TEMPUS CAPITAL INC.

Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

TEMPUS CAPITAL INC.

(Expressed in Canadian Dollars)

Table of Contents
December 31, 2022 and 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Tempus Capital Inc. were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated 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.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated 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 consolidated 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.

/s/ Russell Tanz
Russell Tanz, Chief Executive Officer

/s/ Brian Crawford
Brian Crawford, Chief Financial Officer

Burlington, Ontario
April 28, 2023

McGovern Hurley

Independent Auditor's Report

To the Shareholders of Tempus Capital Inc.

Opinion

We have audited the consolidated financial statements of Tempus Capital Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of operations and comprehensive (loss) income, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit 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 consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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.

Key audit matters

Key audit matters ("KAMs") are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

McGovern Hurley

Key audit matter	How our audit addressed the key audit matter
Evaluation of the fair value of the investment properties	
We draw attention to Notes 2 and 4 of the consolidated financial statements. Investment properties are measured by the Company at their estimated fair value at each reporting date, determined either using internal valuation models incorporating available market evidence or using valuations performed by independent third-party appraisers. The Company has recorded investment properties at their estimated fair value of $14,787,002. Significant assumptions in determining the estimated fair value of investment properties include future cash flows, capitalization rates, and recent sales activity of comparable properties. We identified the evaluation of the fair value of investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of investment properties and the high degree of estimation uncertainty in determining the fair value of investment properties. In addition, significant auditor judgement and involvement of those with specialized skills and knowledge were required in performing and evaluation the results of our audit procedures due to the sensitivity of the fair value of investment properties to changes in certain significant assumptions.	The primary procedures we performed to address this key audit matter included the following; For all investment properties, we compared the future cash flows used in the prior year's estimate of the fair value of investment properties to actual results to assess management's ability to forecast future cash flows. For all investment properties we compared the future cash flows generated by the investment properties to the actual historical cash flows. We took into account the changes in conditions and events affecting the investment properties to assess the adjustments, or lack of adjustments, made by the Company in arriving at those future cash flows. We involved a valuation professional with specialized skills and knowledge, who assisted in evaluating the capitalization rates and comparable properties. Capitalization rates were evaluated by comparing them to published reports of real estate industry commentators and the estimated implied rates from comparable recent sales of similar properties while considering the features of the specific investment property. We evaluated the competence, capabilities and objectivity of the independent third-party appraisers by; • Inspecting evidence that the appraisers are in good standing with the Appraisal Institute. • Considering whether the appraisers have appropriate knowledge in relation to the specific type of investment properties. • Reading the report of the appraiser, which refers to their independence.

McGovern Hurley

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 risks 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 Company'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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 28, 2023

TEMPUS CAPITAL INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at December 31	Note	2022	2021
Assets			
Non-current assets			
Investment properties	[4]	$ 14,787,002	$ 14,975,977
Loan receivable	[7]	112,144	-
Investment in associate	[8]	58,355	63,955
Total non-current assets		14,957,501	15,039,932
Current assets			
Sundry receivables	[5]	69,940	50,835
Prepaid expenses and deposits	[6]	69,495	83,649
Cash		24,793	8,144
Total current assets		164,228	142,628
Total assets		$ 15,121,729	$ 15,182,560
Equity and Liabilities			
Equity			
Share capital	[11]	$ 2,904,898	$ 2,904,898
Contributed surplus	[11]	171,677	179,283
Retained earnings		2,322,483	2,513,332
Total equity		5,399,058	5,597,513
Non-current liabilities			
Mortgages payable	[10]	3,011,649	7,176,969
Tenant deposits		57,411	64,678
Promissory notes payable long--term portion	[9]	-	87,443
Deferred income taxes	[16]	432,837	441,837
Total non-current liabilities		3,501,897	7,770,927
Current liabilities			
Mortgages payable	[10]	5,467,787	1,322,338
Promissory notes payable	[9]	204,402	75,250
Accounts payable and accrued liabilities	[22]	378,804	321,409
Due to director	[22]	169,781	95,123
Total current liabilities		6,220,774	1,841,120
Total liabilities		9,722,671	9,585,047
Total equity and liabilities		$ 15,121,729	$ 15,182,560
Subsequent events	[24]		

Approved on behalf of the Board

"Russell Tanz"
Russell Tanz - Director

"Brian Crawford"
Brian Crawford - Director

See accompanying notes to the consolidated financial statements

TEMPUS CAPITAL INC.
Consolidated Statements of Operations and Comprehensive (Loss) Income
(Expressed in Canadian dollars)

Years Ended December 31	**Note**		**2022**		**2021**
Rental revenue	[12]	$	1,136,458	$	1,099,160
Property operating costs			373,697		371,407
Net rental income			762,761		727,753
Expenses					
Interest expense	[13]		517,040		464,031
General and administrative	[14]		149,024		221,741
Professional fees	[15]		99,259		37,415
Share-based compensation	[11]		-		171,677
Total expenses			765,323		894,864
(Loss) before the following items:			(2,562)		(167,111)
Fair value adjustment-investment properties			(250,000)		1,039,000
Share of loss of associate	[8]		(10,000)		(51,000)
Gain on sale of shares of associate	[8}		20,000		-
Gain on forgiveness of debt	[9]		35,107		35,000
(Loss) income before income tax			(207,455)		855,889
Deferred tax (expense) recovery	[16]		9,000		(167,000)
Net (loss) income and comprehensive income		$	(198,455)	$	688,889
Basic earnings per share	[17]	$	(0.01)	$	0.02
Diluted earnings per share	[17]	$	(0.01)	$	0.02

See accompanying notes to the consolidated financial statements.

TEMPUS CAPITAL INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years Ended December 31	**2022**	**2021**
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net (loss) income for the year	$ (198,455)	$ 688,889
Items not affecting cash		
Deferred income taxes	(9,000)	167,000
Fair value adjustment	250,000	(1,039,000)
Financing costs	59,851	53,167
Share-based compensation	-	171,677
Share of loss of investee	10,000	51,000
Gain on forgiveness of debt	(35,107)	(35,000)
Gain on sale of shares of investee	(20,000)	-
Unrealized gain on foreign exchange	(6,412)	-
Accretion	49,191	30,119
Changes in non-cash working capital		
Sundry receivables	(19,105)	(28,375)
Prepaid expenses and deposits	14,154	2,826
Tenant allowances	-	16,139
Tenant deposits	(7,267)	(6,013)
Accounts payable and accrued liabilities	42,502	137,732
Net cash provided from operating activities	150,362	210,161
FINANCING ACTIVITIES		
Due to director	74,658	119,681
Proceeds from promissory notes payable	105,732	201,685
Promissory note repayments	(75,250)	(13,500)
Proceeds from mortgage financing	300,000	1,016,425
Mortgage repayments	(373,989)	(205,165)
Proceeds from exercise of options	-	51,000
Increase in deferred financing costs	(13,697)	(15,944)
Net cash provided by financing activities	17,454	1,154,132
INVESTING ACTIVITIES		
Additions to investment properties	(61,025)	(1,280,999)
Increase in investment in investee	(4,400)	-
Proceeds from sale of shares of investee	20,000	-
Advance to investment in associate	-	(114,955)
Increase in loan receivable	(105,732)	-
Net cash (used in) investing activities	(151,157)	(1,395,954)
Change in cash for the year	16,649	(31,661)
Cash, beginning of year	8,144	39,805
Cash, end of year	$ 24,793	$ 8,144

Supplemental cash flow information (Note 18)

See accompanying notes to the consolidated financial statements

TEMPUS CAPITAL INC.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

		Share Capital				
		Number of Shares	Amount	Contributed Surplus	Retained Earnings	Total Equity
At December 31, 2020		29,878,993	$ 2,827,687	$ 33,817	$ 1,824,443	$ 4,685,947
Shares issued on exercise of options	[11]	600,000	51,000	-	-	51,000
Transfer from contributed surplus on exercise of options	[11]	-	26,211	(26,211)	-	-
Share-based compensation	[11]	-	-	171,677	-	171,677
Net income for the year		-	-	-	688,889	688,889
At December 31, 2021		30,478,993	$ 2,904,898	$ 179,283	$ 2,513,332	$ 5,597,513
Stock options expired		-	-	(7,606)	7,606	-
Net loss for the year		-	-	-	(198,455)	(198,455)
At December 31, 2022		30,478,993	$ 2,904,898	$ 171,677	$2,322,483	$ 5,399,058

See accompanying notes to the consolidated financial state

1. NATURE OF OPERATIONS

Tempus Capital Inc. ("Tempus" or the "Company") was incorporated on February 16, 2011 pursuant to the provisions of the Business Corporations Act (Ontario).

The Company is a reporting issuer in Ontario, Alberta and British Columbia and its common shares are listed on the Canadian Securities Exchange.

The registered and operating office of the Company is 200-3310 South Service Road, Burlington, Ontario L7N 3M6.

The Company's business activity is the ownership of commercial and mixed use properties to generate growing cash flows and stable and sustaining returns.

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared using the accounting policies in Note 2.

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on April 28, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries 2335501 Ontario Inc., 2443578 Ontario Ltd., 2590197 Ontario Inc., 2821679 Ontario Inc., and Tempus Capital LLC. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is Tempus' functional currency.

Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the assets and liabilities of all subsidiaries and the results of all subsidiaries for the financial period. Tempus and its subsidiaries are collectively referred to as Tempus in these consolidated annual financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries are entities controlled by Tempus. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany balances and transactions are eliminated upon consolidation.

In its evaluation, Management considers whether Tempus controls the entity by virtue of the following circumstances:

a) Power over more than half of the voting rights by virtue of an agreement with other investors;
b) Power to govern the financial and operating policies of the entity under a statute or an agreement;
c) Power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; and
d) Power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Property Asset Acquisitions

At the time of acquisition of a property or a portfolio of investment properties, the Company evaluates whether the acquisition is a business combination or asset acquisition. IFRS 3, Business Combinations (“IFRS 3”) is only applicable if it is considered that a business has been acquired. A business according to IFRS 3 is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Company. When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, the Company applies judgment when determining whether an integrated set of activities is acquired in addition to the property or portfolio of properties. The basis of this judgmental assessment is set out in Note 3.

When an acquisition does not represent a business as defined under IFRS 3, the Company classifies these properties or a portfolio of properties as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at their relative fair values at the acquisition date, except for financial instruments which are recognized initially at fair value. Acquisition-related transaction costs are capitalized to the property.

All of Tempus’ acquisitions have been classified as asset acquisitions.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Properties

Investment properties are held to earn rental income or for capital appreciation, or both. A key characteristic of an investment property is that it generates cash flows largely independently of the other assets held by an entity. Investment properties are initially measured at cost including transaction costs. Transaction costs include various professional fees, land transfer tax and other acquisition costs to bring the property up to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment properties are recorded at fair value and related gains or losses arising from changes in fair value are recognized in operations in the period of change. The determination of fair value is based upon, among other things, rental revenue from current leases and reasonable and supportable assumptions about rental revenue from future leases in light of current conditions, less future cash outflows in respect of tenant installation costs and income property operations.

An investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of operations in the period of retirement or disposal. Gains or losses on the disposal of an investment property are determined as the difference between the net disposal proceeds and the carrying value of the asset on the date of disposal.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to the property and the cost can be measured reliably.

All property operating expenses in the consolidated statements of operations and comprehensive income pertain to properties which earn rental income.

Revenue Recognition

Lease revenue earned directly from leasing the asset is recognized and measured in accordance with IFRS 16 – Leases. The Company classifies leases with its tenants as operating leases when it has not transferred substantially all of the risks and rewards of ownership of its investment properties. Revenue recognition under a lease commences when the tenant has the right to use the leased asset, which is typically when the tenant takes possession of, or controls, the physical use of the leased property.

The Company records the total rental income on a straight-line basis. Tenant inducements such as free rent or move-in allowances are initially deferred and included in assets. The balance is amortized over the term of the related lease, reducing the revenue recognized. In the event that a tenant vacates its leased space prior to the contractual term of the lease, any unamortized balance is recorded as an expense in the consolidated statement of operations.

Tenant reimbursements for real estate taxes incurred by the Company relate specifically to the leased property and are considered to be unavoidable costs directly related to the leased asset. The Company recognizes realty tax recoveries as they become due.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to revenue generated directly from the operating lease, the Company earns non-lease revenue earned from the tenant, which is recognized and measured under IFRS 15. The Company has obligations pursuant to its lease contracts with tenants to provide services in exchange for common area maintenance ("CAM") recoveries, which are considered non-lease components. These CAM services are delivered to tenants during the period in which the tenants occupy the premises, and as such, CAM recoveries are recognized in revenue over time. The Company receives variable consideration for the CAM recoveries to the extent of costs incurred, and revenue is recognized on this basis as this is the best estimate of amounts earned over the period these services are performed.

Tenant Allowances

Tenant allowances or incentives such as cash, rent-free periods and move-in allowances may be provided to lessees to enter into a lease. These incentives are capitalized and amortized on a straight-line basis over the term of the lease as a reduction of rental revenue.

Impairment of Assets

At the end of each reporting period, assets, other than those identified in the standards as not being applicable to IAS 36 – Impairment of Assets, such as investment properties recorded at fair value, are assessed for any indication of impairment. Should any indication of impairment exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is defined as the higher of an asset's "fair value less cost to sell" and its "value-in-use". In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the consolidated statement of operations. After the recognition of an impairment loss, the depreciation charge related to that asset is also revised for the adjusted carrying amount on a systematic basis over the remaining useful life of the asset. Should this impairment loss be determined to have reversed in a future period a reversal of the impairment loss is recorded in profit or loss. However, the reversal of an impairment loss will not increase the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases where the Company is the Lessor are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company has determined that all of its leases with its tenants are operating leases. Revenue is recorded in accordance with the Company's revenue recognition policy.

Share-Based Payments

The fair value of share options granted to employees at the date of grant is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by a direct employee, including directors of the Company.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The fair value is measured at the grant date and recognized over the period during which the options vest and is adjusted for estimated forfeitures. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Share-based compensation incorporates an expected forfeiture rate.

All equity settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. For share options which expire unexercised, the corresponding amount in contributed surplus is transferred to retained earnings. There is no adjustment to past compensation expense. Compensation related to forfeited share options is reversed on the forfeiture date provided the options have not vested.

Segment Disclosure

Tempus owns and operates commercial and residential real estate assets located in Canada.

Management, in measuring performance or making operating decisions, does not distinguish or group its operations on a geographical or other basis. Accordingly, Tempus has a single reportable segment for disclosure purposes.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current tax is the expected tax payable (or receivable) on the taxable income (or loss) for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets and liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. For the determination of deferred tax assets and liabilities where investment property is measured using the fair value model, the presumption is that the carrying amount of an investment property is recovered through sale, as opposed to presuming that the economic benefits of the investment property will be substantially consumed through use over time.

Earnings Per Share

Basic income per share is computed by dividing the net income 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 the issuance have been met. Diluted earnings 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 treasury stock method for options and warrants. Diluted earnings per share do not include the effect of potentially issuable common shares if their effect is anti-dilutive.

Government Assistance

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as a reduction of the non-current assets in the consolidated statement of financial position, and transferred to the consolidated statement of operations on a systematic and rational basis over the useful lives of the related assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other government grants are recognized as a reduction of the related expenses over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in the consolidated statement of operations in the period in which they become receivable. Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Investment in Associate

Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights, but can also arise where the Company holds less than 20 percent of the voting rights, but it has power to be actively involved and influential in policy decisions affecting the entity. The Company accounts for its investment in associates using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s shares of profit or loss of the associate.

Dilution gains and losses arising from changes in interests in investments in associates where significant influence is retained are recognized in the consolidated statements of loss. At each reporting date, the Company determines whether there is any objective evidence that the investment in the associate is impaired or if previously recorded impairment should be reversed. If impairment is determined to exist, the amount of the impairment is recognized in the consolidated statement of loss. The amount of impairment is calculated as the difference between the recoverable amount of the investment in the associate and it’s carrying value.

Financial Instruments

Classification and measurement

All financial instruments are required to be measured at fair value on initial recognition. Subsequent to initial recognition, financial assets are categorized and measured based on how the Company manages its financial instruments and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit and loss. A financial asset is measured at amortized cost if it meets both of the following conditions:

i. It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified and measured based on two categories: amortized cost and fair value through profit and loss. Under IFRS 9, all financial liabilities are classified and subsequently measured at amortized cost except in certain specific cases. The Company has no financial liabilities that meet the definitions of these specific cases.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table summarizes the classification of the Company's assets and liabilities:

Financial assets	**Classification under IFRS 9**
Receivables	Amortized cost
Cash	Amortized cost
Loan receivable	Amortized cost
Financial liabilities	
Mortgages payable	Amortized cost
Promissory notes payable	Amortized cost
Tenant deposits	Amortized cost
Due to director	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

i. Financial assets

Financial assets are recognized initially at fair value and subsequently at amortized cost using the effective interest rate method.

The Company assesses at each reporting date whether there is objective evidence that a financial asset is impaired using the expected credit loss model as per IFRS 9. The amount of any loss is measured as the difference between the asset's carrying amount and the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through use of an expected loss allowance account. The amount of the loss is recognized in the consolidated statement of operations. Impaired debts are derecognized when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of operations.

ii. Financial liabilities

Financial liabilities are recognized initially at fair value and subsequently at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

iii. Fair value

Fair value measurements recognized in the consolidated statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company had no financial instruments to classify in the fair value hierarchy as at December 31, 2022 and 2021.

Provisions

The Company records provisions when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each reporting date using the current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income, which represents changes in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders. For the years ended December 31, 2022 and 2021, there is no difference between the Company's net income and comprehensive income nor is there any accumulated other comprehensive income as at December 31, 2022 and 2021.

Share Capital

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option and warrant enabled the holder to purchase a share in the Company.

Commissions paid to agents, and other related share issue costs, such as legal, auditing, and printing, on the issue of the Company's shares are charged directly to share capital.

Application of New Accounting Policies

The following new or amended accounting standards under IFRS have been issued or revised by the IASB; however, they are not yet effective and, as such, have not been applied to the consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements, Amendments to Classification of Liabilities as current or non-current.

In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify the definition of a right to defer settlement

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

and specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, *Changes in Accounting Estimates and Errors*. Earlier application is permitted. The Company is in the process of assessing the impact the amendments may have on future financial statements and plans to adopt the new standard retrospectively on the required effective date.

Risk Management

Markets have been negatively impacted by COVID-19, which was declared a pandemic by the World Health Organization ("WHO") on March 11, 2020. The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic, including business closures and physical distancing, and the effects of resulting layoffs and other job losses on the available income of retail customers may adversely impact our operations including, among others, increasing the credit risk associated with our receivables, limiting our ability to quickly respond to changes in credit risk, and limiting our ability to serve our tenants. This has resulted in significant economic uncertainty, of which the potential impact on our future financial results is difficult to reliably measure.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements, and income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(i) Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(1) Investment property

The Company's accounting policies relating to investment property are described under "Investment Property". In applying these policies, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and whether or not the acquisition represents the acquisition of a business or a group of assets and liabilities.

(2) Leases

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts with tenants as operating leases.

In applying this policy, the Company makes judgments with respect to the point in time at which revenue recognition under the lease commences.

(3) Income taxes

The Company follows the asset/liability method for calculating deferred income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction.

(ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Valuation of investment properties

Estimates and assumptions used in the valuation of investment properties are described in Note 4. The Company examines the key assumptions at the end of each reporting period and updates these assumptions based on recent leasing activity and external data available at the time. A change to any of these inputs may significantly alter the fair value of an investment property.

(2) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

assumptions about these factors could affect the reported fair value of financial instruments.

(3) Guarantees

The Company reviews its contingent liabilities relating to guarantees it provides to third parties. The Company's guarantees remain in place for certain debts guaranteed by third parties and will remain until such debts are extinguished or lenders agree to release the third parties' covenants.

(4) Income taxes

The Company exercises judgment in estimating income tax expense and tax assets and liabilities. Income tax laws may be subject to different interpretations and the income tax expense recorded by the Company reflects the Company's interpretation of the relevant tax laws. The Company is also required to estimate the timing of reversals of temporary differences between accounting and taxable income in determining the appropriate rate to apply in calculating deferred taxes.

(5) Share based payments

The Company uses the Black-Scholes Option Pricing Model for valuing its stock options to employees, directors and consultants at the date of issue. Management uses estimates of the expected life, the risk-free rate, expected volatility, and expected forfeiture rate when calculating the value of the options issued.

(6) Investment in Associate

The Company's investment in associate is accounted for using the equity method, whereby the investment is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the investment. The Company's share of the results of operations of an associate is reflection in the profit and loss. An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions. Management reviews the relevant factors and makes considerations in determining whether significant influence exists in associates. Significant judgment is involved in the determination of significant influence. The Company has assessed that in 2022 it exerted significant influence over its investment in associate despite owning less than 20% of the outstanding shares.

(7) Allowance for credit losses

The allowance for credit losses has been assessed by the Company's management based on the age of the amounts uncollected as at the end of the reporting period and management's experience with respect to the likelihood of payment. The allowance is assessed at the end of each reporting period and adjusted so that the loan receivable and sundry receivables reflect the expected future collection of accounts.

(Expressed in Canadian Dollars)

4. INVESTMENT PROPERTIES

	2022	2021
Balance, beginning of year	$ 14,975,977	$ 12,655,978
Fair value adjustment on investment properties	(250,000)	1,039,000
Acquisition	-	1,224,710
Capital expenditure on investment properties	61,025	56,289
Balance, end of year	$ 14,787,002	$ 14,975,977

Investment properties are held by wholly owned subsidiaries. Each of the wholly owned subsidiaries hold registered title to the respective properties as bare trustees.

Valuation methodology and processes

The fair value of investment properties as of December 31, 2022 and December 31, 2021 is determined internally by management and valuation professionals using assumptions and market information obtained from industry professionals. Investment properties are valued on a highest and best use basis. Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, all of the investment properties are classified as Level 3 assets.

Management's primary internal valuation model is based on a capitalization of forecasted normalized net operating income approach. The Company determines the forecasted normalized net operating income for each property based on current in-place rents and assumptions about occupancy, less cash outflows expected to operate and manage each individual property within the portfolio. Capitalization rates used to estimate fair market value take into account many factors including but not limited to: the location of the property, the quality and strength of tenants, whether lease rates are over or under current market rates, demand for the type and use of the property, the age of the building, any special use characteristics of the building or area, and vacancy rates in the area. Market information related to the external sale of similar buildings within a similar geographic location is also taken into consideration. The Company's management is responsible for determining fair value measurements including verifying all major inputs included in the valuation.

The key level 3 valuation metrics and contract estimates for the fair market value determination for the investment properties are set out in the following table:

	2022	2021
Range of capitalization rates applied to investment properties	5.25%-6.25%	5.00-6.0%
Fair value of properties where cap rates were applied	$ 14,787,002	$ 14,975,977
Weighted average cap rates	5.52%	5.24%
Fair value impact of increasing average cap rate by 0.01%	$ (26,910)	$ (28,602)
Fair value impact of a 1% decrease in net operating income	$ (147,870)	$ (149,760)

4. INVESTMENT PROPERTIES (continued)

The investment properties have been valued at December 31, 2022 and 2021 as follows:

		2022		2021
Valco Consultants Inc.-independent valuation (425 Caradoc St.)	$	7,710,827	$	-
Otto & Company-independent valuation (605 Richmond St)		3,526,546		-
Valco Consultants Inc.-independent valuation (723 Richmond St)		1,962,919		-
Valco Consultants Inc.-independent valuation (310 Springbank)		1,586,710		-
Management's valuation (all properties)	$	-	$	14,975,977
	$	14,787,002	$	14,975,977

During 2022, the Company entered into an agreement of purchase and sale with respect to a portion of the investment property located at 605-607 Richmond St., London, Ontario. The sale is conditional on the Company obtaining severance of the property from property being retained by the Company, prior to October 31, 2023. Consideration for the selling price of $900,000 is cash. A deposit in the amount of $40,000 was received during the year in connection with the sale and is included in accounts payable and accrued liabilities. There is no guarantee that this transaction will be completed.

5. SUNDRY RECEIVABLES

		2022		2021
Accrued straight line rent	$	10,035	$	10,035
Rent receivable		53,618		38,811
Other receivables		6,287		1,989
Total	$	69,940	$	50,835

6. PREPAID EXPENSES AND DEPOSITS

		2022		2021
Prepaid insurance	$	18,212	$	14,105
Prepaid realty tax		29,861		32,431
Prepaid leasing commission		17,888		23,018
Other prepaid amounts		3,534		14,095
Total	$	69,495	$	83,649

7. LOAN RECEIVABLE

Loan receivable bearing interest at 7% per annum, evidenced by a promissory note maturing May 31, 2024. The loan is denominated in USD ($82,800) and is secured by a general security agreement granted by the corporate borrower. The loan participates as to 25% of the profit from the sale of property which is indirectly financed by the loan.

(Expressed in Canadian Dollars)

8. INVESTMENT IN ASSOCIATE

The investment represents an 18% (2021-20%) interest in 2773830 Ontario Inc., a private company operating as Fritz's Cannabis Company, which is in the business of production and sale of cannabis gummies. 2773830 Ontario Inc. and the Company have several directors and officers in common. 2773830 Ontario Inc. has a December 31 reporting period end. The investment is accounted for using the equity method.

		2022		2021
Balance, beginning of year	$	63,955	$	-
Investment and advances		4,400		114,955
Share of loss of investee		(10,000)		(51,000)
Balance, end of year	$	58,355	$	63,955

The following table provides a summary of the financial information of 2773830 Ontario Inc. for the years ended December 31, 2022 and 2021.

As at December 31,		2022		2021
Total current assets	$	134,869	$	96,664
Total non-current assets		89,196		29,548
Total current liabilities		(544,782)		(379,269)
Total net liabilities	$	(320,717)	$	(253,057)

	Year Ended December 31 2022	Year Ended December 31 2021
Revenue	380,188	69,070
Net loss	(67,660)	(253,107)
Comprehensive loss	(67,660)	(253,107)

	2022	2021
Net liabilities of 2773830 Ontario Inc.-beginning of year	(253,107)	-
Net loss	(67,660)	(253,107)
Net liabilities of 2773830 Ontario Inc.-end of year	(320,717)	(253,107)
Tempus ownership interest	18%	20%
Tempus share of net liabilities	(58,000)	(51,000)
Cash advances	119,355	114,945
Other adjustments	(3,000)	10
Investment in 2773830 Ontario Inc.-end of year	58,355	63,955

During 2022, the Company sold a 10% interest in the shares of 2773830 Ontario Inc. resulting in a current ownership of 18%. Consideration for the sale was cash of $20,000 resulting in a gain on sale of $20,000.

(Expressed in Canadian Dollars)

9. PROMISSORY NOTES PAYABLE

(i) Convertible promissory notes payable were issued in 2021 to related parties in the amount of $44,375 maturing March 25, 2023, bearing interest at 6% per annum payable quarterly, unsecured, convertible to common shares of the Company at $0.20 at any time during the term of the notes. Interest expense of $2,663 was recorded during 2022 (2021-$715).

(ii) Promissory note payable was issued in 2021 with a face amount of $200,000, non-interest bearing, unsecured, maturing March 29, 2024, payable at $1,500 per month for thirty-six months with the balance payable at date of maturity. A discount in the amount of $42,690 was recognized upon initial recognition as a reduction in the carrying value of investment property during the period resulting from applying the effective interest method with a discount rate of 10%. Accretion in the amount of $9,508 was recorded during 2021. The promissory note was amended to reduce the face amount owing as at December 15, 2021 by $35,000 and is now repayable in instalments of $18,812 quarterly commencing January 31, 2022. Accretion in the amount of $11,227 was recorded during 2022.

(iii) Promissory note payable was issued during the year to an officer of the Company in the amount of $105,732 bearing interest at 3% per annum. The note is unsecured and matures on June 22, 2023. Interest in the amount of $1,763 was recorded during 2022.

10. MORTGAGES PAYABLE

		2022	2021
Current portion	- Mortgage	$ 5,515,265	$ 1,394,865
	- Unamortized deferred financing costs	(47,478)	(72,527)
		5,467,787	1,322,338
Non-current portion	- Mortgage	3,043,045	7,229,470
	- Unamortized deferred financing costs	(31,396)	(52,501)
		3,011,649	7,176,969
Total		$ 8,479,436	$ 8,499,307

425 Caradoc St South, Strathroy, Ontario	605-607 Richmond St, London, Ontario	723 Richmond St, London, Ontario	310 Springbank Drive, London, Ontario	
First Mortgage	First Mortgage	First Mortgage	First Mortgage	Second Mortgage
$4,074,213	$2,118,221	$1,180,876	$1,000,000	$185,000

The first mortgage on the Strathroy property bears interest at 4.52% and is payable in blended monthly payments of $24,679. The first mortgage on the London property at 605-607 Richmond Street bears interest at 3.66% and is payable in blended monthly payments of $12,573. The first mortgage on the London property at 723-727 Richmond Street bears interest at 4.75% and is payable in blended monthly payments of $7,235. The first mortgage on the London property at 310 Springbank Drive bears interest at 8% and is payable interest only. All four first mortgages are secured by the respective investment property. The first mortgage on the Strathroy property matures on November 1, 2023. The first

(Expressed in Canadian Dollars)

10. MORTGAGES PAYABLE (continued)

mortgage on the London property at 605-607 Richmond Street matures on July 25, 2024, the first mortgage on the London property at 723-727 Richmond Street matures on September 12, 2024, and the first mortgage on the London property at 310 Springbank Drive matures on January 14, 2024.

The second mortgage on the London property at 310 Springbank Drive originally was to mature on March 29, 2023 and is payable interest only at 2% commencing April 29, 2022. The second mortgage was amended to reduce the principal amount owing as at July 15, 2022 by $30,000 and further reduced by a payment of $160,000 during the year. The second mortgage maturity date was amended to November 15, 2022. The mortgage is unsecured and the maturity date has not been extended further.

Management estimates that the fair value of the mortgages at December 31, 2022 and 2021 is approximately equal to their reported values.

The mortgage on the Strathroy property and the mortgage on the London property at 605-607 Richmond Street are guaranteed by a director of the Company as to 25% up to a maximum of $1,600,000.

Scheduled annual principal repayments are as follows:

2023	$ 5,515,265
2024	3,043,045
	$ 8,558,310

The mortgage on 723 Richmond Street has a financial covenant that requires the Company to have a debt service coverage ratio of not less than 1.2 : 1 at each year end. This covenant was not met at December 31, 2022 and 2021. The lender has not provided an exemption from meeting the covenant in 2022 or 2021, accordingly, the outstanding balance is presented as a current liability.

Mortgage continuity schedule:

	2022	2021
Balance, beginning of year	$ 8,499,307	$ 7,630,265
Unamortized deferred financing costs	125,028	162,201
Additions	300,000	1,075,000
Discount to fair value	-	(58,575)
Payments	(373,989)	(205,165)
Reduction	(30,000)	-
Accretion	37,964	20,611
Unamortized deferred financing costs	(78,874)	(125,030)
Balance, end of year	$ 8,479,436	$ 8,499,307

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Share Capital

Authorized

Unlimited number of common voting shares without nominal or par value

Issued	**2022**			**2021**		
	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of year	30,478,993	$	2,904,898	29,878,993	$	2,827,687
Shares issued on exercise of options	-		-	600,000		51,000
Transfer from contributed surplus on exercise of options	-		-	-		26,211
Balance, end of year	30,478,993	$	2,904,898	30,478,993	$	2,904,898

On March 25, 2021, the Company issued 600,000 common shares on the exercise of 600,000 stock options for cash proceeds of $51,000.

Contributed Surplus		**2022**		**2021**
Balance, beginning of year	$	179,283	$	33,817
Share-based compensation		-		171,677
Options expired		(7,606)		-
Transfer on exercise of options		-		(26,211)
Balance, end of year	$	171,677	$	179,283

Stock options

The Company has established a stock option plan (the “Plan”) for the benefit of directors, officers and employees of and consultants to the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company at any time. Under the plan, the exercise price of each option equals the market, or estimated market price of the Company’s stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

Options granted to consultants not engaged in investor relations activities are granted for past services and vest immediately.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, expected forfeitures and the risk free interest rate for the term of the option.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

A summary of the status of the stock option plan and changes are presented below:

	2022			2021		
	Number of Shares		Weighted Average Exercise Price	Number of Shares		Weighted Average Exercise Price
Outstanding, beginning of year	1,300,000	$	0.11	1,000,000	$	0.11
Exercised during the year	-		0.085	(600,000)		0.085
Expired during the year	(400,000)		0.15	-		-
Granted during the year	-		0.185	900,000		0.185
Outstanding, end of year	900,000	$	0.11	1,300,000	$	0.11
Vested, end of year	900,000	$	0.11	1,300,000	$	0.11

900,000 stock options were issued in August 2021 with an estimated fair value of $171,677. The weighted average share price was $0.185. The volatility factor used was 160%. The risk-free interest rate used was 0.25%. The dividend yield was 0%. The weighted average remaining contractual life of options outstanding at December 31, 2022 was 3.66 years (December 31, 2021 - 3.47). The outstanding options expire on August 27, 2026.

12. RENTAL REVENUE

	2022	2021
Lease revenue	$ 996,418	$ 938,836
Recoverable operating costs	140,040	160,324
Total	$ 1,136,458	$ 1,099,160

13. INTEREST EXPENSE AND DEFERRED FINANCING CHARGES

	2022	2021
Interest expense	$ 406,627	$ 390,253
Amortization of deferred financing costs	59,851	53,167
Financing costs	50,562	20,611
Total	$ 517,040	$ 464,031

14. GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
Filing fees	$ 15,180	$ 20,105
Insurance	20,338	26,114
Office and overheads	40,532	23,087
Interest	1,371	39,150
Management fees (Note 22)	60,000	60,000
Investor relations	6,000	37,881
Travel	5,603	15,404
Total	$ 149,024	$ 271,741

(Expressed in Canadian Dollars)

15. PROFESSIONAL FEES

		2022		2021
Audit fees	$	72,000	$	33,700
Legal fees – corporate		27,259		3,715
Total	$	99,259	$	37,415

16. INCOME TAXES

Provision for Income Taxes

The following table reconciles the expected income tax provision at the statutory income tax rate of 26.5% (2021 – 26.5%) to the amounts recognized in the consolidated statements of operations and comprehensive income:

		2022		2021
(Loss) income before income taxes	$	(207,455)	$	688,889
Expected income tax at the statutory rate		(54,976)		226,810
Non-taxable fair value gain		15,686		(137,668)
Non-deductible items		33,125		66,137
Other		15,165		11,721
Income tax expense	$	9,000	$	167,000

Deferred Tax

The components of the Company's deferred income tax assets are as follows:

		2022		2021
Intangibles	$	24,818	$	26,666
Tax losses		649,427		597,606
Total deferred tax assets	$	674,245	$	624,272

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

		2022		2021
Investment properties	$	1,107,082	$	1,066,109
Total deferred tax liabilities	$	1,107,082	$	1,066,109
Net deferred tax liability	**$**	**432,837**	**$**	**441,837**

Deferred tax assets and deferred tax liabilities are offset in the Consolidated Statements of Financial Position as the tax assets and tax liabilities relate to the same taxing authority.

Deferred tax assets in the amount of $674,245 (2021 - $624,272) have been recognized as the Company expects to have future taxable profits.

(Expressed in Canadian Dollars)

16. INCOME TAXES (continued)

Tax loss-carry-forwards

As at December 31, 2022 the Company had approximately $2,518,492 (2021 - $2,253,836) of non-capital losses which can be used to reduce taxable income in future years. The non-capital losses expire as described below:

2030	$	157
2031		35,856
2032		16,065
2033		133,231
2034		232,586
2035		144,010
2036		209,172
2037		186,737
2038		222,982
2039		396,986
2040		326,697
2041		349,357
2042		264,656
	$	2,518,492

17. EARNINGS PER SHARE INFORMATION

The basic net income per share is calculated based on the following:

	2022	2021
Weighted average number of shares	30,478,993	30,340,911

The diluted net income per share is calculated based on the following:

	2022	2021
Weighted average number of shares	30,478,993	31,778,993

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of share options issued to certain management, directors and consultants, and the effect of the warrants issued in connection with the equity financing. The 2022 diluted loss per share excludes the effect of the outstanding stock option as the effect is anti-dilutive.

18. SUPPLEMENTAL CASH FLOW INFORMATION

	2022	2021
Cash interest paid on mortgages and promissory notes	$ 466,478	$ 443,420

(Expressed in Canadian Dollars)

19. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Company is exposed to a variety of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Credit risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or other obligations. The Company mitigates the risk of credit loss by investing in well-located properties in urban markets that attract quality tenants, ensuring that its tenant mix is well diversified, and by limiting its exposure to any one tenant. A tenant's success over the term of its lease and its ability to fulfill its lease obligations is subject to many factors. There can be no assurance that a tenant will be able to fulfill all of its existing commitments and leases up to the expiry date. The Company's exposure to credit risk is limited to the carrying amounts of its financial assets, specifically its cash, sundry receivables and loan receivable.

The Company's commercial leases typically have lease terms between five and ten years and may include clauses to enable periodic upward revision of the rental rates.

Future contracted minimum rent from non-cancellable tenant operating leases are as follows:

	2022	2021
Within 1 year	$ 809,276	$ 820,767
After 1 year, but not later than 5 years	2,265,347	1,602,243
More than 5 years	406,400	332,800
	$ 3,481,023	$ 2,755,810

In addition, expected residential rents are $183,400 annually (2021-$176,800).

Interest rate risk

The Company attempts to structure its financings so as to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations. Interest represents a significant cost in financing the ownership of real property. Currently all of the Company's mortgages and promissory notes are fixed rate instruments. The Company's cash held in its bank account earns interest income at variable rates and is exposed to movements in interest rates.

Liquidity risk

Real estate investments are relatively illiquid. This will tend to limit the Company's ability to sell components of its portfolio promptly in response to changing economic or investment conditions. If the

Company was required to quickly liquidate its assets, there is a risk that it would realize sale proceeds of less than the current value of its investment property.

(Expressed in Canadian Dollars)

19. FINANCIAL RISK MANAGEMENT (continued)

An analysis of the Company's contractual maturities of its material financial liabilities is set out below:

	2023	2024	2025	Total
Gross mortgage payments (Note 10)	$ 5,515,265	$ 3,043,045	$ -	$ 8,558,310
Promissory notes	204,402	-	-	204,402
Accounts payable and accrued liabilities	378,804	-	-	378,804
Due to director	169,781	-	-	169,781
Total	$ 6,268,252	$ 3,043,045	$ -	$ 9,311,297

In addition, the Company has contractual commitments with respect to its outstanding accounts payable and accrued liabilities.

The Company manages its liquidity risk by staggering debt maturities and issuing equity when considered appropriate. In the years in which mortgages mature (2023 and 2024), it is expected that the mortgages will be renewed or refinanced and not that the amount will be paid out in full.

20. CAPITAL MANAGEMENT

The Company manages its capital, taking into account the long-term business objectives of the Company, to provide stability and reduce risk while generating an acceptable return on investment over the long term to shareholders. The Company's capital structure currently includes share capital, mortgages and other term financings, which together provide the Company with financing flexibility to meet its capital needs. Primary uses of capital include acquisitions, capital improvements, leasing costs, and debt principal repayments. The actual level and type of future financings to fund these capital requirements will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management's general view of the required leverage in the business.

The Company periodically re-evaluates its overall financing and execution strategy to ensure the best access to available capital at the lowest possible cost.

The Company is subject to a covenant on one of its mortgages. See Note 10.

There were no changes in the Company's approach to managing capital during the years ended December 31, 2022 and 2021.

The components of the Company's capital are set out in the following table:

December 31	2022	2021
Mortgages payable (gross)	$ 8,558,310	$ 8,624,335
Promissory notes payable	204,402	162,693
Share capital	2,904,898	2,904,898
Contributed surplus	171,677	179,283
Retained earnings	2,322,483	2,513,332
	$ 14,161,770	$ 14,384,541

(Expressed in Canadian Dollars)

21. COMMITMENTS AND CONTINGENCIES

The Company has agreed to indemnify a director who has personally guaranteed 25% of the mortgages on the Strathroy property and the London property at 605-607 Richmond St. to a maximum of $1,600,000. The fee is calculated at 1% of the amounts indemnified for the mortgages totaling $15,703 (2021 - $16,160).

Pursuant to a shareholder agreement in connection with the investment in 2773830 Ontario Inc., the Company has agreed to provide 32% of the capital requirements of 2773830 Ontario Inc.

22. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

			2022		**2021**
Management fees	(i)	$	60,000	$	60,000
Office rent and supplies	(ii)	$	6,000	$	6,000
Property management fees	(iii)	$	51,417	$	51,417
Guarantees	(iv)	$	15,703	$	16,160
Share-based compensation	(v)	$	-	$	171,677

(i) The Company paid $30,000 (2021 - $30,000) in management fees to a company controlled by the CEO of the Company, and $30,000 (2021 - $30,000) to a company controlled by the CFO of the Company.

(ii) The Company paid $6,000 (2021 - $6,000) to a company controlled by the CFO of the Company for office rent, telephone, office supplies, and other overhead items.

(iii) The Company paid $51,417 (2021 - $51,417) to a company controlled by the CEO of the Company for property management services.

(iv) The Company expensed $15,703 (2021 - $16,160) with respect to the personal guarantee of the CEO for two first mortgages.

(v) The Company granted 900,000 share options to directors of the Company during 2021, exercisable within five years at a price of $0.185 per share. No options were granted during 2022.

Included in accounts payable is an amount of $1,143 (2021 - $906) due to the CFO. Included in due to director is an amount of $169,171 (2021- $95,123) due to the CEO and an entity controlled by the CEO. The net position due to related parties is $170,314 (2021 – $96,029). These amounts are non-interest bearing and have no fixed terms of repayment.

No other amounts were paid to key management personnel in 2022 and 2021.

23. SUBSEQUENT EVENTS

On March 25, 2023, the maturity date of promissory notes with a face value of $44,375 was extended to June 30, 2023.

On April 19, 2023, the Company entered into an agreement to re-finance the first mortgage on the investment property located in Strathroy, Ontario. The principal amount of the re-financing is $4,575,000 with a five-year term. The interest rate, which will be set prior to funding, is expected to be the rate on five-year Government of Canada bonds plus 245 basis points. The re-financed amount will be secured by the investment property located in Strathroy, Ontario and a personal guarantee of the Company's CEO. Use of funds include payout of the existing first mortgage and working capital. The re-financing is subject to due diligence including an environmental review and is expected to close on or before May 31, 2023

On April 20, 2023, the Company is in the process of severing the property located at 605 Richmond St., removing the condition of sale of the property as disclosed in Note 4. The transaction is expected to close on or before June 30, 2023. The Company, in connection with the sale of the property, has agreed to pay down the principal amount of the mortgage on the property at 605-607 Richmond St, by $700,000, to be paid upon closing of the sale transaction.