TEMPUS CAPITAL INC.

Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

TEMPUS CAPITAL INC.

(Expressed in Canadian Dollars)

Table of Contents
December 31, 2020 and 2019

	Page
Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2-4
Consolidated Financial Statements	
Consolidated Statements of Financial Position	5
Consolidated Statements of Operations and Comprehensive Income	6
Consolidated Statements of Cash Flows	7
Consolidated Statements of Changes in Equity	8
Notes to the Consolidated Financial Statements	9-31

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 30, 2021

Independent Auditor's Report

To the Shareholders of Tempus Capital Inc.

Opinion

We have audited the consolidated financial statements of Tempus Capital Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of operations and comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year 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, 2020 and its consolidated financial performance and its consolidated cash flows for the year 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.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on May 19, 2020.

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.

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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.

McGovern
Hurley

- 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.

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

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 30, 2021

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

As at December 31	Note	2020	2019
Assets			
Non-current assets			
Investment properties	[4]	$ 12,655,978	$ 11,992,066
Tenant allowances		4,212	8,000
		12,660,190	12,000,066
Current assets			
Sundry receivables	[5]	22,460	13,164
Due from director	[21]	24,558	55,896
Tenant allowances		11,927	5,333
Prepaid expenses and deposits	[6]	86,475	106,255
Cash		39,805	160,831
		185,225	341,479
Total assets		$ 12,845,415	$ 12,341,545
Equity and Liabilities			
Equity			
Share capital	[9]	$ 2,827,687	$ 2,827,687
Contributed surplus	[9]	33,817	35,718
Retained earnings		1,824,443	1,280,760
Total equity		4,685,947	4,144,165
Non-current liabilities			
Mortgages payable	[8]	7,472,576	7,577,726
Tenant deposits		70,691	61,073
Deferred income taxes	[15]	274,837	210,837
		7,818,104	7,849,686
Current liabilities			
Mortgages payable	[8]	157,687	153,484
Accounts payable and accrued liabilities	[21]	183,677	194,210
		341,364	347,694
Total liabilities		8,159,468	8,197,380
Total equity and liabilities		$ 12,845,415	$ 12,341,545

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 Income
(Expressed in Canadian dollars)

Years Ended December 31	**Note**	**2020**	**2019**
Rental revenue	[11]	$ 929,175	$ 976,512
Property operating costs		334,901	357,361
Net rental income		594,274	619,151
Expenses			
Interest expense	[12]	397,292	404,794
General and administrative	[13]	176,465	198,867
Professional fees	[14]	48,735	64,175
Share-based compensation		-	26,211
Listing expense		-	52,643
		622,492	746,690
(Loss) before fair value gain		(28,218)	(127,539)
Fair value gain-investment properties		634,000	-
Income (loss) before income tax		605,782	(127,539)
Deferred tax (expense) recovery	[15]	(64,000)	234,000
Net income and comprehensive income		$ 541,782	$ 106,461
Basic earnings per share	[16]	$ 0.02	$ 0.00
Diluted earnings per share	[16]	$ 0.02	$ 0.00

See accompanying notes to the consolidated financial statements

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

Years Ended December 31	**Note**	**2020**	**2019**
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net income for the year		$ 541,782	$ 106,461
Items not affecting cash			
Deferred income taxes	[15]	64,000	(234,000)
Fair value gain	[4]	(634,000)	-
Financing costs		45,498	55,673
Share-based compensation		-	26,211
Accretion on discounted promissory note		-	142
Changes in non-cash working capital			
Sundry receivables		(9,296)	50,565
Amortization of tenant allowances		7,194	13,750
Prepaid expenses and deposits		19,780	(11,813)
Tenant allowances		(10,000)	(10,000)
Tenant deposits		9,618	15,433
Accounts payable and accrued liabilities		(10,533)	(40,553)
Net cash provided from Operating activities		24,043	(28,131)
FINANCING ACTIVITIES			
Repayment of promissory note		-	(12,249)
Due from director		31,338	(55,896)
Proceeds from mortgage financing		-	3,625,000
Mortgage repayments		(146,495)	(3,151,316)
Increase in deferred financing costs		-	(128,219)
Net cash (used in) provided by financing activities		(115,157)	277,320
INVESTING ACTIVITIES			
Additions to investment properties	[4]	(29,912)	(88,358)
Net cash used in Investing activities		(29,912)	(88,358)
(Decrease) increase in cash for the year		(121,026)	160,831
Cash, beginning of year		160,831	-
Cash, end of year		$ 39,805	$ 160,831

Supplemental cash flow information (Note 17)

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, 2018		29,878,993	$ 2,827,687	$ 37,007	$ 1,146,799	$ 4,011,493
Share-based compensation	[9]	-	-	26,211	-	26,211
Stock-options expired	[9]			(27,500)	27,500	-
Net income for the year		-	-	-	106,461	106,461
At December 31, 2019		29,878,993	2,827,687	35,718	1,280,760	4,144,165
Stock-options expired	[9]	-	-	(1,901)	1,901	-
Net income for the year		-	-	-	541,782	541,782
At December 31, 2020		29,878,993	$ 2,827,687	$ 33,817	$ 1,824,443	$ 4,685,947

See accompanying notes to the consolidated financial statements

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 855 Brant Street, Burlington, Ontario L7R 2J6.

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 30, 2021.

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., 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 Associates

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
Due from director	Amortized cost
Cash and cash equivalents	Amortized cost
Financial liabilities	
Mortgages payable	Amortized cost
Tenant deposits	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 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, 2020 and 2019.

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, 2020 and 2019, 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, 2020 and 2019.

Share Capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share 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

Effective January 1, 2020, the Company has adopted amendments to IAS 1, Presentation of Financial Statements (IAS 1) and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) - Definition of Material- In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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

(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 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.

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

(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.

4. INVESTMENT PROPERTIES

	2020	2019
Balance, beginning of period	$ 11,992,066	$ 11,903,708
Fair value gain on investment properties	634,000	-
Acquisition	-	-
Capital expenditure on investment properties	29,912	88,358
Balance, end of year	$ 12,655,978	$ 11,992,066

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, 2020 and December 31, 2019 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

4. INVESTMENT PROPERTIES (continued)

all major inputs included in the valuation. Unamortized tenant allowances are included as part of investment property.

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:

	2020	2019
Range of capitalization rates applied to investment properties	5.00%-5.6%	5.50-6.25%
Fair value of properties where cap rates were applied	$ 12,655,978	$ 11,992,066
Weighted average cap rates	5.35%	6.15%
Fair value impact of increasing average cap rate by 0.01%	$ (20,202)	$ (19,469)
Fair value impact of a 1% decrease in net operating income	$ (120,214)	$ (119,921)

The investment properties have been valued at December 31, 2020 as follows:

	2020	2019
Valco Consultants Inc.-independent valuation (425 Caradoc St.) (2019 - 723-727 Richmond St.)	$ 7,198,665	$ 1,850,000
Otto & Company-independent valuation (605-607 Richmond St.)	$ -	3,500,000
Management's valuation (605 and 723 Richmond St.) (2019-425 Caradoc St.)	$ 5,457,313	$ 6,642,066
	$ 12,655,978	$ 11,992,066

5. SUNDRY RECEIVABLES

	2020	2019
Accrued straight line rent	$ 10,035	$ 10,035
Rent receivable	1,858	230
Other receivables	10,567	2,899
Total	$ 22,460	$ 13,164

6. PREPAID EXPENSES AND DEPOSITS

	2020	2019
Prepaid insurance	$ 20,615	$ 26,284
Prepaid realty tax	18,735	23,765
Prepaid leasing commission	11,625	23,845
Deposit on property	-	25,000
Other prepaid amounts	35,500	7,161
Total	$ 86,475	$ 106,255

7. INVESTMENT IN ASSOCIATE

The investment represents a 20% interest in 2773830 Ontario Inc., a private company operating as Fritz's Cannabis Company. 2773830 Ontario Inc. and the Company have several directors and officers in common. There was no activity in 2773830 Ontario Inc. during 2020 beyond its initial incorporation and accordingly, it had no significant assets, liabilities, revenues or expenses as at and for the year ended December 31, 2020. Refer also to Notes 20 and 22.

8. MORTGAGES PAYABLE

		2020	2019
Current portion	- Mortgage	$ 205,152	$ 198,982
	- Unamortized deferred financing costs	(47,465)	(45,498)
		157,687	153,484
Non-current portion	- Mortgage	7,587,312	7,739,977
	- Unamortized deferred financing costs	(114,736)	(162,201)
		7,472,576	7,577,776
Total		$ 7,630,263	$ 7,731,260

425 Caradoc St South, Strathroy, Ontario	605-607 Richmond St, London, Ontario	723 Richmond St, London, Ontario
Mortgage	Mortgage	Mortgage
$4,291,349	$2,260,637	$1,240,478

The mortgage on the Strathroy property bears interest at 4.52% and is payable in blended monthly payments of $24,679. The 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 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. All three mortgages are secured by the respective investment property. The mortgage on the Strathroy property matures on November 1, 2023. The mortgage on the London property at 605-607 Richmond Street matures on August 1, 2024 and the mortgage on the London property at 723-727 Richmond Street matures on September 12, 2024.

Management estimates that the fair value of the mortgages at December 31, 2020 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 $1,642,000.

8. MORTGAGES PAYABLE (continued)

Scheduled annual principal repayments are as follows:

2021	$	205,152
2022		213,985
2023		4,181,436
2024		3,191,891
	$	7,792,464

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, 2020. The lender has provided an exemption from meeting the covenant in 2020 in recognition of the impacts of Covid-19. Accordingly, the outstanding balance is presented as a non-current liability.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Share Capital

Authorized

Unlimited number of common voting shares without nominal or par value

Issued	**2020**			**2019**		
	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of year	24,878,993	$	2,827,687	29,878,993	$	2,827,687
Balance, end of year	29,878,993	$	2,827,687	29,878,993	$	2,827,687

Contributed Surplus		**2020**		**2019**
Balance, beginning of year	$	35,718	$	37,007
Share-based compensation		-		26,211
Options expired		(1,901)		(27,500)
Balance, end of year	$	33,817	$	35,718

10. SHARE-BASED COMPENSATION

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.

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

	2020		2019	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,100,000	$ 0.11	1,390,000	$ 0.12
Expired during the year	(100,000)	-	(890,000)	0.10
Granted during the year	-	-	600,000	0.085
Outstanding, end of year	1,000,000	$ 0.11	1,100,000	$ 0.11
Vested, end of year	1,000,000	$ 0.11	1,100,000	$ 0.11

600,000 stock options were issued in April 2019 with an estimated fair value of $26,211. The weighted average share price was $0.085. The volatility factor used was 60%. The risk-free interest rate used was 1.3%. The dividend yield was 0%. The weighted average remaining contractual life of options outstanding at December 31, 2020 was 2.71 years (December 31, 2019 - 3.63). The outstanding options expire as follows, 400,000 on October 17, 2022, and 600,000 on April 26, 2024.

11. RENTAL REVENUE

	2020	2019
Lease Revenue	$ 793,923	$ 864,961
Recoverable Operating Costs	135,252	111,551
Total	$ 929,175	$ 976,512

12. INTEREST EXPENSE AND DEFERRED FINANCING CHARGES

	2020	2019
Interest Expense	$ 351,794	$ 349,122
Amortization of Deferred Financing Costs	45,498	55,672
Total	$ 397,292	$ 404,794

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Filing fees	$ 16,062	$ 24,301
Insurance	21,531	22,026
Office and overheads	28,553	40,160
Management fees (Note 21)	60,000	60,000
Investor relations	36,000	29,800
Travel	14,319	22,580
Total	$ 176,465	$ 198,867

14. PROFESSIONAL FEES

	2020	2019
Audit fees	$ 45,752	$ 38,070
Legal fees – corporate	2,983	26,105
Total	$ 48,735	$ 64,175

15. INCOME TAXES

Provision for Income Taxes

The following table reconciles the expected income tax provision at the statutory income tax rate of 26.5% (2019 – 30.45%) to the amounts recognized in the consolidated statements of operations and comprehensive income:

	2020	2019
Income (loss) before income taxes	$ 605,782	$ (127,539)
Expected income tax at the statutory rate	160,532	(38,836)
Non-taxable fair value gain	(84,005)	-
Rate differential on change of tax status	-	(191,000)
Non-deductible items	-	10,893
Other	(12,527)	(15,057)
Income tax expense (recovery)	$ 64,000	$ (234,000)

15. INCOME TAXES (continued)

Deferred Tax

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

		2020		**2019**
Intangibles	$	28,675	$	30,833
Tax losses		504,606		418,171
Total deferred tax assets	$	533,281	$	449,004

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

		2020		**2019**
Investment properties	$	808,118	$	659,841
Total deferred tax liabilities	$	808,118	$	659,841
Net deferred tax liability	**$**	**274,837**	**$**	**210,837**

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 $533,281 (2019 - $449,004) have been recognized as the Company expects to have future taxable profits.

During the 2019 year, there was a change in the tax categorization of the Company, from a private company to a public company as a result of listing the Company's shares on the Canadian Securities Exchange. Pursuant to the change, the tax rate applied to the Company's cumulative timing differences changed resulting in a reduction in the Company's deferred income taxes of $191,000.

Tax loss-carry-forwards

As at December 31, 2020 the Company had approximately $1,930,721 (2019 - $1,561,892) of non-capital losses which can be used to reduce taxable income in future years. The non-capital losses expire as described below:

2031	$	157
2032		35,856
2033		16,065
2034		134,431
2035		232,586
2036		144,010
2037		209,172
2038		186,737
2039		206,493
2040		439,670
2041		325,544
	$	1,930,721

16. EARNINGS PER SHARE INFORMATION

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

	2020	2019
Weighted average number of shares	29,878,993	29,878,993

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

	2020	2019
Weighted average number of shares	30,878,993	30,978,993

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.

17. SUPPLEMENTAL CASH FLOW INFORMATION

	2020	2019
Cash interest paid on mortgages and promissory notes	$ 397,292	$ 404,794

18. 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 and sundry receivables.

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

During the year, credit risk increased due to the impact of the COVID-19 pandemic.

18. FINANCIAL RISK MANAGEMENT (continued)

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

	2020	2019
Within 1 year	$ 853,337	$ 875,837
After 1 year, but not later than 5 years	2,291,063	2,612,927
More than 5 years	272,700	191,078
	$ 3,417,100	$ 3,679,842

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.

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

	Payments by period				
	2021	2022	2023	2024	Total
Gross mortgage payments	$ 205,152	$ 213,985	$ 4,181,436	$ 3,191,891	$ 7,792,464
Accounts payable and				-	
accrued liabilities	183,677	-	-	-	183,677
Total	$ 388,825	$ 213,985	$ 4,181,436	$ 3,191,891	$ 7,976,141

In addition, the Company has contractual commitments with respect to its outstanding accounts payable and accrued liabilities. Accounts payable and accrued liabilities are normally due within thirty to sixty days from their incurrence.

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.

19. 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 8.

There were no changes in the Company's approach to managing capital during the years ended December 31, 2020 and 2019.

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

December 31	**2020**	**2019**
Mortgages payable	$ 7,792,464	$ 7,938,959
Share capital	2,827,687	2,827,687
Contributed surplus	33,817	35,718
Retained earnings	1,824,443	1,280,760
	$ 12,478,411	$ 12,083,124

20. 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 $1,642,000. The fee is calculated at 1% of the amounts indemnified for the mortgages totaling $16,518 (2019 - $17,759).

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.

21. 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).

			2020		**2019**
Management fees	(i)	$	60,000	$	60,000
Office rent and supplies	(ii)	$	6,000	$	6,000
Property management fees	(iii)	$	46,385	$	54,701
Guarantees	(iv)	$	16,518	$	17,759
Deferred finance charge	(v)	$	-	$	54,375
Directors' fees	(vii)	$	4,500	$	-
Share-based compensation	(vii)	$	-	$	26,211

(i) The Company paid $30,000 (2019 - $30,000) in management fees to a company controlled by the CEO of the Company, and $30,000 (2019 - $30,000) to a company controlled by the CFO of the Company.

(ii) The Company paid $6,000 (2019 - $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 $46,385 (2019 - $54,701) to a company controlled by the CEO of the Company for property management services.

(iv) The Company expensed $16,518 (2019 - $17,759) with respect to the personal guarantee of the CEO for two first mortgages.

(v) The Company paid $nil (2019 - $54,375) to a company controlled by the CEO of the Company as a fee for arranging first mortgages in connection with two investment properties.

(vi) The Company paid Directors fees to non-management directors of $4,500 (2019- $nil).

(vii) The Company granted 600,000 share options to five directors of the Company during 2019, exercisable within five years at a price of $0.085 per share. No options were granted during 2020.

Included in accounts payable is an amount of $170 (2019 - $180) due to the CFO. Included in due from director is an amount of $24,558 (2019 - $55,868) due from the CEO and an entity controlled by the CEO. The net position due from related parties is $24,388 (2019 - $55,688). These amounts are non-interest bearing and have no fixed terms of repayment.

No other amounts were paid to key management personnel in 2020 and 2019.

22. SUBSEQUENT EVENTS

On February 26, 2021, the Company advanced $41,526 pursuant to its obligation with respect to the investment in Fritz's Cannabis Company.

22. SUBSEQUENT EVENTS (continued)

On March 25, 2021 end the Company issued convertible promissory notes with a face value of $44,375. The promissory notes bear interest at 6% per annum, paid quarterly, have a term of two years, and are convertible to common shares at $0.20 per share at any time within two years from the date of issue.

On March 25, 2021, 600,000 stock options were exercised for cash proceeds of $51,000.

On March 30, 2021, the Company completed the acquisition of a commercial property located in London, Ontario. The purchase price was $1,300,000 and was satisfied by a first mortgage in the amount of $700,000 bearing interest at 8% per annum with a two-year term with interest only payments. A second mortgage was granted by the vendor in the amount of $375,000 for a two-year term with zero interest in year one and 2% interest in year two. The remainder of the purchase price was paid in cash.

Subsequent to the year end, the Company received the amount due from director.