Condensed Consolidated Interim Financial Statements of

TITANSTAR PROPERTIES INC.

For the three months period ended March 31, 2018

Responsibility for Financial Statements

The accompanying condensed consolidated interim financial statements for Titanstar Properties Inc. (the "Company") have been prepared by management in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

These unaudited consolidated interim financial statements, which are the responsibility of management, have not been reviewed by the Company's auditors.

Management believes these unaudited condensed consolidated interim financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2018 and December 31, 2017, and the results of its operations and its cash flows for the three months period ended March 31, 2018 and March 31, 2017.

TITANSTAR PROPERTIES INC.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash	$ 286,266	$ 262,786
Amounts receivable	142,326	103,557
Prepaid expenses and deposits	36,753	38,995
	465,345	405,338
Investment properties (note 4)	23,442,799	22,952,025
Mortgage reserve fund	357,695	272,952
Interests in joint ventures and associates (note 5)	3,199,245	7,109,300
	$ 27,465,084	$ 30,739,615
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 908,265	$ 935,999
Notes payable (note 6)	-	1,972,238
Current portion of mortgages payable (note 7)	242,403	232,741
Due to related parties (note 9)	119,380	223,227
Embedded derivative liability	-	5,000
Convertible debentures - non-related parties (note 8)	4,423,234	4,358,802
	5,693,282	7,728,007
Convertible debentures - related parties (note 8b)	-	2,384,113
Tenants' security deposits	119,802	112,177
Mortgages payable (note 7)	16,292,042	15,901,828
Notes payable	800,000	-
	22,905,126	26,126,125
Shareholders' equity:		
Share capital (note 10)	17,871,283	17,852,974
Equity component of convertible debentures	222,510	222,510
Contributed surplus	1,248,058	1,248,058
Accumulated other comprehensive income	3,173,520	3,674,720
Deficit	(17,955,413)	(18,384,772)
	4,559,958	4,613,490
	$ 27,465,084	$ 30,739,615

Commitments (note 14)
Subsequent events (note 15)

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Jean-Daniel Cohen"
Director

"Greg Yuel"
Chair, Audit Committee

TITANSTAR PROPERTIES INC.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian dollars)

	For the three months ended March 31, 2018	2017
Revenue:		
Rental income and recoveries	$ 642,993	$ 641,643
Property operating expenses:		
Operating and leasing expenses	(132,310)	(113,312)
Earnings from property operations	510,683	528,331
Other revenues (expenses):		
General and administrative	(150,015)	(242,872)
Depreciation	(232,747)	(227,954)
Share of income (loss) of joint ventures and associates (note 5)	34,149	(311,475)
Net finance costs	(397,940)	(586,871)
Share-based compensation	-	(1,714)
Change in fair value of embedded derivative liability	-	186,000
Gain (loss) on settlement of financial liabilities (notes 8b & 10)	(71,211)	951,433
Foreign exchange gain (loss)	736,440	(46,740)
	(81,324)	(280,193)
Gain (loss) for the period	429,359	248,138
Other comprehensive loss:		
Foreign currency translation on US operations	(501,201)	(181,932)
Comprehensive income (loss)	$ (71,842)	$ 66,206
Weighted average number of units	214,772,201	132,526,770
Basic and diluted loss per common share (note 11)	$ (0.00)	$ (0.00)

See accompanying notes to financial statements.

TITANSTAR PROPERTIES INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Convertible debentures	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2016	123,431,412	$ 14,283,090	$ 230,397	$ 1,244,323	$ 4,889,320	$(12,146,091)	$ 8,501,039
Conversion of debentures	81,858,226	3,274,329	-	-	-	-	3,274,329
Share-based compensation	-	-	-	1,714	-	-	1,714
Income (loss) for the period	-	-	-	-	-	248,138	248,138
Other comprehensive income (loss)	-	-	-	-	(181,932)	-	(181,932)
Balance, March 31, 2017	205,289,638	$ 17,557,419	$ 230,397	$ 1,246,037	$ 4,707,388	$(11,897,953)	$ 11,843,288
Balance, December 31, 2017	214,249,087	17,852,974	222,510	1,248,058	3,674,720	(18,384,772)	4,613,490
Share issue – debt settlement	523,114	18,309	-	-	-	-	18,309
Income (loss) for the period	-	-	-	-	-	429,359	429,359
Other comprehensive income (loss)	-	-	-	-	(501,200)	-	(501,200)
Balance, March 31, 2018	214,772,201	$ 17,871,283	$ 222,510	$ 1,248,058	$ 3,173,520	$(17,955,413)	$ 4,559,958

See accompanying notes to financial statements.

TITANSTAR PROPERTIES INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)

	For the three months ended March 31, 2018	2017
Cash provided by (used in):		
Cash flows from operating activities:		
Income (loss) for the period	$ 429,359	$ 248,138
Adjustment to reconcile loss for the period to net cash provided by operating activities:		
Share-based compensation	-	1,714
Depreciation expense	232,747	227,954
Amortization of transaction costs	48,493	59,431
Accretion of convertible debentures	15,939	14,939
Accretion of convertible unsecured subordinated debentures	-	16,459
(Gain) loss on settlement of financial liabilities	71,211	(951,434)
Share of (income) loss of joint ventures and associates	(34,149)	311,475
Foreign exchange (gain) loss	(736,440)	46,740
Change in fair value of embedded derivative liability	-	(187,623)
Interest expense	122,287	496,129
Changes in operating assets and liabilities	4,203	172,763
	153,650	456,685
Cash flows from investing activities:		
Additions to investment properties	(72,310)	-
Proceeds from sale of interests in joint ventures	3,964,037	-
Distributions from joint ventures and associates	66,371	73,031
Security deposits received	7,625	-
	3,965,723	73,031
Cash flows from financing activities:		
Repayment of debt	(4,680,771)	(26,745)
Advances from related parties	800,000	-
Mortgage transaction costs	-	(2,560)
Contributions to mortgage reserve fund	(84,743)	(104,923)
Interest paid	(336,491)	(452,484)
	(4,302,005)	(586,712)
Effect of exchange rate changes on cash	206,112	(43,670)
Change in cash and cash equivalents	23,480	(100,666)
Cash, beginning of period	262,786	829,321
Cash, end of period	$ 286,266	$ 728,655

See accompanying notes to financial statements.

1. Organization:

TitanStar Properties Inc. (the "Company") 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 (common shares "TSXV: TSP", convertible debentures "TSXV: TSP.DB"). The Company issued share capital and commenced operations on June 30, 2008. The registered office of the Company is 1745 - 1050 West Pender Street, Vancouver, BC, V6E 3S7.

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

These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on May 30, 2018.

2. Basis of presentation and statement of compliance:

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting using the same presentation and accounting policies in the December 31, 2017 audited consolidated financial statements. They do not include all the information and disclosures normally provided in annual financial statements and should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2017.

3. Significant 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.

(a) *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, *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 but do not 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.

3. Significant accounting policies (continued):

(a) *Revenue recognition (continued)*

The Company will adopt IFRS 15 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 15 will have on the consoliodated financial statements.

(b) *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 relating 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 will have on the consolidated financial statements.

(c) *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").

This 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 its 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.

4. Investment properties:

(a) On March 30, 2016, the Company announced it had completed the purchase of a 100% interest in Metro Gateway Shopping Center (TSP Metro Gateway, LLC) , a retail real estate property located in Phoenix, Arizona.

The acquisition cost of $11,803,610 (USD$9,100,000) before standard closing costs and adjustments was financed with a $7,886,368 (USD$6,080,000) mortgage with the remainder financed with part of the proceeds from a $4,500,000 issuance of convertible unsecured subordinated debentures to a related party (note 8). The seller was at arm's length to the Company.

(b) On August 31, 2016, the Company completed the purchase of 116th Street Centre (TSP 116 Street, LLC), a retail real estate property located in Carmel, Indiana.

The acquisition cost of $12,894,330 (USD$9,825,000) before standard closing costs and adjustments was financed in part through a first mortgage of $9,154,974 (USD$6,975,750) with the remainder provided by $3,301,358 (USD$2,515,512) of proceeds from the sale of the Company's interests in Swanway and San Tan joint ventures, and the bridging loans provided – 50% by Titanstar Finance Inc., a company of which the Chairman of the Board of Directors is a principal, and 50% by a private company owned by a director of the Company. The seller was at arm's length to the Company. The bridge loans were settled in January 2018.

(Expressed in Canadian dollars)

4. Investment properties (continued):

The purchase price of the investment properties was allocated to the fair value of the assets acquired as follows:

Assets acquired:	
Land	$ 4,976,289
Building	17,414,125
Furniture and fixtures	1,266,406
Intangible assets	1,355,322
	$ 25,012,142
Settled by:	
Cash paid to vendor	$ 25,012,142

	March 31, 2018	December 31, 2017
Balance, beginning of year	$ 22,952,025	$ 25,237,874
Cost of acquisitions	-	-
Additional improvements	72,310	240,498
Depreciation and amortization	(232,747)	(918,303)
Foreign currency translation	651,211	(1,608,044)
Balance, end of the year	$ 23,442,799	$ 22,952,025

The estimated fair value of the Company's investment properties at March 31, 2018 was $25,026,000 (USD$19,900,000) (March 31, 2017 - $25,189,175 (USD$18,925,000)).

(Expressed in Canadian dollars)

5. Interests in joint ventures and associates:

The following summarizes financial information about the Company's interests in joint ventures and associates:

	March 31, 2018	December 31, 2017
Interest in joint ventures and associates,beginning of period	$ 7,109,300	$ 13,679,922
Distributions	(66,371)	(231,731)
Disposal of interests in joint ventures	(3,964,037)	-
Share of income (loss) for the period	34,149	(4,359,090)
Impairment loss for the period	-	(1,153,148)
Currency translation adjustments	86,204	(826,653)
Interest in joint ventures and associates end of period	$ 3,199,245	$ 7,109,300

At March 31, 2018 and 2017, the Company held the following joint venture interests and associates accounted for on the equity basis:

Property name	Investment	%	City	State	Date acquired
(a) Deer Springs Crossing ("DSC")	Joint venture	50%	Las Vegas	NV	04/16/10
(b) Adams Dairy Landing ("ADL")	Associate	38.4%	Blue Springs	MO	09/27/13
(c) Martin Downs Town Center ("MDTC")	Associate	49%	Palm City	FL	09/18/15

(a) Deer Springs Crossing represents a 50% interest in Deer Springs Crossing LP through the Company's 100% wholly owned subsidiary, TitanStar DSC Holdings Inc., and a 50% interest in LVLH GP Inc. (49.5% limited partnership interest in LV Loan Holdings LP and 0.5% interest in LV Loan Holdings LP through a 50% interest in the general partner of LVLH GP Inc.).

(b) Adams Dairy Landing represents a 38.4% interest in a retail shopping center, in Blue Springs, Missouri, Blue Springs Partners, LP. The Company's interest is held through its wholly owned-subsidiary, TitanStar US Inc. (37.5% limited partnership interest in Blue Springs Partners, LP) and Adams Dairy Landing GP, Inc. (0.9% general partnership interest in Blue Springs Partners, LP).

(c) Martin Downs Town Center represents a 49% interest in a retail shopping center in Palm City, Florida, Martin Downs NSC LLC. The Company's interest is held through its wholly owned subsidiary, Titanstar US Inc.

(Expressed in Canadian dollars)

5. Interests in joint ventures and associates (continued):

Summarized financial information of the Company's share of its interest in joint ventures and associates is as follows:

As at March 31, 2018:

	DSC	ADL	MDTC	Total
Current assets:				
Cash	$ 37,515	$ 1,028,661	$ 272,852	$ 1,339,028
Amounts receivable	27,622	572,426	122,999	723,047
Prepaids and deposits	32,338	1,031,936	197,930	1,262,204
Income properties	2,017,519	-	-	2,017,519
	2,114,994	2,633,023	593,781	5,341,798
Income properties	-	60,780,353	13,507,500	74,287,853
Total assets	$ 2,114,994	$ 63,413,376	$ 14,101,281	$ 79,629,651
Current liabilities				
Accounts payable and accrued liabilities	$ 17,392	$ 6,466,887	$ 147,173	$ 6,631,452
Current portion of long-term debt	23,220	53,943,500	154,800	54,121,520
	40,612	60,410,387	301,973	60,752,972
Long-term debt	1,036,329	-	8,329,472	9,365,801
Total liabilities	$ 1,076,941	$ 60,410,387	$ 8,631,445	$ 70,118,773
Net assets at 100%	$ 1,038,053	$ 3,002,989	$ 5,469,836	$ 9,510,878
Company's share	**$** 519,026	$ 1,153,148	$ 2,680,219	$ 4,352,393
Impairment of investment	-	(1,153,148)	-	(1,153,148)
Company's share after impairment	**$ 519,026**	**$ -**	**$ 2,680,219**	**$ 3,199,245**

(Expressed in Canadian dollars)

As at December 31, 2017:

	DSC	ADL	MDTC	Total
Current assets:				
Cash	$ 38,773	$ 1,028,661	$ 300,664	$ 1,368,098
Amounts receivable	26,773	572,426	110,226	709,425
Prepaids and deposits	26,482	1,031,936	153,064	1,211,482
Income properties	10,112,972	-	-	10,112,972
	10,205,000	2,633,023	563,954	13,401,977
Income properties	-	60,780,353	13,219,312	73,999,665
Total assets	$ 10,205,000	$ 63,413,376	$ 13,783,266	$ 87,401,642
Current liabilities				
Accounts payable and accrued liabilities	$ 219,376	$ 6,466,887	$ 119,008	$ 6,805,271
Current portion of long-term debt	22,581	53,943,500	135,486	54,101,567
	241,957	60,410,387	254,494	60,906,838
Long-term debt	1,011,573	-	8,154,150	9,165,723
Total liabilities	$ 1,253,530	$ 60,410,387	$ 8,408,644	$ 70,072,561
Net assets at 100%	$ 8,951,470	$ 3,002,989	$ 5,374,622	$ 17,329,081
Company's share	**$** 4,475,735	$ 1,153,148	$ 2,633,565	$ 8,262,448
Impairment of investment	-	(1,153,148)	-	(1,153,148)
Company's share after impairment	**$ 4,475,735**	**$ -**	**$ 2,633,565**	**$ 7,109,300**

(Expressed in Canadian dollars)

5. Interests in joint ventures and associates (continued):

For the three months period ended March 31, 2018:

	DSC	ADL	MDTC	TOTAL
Revenue, including operating recoveries	$ 39,714	$ -	$ 418,754	$ 458,468
Loss on sale of property	(4,044)	-	-	(4,044)
Operating and leasing expenses	(18,435)	-	(147,239)	(165,674)
Depreciation	(16,345)	-	(92,021)	(108,366)
Interest expense	(8,588)	-	(101,947)	(110,535)
Net income (loss) at 100%	$ (7,698)	$ -	$ 77,547	$ 69,849
Company's share	**$ (3,849)**	**$ -**	**$ 37,998**	**$ 34,149**

For the three months period ended March 31, 2017:

	DSC	ADL	MDTC	TOTAL
Revenue, including operating recoveries	$ 35,586	$ 1,924,735	$ 431,987	$ 2,392,309
Operating and leasing expenses	(46,245)	(754,461)	(84,299)	(885,005)
Depreciation	-	(1,284,852)	(128,685)	(1,413,537)
Interest expense	(4,210)	(818,831)	(108,008)	(931,048)
Net income (loss) at 100%	$ (14,869)	$ (933,409)	$ 110,996	$ (837,282)
Company's share	**$ 7,434**	**$ (358,429)**	**$ 54,388**	**$ (311,475)**

5. Interests in joint ventures and associates (continued):

(a) Deer Springs Crossing

Subsequent to the year ended December 31, 2017, the Company signed purchase and sale agreements to dispose of the income property at DSC. The expected proceeds from the sale of the income property is less than its carrying value. At 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.

On January 10, 2018, the Company, together with its partner Juliet, completed the sale of a certain portion of the DSC property. The gross sales proceeds that the Company and Juliet received was USD$6,800,000. Of this amount, the Company received net proceeds of USD$3,162,366, representing its beneficial 50% interest in the DSC property. The purchasers are at arm's length to the Company. From its portion of the sale proceeds, the Company settled outstanding indebtedness owing to various directors.

As at March 31, 2018, the remaining DSC property was classified as held for sale and classified as a current asset within DSC. Subsequent to March 31, 2018, the Company, together with its partner Juliet, completed the sale of the remaining portion of the DSC property.

(b) Adams Dairy Landing

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, At December 31, 2017, 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. Further, the Company performed an impairment loss to its investment in joint ventures and associates in the statement of profit and comprehensive loss of $1,153,148.

As at March 31, 2018, as a result of the full impairment of its investment in ADL, the Company will discontinue recognizing its share of further losses.

(Expressed in Canadian dollars)

6. Notes payable:

		March 31, 2018	December 31, 2017
Debt Resolution Corp.	$	-	$ 972,238 (a)
Titanstar Finance Inc.		400,000 (c)	1,000,000 (b)
Round Table Management.		400,000 (d)	-
Total notes payable	$	800,000	$1,972,238

(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 matured on August 31, 2017 and was extended to January 15, 2018. The note was settled on January 24, 2018 and February 22, 2018.

(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 matured on August 31, 2017 and was extended to January 15, 2018. The note was settled on January 24, 2018 and February 22, 2018.

(c) On February 22, 2018, 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$400,000 for the purpose of funding capital requirements.

The note payable bears interest at a fixed rate of 7.5% per annum commencing on the date that the lender advance any portion of the principal amount and endng until all indebtedness owing is repaid. The note matures on September 30, 2019.

(d) On February 23, 2018, the Company entered into an agreement with Round Table Management, a private company which is related through common directors, to borrow an aggregate amount of CAD$400,000. Proceeds of the loan were used to settle outstanding indebtedness to another director.

(Expressed in Canadian dollars)

6. Notes payable (continued):

The note payable bears interest at a fixed rate of 7.5% per annum commencing on the date that the lender advance any portion of the principal amount and endng until all indebtedness owing is repaid. The note matures on September 30, 2019.

For the three months period ended March 31, 2018, the Company incurred $20,268 (2017 - $44,375) of interest on the notes payable, which is included in finance costs.

7. Mortgages payable:

	March 31, 2018	December 31, 2017
Mortgage payable bears a fixed interest rate of 4.78% maturing September 2026. The loan is being amortized over 30 years and is payable in blended monthly payments of USD$36,515	$ 8,931,715	$ 8,719,263
Mortgage payable bears a fixed interest rate of 5.553% maturing April 2021. The loan is being amortized over 30 years and is payable in blended monthly payments of USD$34,724	7,700,780	7,515,314
	16,632,494	16,234,577
Less: deferred financing costs (net of accumulated amortization of $4,782 (2017 – $2,259)	(98,049)	(100,008)
Less: current portion	(242,403)	(232,741)
	$ 16,292,042	$ 15,901,828

The mortgages payable are recorded at amortized cost and bear a weighted average effective interest rate of 5.22% as at March 31, 2018. The mortgages payable are secured by charges on the Company's investment properties.

Principal repayments, as of March 31, 2018, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2018	$ 177,713
2019	252,050
2020	263,057
2021	7,550,292
2022	162,771
Thereafter	8,226,610
	$ 16,632,494

For the three months period ended March 31, 2018, the Company incurred $211,220 (2017 - $225,667) of interest on the mortgages payable, which is included in finance costs.

(Expressed in Canadian dollars)

8. Convertible debentures:

(a) Non-related parties:

	March 31, 2018	December 31, 2017
Liability, beginning of period	$ 4,492,969	$ 4,590,175
Accretion	15,938	60,967
Redemption of debentures via sinking fund	-	(158,173)
Liability, end of period	4,508,907	4,492,969
Transaction costs, beginning of period	(134,167)	(327,724)
Redemption of debentures via sinking fund	-	8,068
Amortization of transaction costs	48,494	185,489
Transaction costs, end of period	(85,673)	(134,167)
Convertible debentures	$ 4,423,234	$ 4,358,802

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.

(Expressed in Canadian dollars)

8. Convertible debentures (continued):

(a) Non-related parties (continued):

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

	March 31, 2018	December 31, 2017
Principal, beginning of period	$ 4,542,000	$ 4,703,000
Redemption of debentures via sinking fund	-	(161,000)
Principal, end of period	$ 4,542,000	$ 4,542,000

As a condition of the convertible debentures, the Company is required to maintain a debt service coverage ratio. As of March 31, 2018, the Company was in compliance with the covenant.

For the three months period ended March 31, 2018, the Company incurred $96,518 (2017 - $99,939) of interest on the convertible debentures – non related parties, which is included in finance costs.

(b) Related parties:

	March 31, 2018	December 31, 2017
Liability, beginning of period	$ 2,384,113	$ 6,771,729
Accretion	-	59,829
Settlement of debt	(2,384,113)	-
Conversion of debentures	-	(4,447,445)
Liability, end of period	-	2,384,113
Transaction costs, beginning of period	-	(237,283)
Amortization of transaction costs	-	13,978
Conversion of debentures	-	223,305
Transaction costs, end of period	-	-
Convertible debentures	$ -	$ 2,384,113

8. Convertible debentures (continued):

(b) Related parties (continued):

(i) 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.

On January 10, 2018, the Company settled the $2.5 million convertible unsecured subordinated debentures from its share of sales proceeds from DSC. The convertible unsecured subordinated debentures has a carrying value of $2,389,113. As a result, the difference (net of transaction costs and accretion) of $110,887 has been recorded as a loss on settlement of financial liabilities in the statement of loss and comprehensive loss.

On January 22, 2018, the Company issued 523,114 common shares at a deemed price of $0.10 per share to settle a total of $52,311 of accrued interest on the convertible unsecured subordinated debenture. The shares were issued at a fair value of $18,309. As a result, the difference of $34,002 has been recorded as gain on settlement of financial liabilities in the statement of loss and comprehensive loss.

(ii) 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.

8. Convertible debentures (continued):

(b) Related parties (continued):

(*ii*) (continued):

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 convertion price is the greater of $0.06825 and the market price at the date of conversion during the first year.

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 $30,456 and the residual balance of $419,544 was allocated to the debt component.

(*iii*) 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 converstion price is the greater of $0.05381 and the market price at the date of conversion during the first year.

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 $59,368 and the residual balance of $3,990,632 was allocated to the debt component. Transaction costs allocated to the debt component were $279,562.

On March 21, 2017, the Company issued an aggregate total of 81,858,226 common shares to Hoche upon conversion of outstanding related party convertible debentures in the total aggregate principal amount of $4,500,000. The shares were issued at a fair value of $3,274,329. As a result, the difference (net of transaction costs and accretion) of $951,433 has been recorded as gain on settlement of financial liabilities in the statement of loss and comprehensive loss.

For the three months period ended March 31, 2018, the Company incurred $5,501 (2017 - $126,149) of interest on the convertible debentures due to related parties, which is included in finance costs.

(Expressed in Canadian dollars)

9. Related party balances and transactions:

Other related party transactions and balances, not already disclosed in the consolidated financial statements include:

	March 31, 2018	December 31, 2017
Due to Inovalis	$ 56,892	$ 42,864
Due to Titanstar Capital	62,488	60,363
Due to Titanstar Finance	-	120,000
	$ 119,380	$ 223,227

Included in accounts payable and accrued liabilities are $nil of accrued interest (2017 - $423,853) 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 three months period ended March 31, 2018, the Company paid $21,000 (2017 - $21,000) of service fees to the former Chief Financial Officer and $Nil (2017 -$24,000) 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 three months period ended March 31, 2018, the Company incurred operating expenses of $20,018 (2017 – $20,357), 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.

(Expressed in Canadian dollars)

9. Related party balances and transactions (continued):

(c) Non-binding term sheet (continued):

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 three months period ended March 31, 2018, the Company recorded $2,125 (2017 - $18,573) to Titanstar Capital and $14,028 to (2017 - $14,028) to Inovalis for management fees pursuant to the non-binding term sheet.

(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 close ng 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.

During the year ended December 31, 2017, the Company drew $120,000 under this loan facility. The loan was settled on January 11, 2018.

10. Share capital:

At March 31, 2018, and December 31, 2017, the authorized share capital comprised an unlimited number of common shares and non-voting, perpetual, redeemable preferred shares. No preferred shares have been issued to date.

	March 31, 2018		December 31, 2017	
	Common Shares	Amount	Common Shares	Amount
Issued and outstanding, beginning of period	214,249,087	$ 17,852,974	123,431,412	$ 14,283,090
Conversion of debentures	-	-	88,209,527	3,496,625
Share issue – debt settlement	523,114	18,309	2,608,148	73,259
Issued and outstanding, end of period	214,772,201	$ 17,871,283	214,249,087	$ 17,852,974

(Expressed in Canadian dollars)

10. Share capital (continued):

On January 22, 2018, the Company issued 523,114 common shares to Round Table Management as settlement of $52,311 accrued interest charged on the $1.25M convertible debentures. The shares were issued at a fair value of $18,309 , the difference of $34,002 was recorded as gain on settlement of financial liabilities in the statement of loss and comprehensive loss.

During the year ended December 31, 2017, the following share transactions occurred:

(a) The Company issued 1,611,118 common shares to TitanStar Capital and Inovalis, as settlement of amounts charged in relation to the non-binding term sheet (Note 10c). The shares were issued at a fair value of $48,334 in settlement of financial liabilities of the Company of $96,668 and as a result $48,334 has been recorded as a gain on settlement of financial liabilities in the statement of loss and comprehensive loss.

(b) The Company issued 997,030 common shares to Round Table Management as settlement of $99,703 accrued interests charged on the $1.25M convertible debentures. The shares were issued at a fair value of $24,926, the difference of $74,777 was recorded as gain on settlement of financial liabilities in the statement of loss and comprehensive loss.

11. Loss per share:

The weighted average basic and diluted common shares outstanding for the three months period ended March 31, 2018 are 214,644,329 (2017 – 132,526,770).

The following securities were not included in the diluted net income per unit calculation for the three months period ended March 31, 2018 as the effect would have been anti-dilutive:

	Number of common shares		Weighted average exercise price / conversion price
Share options	1,920,000	$	0.07
Convertible debentures	55,901,545		0.08125
	57,821,545		

12. Capital management:

The Company's objectives when managing capital of $26,437016 (2017 - $39,088,220), 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.

13. Risk management and fair values:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured at fair value in the statement of financial position or for which fair value disclosure is required in the notes to the financial statements are classified based on a three-level hierarchy as detailed in the year ended December 31, 2017 audited consolidated financial statements.

For assets and liabilities that are recognized at fair value in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The embedded derivative is the only liability measured at fair value by the Company. These are classified as Level 2 investments. The Company does not have any assets designated as fair value through profit or loss.

(Expressed in Canadian dollars)

13. Risk management and fair values (continued):

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	March 31, 2018		December 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
Embedded derivative liability	$ -	$ -	$ 5,000	$ 5,000
Investment properties	23,442,798	25,026,000	22,952,025	23,960,950
Mortgages payable	16,534,445	16,242,947	16,134,568	16,041,687

The valuation techniques and inputs for the Company's financial instruments are as follows:

(*i*) Short term assets and liabilities

The carrying values of financial assets and financial liabilities not measured at fair value, such as cash, short term investments, accounts receivable, mortgage reserve fund, accounts payable, notes payable, due to related parties and tenant's security deposits approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

(*ii*) Mortgages payable

The fair values of the mortgages payable have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions and therefore are classified as Level 2 in the fair value hierarchy.

(*iii*) Investment properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts. Investment properties are classified as level 3 investments.

There were no transfers between Level 1, Level 2 and Level 3 during the three months period ended March 31, 2018.

14. Commitments:

The Company has entered into a premises lease plus operating costs expiring on July 31, 2019. The minimum payments over the next three years are as follows:

2018	$ 30,173
2019	23,861

15. Subsequent events:

(a) On April 4,2018, the Company drew a $16,000 loan from a loan facility provided by a director of the Company for the payment of outstanding payables.

(b) On April 10,2018, the Company drew a $84,000 loan from a loan facility provided by a director of the Company for the purpose of funding working capital.

(c) On May 21, 2018, the Company, along with its partner Juliet Companies, LLC, completed the sale of the developed pad on .55 acres located at Deer Springs Crossing in Las Vegas, Nevada, for USD $1.65 million, for which the Company received 50% of the net proceeds representing its beneficial 50% interest in the property. Proceeds from the sale were used to retire indebtedness owed by the Company. The purchasers are at arm’s length to TitanStar.