TITANSTAR PROPERTIES INC.

FORM 51-102F1

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

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SECTION I

This Management's Discussion and Analysis ("MD&A") dated April 26, 2018 is in respect of the year ended December 31, 2017, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017, together with the audited consolidated financial statements and appended notes and MD&A for the year ended December 31, 2016.

FORWARD-LOOKING DISCLAIMER

This MD&A contains forward-looking statements with respect to TitanStar Properties Inc. (the "**Company**"), including statements that reflect management's expectations regarding the Company's real property assets, the Company's sources of funding, ongoing occupancy levels with respect to the Company's current real estate assets, the local economies in which the Company's real estate assets are located, ongoing capitalization rates and lease rates in such local economies. Wherever possible, words such as "anticipates," "will," "in the process of" and "on track to" or similar words or phrases have been used to identify such forward-looking statements. Such forward-looking statements are not historical facts, but instead reflect management's current beliefs, expectations and estimates based on information currently available to management. Such forward-looking statements include statements with respect to the potential value of the Company's assets, the Company's anticipated sources of funding, the general climate and growth of the local economies in which the Company's real estate assets are located, decreasing capitalization rates and increasing lease rates in such local economies.

Forward-looking statements are subject to significant risks, uncertainties and assumptions. Although management of the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that the expectations represented in such forward-looking statements will prove to be correct. Some of the factors and risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include the impact of general economic conditions, industry conditions, interest rate fluctuations, changes in currency exchange rates, tax-related risk factors, governmental regulation, environmental risks competition from other industry participants, and the risk of fluctuation and variation in actual operating results, which variation may be material.

There can be no assurance that forward-looking statements will prove to be accurate, as actual events and future events could differ materially from those anticipated. Accordingly, readers should not place undue reliance on forward-looking statements. The forward looking-statements in this communication are made as of the date indicated above. The Company does not undertake any obligation to update any forward-looking information or statements except as and to the extent required by applicable Canadian securities laws.

BASIS OF PRESENTATION

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial information included in this MD&A for the year ended December 31, 2017 includes material information up to April 26, 2018. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017, available on SEDAR at www.sedar.com.

All amounts presented in this MD&A are in Canadian dollars, unless otherwise noted.

OVERVIEW OF THE COMPANY

TitanStar Properties Inc. (formerly "DPVC Inc.") was incorporated under the *Canada Business Corporations Act* on June 3, 2008 and is a real estate holding company trading on the TSX Venture Exchange (the "Exchange"). The Company issued share capital and commenced operations on June 30, 2008. On September 27, 2010, the Company's shareholders passed a special resolution approving a change in the Company's name from "DPVC Inc." to "TitanStar Properties Inc."

As at December 31, 2017, the Company held a 100% beneficial interest in 116th Street Centre located in Indianapolis, Indiana, a 100% beneficial interest in Metro Gateway Shopping Center located in Phoenix, Arizona, a 49% membership interest in Martin Downs NSC LLC, a single purpose entity which holds registered title to Martin Downs Town Center located in Palm City, Florida, a 38.4% interest in Adam's Dairy Landing located in Blue Springs, Missouri, and a 50% interest in Deer Springs Crossing located in Las Vegas, Nevada.

The sole business of the Company is the ownership of real property interests, consistent with a well-established investment policy. The Company seeks to create a portfolio of stabilized income producing real estate assets primarily in the United States southwest area with value to be maximized through the acquisition of well-positioned, quality assets where management believes there will be lease rate increases in the future and decreasing capitalization rates which will each contribute to value creation.

The initial focus is on necessity-based, nationally-anchored retail/commercial properties and community centers.

In prior reporting periods, the Company made the following investments, either directly or through a subsidiary, in its interests in joint ventures and associates:

- 50% interest in each of two Nevada limited partnerships, Deer Springs Crossing, LP ("DSC LP") and LV Loan Holdings, LP ("LVLH LP").

  DSC LP owns certain lands located in Las Vegas, Nevada (the "Deer Springs Property") and LVLH LP owns a promissory note (with respect to a loan related to the Deer Springs Property) and certain related security documents (the "Deer Springs Note").

- 38.4% interest in a Delaware Limited Partnership, Blue Springs Partners LP ("BSP LP")

  BSP LP was formed by the Company and RED development of Phoenix Arizona and completed its acquisition of a commercial retail property located in Blue Springs, Missouri (the "Adams Dairy Landing"). The Adams Dairy Landing property is a 279,934 square foot retail shopping center. It is currently 76% leased.

- 49% beneficial interest in a Delaware LLC, Martin Downs NSC LLC

  Prior to the acquisition, the center was owned 90% by Inovalis City Center Retail Fund and 10% owned by Martin Downs GP LC. The Company acquired its interest from Inovalis City Center Retail Fund. Martin Downs Town Center (the "Martin Downs") is a 36,252 square foot neighborhood retail shopping center located in Palm City, Florida. It is currently 96% leased.

- 100% beneficial interest in a Nevada LLC, TSP Metro Gateway, LLC

  TSP Metro Gateway, LLC was formed by the Company and completed its acquisition of a commercial retail property located in Phoenix, Arizona (the "Metro Gateway"). Metro Gateway is a 67,793 square foot retail shopping center. It is currently 96% leased.

- 100% beneficial interest in a Nevada LLC, TSP 116 Street, LLC

  TSP 116th Street, LLC was formed by the Company and completed its acquisition of a commercial retail property located in Indianapolis, Indiana (the "116th Street"). 116th Street is a 44,854 square foot retail shopping center. It is currently 89% leased.

A detailed description of each property interest owned by such joint ventures and associates follows below.

PROPERTY PORTFOLIO

Overview

As at December 31, 2017, the Company's real estate portfolio consisted of five properties. The details of each property as at the date of this MD&A are as follows:

Property	Date Acquired	%	Purchase Price (USD)[1]	Lot Size (acres)	Gross Leasable Area (sq ft)	Built/ renovated	Major Tenants	Occupancy
Deer Springs Property [2]	April 2010	50%	10.50 million	0.55	3,900	2016	• Subway • Dollar Loan	100%
(Las Vegas, NV)				20.16	N/A [3]	--	N/A [3]	N/A [3]
Adams Dairy Landing [4] (Blue Springs, MO)	September 2013	38.4%	58 million	33.32	279,934	2008	• TJ Maxx • Home Goods • Ross Dress for Less • Michaels	76%
Martin Downs [5] Town Center (Palm City, FL)	September 2015	49%	11.5 million	7.49	36,252	2006	• Panera Bread • BB & T • Sun Trust Bank • Edward Jones	96%
Metro Gateway [6] Shopping Center (Phoenix, AZ)	March 2016	100%	9.1 million	6.46	73,146	1978/1986	• Planet Fitness • Laser Quest • Dart Bar • Domino's Pizza	96%
116th Street Center [7] (Indianapolis, IN)	August 2016	100%	9.825 million	3.97	44,839	2007/2008	• Fred Astaire Dance • Upland Brewing Co. • Sylvan Learning • Caliente Mexican	89%

Notes:

(1) Subject to customary closing adjustments.
(2) The Deer Springs Property is owned directly by Deer Springs Crossing LP, a Nevada limited partnership of which the Company owns a 50% beneficial interest. The remaining 50% beneficial interest is beneficially owned by Juliet Companies, LLC ("Juliet"). The Deer Springs Property is managed by Juliet through Diamond Property Company.
(3) The 20.16 acre parcel was sold on January 10, 2018.
(4) The Adams Dairy Landing is owned directly by Blue Springs Partners LP, a Delaware limited partnership. The Company owns a 38.4% beneficial interest through its subsidiary, TitanStar US, Inc. The remaining 61.6% is owned by Blue Springs Development Two LLC (GP) and Blue Springs Development Three Inc. (LP).
(5) Martin Downs is owned directly by Martin Downs NSC LLC. The Company owns 49% beneficial interest through its subsidiary Titanstar US Inc. The remaining 51% is owned by Inovalis City Center Retail Fund Inc. and Martin Downs GP LLC.
(6) Metro Gateway is owned directly by TSP Metro Gateway LLC, a Nevada LLC. The Company owns a 100% beneficial interest through its subsidiary, TitanStar US, Inc.
(7) 116th Street is owned directly by TSP 116th Street, LLC, a Nevada LLC. The Company owns a 100% beneficial interest through its subsidiary, TitanStar US, Inc.

Deer Springs Property

The Deer Springs Property is currently an approximately 20.7 acre (901,692 sq. ft.) parcel of property located in Las Vegas, Nevada, with 2.2 acres of the original property having been sold to third parties as described below. The property is located near the I-215/North Fifth interchange in North Las Vegas. When initially acquired, the Deer Springs Property was partially improved with concrete curbs, gutters, sidewalks, street lights, asphalt-paved parking areas and other improvements.

On February 27, 2017, the Company announced that a 3,900 square foot multi-tenant building, constructed on 24,320 square feet of land and leased to two national tenants (Subway IP Inc. ("Subway") and Dollar Loan Centre, LLC ("Dollar Loan")) had been completed and the two tenants were in occupancy. On March 15, 2018, the Company, together with its partner Juliet, accepted an offer to purchase this development for US$1,650,000 and the sale is expected to close on May 21, 2018 subject to due diligence requirements being met. The purchasers are at arm's length to the Company.

On February 25, 2017, the undeveloped portion of the Deer Springs Property of approximately 20.16 acres was listed for sale; and on January 10, 2018 the Company, together with its partner Juliet, completed the sale, for which they received gross US$6,800,000. Of this amount, the Company received net proceeds of US$3,162,366, representing its beneficial 50% interest. The purchasers are at arm's length to the Company.

For the year ended December 31, 2017, the Company wrote down the property to its expected fair value less costs to sell, and recorded an impairment loss of $4,242,660 of which $2,121,330 is included in the Company's share of loss of joint ventures and associates in the statement of loss and comprehensive loss. As at December 31, 2017, the income property was classified as held for sale and classified as a current asset within the DSC.

Adam's Dairy Landing

Adams Dairy Landing is a 279,934 square foot retail shopping centre and as at the date of this MD&A is 76% leased and has a variety of retail clients, shadow anchored by two US national retail chains: Target (for 131,630 square feet) and Kohl's (for 64,015 square feet). Additional tenants include TJ Maxx/Home Goods, a US national home furnishing retail chain; Ross, a US off-price apparel and home fashion retail chain; Michaels, a US arts and crafts retail chain; and ULTA Beauty, a US beauty product and services retailer. Two tenants have filed for bankruptcy since December 31, 2016 reflecting some of the ongoing changes in the US retail market. Gordman's (47,628 square feet), a chain of Midwestern off-price department stores, filed for bankruptcy in April 2017 and is no longer a tenant. Efforts are underway to sign a replacement tenant. Discussions are ongoing with Academy Sport, Hobby Lobby and Stage Stores. Rue 21 (4,500 square feet), a chain of teen clothing stores, filed for bankruptcy in May 2017. It is unclear if some stores will remain open after the reorganization occurs; however, the partnership is identifying prospective replacement tenants.

During the year ended December 31, 2017, the Company, along with its limited partner in ADL performed an impairment analysis of the income property consisting of an assessment of market conditions, and expected cash flows to be generated from the property. The Company determined the recoverable amounts from the expected future cash flows was less than its carrying value, and recorded an impairment loss of $3,813,900 of which $1,464,538 is included in the Company's share of loss of joint ventures and associates in the statement of loss and comprehensive loss. Further, the Company performed an

impairment review of its investment in ADL and recorded an impairment loss to its investment in joint ventures and associates in the statement of profit and comprehensive loss of $1,153,148.

Adams Dairy Landing is managed by RED Development at market management fees rates. These charges are recorded as operating expenses and are recoverable from tenants.

Martin Downs Town Center

Martin Downs Town Center is a 36,252 square foot neighborhood retail shopping center located in Palm City, Florida, covering a total site area of 7.6 acres. The center was built in 2006 and as of the date of this MD&A is 96% leased, shadow anchored by a Publix supermarket. The center has a variety of retail tenants including Panera Bread, BB & T (Trust Company), Sun Trust Bank, Edward Jones, Dunkin' Donuts, Olympic Diner, Hokkaido Hibachi and Sushi, and others.

Pursuant to the terms of the acquisition, the vendors received a total of US$2.269 million. Prior to the acquisition the center was owned 90% by an affiliate of Inovalis, Inovalis City Center Retail Fund Inc., and 10% owned by Martin Downs GP LC. The Company acquired its interest from Inovalis City Center Retail Fund Inc. Consideration and closing costs for the acquisition were paid by issuing common shares of the Company. The property was independently appraised at US$12.5 million and the transaction was concluded based on a property value of US$11.5 million.

Martin Downs Town Center is managed by NAI Southcoast at market management fees rates. These charges are operating expenses recoverable from tenants.

Pursuant to the Martin Down's purchase agreement, as of March 20, 2018, the Company, through its wholly owned subsidiary, Titanstar US Inc., has exercised its option to purchase Inovalis City Center Retail Fund, Inc.'s 41% interest in the property. The Company will acquire the interest based on the US$11,500,000 purchase price, which is at a 14.2% discount to the September 19, 2017 appraised value of US$13,400,000. The 41% interest equates to CAD$2,392,644 which will be payable via 39,977,741 common shares (at $0.06 per share). This sale will occur on or before June 15, 2018.

Metro Gateway Shopping Center

Metro Gateway is a 73,146 square foot community center located in Phoenix, Arizona on approximately 6.4 acres. As of the date of this MD&A is 96% leased. The well-located, stabilized shopping center is comprised of a complimentary mix of long-term leased tenants including Planet Fitness, Laser Quest and Dart Bar.

The acquisition cost of US$9.1 million was financed, in part, through a first mortgage deed of US$6,080,000. The remainder of the acquisition cost was funded from proceeds of the convertible debenture private placement of an aggregate principal amount of $4,500,000 of 8% convertible unsecured subordinated debentures.

Metro Gateway is managed by Mutual Property Advisors, at market management fees rates. These charges are recorded as operating expenses and are recoverable from tenants.

116th Street Centre

116th Street Centre is a 44,839 square foot retail center located in Indianapolis, Indiana on approximately 3.97 acres. As of the date of this MD&A it is 89% leased. The well-located, stabilized shopping center is

comprised of a complimentary mix of long-term leased tenants including Sylvan Learning, Fred Astaire Dance Studio, Caliente Mexican Grill, Meridian Design Group and Upland Brewing Co. A number of initiatives are currently close to concluding to fill two recent vacancies of 2,335 and 1,696 square feet.

The acquisition cost of US$9,825,000 was financed in part through a first mortgage of US$6,975,750 with the remainder provided by US$2,515,512 of proceeds from the sale of the Company's interests in Swanway and San Tan joint ventures, and the bridge loans provided 50% by Titanstar Finance Inc., a Company of which the Chairman is a principal, and 50% by a private company owned by a director of the Company.

116th Street Centre is managed by McCrea Property Group, at market management fees rates. These charges are recorded as operating expenses and are recoverable from tenants.

OUTLOOK

The Company is awaiting the anticipated receipt of new equity in accordance with the press release dated November 6, 2017.

INVESTING ACTIVITY

No new investments or letters of intent were entered into this period.

SECTION II

NON-IFRS INDUSTRY MEASURES

The Company has included certain non-IFRS measures throughout this MD&A. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate the Company's performance, ability to generate cash flows and financial condition. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. The non-IFRS financial measures do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry or other industries. The non-IFRS financial measures noted in this MD&A are as follows and include definitions:

a) Adjusted Funds From Operations ("AFFO")

   NOI less debt service loan reserves and non-recoverable operating expenses including owner's expenses.

b) AFFO Company

   AFFO less cash cost of corporate debt and G & A expenses.

c) Debt Coverage Ratio

   NOI divided by mortgage cost (principal and interest).

d) Debt to Gross Book Value

   Principal balance of outstanding mortgage divided by original acquisition cost of properties.

e) Debt to Gross Book Value (Company)

   All mortgage and corporate debt divided by original acquisition cost of properties.

f) Interest Coverage Ratio (Company)

   NOI divided by all mortgage and corporate debt.

g) Net Asset Value Table (page 10)

KEY PERFORMANCE INDICATORS

Year ended December 31, 2017	Deer Springs (1)	Adams Dairy	Martin Downs	Metro Gateway	116th Street	Corporate Debt	G&A	Total
Property Related								
NOI	N/A	1,466,160	667,122	939,450	851,697			3,924,429
AFFO	N/A	(167,281)	417,018	491,059	325,868			1,066,664
Occupancy	N/A	76%	96%	96%	89%			81% (3)
Debt Coverage Ratio	N/A	1.16	2.33	1.8	2.0 (2)			1.02 (3)
% of Property Costs Recovered	N/A	81%	124%	114%	82%			91% (3)
Debt to Gross Book Value	N/A	74%	63%	66%	71%			70% (3)
Weighted Average Lease Term to Maturity (in years) (excludes renewal options)	N/A	4.26	6.2	4.69	4.39			4.55 (3)
Mortgage Interest Rate	N/A	6.43%	4.86%	5.55%	4.78%			5.7% (3)
Combined Property and Corporate								
NOI	N/A	1,466,160	667,122	939,450	851,697	-	(197,404)	3,727,025
AFFO	N/A	(167,281)	417,018	491,059	325,868	(851,188)	(197,404)	18,072
AFFO Per Share	N/A							0.00
Interest Coverage Ratio Property and Corporate Debt	N/A							0.55
Debt to Gross Book Value	N/A							74% (3)
Weighted Average Interest Rate	N/A							6.27% (3)

(1) Land held for development
(2) Interest only until September 2017
(3) Weighted-average

PROPERTY NET ASSET VALUES (NAV) AT COST COMPARED TO CURRENT MARKET VALUES

The Net Asset Value Table is intended to illustrate the change in value of properties since they were acquired, net of the face value of mortgages and non-property debt. The property cost is the contracted purchase price without adjustments for transaction costs, depreciation and amortization. These measures are not recognized measures under GAAP or IFRS but are intended to provide readers with guidance of the trend in the asset values of the properties and the net asset values after debt since acquisition on a simplified basis.

	AT COST				AT VALUE				
				@ $1.2545				@ $1.2545	
	Cost in US$	**% Own**	**Cost in US$**	**Cost in CAD$**	**Value in US$**	**% Own**	**Value in US$**	**Value in CAD$**	
Deer Springs	$ 10,500,000	50%	$ 5,250,000	$ 6,586,125	$ 8,450,000	50%	$ 4,225,00	$ 5,300,263	(1)
Adams	58,000,000	38.4%	22,272,000	27,940,224	43,000,000	38.4%	16,512,000	20,714,304	(2)
Martin Downs	11,500,000	49%	5,635,000	7,069,108	13,400,000	49%	6,566,000	8,237,047	(3)
Metro Gateway	9,100,000	100%	9,100,000	11,415,950	9,500,000	100%	9,500,000	11,917,750	(4)
116th Street	9,825,000	100%	9,825,000	12,325,463	9,900,000	100%	9,900,000	12,419,550	(5)
Total Cost & Value	**98,925,000**		**52,082,000**	**65,336,870**	**84,250,000**		**46,703,000**	**58,588,914**	
	Debt in US$	**% Own**	**Debt in US$**	**Debt in CAD$**	**Debt in US$**	**% Own**	**Debt in US$**	**Debt in CAD$**	
Deer Springs	-	50%	-	-	-	50%	-	-	
Adams	43,000,000	38.4%	16,512,000	20,714,304	43,000,000	38.4%	16,512,000	20,714,304	
Martin Downs	6,607,920	49%	3,237,881	4,061,921	6,607,920	49%	3,237,881	4,061,921	
Metro Gateway	5,961,369	100%	5,961,369	7,478,538	5,961,369	100%	5,961,369	7,478,538	
116th Street	6,900,193	100%	6,900,193	8,656,292	6,900,193	100%	6,900,193	8,656,292	
Total Real Estate Debt	**62,469,482**		**32,611,443**	**40,911,055**	**62,469,482**		**32,611,443**	**40,911,055**	
Real Estate Leverage			*62.62%*	*62.62%*			*69.81%*	*69,83%*	
Total Non-Real Estate Debt				8,943,380				8,943,380	
NAV				**$ 15,482,434**				**$ 8,734,479**	
Shares Outstanding				214,249,087				214,249,087	
NAV per share				**$ 0.07**				**$ 0.04**	

Market values are based on management estimates unless appraisal values are referenced.

(1) Deer Springs Property is valued from the actual gross sales proceed of $6,800,000 received on January 10, 2018 for the sale of the vacant land; and from a March 15, 2018 offer to purchase agreement of $1,650,000 for the remaining developed land.
(2) Per RED Development's estimate of current value of the property. Per RED's evaluation, it does not appear that the property would sell for an amount greater than the mortgage outstanding. Since the loan is a non-recourse loan, the best estimate of the book value is the balance of the mortgage.
(3) US$13,400,000 per CBRE appraisal dated September 19, 2017.
(4) US$9,500,000 per CBRE valuation dated March 7, 2018.
(5) US$9,900,000 per CBRE valuation dated March 15, 2018.

CAPITAL STRUCTURE, FINANCING

The Company’s objectives when managing capital of $29,691,439 (2016 - $38,975,335), which is share capital, contributed surplus, equity component of convertible debentures, accumulated other comprehensive income, deficit, note payable, mortgage payable, due to related parties, convertible debentures, embedded derivative liability and long-term debt, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new common shares, or sell assets to reduce debt.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

SECTION III

SELECTED FINANCIAL INFORMATION

A summary of selected financial information for the year ended December 31, 2017 and December 31, 2016 is as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Rental income and recoveries	$ 2,524,458	$ 1,473,538
Share of loss of joint ventures and associates	(4,359,090)	(1,669,216)
Net loss	(6,238,681)	(3,490,261)
Comprehensive loss	(7,453,281)	(3,992,191)
Net loss per share, basic and diluted	(0.03)	(0.03)
Total assets	30,739,615	40,187,635
Working capital deficiency	(7,322,669)	(2,618,290)

The Company experienced a higher comprehensive loss in the year ended December 31, 2017 than in the comparable period in December 31, 2016 as a result of increased currency translation loss of $1,186,192, impairment loss as recorded on Adam's Dairy Landing and Deer Springs Property, and depreciation costs for the 100% owned investment properties for a full year.

RESULTS OF OPERATIONS

Summary

A summary of selected financial information for the year ended December 31, 2017 and December 31, 2016 is as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Revenue:		
Rental income and recoveries	$ 2,524,458	$ 1,473,538
Property operating expenses:		
Operating and leasing expenses	(801,868)	(390,523)
Earnings from property operations	1,722,590	1,083,015
Other revenues (expenses):		
General and administrative	(759,979)	(830,990)
Depreciation	(918,303)	(498,689)
Share of loss of joint ventures and associates	(4,359,090)	(1,669,216)
Impairment loss in joint ventures and associates	(1,153,148)	-
Net finance costs	(2,077,008)	(1,980,385)
Share-based compensation	(3,735)	(16,360)
Change in fair value of embedded derivative liability	186,000	(119,406)
Loss on redemption of convertible debentures	(3,007)	(11,118)
Gain on sale of interest in joint ventures	-	290,860
Gain on settlement of financial liabilities	1,201,399	257,030
Foreign exchange gain (loss)	(74,400)	4,998
	(7,961,271)	(4,573,276)
Loss for the period	(6,238,681)	(3,490,261)

TOTAL ASSETS

Total assets as at December 31, 2017 included $22,952,025 of investment properties, $7,109,300 of interests in joint ventures and associates, $272,952 of mortgage reserve funds, $262,786 of cash, $103,557 of accounts receivable and $38,995 of prepaid expenses and deposits.

LIQUIDITY, WORKING CAPITAL

As at December 31, 2017, the Company had a working capital deficiency of $7,322,669 (December 31, 2016 – working capital deficiency of $2,618,290).

The decrease in working capital from December 31, 2016 to December 31, 2017 is due primarily to reclassification of convertible debentures due on September 30, 2018 from long-term liabilities in December 31, 2016 to current liabilities in December 31, 2017.

SELECTED QUARTERLY INFORMATION - MOST RECENT EIGHT QUARTERS

A summary of selected quarterly financial information for the most recent eight quarters is as follows:

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (loss)	$ (4,705,211)	$ (743,169)	$ (1,038,439)	$ 248,138	$ (614,117)	$ (745,671)	$ (890,940)	$(1,048,533)
Comprehensive income (loss)	(4,516,977)	(1,481,932)	(1,520,578)	66,206	(2,100,150)	1,417,097	(847,077)	(2,271,061)
Net income (loss) per share, basic and diluted	(0.02)	0.00	0.00	0.00	0.00	(0.01)	(0.01)	(0.01)

In the first quarter ended March 31, 2017, the Company experienced a higher net income due primarily to increased rental income and gain on settlement of convertible debentures.

In the second quarter ended June 30, 2017, the Company experienced a higher net comprehensive loss due primarily to higher loss related to the joint ventures and strengthening of the Canadian dollars.

In the third quarter ended September 30, 2017, the Company experienced a higher net comprehensive loss due primarily to the strengthening of the Canadian dollars.

The results for the year ended December 31, 2017 are previously described under Results of Operations.

SECTION IV

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that effect the reported amounts in the financial statements. Management bases its judgments, estimates and assumptions on factors it believes to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable. The uncertainty of these judgments, assumptions and estimates could results in actual results that differ from the estimates and outcomes that require a material adjustment to the carrying amount of assets and liabilities in the future.

(a) Judgements:

The following are critical accounting judgments that have been made in applying the Company's accounting policies:

(i) Classification of joint arrangements:

The Company makes judgments as to whether the Company's investments provide it with rights to the assets and obligations for the liabilities, relating to the arrangement or the net assets of the arrangement. The Company makes judgments as to whether its joint arrangements are joint operations or joint ventures. The Company has determined that its joint arrangements are joint ventures and therefore has accounted for its investments using the equity method.

(ii) Investment properties:

The Company's accounting policy relating to investment properties is described in note 3(d). In applying this policy, judgment is applied to determine the significant components of each property, including the useful lives over which the componentized assets are to be amortized.

(b) Estimates:

The significant areas of estimation include the following:

(*i*) Fair value of the investment properties:

The fair value of investment properties disclosed in note 5 is determined by management.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (i.e., tenant profiles, future revenue streams and overall repair and condition of the property), discount rates applicable to those assets' cash flows and capitalization rates. These estimates are based on market conditions existing at the reporting date.

(*ii*) Impairment of assets:

The Company assesses the possibility and amount of any impairment loss or write-down as it relates to its investments in joint ventures and associates and the underlying net assets of the entities. Estimations include evaluating the recoverability of amounts receivable and future operations. The assessment is based upon existing conditions. To the extent estimates differ from actual results, loss for the period and comprehensive income would be affected in a subsequent period.

(*iii*) Convertible debentures:

For convertible debentures containing an equity component, the Company assesses the value of the debt component which is calculated at the estimated fair value of the future interest and principal

payments due under the terms of the convertible debentures, using an estimated discount rate based on Management's estimated cost of capital.

For convertible debentures which do not contain an equity component, the Company is required to estimate the fair value of the embedded derivative liability which is calculated based on using a model which considers inputs requiring significant judgement.

CHANGES IN ACCOUNTING POLICIES

The following standards will be effective for subsequent annual periods. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

(i) *Revenue recognition*

On May 28, 2014 the IASB issued IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15") the new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts that fall in the scope of other IFRSs.

The Company will adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. Th Company is currently assessing the effects of applying the new standard and has yet to determine the potential impact IFRS 15 will have on the consolidated statement.

(ii) *Financial instruments: classification and measurement*

On July 24, 2014, the IASB issued the complete IFRS 9, Financial Instruments ("IFRS 9 (2014)").

The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

The Company will adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. The Company is currently assessing the effects of applying the new

standard and has yet to determine the potential impact IFRS 9 (2014) will have on the consolidated financial statements.

(iii) *Leases*

On January 13, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases* ("IAS 17").

The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company will adopt IFRS 16 in the consolidated financial statements for the annual period beginning on January 1, 2019. The Company is currently assessing the effects of applying the new standard and has yet to determine the potential impact IFRS 16 will have on the consolidated financial statements.

RISKS AND UNCERTAINTIES

General Business Risks

The Company will be subject to general business risks and to risks inherent in the commercial real estate industry, including the ownership of real property. These risks include general economic and market factors, tenant credit risk, local real estate conditions, competition, changes in government regulation, interest rates, the availability of equity and debt financing, environmental and tax related matters, availability of specialized trades people and reliance on key personnel. Any one of, or a combination of, these factors may adversely affect the financial position of the Company.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, the attractiveness of the properties to residents, supply and demand for space, and competition from other available space and various other factors.

The performance of the economy in the area in which the Deer Springs Property, Adam's Dairy Landing, Martin Downs Town Center, Metro Gateway Shopping Center, and 116th Street Center (collectively called the "Properties") are located affects occupancy, market rental rates and expenses. These factors consequently can have an impact on the future share of income/(loss) attributable to the Company from the Properties, and the value of the underlying investments in the joint ventures and associates.

Other factors may further adversely affect the future share of income/(loss) from joint ventures and associates and value of the Properties. These factors include local conditions in the areas in which the Properties are located, such as an oversupply of commercial real estate properties or a reduction in the demand for commercial real estate properties, the attractiveness of the Properties to tenants, competition from other properties and the Company's ability to provide adequate facilities, maintenance, services and

amenities. Operating costs, including real estate taxes, insurance and maintenance costs, and mortgage payments, if any, do not, in general, decline when circumstances cause a reduction in income from a property. The Company could sustain a loss as a result of foreclosure on the Properties if they are mortgaged to secure payment of indebtedness and the Company or its wholly-owned subsidiaries, as applicable, were unable to meet their mortgage payments. In addition, applicable laws, including tax laws, interest rate levels and the availability of financing also affect revenues from properties and real estate values generally.

Asset and Development Strategy

It is intended that the Company's business strategy will involve expansion through acquisitions that are in addition to the Properties. These activities require the Company to identify acquisition candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Company may not be successful in identifying commercial real estate properties that meet its acquisition criteria or in completing acquisitions or investments on satisfactory terms. Failure to identify or complete acquisitions will slow the Company's growth. The Company could also face significant competition for acquisitions opportunities. Some of the Company's competitors have greater financial resources than the Company and, accordingly, have a greater ability to borrow funds to acquire and develop properties. These competitors may also be willing and/or able to accept more risk than the Company can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices. This competition for investments may reduce the number of suitable investment opportunities available to the Company and may increase acquisition costs in certain areas where the Company's facilities are located or in areas targeted for growth and, as a result, may adversely affect the Company's operating results.

Even if the Company were successful in identifying suitable acquisitions projects, newly acquired properties may fail to perform as expected and management of the Company may underestimate the costs associated with the integration of the acquired properties. In addition, any expansions the Company undertakes in the future are subject to a number of risks, including, but not limited to, construction delays or cost overruns that may increase project costs, financing risks, the failure to meet anticipated occupancy or rent levels, failure to receive required zoning, land use and other governmental permits and authorizations and changes in applicable zoning and land use laws. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed. In deciding whether to acquire or expand a particular property, the Company will make certain assumptions regarding the expected future performance of that property. If the Company's acquisition or expansion of properties fails to perform as expected or incurs significant increases in projected costs, the joint ventures' and associates' net income could be lower than expected, resulting in the Company recognizing a lower than expected share of income from joint ventures and associates, or potentially a share of loss from joint ventures and associates.

It is intended that the Company will invest in new developments which carry a certain risk that projected financial returns may not be achieved and that cost overruns, or start-up losses may require further equity injections. The Company manages this risk through detailed evaluation of each development separately and ensuring certain criteria have been met, including an extensive supply and demand analysis and establishing capital participants.

Dependence on and Relationship with Asset Manager

The financial performance of the Company will depend in part on the performance of the Asset Manager. The success of the Company is dependent on the services of certain management personnel, including T. Richard Turner, the Chairman of the Board. The loss of the services of such personnel could have an

adverse effect on the Company.

Joint Venture and Associate Investments

The Company has a 50% interest in LV Loan Holdings GP Inc. and LVLH LP and, through its wholly-owned subsidiary, TitanStar DSC Holding Inc., has a 50% interest in the Deer Springs Property (through DSC LP). The Company also has a 38.4% interest in Adam's Dairy Landing and a 49% interest in Martin Downs Town Center (through TitanStar US Inc.). The Company may also enter into further arrangements with respect to other properties in the future. In any such arrangement, the Company may not be in a position to exercise sole decision-making authority regarding the properties owned through these arrangements. Investments may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that investment partners might become bankrupt or fail to fund their share of required capital contributions. Investment partners may have business interests or goals that are inconsistent with the Company's business interests or goals and may be in a position to take actions contrary to the Company's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the Company nor the investment partner would have full control over the arrangement. Any disputes that may arise between the Company and its investment partners could result in litigation or arbitration that could increase the Company's expenses and distract its officers and/or directors from focusing their time and effort on the Company's business. In addition, the Company might in certain circumstances be liable for the actions of its investment partners.

Investment Concentration

The Company will be susceptible to adverse markets in Las Vegas, Nevada, Blue Springs, Missouri, Palm City, Florida, Phoenix, Arizona, and Indianapolis, Indiana, the markets in which it is operating, such as changing demographics and other factors. Presently, the Company's depreciated book value interests in the Deer Springs Property, located in Nevada, account for 15% of the Company's total real property assets, the Company's interest in Adam's Dairy Landing located in Missouri, accounts for 0% of the Company's real property assets, the Company's interest in Martin Downs Town Center in Palm City, Florida account for 9% of the Company's real property assets, the Company's interest in Metro Gateway in Phoenix, Arizona account for 36% of the Company's real property assets and the Company's interest in 116th Street in Indianapolis, Indiana accounts for 40% of the Company's real property assets. As a result of this concentration of assets, the Company will be particularly susceptible to adverse market conditions in these regions. Any adverse economic or real estate markets in the areas in which the Properties are located, or in the future in any of the other markets in which the Company operates, or any decrease in demand for commercial real estate resulting from the local economy or demographics could adversely affect the rental revenues of the joint ventures and associates. This effect could impair the ability of the joint ventures and associates to service their debt obligations and generate stable positive cash flow from operations to generate a return for the Company.

Illiquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity in the joint ventures may tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions.

Uninsured Losses

Deer Springs Crossing, Adam's Dairy Landing, Martin Downs Town Center, Metro Gateway Shopping

Center and 116th Street Center will carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for properties similar to the Properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from the Properties.

Environmental Risk

As an indirect owner of real property in the United States, the Company is subject to various federal, state and municipal laws relating to environmental matters. Such laws provide that the Company could be liable for the costs of removal of certain hazardous substances and repair of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Company's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Company.

Management is not aware of any material non-compliance with environmental laws with respect to the Properties. The Company is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the Properties. However, the Company cannot guarantee that any material environmental conditions do not or will not otherwise exist with respect to the Properties.

Public Market Risk

It is not possible to predict the price at which the Shares will trade and there can be no assurance that an active trading market for the Shares will be sustained. The Shares will not necessarily trade at values determined solely by reference to the value of the underlying business of the Company or its assets. Accordingly, the Shares may trade at a premium or a discount to the value implied by the value of the Company's assets. The market price for the Shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Company.

Debt Financing

The Company, its wholly owned subsidiaries, and joint ventures and associates have incurred and may incur indebtedness in the future in connection with the acquisition or expansion of facilities and its business. The wholly owned subsidiaries and joint ventures and associates may incur unsecured debt or mortgage debt by obtaining loans secured by some or all of their real estate properties or assets. The Company's, wholly owned subsidiaries', and/or joint ventures' and associates' debt may harm the Company's business and operating results by:

- requiring the wholly owned subsidiaries and joint ventures and associates to use a substantial portion of their cash flow from operations to pay principal and interest, which will reduce the amount of cash available for generating a return to the Company, and thus, other purposes;
- limiting the Company's ability to borrow more money for operating or capital needs or to finance acquisitions in the future; and
- making the Company more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that the Company's, its wholly owned subsidiaries', or the joint ventures' and associates' cash flow will be insufficient to meet required payments of principal and interest, the Company will also be subject to the risk that the wholly owned subsidiaries and joint ventures and associates will not be able to refinance potential future indebtedness on their properties and that the terms of any refinancing they could obtain would not be as favourable as the terms of their existing indebtedness. If the joint ventures and associates are not successful in refinancing debt when it becomes due, the Company may be forced to dispose of its interest in the joint ventures and associates on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations. In addition, the financing arrangements of the Company may contain covenants that will restrict its ability to operate its business in certain ways. If the Company fails to comply with the restrictions in its financing arrangements, its lenders may be able to accelerate related debt as well as any other debt to which a cross-default or cross-acceleration provision applies. A default could also allow creditors to foreclose, sell or realize on the property securing such debt or exercise other remedies against the Company. Credit facilities also typically require repayment of funds or cash flow sweeps when certain coverage ratios are not met. In connection with its financing arrangements, the Company expects that it will grant security interests over substantially all of its assets. If the Company is not able to meet its debt service obligations, it risks the loss of some or all of its assets to foreclosure or sale.

Interest Fluctuations and Financing Risk

The Company may finance future acquisitions in part with debt borrowings, which could bear interest at fixed or variable rates. The interest expense on any variable rate indebtedness of the Company will increase when interest rates increase. Interest rates are currently low relative to historical levels and may increase significantly in the future. A significant increase in interest expense could adversely affect the Company's results of operations.

Failure to Obtain Additional Financing

The Company may require additional financing in order to grow and expand its operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. Future financing may take many forms, including debt or equity financing, which could alter the debt-to-equity ratio

of the Company or which could be dilutive to Shareholders.

Dilution

The number of Shares that the Company is authorized to issue is unlimited. The directors of the Company will have the discretion to issue additional Shares in order to raise additional capital or in connection with future acquisitions, which may have a dilutive effect on Shareholders.

Potential Volatility of Share Price

It is not possible to predict the price at which the Shares will trade and there can be no assurance that an active trading market for the Shares will be sustained. The market price of the Shares may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: (i) actual or anticipated fluctuations in the Company's results of operations; (ii) changes in estimates of the Company's future results of operations by management or securities analysts; and (iii) general industry changes. In addition, the financial markets have in the past experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many venture and real estate issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the real estate industry specifically, may adversely affect the market price of the Shares.

Limited Prior Public Market

The Shares have a limited record of trading publicly on the Exchange. The Company cannot predict at what price the Shares will trade and there can be no assurance that an active trading market will be maintained. A publicly traded real estate company will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Shares may trade at a premium or a discount to values implied by valuations.

Proposed Acquisitions

There can be no assurance that the Company will complete further acquisitions of real property interests. Acquisitions of properties by the Company are subject to normal commercial risks and satisfaction of closing conditions that may include, among other things, lender approval, receipt of estoppel certificates and obtaining title insurance. Such acquisitions may not be completed or, if completed, may not be on the terms that are exactly the same as initially negotiated. In the event that the Company does not complete an acquisition, it may have an adverse effect on the operations and results of the Company in the future. There can also be no assurance that the Company will be able to identify and acquire additional real property interests on competitive terms or at all.

Potential Conflicts of Interest

Situations may arise where the interests of directors and officers may conflict with the interests of the Company. Conflicts, if any, will be subject to the procedures and remedies provided by the *Canadian Business Corporations Act*.

Foreign Currency

The results of operations of the Company are reported in Canadian dollars. The Company's operations are anticipated to be conducted almost exclusively in the United States. Any fluctuations in the value of the US dollar relative to the Canadian dollar may result in variations in the share of income/(loss) from wholly owned

subsidiaries and joint ventures and associates and the net income of the Company. The Company does not plan on undertaking any hedging in order to mitigate its foreign currency risks.

As at December 31, 2017, the Canadian dollar equivalent of monetary assets and liabilities held by the Company that are denominated in U.S. dollars are as follows:

	December 31, 2017	December 31, 2016
Cash	$ 226,589	$ 799,115
Deposits	32,835	30,231
Notes payable	972,238	1,040,593
Mortgage payable	15,901,828	17,356,444
Accounts payable	270,479	149,949
Accounts receivable	45,964	50,054
Tenants Security Deposits	112,177	112,885

If the Canadian dollar had strengthened 5 percent against the U.S. dollar with all other variables held constant, the Company would have additional income from foreign exchange included in net income for the year ended December 31, 2017 of approximately $833,587 (2016 - 836,600) and additional loss from currency translation adjustments of subsidiaries, joint ventures and associates included in other comprehensive income or loss for the year ended December 31, 2017 of approximately $1,502,467(2016 - $1,955,900).

If the Canadian dollar had weakened 5 percent against the U.S. dollar with all other variables held constant, the Company would have additional loss from foreign exchange included in net loss for the year ended December 31, 2017 of approximately $833,587 (2016 - $836,600) and additional income from currency translation adjustments of subsidiaries, joint ventures and associates included in other comprehensive income or loss for year ended December 31, 2017 of approximately $1,502,467 (2016 - $1,955,900).

The foreign currency exchange rate sensitivity in comprehensive income or loss is attributable to a change in the translation of monetary assets and liabilities, and interest in joint ventures and associates, denominated in U.S. dollars. The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs or be mitigated by management actions to reduce exposure to risks.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Foreign Political Risk

The Properties are located in the United States and, as such, a substantial portion of the Company's business will be exposed to various degrees of political, economic and other risks and uncertainties. The Company's operations and investments may be affected by local political and economic developments, including expropriation, nationalization, invalidation of governmental orders, permits or agreements pertaining to property rights, political unrest, labour disputes, limitations on repatriation of earnings, limitations on foreign ownership, inability to obtain or delays in obtaining necessary permits, opposition to property development from local, environmental or other non-governmental organizations, government participation, royalties, duties, rates of exchange, high rates of inflation, price controls, exchange controls, currency fluctuations, taxation and changes in laws, regulations or policies as well as by laws and policies

of Canada affecting foreign trade, investment and taxation.

Inability to Resell Shares

There can be no assurance that an active and liquid market for the Shares will be developed and, if developed, will be maintained; and a holder of Shares may find it difficult to resell those Shares.

RELATED PARTY TRANSACTIONS

All of the related party disclosure below is identical to that contained in the financial statements.

Notes Payable

			December 31, 2017		December 31, 2016
Debt Resolution Corp.	(a)	$	972,238	$	1,040,593
Titanstar Finance Inc.	(b)		1,000,000		1,000,000
Total notes payable		$	1,972,238	$	2,040,593

(a) On August 30, 2016, the Company entered into an agreement with Debt Resolution Corp., a private company which is related through common directors, to borrow an aggregate amount of USD $775,000 (CAD $1,040,593) for the purpose of funding the Company's costs in relation to the acquisition of a retail real estate asset, 116th Street Centre.

The note payable bears interest at a fixed rate of (i) 8% per annum for the first three month period commencing on the date that the lender advances any portion of the principal amount and ending on the interest adjustment date which is three months after the completion of the acquisition, and (ii) 10% per annum from and including the interest adjustment date until all indebtedness owing is repaid. The note matures August 31, 2017.

(b) On August 31, 2016, the Company entered into an agreement with Titanstar Finance Inc., a private company which is related through common directors, to borrow an aggregate amount of CAD $1,000,000 for the purpose of funding the Company's costs in relation to the acquisition of a retail real estate asset, 116th Street Centre.

The note payable bears interest at a fixed rate of (i) 8% per annum for the first three month period commencing on the date that the lender advance any portion of the principal amount and ending on the interest adjustment date which is three months after the completion of the acquisition, and (ii) 10% per annum from and including the interest adjustment date until all indebtedness owing is repaid. The note matures August 31, 2017.

On July 20, 2017, the Company announced that it had amended the terms of these loan agreements. Under the new terms, the maturity date for each of these loans was extended to November 30, 2017; and on November 9, 2017, the Company further extended the loan agreement terms to be due and payable on or before January 15, 2018.

On January 11, 2018, from the Company's portion of sale proceeds from Deer Springs Crossing, the Company settled 60% of the notes payable. And on February 22, 2018, the Company settled the remaining balances of the notes payable.

For the year ended December 31, 2017, the Company incurred $152,000 (2016 - $76,786) of interest on the notes payable, which is included in finance costs.

Convertible Debentures – Related parties

		December 31, 2017		December 31, 2016
Liability, beginning of period	$	6,771,729	$	2,701,152
Issuances		-		3,990,631
Accretion		59,829		79,946
Conversion of debentures		(4,447,445)		-
Liability, end of period		2,384,113		6,771,729
Transaction costs, beginning of period		(237,283)		(279,562)
Amortization of transaction costs		13,978		42,279
Conversion of debentures		223,305		-
Transaction costs, end of period		-		(237,283)
Convertible debentures – related parties	$	2,384,113	$	6,534,446

A reconciliation of the face value of the convertible debentures is as follows:

		December 31, 2017		December 31, 2016
Principal, beginning of period	$	7,000,000	$	2,950,000
Issuances		-		4,050,000
Conversion of debentures		(4,500,000)		-
Principal, end of period	$	2,500,000	$	7,000,000

(a) On September 30, 2014, the Company closed a private placement of an aggregate principal amount of $2.5 million convertible unsecured subordinated debentures which mature on September 30, 2019. The debentures are held by companies which are related by common directors. The interest owing on the debentures was modified from 9.0% to 7.5% per annum on October 22, 2014. The Company may repay all or a portion of the indebtedness owing under the debentures at any time without penalty.

The principal portion of the debenture is convertible into units with each unit comprised of one common share and one share purchase warrant of the Company at a conversion price of $0.09 in the first year, and for each year thereafter at a conversion price equal to the greater of the closing sales price (or the closing bid, if no sales were reported on the date of determination) of the common shares on the TSX Venture Exchange or $0.10. Accrued interest is convertible under the same terms, except the conversion price is the lesser of $0.09 and the market price at the date of conversion during the first year. Each warrant will entitle the holder to acquire an additional common share at an exercise price equal to the conversion price of the debentures in effect at the time such warrants are issued, and will expire on September 30, 2019.

The conversion feature is considered an embedded derivative liability as the conversion price varies based on the conversion date and closing sales price of the Company's common shares.

The calculated present value of the embedded derivative liability at inception was $280,989 and the residual balance of $2,219,011 was allocated to the debt component.

As at December 31, 2017, the embedded derivative liability is classified as a current liability on the consolidated statement of financial position and is carried at a fair value of $5,000 (2016 – $191,000).

(b) On October 30, 2015, the Company issued a convertible unsecured subordinated debenture with a face value of $450,000 in exchange for cash proceeds of $450,000. The debenture is held by a private company of which a director of the Company is the Chairman. The debenture bears interest at 8% per annum, commencing in August 2016, and matures on October 30, 2020. The Company may repay all or a portion of the indebtedness owing under the debenture at any time without penalty.

The principal portion of the debenture is convertible into common shares at a conversion price of $0.06825 per share in the first year, and for each year thereafter at a conversion price equal to the greater of the market price of the Company's common shares at the time of conversion or $0.10. Accrued interest is convertible under the same terms, except that the conversion price is the greater of $0.06825 and the market price at the date of conversion during the first year.

(c) On March 30, 2016, the Company issued a convertible unsecured subordinated debenture with a face value of $4,050,000 in exchange for cash proceeds of $4,050,000. The debenture is held by a private company of which a director of the Company is the Chairman. The debenture bears interest at 8% per annum and matures on March 30, 2021. The Company may repay all or a portion of the indebtedness owing under the debenture at any time without penalty.

The principal portion of the debenture is convertible into common shares at a conversion price of $0.05381 per share in the first year, and for each year thereafter at a conversion price equal to the greater of the market price of the Company's common shares at the time of conversion or $0.10. Accrued interest is convertible under the same terms, except that the conversion price is the greater of $0.05381 and the market price at the date of conversion during the first year.

The proceeds of the two tranches (b) and (c) totaling $4,500,000 were used to fund the equity for the purchase of Metro Gateway.

On March 21, 2017, the Company issued an aggregate total of 81,858,226 common shares upon conversion of outstanding related party convertible debentures in the total aggregate principal amount of $4,500,000 (b and c). Of these shares, 75,264,820 were issued at $0.5381 per share and 6,593,406 were issued at $0.06825 per share. The shares were issued to Hoche, a company related by common directors.

For the year ended December 31, 2017, the Company incurred $270,090 (2016 - $468,542) of interest on the convertible debentures due to related parties, which is included in finance costs.

On January 11, 2018, the Company settled the $2,500,000 Convertible debentures from its portion of the sales proceeds of the Deer Springs Crossing property.

Other Related Party Balances and Transactions

Included in accounts payable and accrued liabilities are $49,638 of accrued interest (2016 - $321,000) owing to private companies related through common directors.

(a) Key management personnel compensation

Key management personnel include the members of the Board of Directors and executive officers of the Company. For the year ended December 31, 2017, the Company paid $84,000 (2016 - $84,000) of service fees to the Chief Financial Officer and $40,000 (2016 - $Nil) to the Chairman of the Board of the Company.

(b) Asset management agreement:

On April 16, 2010, the Company entered into an asset management agreement with TitanStar Capital Corp. ("TitanStar Capital") (the "Asset Manager"), pursuant to which the Asset Manager will provide asset management, administrative and other services to the Company and its subsidiaries. TitanStar Capital is a corporation owned by TitanStar Investment Group Inc., and is a related entity as it is owned by the Chairman of the Board of the Company. The Company has the right to terminate the asset management agreement at any time upon 60 days' notice. The Asset Manager is entitled to a monthly advisory fee.

For the year ended December 31, 2017, the Company incurred operating expenses of $79,199 (2016 – $66,942), included in general and administrative expenses, that were charged by the Asset Manager.

(c) Non-binding term sheet:

On May 2015, the Company entered into a non-binding term sheet with Inovalis S.A ("Inovalis") and Hoche Partners International ("Hoche"), significant shareholders of the Company. Under the agreement, Titanstar Capital and Inovalis will each receive management fees in the form of shares of the Company for services provided. The dollar amount of fees by Titanstar Capital and Inovalis are calculated as follows:

(i) 0.75% to Titanstar Capital of the net asset value of the Company calculated quarterly in arrears;

(ii) 0.75% to Inovalis of the equity raised or arranged by Inovalis; and

(iii) 0.375% to Inovalis and 0.375% to Titanstar Capital on the equity raised on the Canadian capital market.

The number of shares to be issued in exchange for the dollar amount of fees of the Company will be calculated using the one week average share price prior to payment of the asset management fees, with a minimum price of $0.06 per share.

For the year ended December 31, 2017, the Company recorded $78,936 (2016 - $130,964) to Titanstar Capital and $56,892 (2016 - $53,529) to Inovalis for management fees pursuant to the non-binding term sheet. The fees are to be settled annually by the Company through the issuance of shares after Board approval at the Company's First Quarter Board meeting.

(d) Martin Downs Town Center:

On September 18, 2015, the Company acquired a 49% interest in Martin Downs Town Center for total consideration, including closing costs, of $3,146,172 (USD $2,369,075). Consideration and closing costs for the acquisition were paid by the issuance of common shares and cash. The Company acquired its interest from a company jointly owned and controlled by Inovalis and Hoche.

(e) Loan facility:

On July 12, 2017, the Company obtained a loan facility for up to $500,000. Under the terms of the loan facility, the Company may draw from time to time from July 12, 2017 to December 31, 2017, for the purpose of funding working capital requirements. Interest on any outstanding drawdowns will accrue at a fixed rate of 10% per annum, and is payable monthly. Outstanding indebtedness is payable on demand, subject to the terms and conditions of the loan facility, but will be subordinated by the Company's senior indebtedness to secured lenders. The loan facility is provided by a private company of which the Chairman of the Board of the Company is a principal. In consideration of providing the loan facility, the loan facility provider will receive $15,000.

Management of the Company does not receive any other fee than that described above. The Company's Chairman and CFO are entitled to receive incentive stock options under the Company's incentive stock option plan. The other directors of the Company also do not receive any cash fee, and are entitled only to participate in the Company's incentive stock option plan. As such, the management and the directors of the Company will generally benefit only as shareholders and incentive stock option holders of the Company, benefitting only as other shareholders will benefit.

CONVERTIBLE DEBENTURES – NON-RELATED PARTIES

		December 31, 2017		December 31, 2016
Liability, beginning of period	$	4,590,175	$	4,689,216
Accretion		60,967		57,111
Redemption of debentures via sinking fund		(158,173)		(156,152)
Liability, end of period		4,492,969		4,590,175
Transaction costs, beginning of period		(327,724)		(511,632)
Redemption of debentures via sinking fund		8,068		14,158
Amortization of transaction costs		185,489		169,750
Transaction costs, end of period		(134,167)		(327,724)
Convertible debentures – non-related parties	$	4,358,802	$	4,262,451

A reconciliation of the face value of the convertible debentures – non-related parties is as follows:

		December 31, 2017		December 31, 2016
Principal, beginning of period	$	4,703,000	$	4,864,000
Redemption of debentures via sinking fund		(161,000)		(161,000)
Principal, end of period	$	4,524,000	$	4,703,000

The Company entered into a trust indenture on July 31, 2013 with BNY Trust Company of Canada under which the Company could issue convertible debentures to a maximum principal amount of $11,500.000.

The convertible debentures are redeemable, unsecured, subordinated to senior indebtedness and mature on September 30, 2018. Interest at the rate of 8.5% per annum is payable quarterly in arrears. The convertible debentures are convertible into common shares of the Company at $0.08125 per share at any

time prior to the close of business on the earlier of: (*i*) the date that is five days immediately preceding the maturity date, and (*ii*) if called for redemption, on the business day immediately preceding the date specified by the Company for the redemption of the convertible debentures.

The Company is required to pay annually on September 30, 2014 through September 30, 2017, as a mandatory sinking fund for the redemption of the convertible debentures, an amount which is equal to 3.0% of the aggregate outstanding principal amount of all convertible debentures outstanding. The maximum aggregate amount of all mandatory sinking fund payments made by the Company shall not exceed 20.0% of the aggregate principal amount of all convertible debentures. The Company can also make optional sinking fund payments. Sinking fund payments are used to redeem debentures on September 30 of each year, commencing with September 30, 2014 and ending on September 30, 2017.

Upon a change in control, the Company is required to make a redemption offer to all debenture holders equal to the principal amount plus accrued and unpaid interest and has the option to redeem all remaining debentures if 90% or more of the aggregate principal amount outstanding have been tendered for purchase under the redemption offer.

For the year ended December 31, 2017, the Company incurred $396,334 (2016 - $410,019) of interest on the convertible debentures – non related parties, which is included in finance costs.

As a condition of the convertible debentures, the Company is required to maintain a debt service coverage ratio. As of December 31, 2017, the Company was not in compliance with the covenant. As a result of the non-compliance, the convertible debentures holders have the right to demand payment. The convertible debentures are presented as a current liability as they have a redemption date of September 30, 2018,

OUTSTANDING SHARE DATA

As at December 31, 2017 and the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	As at December 31, 2017	As at the date of this MD&A
Voting or equity securities authorized	Unlimited	Unlimited
Securities convertible or exercisable into voting or equity securities – share options	Share options to acquire up to 10% of outstanding common shares	Share options to acquire up to 10% of outstanding common shares
Voting or equity securities issued and outstanding	214,249,087 common shares	214,772,201 common shares
Securities convertible or exercisable into voting or equity securities – directors and officers share options	1,920,000	1,920,000
Securities convertible or exercisable into voting or equity securities – agent's warrants	-	-
Total voting or equity securities issuable on conversion or exchange of outstanding securities	1,920,000	1,920,000

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITH SIGNIFICANT EQUITY INVESTEES

The following table summarizes the assets, liabilities and results of operations of the Company's equity investees, DSC LP, LVLH LP, for which the Company holds a 50% indirect interest in each, Adam's Dairy Landing for which the Company holds a 38.4% interest, and Martin Downs Town Center for which the Company holds a 49% interest. All figures are translated to Canadian dollars at the rate of exchange in effect at the year-end date for net assets and at average rates prevailing during the year for net income.

	December 31, 2017	December 31, 2016
Total assets	$ 87,401,642	$ 103,895,481
Total liabilities	(70,072,561)	(74,341,024)
Company's impairment of its investments	(1,153,148)	-
Net assets	16,175,933	29,554,457
TitanStar's share of net assets	$ 7,109,300	$ 13,679,922

	Year ended December 31, 2017	2016
Revenue and gains	$ 8,957,095	$ 9,259,014
Expenses	(19,007,736)	(13,509,341)
Net loss	(10,050,641)	(4,250,327)
TitanStar's share of net loss	$ (4,359,090)	$ (1,669,216)

Additional information regarding the Company's interest in the significant equity investees is disclosed in note 6 to the December 31, 2017 audited consolidated financial statements.

AVAILABLE SOURCES OF ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's most recent annual information form, is available on SEDAR at www.sedar.com and on the Company's website at www.titanstar.ca.