair value of mortgages payable is determined by discounting the future contractual cash flow under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity.

Off – Balance Sheet Arrangements

As at June 30, 2015, the Company did not enter into any off-balance sheet arrangements.

Contingencies

Management of the Company is aware of no contingent liabilities as at June 30, 2015.

Share Structure

The Company has 40,039,000 common shares outstanding at June 30, 2015. There are 2,927,250 stock options exercisable and outstanding as at June 30, 2015 with a weighted average exercise price of \$0.10. The stock options outstanding expire on February 14, 2017 and October 16, 2019.

Transactions with Related Parties

Key management of the Company includes the Chief Executive Officer and Chief Financial Officer. There is no remuneration being paid to key management of the Company for the period ended June 30, 2015, other than stock-based compensation of \$91,424 (June 30, 2014 - \$nil) and interest expense of \$80,711 (June 30, 2014 - \$nil).

During the period, the Company received a total of \$36,084 (June 30, 2014 - \$35,381) from two companies owned or controlled by one of the directors of the Company for recovery of operating expenses.

During the period, the Company received rental income of \$74,088 (June 30, 2014 - \$nil) from a company owned or controlled by one of the directors of the Company.

During the period, the Company paid interest of \$34,038 (June 30, 2014 - \$nil) to a company owned or controlled by one of the directors of the Company.

During the period, the Company received finance income of \$nil (June 30, 2014 - \$55,106) from a company owned or controlled by one of the directors of the Company.

IFRS Accounting Policies

The Company's significant accounting policies under IFRS are disclosed in its December 31, 2014 annual consolidated financial statements.

Standards Issued But Not Yet Effective

Effective January 1, 2018, the Company will be required to adopt IFRS 9 “Financial Instruments” (“IFRS9”). IFRS 9 was issued by the IASB in final form in July 2014 and will replace IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A detailed review will be completed in the future in order to determine if this standard will have significant impacts.

IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014 and applies to an entity’s first annual IFRS Financial Statements for a period beginning on or after January 1, 2017. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, 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. The Company does not expect the application of this pronouncement to have a significant impact on its consolidated financial statements.

Critical Accounting Policies and Estimates

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes.

There is a full discussion and description of the Company's critical accounting policies and estimates and judgments used in the December 31, 2014 annual consolidated financial statements.

Forward Looking Information

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