Condensed Consolidated Interim Financial Statements of

REALIA PROPERTIES, INC.

For the nine months period ended September 30, 2019

Responsibility for Financial Statements

The accompanying condensed consolidated interim financial statements for Realia 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 September 30, 2019 and December 31, 2018, and the results of its operations and its cash flows for the nine months period ended September 30, 2019 and September 30, 2018.

REALIA PROPERTIES, INC.

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

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash [1]	$ 831,774	$ 3,050,264
Amounts receivable	378,745	416,359
Prepaid expenses and deposits	23,957	88,285
	1,234,46	3,554,908
Investment properties (note 4) [2]	38,958,734	41,050,682
Mortgage reserve fund	849,303	501,505
	$ 41,042,513	$ 45,107,095
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,301,599	$ 1,262,414
Notes payable (note 6) [3]	1,324,100	2,102,000
Current portion of mortgages payable (note 7)	12,133,698	12,269,126
Due to related parties (note 9) [4]	290,892	154,548
	15,050,289	15,788,088
Tenants' security deposits	230,741	208,293
Mortgages payable (note 7)	16,360,732	17,040,361
Convertible debentures – non-related parties (note 8a)	4,322,304	4,169,461
	35,964,066	37,206,203
Shareholders' equity:		
Share capital (note 10)	21,612,003	21,612,003
Equity component of convertible debentures (note 8)	269,319	269,319
Contributed surplus	1,248,058	1,248,058
Accumulated other comprehensive income	843,675	1,338,259
Deficit	(18,961,966)	(16,639,992)
Equity attributable to the shareholders of Realia Properties	5,011,089	7,827,647
Non-controlling interest	67,358	73,245
Total Shareholders' equity	5,078,447	7,900,892
	$ 41,042,513	$ 45,107,095

Footnotes:

(1) Decline in cash against 2018 balance due to repayment of Roundtable and TS Finance loans ($800k), settlement payment ($412k), extraordinary legal fees ($550k), MDTC short-term finance costs ($390k, only 4 months booked in 2018), GP loan payments ($202k, only 4 months booked in 2018) and property level capital expenditures ($150k).

(2) Decline in investment properties is due to foreign currency translation.

(3) 3Q2019 repayment of $800k in notes payable to TS Finance and RoundTable Management.

(4) Increase in amounts owed to related parties is related to uncollected Inovalis fees associated with purchase of MDTC.

See accompanying notes to condensed consolidated interim financial statementsf for additional clarrification.

Approved on behalf of the Board:

"Jean-Daniel Cohen"
Director

"Stephane Amine"
Chair, Audit Committee

REALIA PROPERTIES, INC.

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

	For three months ended September 30,		For nine months ended September 30	
	2019	2018	**2019**	2018
Revenue: (1)				
Rental income (1)	**$ 846,136**	$ 481,184	**$ 2,531,339**	$ 1,379,678
Recoveries of operating expenses income	**305,433**	171,495	**963,760**	487,860
Other income	**8,439**	15,279	**26,159**	133,253
	1,160,008	667,958	**3,521,258**	2,000,791
Property operating expenses				
Operating and leasing expenses	**(416,905)**	(238,392)	**(1,109,138)**	(602,602)
Earnings from property operations	**743,103**	429,566	**2,412,120**	1,398,189
Other revenues (expenses):				
General and administrative	**(351,621)**	(107,533)	**(916,440)**	(463,345)
Depreciation	**(436,108)**	(244,725)	**(1,591,943)**	(717,044)
Share of income (loss) of joint ventures (note 5)	**-**	26,244	**-**	102,356
Net finance costs	**(656,025)**	(386,500)	**(1,972,477)**	(1,182,509)
Gain on settlement of financial liabilities	**-**	-	**-**	18,324
Gain on sale of joint ventures & associates ownership interest	**-**	2,107,396	**-**	2,108,600
Loss on settlement of dispute	**(289,955)**	-	**(289,955)**	-
Foreign exchange gain (loss)	**26,769**	6,067	**30,835**	859,875
	(1,706,940)	1,400,949	**(4,739,980)**	726,257
Income (loss) for the period	**$ (963,837)**	$ 1,830,515	**$ (2,327,860)**	$ 2,124,446
Other comprehensive income (loss):				
Foreign currency translation on US operations	**(74,460)**	1,369,910	**494,583**	938,154
Comprehensive income (loss)	**$ (1,038,297)**	$ 3,200,425	**$ (1,823,277)**	$ 3,062,600
Net income (loss) for the period attributed to:				
Non-controlling interest	**(1,916)**	-	**(5,887)**	-
Shareholders of Realia Properties Inc.	**(961,921)**	1,830,515	**(2,321,973)**	2,124,446
	$ (963,837)	$ 1,830,515	**$ (2,327,860)**	$ 2,124,446
Comprehensive income (loss) for the period attributed to:				
Non-controlling interest	**(1,916)**	-	**(5,887)**	-
Shareholders of Realia Properties Inc.	**(1,036,381)**	3,200,425	**(1,827,390)**	3,062,600
	$ (1,038,297)	$ 3,200,425	**$ (1,833,277)**	$ 3,062,600
Weighted average number of units	**255,221,137**	216,761,864	**247,754,686**	215,488,012
Basic and diluted loss per common share (note 12)	**$ (0.00)**	$ 0.01	**$ (0.01)**	$ 0.01

See accompanying notes to condensed consolidated interim financial statements.

REALIA PROPERTIES, INC.

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

	Number of shares	Share capital	Equity component of convertible debentures	Contributed surplus	Accumulated other comprehensive income	Deficit	Total attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
Balance, December 31, 2017	214,249,087	$ 17,852,974	$ 222,510	$ 1,248,058	$ 3,674,720	$ (18,384,772)	$ 4,613,490	$ -	$ 4,613,490
Share issue – debt settlement	2,512,781	48,154	-	-	-	-	48,154	-	48,154
Income (loss) for the year	-	-	-	-	-	2,124,445	2,124,445	-	2,124,445
Other comprehensive income (loss)	-	-	-	-	(2,736,567)	-	(2,736,567)	-	(2,736,567)
Balance, September 30, 2018	216,761,868	$ 17,901,128	$ 222,510	$ 1,248,058	$ 938,153	$ (16,260,327)	$ 4,049,522	$ -	$ 4,049,522
Balance, December 31, 2018	216,761,868	$ 21,612,003	$ 269,319	$ 1,248,058	$ 1,338,258	$ (16,639,993)	$ 7,827,645	$ 73,245	$ 7,900,890
Share issue – add'l ownership interest	38,459,269	-	-	-	-	-	-	-	-
Income (loss) for the year	-	-	-	-	-	(2,321,973)	(2,321,973)	(5,887)	(2,327,860)
Other comprehensive income (loss)	-	-	-	-	(494,583)	-	(494,583)	-	(494,583)
Balance, September 30, 2019	255,221,137	$ 21,612,003	$ 269,319	$ 1,248,058	$ 843,675	$ (18,961,966)	$ 5,011,089	$ 67,358	$ 5,078,447

See accompanying notes to condensed consolidated interim financial statements.

REALIA PROPERTIES, INC.

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

	For the nine months ended September 30, 2019	2018
Cash provided by (used in):		
Cash flows from operating activities:		
Income (loss) for the year	$ (2,321,973)	$ 2,124,446
Adjustment to reconcile (income) loss for the year to net cash provided by operating activities:		
Depreciation expense	1,591,943	717,044
Amortization of transaction costs	53,533	134,166
Accretion of convertible debentures	99,310	49,032
(Gain) loss on settlement of financial liabilities	-	(18,324)
(Gain) loss on sale of JV and associates ownership interest	-	(2,108,600)
Share of profit (loss) of joint ventures and associates	-	(102,356)
Foreign exchange (gain) loss	30,835	(859,875)
Interest expense	1,814,009	1,000,030
Change in operating assets and liabilities	60,136	101,182
	1,327,793	1,036,745
Cash flows from investing activities:		
Additions to investment properties	(383,549)	(158,169)
Distributions from joint ventures and associates	-	275,415
Security deposits received	22,448	8,956
Proceeds from disposal of interests in joint ventures	-	4,458,779
	(361,101)	4,584,981
Cash flows from financing activities:		
Repayment of debt	(992,192)	(4,867,545)
Net variance in advances from related parties	104,167	900,000
Mortgage transaction costs	287,427	(14,350)
Advances from (contributions to) mortgage reserve fund	(347,798)	(160,926)
Interest paid	(1,733,019)	(978,460)
	(2,681,415)	(5,121,281)
Effect of exchange rate changes on cash	(503,767)	(36,502)
Increase (decrease) in cash	(2,218,490)	463,943
Cash, beginning of period	3,050,264	262,786
Cash, end of period	$ 831,774	$ 726,729

See accompanying notes to consolidated financial statements.

1. Organization:

Realia Properties, Inc. ("Realia" and collectively with its subsidiaries 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: RLP", convertible debentures "TSXV: RLP.DB"). The Company issued share capital and commenced operations on June 30, 2008. The registered office of the Company is 151 Yonge Street, 11th Floor, Toronto, Ontario M5C 2W7.

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 within the United States 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 and authorized for issue by the Board of Directors on November 25, 2019.

2. Basis of presentation and statement of compliance:

The accompanying 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, 2018 audited consolidated financial statements. They do not include all the information and disclosure 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, 2018.

3. Significant accounting policies:

The significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are set out below. The accounting policies have been applied consistently by group entities unless otherwise stated.

New accounting policies adopted in the previous period

IFRS 15 – Revenue from Contracts with Customers

The Company mainly has a lessor activity, which is out of scope of IFRS 15 (except for the recoveries of operating expenses income). With respect to revenue within the scope of IFRS 15, the standard was adopted as at January 1, 2018 and was applied retroactively with restatement of comparative periods. Management concluded that there is no significant impact of adoption of IFRS 15.

3. Significant accounting policies (continued):

IFRS 9 - Financial Instruments

In July 2014, the IASB published IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 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.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, date for which the Company adopted this standard and applied retroactively with restatement of comparative periods. The Company assessed that there was no impact of this new standard on its consolidated financial statements, with the exception of financial assets that were classified as Loans and Receivables that are now classified in the amortized cost category. There was no impact on carrying values and equity as at January 1, 2018, as a result of the adoption of the standard.

Amendments to IFRS 3 – Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments: clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020 and apply prospectively. Earlier application is permitted and the Company has elected to early adopt this standard as of January 1, 2018.

(a) Basis of consolidation:

The condensed consolidated interim financial statements include the assets and liabilities and results of operations of Realia and its subsidiaries. The assets and liabilities and results of operations include the consolidation of its wholly owned subsidiaries TitanStar DSC Holdings, Inc., TSP GP Holdings, Inc., TSP LP Holdings, Inc., TitanStar US, Inc., TSP Metro Gateway, LLC and TSP 116th Street, LLC as well as Martin Downs NSC, LLC (since acquisition of control in October 2018) which is 99% owned.

3. Significant accounting policies (continued):

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies.

All material intercompany balances and transactions are eliminated upon consolidation.

Where the Company's interest in a subsidiary is less than 100%, the Company recognizes non-controlling interest.

(b) Joint arrangement and associates:

The Company classifies its interest in joint arrangements as either joint operations or joint ventures depending on the Company's rights to assets and obligations for the liabilities of the arrangements. When making this assessment, management considers the structure of the arrangement, the legal form of any separate entities, the contractual terms of the arrangement and other facts and circumstances. The Company has determined that its joint arrangements are joint ventures since the Company has rights to and is liable for the net assets of the arrangements. The Company classifies entities it has significant influence over as associates.

The Company reports its interest in joint ventures and associates using the equity method. Under the equity method, interests in joint ventures and associates are recorded at initial cost plus the Company's share of post-acquisition income or loss, plus contributions less distributions received. Subsequent to the acquisition date, the Company's share of net income is reported in income of joint ventures and associates in the consolidated statements of income (loss) and comprehensive loss.

The accounting policies of the joint arrangements and associates are consistent with the accounting policies of the Company. Where the Company transacts with its joint ventures and associates, unrealized profits and losses are eliminated to the extent of the Company's interest in the investment. Balances outstanding between the Company and its joint ventures and associates in which it has an interest are not eliminated in the consolidated statements of financial position.

At each reporting period, the Company evaluates whether there is objective evidence that its interest in each joint venture investment is impaired. The entire carrying amount of the interest in joint venture investment is compared to the recoverable amount, which is the higher of value in use, or fair value less costs to sell. The recoverable amount of each investment is considered separately.

3. Significant accounting policies (continued):

(c) Property acquisitions and business combinations:

When property is acquired, management considers the substance of the agreement in determining whether the acquisition represents the acquisition of a property or a business combination. The Company accounts for an acquisition as a business combination if the acquired property meets the definition of a business, being an integrated set of activities and assets that are capable of being managed for the purpose of providing goods or services to customers generating investment income (such as dividends or interests) or generating other income from ordinary activities.

Where such acquisitions are not judged to be a business combination, they are treated as asset acquisitions. The cost to acquire the property, including transaction costs, is allocated between the identifiable assets acquired and liabilities assumed based on their relative fair values at the acquisition date. The assets acquired and liabilities assumed include land, building and intangible assets such as above and below market leases and in-place operating leases. The Company expenses transaction costs on business combinations.

(d) Investment properties:

Investment properties are comprised of properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Investment properties include land and buildings and lease related intangible assets which include below and above market rents, value of in-place leases and prepaid lease origination costs. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, estimated useful life of the building, components, and residual value.

The basis of depreciation and estimated useful lives of buildings, major components and lease related intangibles are as follows:

Asset	Basis	Rate
Buildings	Straight-line	35 - 45 years
Major components	Straight-line	8 - 10 years
Lease related intangibles	Straight-line	Weighted average term of the lease

Depreciation methods, useful lives and residual values are reviewed annually and adjusted as required.

3. Significant accounting policies (continued):

(d) Investment properties (continued):

Note 5 discloses the fair value of the investment properties. The following approaches either individually or in combination, are used by management, in their determination of the fair value of investment properties:

— The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

— The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews independent appraisals when obtained for properties, to ensure the assumptions used by the appraisers are reasonable. The fair value amount determined by management and disclosed in note 5 reflects those assumptions used in the approaches above.

An investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income (loss) and comprehensive loss in the period of retirement or disposal.

(e) Cash and equivalents:

Cash and equivalents consist of cash on hand and in the bank and highly-liquid investments having terms of three months or less from the date of acquisition and that are readily convertible to known amounts of cash. Cash and equivalents exclude cash subject to restrictions.

(f) Revenue recognition:

Rental revenue is recognized on a straight line basis over the term of the lease subject to ultimate collection being reasonably assured.

Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred.

(g) Leases:

Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from the Company to the lessees are accounted for as finance leases. All current leases of the Company are operating leases.

3. Significant accounting policies (continued):

(h) Finance income (expenses):

Finance income consists of interest income. Finance expense includes interest on long-term debt, financing fees, amortization of deferred financing costs and accretion of convertible debentures.

Finance income is recognized in the period in which it is earned, while finance expenses are recognized in the period in which they are incurred.

(i) Provisions:

Provisions are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material, such as closure costs.

(j) Convertible debentures:

Convertible debentures are separated into debt and equity components based on the residual method. The value of the debt component is calculated at the estimated fair value of the future interest and principal payments due under the terms of the convertible debentures, with the residual value assigned to the equity component.

Transaction costs directly related to the debt component reduce the carrying value of the convertible debentures. Transaction costs related to the equity component of convertible debentures are recognized in the value of the equity component, net of deferred income tax.

Subsequent to initial recognition, the liability component of convertible debentures is measured at amortized cost using the effective interest rate method and is accreted up to its face value. The equity component is not re-measured subsequent to initial recognition.

For convertible debentures in which the conversion feature is determined to be an embedded derivative liability, the embedded derivative liability is valued first, with the residual value assigned to the debt component of the instrument at inception. Transaction costs allocated to the embedded derivative component are recognized in profit or loss. The embedded derivative liability is recognized at fair value with changes in fair value recognized in profit or loss.

(k) Share options and warrants:

The Company has a share option plan available for officers, employees, and consultants. The fair value based method of accounting is applied to all share-based compensation. Compensation expense is recognized when share options are granted over the vesting periods. Awards of share options and warrants related to private placements or public offerings of shares are treated as share issue costs.

3. Significant accounting policies (continued):

(k) Share options and warrants (continued):

The fair value of share options and warrants granted are estimated on the date of grant using the Black-Scholes option pricing model and is recorded as an expense over the applicable vesting period based on the number of awards expected to vest. Each tranche of an award is considered a separate award within its own vesting period and grant date fair value. On the exercise of share options, the consideration received and the grant date fair value of the option is credited to share capital.

(l) Share capital:

For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Transaction costs related to the issuance of the shares are recognized directly in shareholders' equity as a reduction of the proceeds received.

(m) Income or loss per share:

Basic income or loss per share is calculated by dividing the income or loss by the weighted average number of common shares outstanding during the period. The Company computes dilutive effects of options, warrants and similar instruments. The dilutive effect on income per share is recognized by the use of proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

(n) Foreign currency translation:

Foreign operations

The functional currency of the Company's subsidiaries is the United States dollar as it is the currency of the primary economic environment in which the subsidiaries operate. In determining the functional currency consideration is given to the denomination of major cash flows of the entity. The functional currency of entities within the group has remained unchanged during the reporting period.

Upon consolidation, assets and liabilities of the subsidiaries are translated to Canadian dollars, the presentation currency of the Company, at the period end rate of exchange and the results of their operations translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in equity. Translation adjustments from monetary receivables and payables within the Company's subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are included in the accumulated other comprehensive income in equity.

3. Significant accounting policies (continued):

(n) Foreign currency translation (continued):

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(o) Income taxes:

Current income tax for each entity is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the consolidated statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred income tax is recognized using the statement of financial position method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of deductible temporary differences associated with investment in subsidiaries, interests in joint ventures and associates, deferred income tax assets are recognized only to the extent that it is probable that temporary differences will reverse itself in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investment in subsidiaries, interest in joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. Significant accounting policies (continued):

(o) Income taxes (continued):

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Deferred income tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date.

Current and deferred income taxes relating to items recognized directly in equity are recognized in equity and not in the consolidated statement of income (loss) and comprehensive loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entities or in different taxable entities, and, where there is the intent to settle the balance on a net basis.

(p) Financial instruments:

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Company does not have any financial assets categorized as FVTPL or FVOCI.

3. Significant accounting policies (continued):

(p) Financial instruments (continued):

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within net finance costs, except for impairment of trade receivables which is presented within operating and leasing expenses.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative instruments

Derivative instruments are initially recorded at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Subsequent to initial recognition, changes in the fair values of derivative instruments are recognized in net loss, except for derivatives that are designated as cash flow hedges.

Transaction costs are expensed as incurred for financial instruments classified or designated at fair value through profit or loss.

3. Significant accounting policies (continued):

(p) Financial instruments (continued):

The following is a summary of the classification adopted by the Company for each significant category of financial instrument.

Financial instruments	Classification	Measurement
Cash	Financial assets at amortized cost	Amortized cost
Amounts receivable	Financial assets at amortized cost	Amortized cost
Mortgage reserve fund	Financial assets at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Amortized cost
Due to related parties	Financial liabilities at amortized cost	Amortized cost
Embedded derivative liability	Financial liabilities at FVTPL	Fair value
Notes payable	Financial liabilities at amortized cost	Amortized cost
Convertible debentures	Financial liabilities at amortized cost	Amortized cost
Mortgages payable	Financial liabilities at amortized cost	Amortized cost
Tenant security deposit	Financial liabilities at amortized cost	Amortized cost

(q) Impairment of assets:

(*i*) Financial assets:

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's "incurred loss model".

Under IFRS 9, the Company applies an expected loss model that assesses the risk a financial asset will default rather than whether a loss has been incurred. This results in losses being recognized earlier. The Company applied the simplified approach to estimate expected credit losses which requires the loss allowance to be measured for lifetime expected credit losses. While the Company's financial assets are subject to the expected credit loss requirements, the identified loss was immaterial.

(*ii*) Non-financial assets:

Investment properties are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of assessing impairment, assets are grouped into cash generating units ("CGU's"), defined as the lowest levels for which there are separately identifiable cash inflows. An impairment loss is recognized within impairment of assets for the amount by which the carrying amount of the individual asset or CGU exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value-in-use. In determining fair value less costs to sell, recent market transactions are taken into account, if available. In absence of such transactions, an appropriate valuation model is used. Value-in-use is assessed using the present value of the expected future cash flows of the relevant asset or CGU.

3. Significant accounting policies (continued):

(q) Impairment of assets: (continued)

Impairments are reversed to the extent that events or circumstances give rise to changes in the estimate of recoverable amount since the period the impairment was recorded. Impairment reversals are recognized within impairment of assets.

(r) Fair values:

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the consolidated statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

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

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

(s) Future changes to significant accounting policies:

The following standards will be effective for subsequent annual periods.

(*i*) *Leases:*

In January 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 in certain circumstances. 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.

3. Significant accounting policies (continued):

(s) Future changes to significant accounting policies (continued):

No material impact of IFRS 16 is expected on the consolidated financial statements, since the Company only has one lease under which it is the leese for an asset of low value. Therefore, the Company is using the exemption permitted by IFRS 16 for assets of low value. At September 30, 2019, the future minimum lease payments under this lease are not significant.

4. Investment properties:

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

The acquisition cost of $11,803,610 (US$9,100,000) before standard closing costs and adjustments was financed with a $7,886,368 (US$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. The seller was at arm's length to the Company.

(b) On August 31, 2016, the Company completed the purchase of a 100% interest in 116th Street Centre, a retail real estate property located in Carmel, Indiana.

The acquisition cost of $12,894,330 (US$9,825,000) before standard closing costs and adjustments was financed in part through a first mortgage of $9,154,974 (US$6,975,750) with the remainder provided by $3,301,358 (US$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.

(c) On September 15, 2015, the Company acquired a 49% interest in Martin Downs NSC, LLC, which holds Martin Downs Town Center ("MTDC"), a retail real shopping center located in Palm Springs, Florida for total consideration, including transaction costs, of $3,146,172 (US$2,369,075), paid by issuance of common shares. The Company's interest is held through its wholly-owned subsidiary, TitanStar US Inc. Martin Downs NSC, LLC being jointly controlled by the partners, the Company accounted for its interest under the equity method.

On August 31, 2018, the Company acquired an additional 9% ownership interest for $1,302,000 (US$1,000,000), for a note payable still outstanding as at September 30, 2019.

4. Investment properties (continued):

On October 17, 2018, the Company acquired an additional 41% interest. The acquisition was a result of the Company exercising an option from the original 2015 Purchase and Sales agreement. In consideration for the acquisition cost of $3,710,875, the Company issued 38,459,270 common shares as at February 22, 2019. As of October 17, 2018, the Company holds 99% in Martin Downs NSC, LLC and therefore, is deemed to have acquired control and therefore, began to consolidate Martin Downs NSC, LLC at the time of the acquisition of the additional 41% interest.

It was determined, using the optimal concentration test permitted in the amendments of IFRS 3 that the Company early adopted as at January 1, 2018, that the transaction was not a business acquisition. Therefore, the transaction was accounted for at cost, as an asset acquisition, without remeasurement of the previously held equity interest in Martin Downs NSC, LLC.

	September 30, 2019	December 31, 2018
Balance, beginning of year	$ 41,050,682	$ 22,952,025
Cost of acquisition[1]	-	16,384,593
Capital additions	377,662	172,285
Depreciation	(1,591,943)	(1,137,073)
Foreign currency translation	(877,667)	2,678,852
Balance, end of the year	$ 38,958,734	$ 41,050,682

[1] relates to the value of the investment properties of Martin Downs NSC, LLC, following acquisition of control in October 2018 as described above.

The estimated fair value of the Company's investment properties at September 30, 2019 was $43,695,300 (US$33,000,000) and at December 31, 2018 was $45,002,100 (US$33,000,000).

5. Interests in joint ventures and associates:

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

	September 30, 2019	December 31, 2018
Interest in joint ventures and associates, beginning of period	$ -	$ 7,109,300
Additions [(1)]	-	5,012,874
Distributions	-	(465,212)
Disposal of interests in joint ventures	-	(4,458,778)
Disposal of an interest in joint ventures following acquisition of control	-	(7,401,868)
Share of income (loss) for the year	-	109,540
Foreign currency translation	-	94,144
Interest in joint ventures and associates, end of period	$ -	$ -

(1) represents the acquisitions of the additional 9% interest in Martin Downs NSC, LLC in August 2018 and the additional 41%, in October 2018

At September 30, 2018, the Company held the following joint venture interests and associates accounted for on the equity basis:

Property name	Investment	%	City	State	Date acquired
(a) Adams Dairy Landing ("ADL")	Associate	38.4%	Blue Springs	MO	09/27/13
(b) Martin Downs Town Center ("MDTC")	Joint venture	49%	Palm City	FL	09/18/15

(a) 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).

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

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 of which the Company's interest of $1,464,538 is included in the "Share of loss of joint ventures and associates" in the consolidated statement of income (loss) and comprehensive loss. Further, the Company performed an impairment review of its investment and recorded an impairment loss to its investment in joint ventures and associates in the consolidated statements of income (loss) and comprehensive loss of $1,153,148.

As at June 30, 2018, the Company received notice of foreclosure on the property from its lender for default in payment of its mortgage.

On August 1, 2018, Adams Dairy Landing was foreclosed by its lender upon the controlling ownership partner deciding to give back the keys rather than cure the default.

(b) As of January 1, 2018 until August 30, 2018, 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.

On August 31, 2018, the Company acquired an additional 9% ownership interest bringing ownership to 58%.

Further in October 17, 2018, the Company acquired an additional 41% interest. The acquisition was a result of the Company exercising an option from the original 2015 Purchase and Sales agreement. As explained in note 5, upon this transfer of interest, the Company obtained control over the relevant activities of Martin Downs NSC, LCC, and as such, the Company began to consolidate Martin Downs NSC, LLC.

At September 30, 2019, the Company did not hold any interests in joint venture interests and associates.

6. Notes payable:

	September 30, 2019	December 31, 2018
Titanstar Finance Inc. (a)	$ -	$ 400,000
Round Table Management (b)	-	400,000
Martin Downs GP, LLC (c)	1,324,100	1,302,000
Total notes payable	$ 1,324,100	$ 2,102,000

(a) On February 22, 2018, the Company entered into an agreement with Titanstar Finance Inc., a private company which, at the time, was related through common directors, to borrow an aggregate amount of $400,000 for the purpose of funding working capital requirements, as a replacement of the residual $400,000 due on a previously issued note payable. The note bore interest at a fixed rate of 7.5% per annum commencing on the date that the lender advances any portion of the principal amount. As at September 20, 2019, the loan was repaid in full.

(b) On February 23, 2018, the Company entered into an agreement with Round Table Management, a private company which, at the time, was related through common directors, to borrow an aggregate amount of $400,000. Proceeds of the loan were used to settle outstanding indebtedness to another director. The note bore interest at a fixed rate of 7.5% per annum commencing on the date that the lender advances any portion of the principal amount. As at September 20, 2019, the loan was repaid in full.

(c) On August 31, 2018, concurring with the refinancing of the mortgage loan related to Martin Downs Town Center, the Company acquired an additional 9% interest in Martin Downs NSC, LLC from the Martin Downs GP, LLC, a private entity in which of the officer is a partner for an amount of $1,302,000 ($1,000,000 USD).

Correspondingly, the US$1,000,000 note payable to Martin Downs GP, LLC to finance the 9% ownership interest acquisition bears interest at a rate of 10% and matures on February 28, 2020. The Company may, from time to time, repay all or any part of the amount due without penalty.

7. Mortgages payable:

	September 30, 2019	December 31, 2018
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 monthly payments of US$36,515, capital and interest	$ 8,958,722	$ 9,336,923
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 monthly payments of US$34,724, capital and interest	7,739,632	8,058,354
Mortgage payable bears a floating interest rate, the greater of 1-month LIBOR plus 4.95% or 7.075% maturing February 28, 2020	11,916,900	12,273,300
	28,615,254	29,668,577
Less: deferred financing costs (net of accumulated amortization of $389,589 (2018 - $188,016)	(120,824)	(359,090)
Less: current portion	(12,133,698)	(12,269,126)
	$ 16,360,732	$ 17,040,361

The mortgages payable are recorded at amortized cost and bear a weighted average effective interest rate of 6.23% as at September 30, 2019 (2018 - 5.25%). The mortgages payable are secured by charges on the Company's investment properties.

Principal repayments, as of September 30, 2019, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2019	$ 66,521
2020	12,186,911
2021	7,749,877
2022	167,074
2023	182,909
Thereafter	8,261,962
	$ 28,615,254

For the nine months period ended September 30, 2019, the Company incurred $1,337,562 (2018 - $649,264) of interest on the mortgages payable, which is included in finance costs.

8. Convertible debentures:

(a) Non-related parties:

	September 30, 2019	December 31, 2018
Liability, beginning of year	$ 4,294,371	$ 4,492,969
Accretion	99,309	80,051
Redemption of debentures via sinking fund	-	-
Impact of convertible debenture modification	-	(278,649)
Liability, end of year	4,393,680	4,294,371
Transaction costs, beginning of year	(124,909)	(134,167)
Redemption of debentures via sinking fund	-	-
Amortization of transaction costs	53,533	152,011
Debt modification - transaction costs	-	(142,754)
Transaction costs, end of year	(71,376)	(124,910)
Convertible debentures	$ 4,322,304	$ 4,169,461

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 were set to 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 was 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 could also make optional sinking fund payments. Sinking fund payments were 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.

8. Convertible debentures (continued):

(a) Non-related parties (continued):

On September 28, 2018, the Debenture holders approved an Extraordinary Resolution authorizing (i) the maturity extension of the Debentures from September 30, 2018 to September 30, 2020; (ii) a reduction in the conversion price at which the Debenture may be converted into common shares of the Corporation from $0.08125 to $0.06 per common share; and (iii) an increase of the interest rate payable on the Debentures from 8.5% per annum to 9.5% per annum, which took effect as of October 1, 2018.

This transaction was accounted for as a debt extinguishment due to substantial modifications made to the original debt. Therefore, convertible debentures of $4,542,000 as at September 28, 2018 were derecognized and a new liability of $4,263,350 and an equity component of convertible debentures of $278,649 were accounted for, resulting in a gain on debt extinguishment of $222,510 in the consolidated statement of income (loss) and comprehensive loss. The Company determined the fair value of the new liability based on the net present value of future cash flows using a discount rate of 13%.

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

	September 30, 2019	December 31, 2018
Principal, beginning of year	$ 4,542,000	$ 4,542,000
Redemption of debentures via sinking fund	-	-
Principal, end of year	$ 4,542,000	$ 4,542,000

For the nine months period ended September 30, 2019, the Company incurred $323,618 (2018 - $289,552) of interest on the convertible debentures, which is included in finance costs.

As a condition of the convertible debentures, the Company is required to maintain a debt service coverage ratio. At September 30, 2019, the Company was in compliance with the covenant.

(b) Related parties:

	September 30, 2019	December 31, 2018
Convertible debentures, beginning of period	$ -	$ 2,384,113
Settlement of debt	-	(2,384,113)
Convertible debentures, end of period	$ -	$ -

8. Convertible debentures (continued):

(a) 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 and payables to TitanStar Finance Inc. of $740,044 (including Notes Payable of $600,000, Loan facility of $120,000, financing fees of $15,000 and interest expense) from its share of the proceeds from the sale of DSC. The convertible unsecured subordinated debentures had a carrying value of $2,384,113. 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 consolidated statement of income (loss) and comprehensive loss. As at December 31, 2017, the embedded derivative liability was classified as a current liability on the consolidated statement of financial position and was carried at a fair value of $5,000.

On January 22, 2018, the Company issued 523,116 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 consolidated statement of income (loss) and comprehensive loss.

9. Related party balances and transactions:

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

	September 30, 2019	December 31, 2018
Due to Hoche Partners (a) (b)	$ 152,964	$ 154,548
Due to Inovalis (c)	137,928	-
	$ 290,892	$ 154,548

Included in accounts payable and accrued liabilities is $15,946 of accrued interest charges (2018 - $53,615) owing to private companies related through common directors.

(a) Loan facility:

On April 4, 2018, the Company obtained a loan facility for up to $100,000. Under the terms of the loan facility, the Company may draw from time to time from April 4, 2018 to December 31, 2018, 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 $3,000. The Company is currently pursuing negotiation for the extension of the maturity of the loan facility.

For the year ended December 31, 2018, the Company drew $100,000 under this loan facility.

(b) Down payment:

On July 6, 2018, a private company of which the Chairman of the Board of the Company is a principal provided a $54,116 ($40,000USD) down payment for the refinance of the Martin Downs mortgage. The down payment will be repaid upon demand.

(c) Martin Downs Asset Management Fees:

On July 22, 2013, the Company entered into a management agreement with Inovalis USA, pursuant to which Inovalis USA provided management services to Martin Downs. As payment for its service, Inovalis USA is entitled to 1% of gross revenues. Inovalis USA is also entitled to a 1% disposition fee associated with the sale of its ownerhship interest in Martin Downs to the Company. On September 30, 2019, the Company terminated the management agreement with Inovalis USA and the associated fees became due (management fee - US$63,975.33 and disposition fee – US$40,192.04).

9. Related party balances and transactions (continued):

(d) Key management personnel compensation

		September 30, 2019		December 31, 2018
Former CFO:				
Consulting fees	$	-	$	21,000
Current CFO:				
Consulting fees		56,639		44,340
Corporate Secretary:				
Consulting fees		49,617		31,751
	$	106,256	$	97,091

Key management personnel include the members of the Board of Directors and executive officers of the Company.

(e) 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 former 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. As of May 30, 2018, the Asset Manager will no longer receive a monthly advisory fee. As of June 8, 2018, the former Chairman of the Board of the Company resigned and thus no longer provides asset management services.

For the nine months period ended September 30, 2019, the Company incurred operating expenses of $Nil (2018 - $47,917), included in general and administrative expenses, that were charged by the Asset Manager.

(f) 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.

9. Related party balances and transactions (continued):

(b) 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.

On May 30, 2018, the Board of Directors approved the payment of all asset management fees up to March 31, 2018, but that asset management fees would not be paid going forward. Payment was made in shares.

For the nine months period ended September 30, 2019, the Company recorded $Nil (2018 - $2,125) to Titanstar Capital and $Nil to Inovalis (2018 - $14,028) for management fees pursuant to the non-binding term sheet.

10. Share capital:

At September 30, 2019 and December 31, 2018, 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.

	September 30, 2019		December 31, 2018	
	Common shares	Amount	Common Shares	Amount
Issued and outstanding, beginning of period	216,761,868	$ 21,612,003	214,249,087	$ 17,852,974
Shares issued upon conversion of convertible debentures	-	-	-	-
Share issue – debt settlement (a) (b)	-	-	2,512,781	48,154
Share issue – additional interest in Martin Downs NSC, LLC (c)	38,459,269	-	-	3,710,875
Issued and outstanding, end of period	255,221,137	$ 21,612,003	216,761,868	$ 21,612,003

During the year ended December 31, 2018, the following share transactions occurred:

(a) The Company issued 1,989,665 common shares to TitanStar Capital and Inovalis, as settlement of amounts charged in relation to the non-binding term sheet. The shares were issued at a fair value of $29,845 in settlement of financial liabilities of the Company of $119,379 and as a result $89,535 has been recorded as a gain on settlement of financial liabilities in the consolidated statement of income (loss) and comprehensive loss.

(b) The Company issued 523,116 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 consolidated statement of income (loss) and comprehensive loss.

10. Share capital (continued):

(c) With respect to the acquisition in October 2018 of the additional 41% interest in Martin Downs NSC, LLC, the Company issued 38,459,270 common shares on February 22, 2019 to Inovalis and Hoche. As these common shares were not yet issued as at December 31, 2018 as the Company was waiting for final approval from regulatory authorities, the shares were presented as share capital to be issued in the consolidated statement of changes in shareholders' equity. The shares were issued at a fair value of $3,710,875.

11. Share options:

The Company's share option plan was amended on July 12, 2019 and is to be approved by the shareholders at the next annual general meeting. The previous 10% rolling stock option plan was amended to a 2% fixed stock option plan. The new plan will still allow the Company to adequately meet its compensation needs, while also decreasing the Company's regulatory costs, and also decreasing the risk of dilution to its shareholders. The exercise price of an option will be determined by the board of directors but will, in any event, not be less than the discounted market price of the Company's common shares at the time of the grant of the option.

Share option transactions and the number of share options outstanding are summarized as follows:

	September 30, 2019		December 31, 2018	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding, beginning of period	360,000	$ 0.06	1,920,000	$ 0.07
Share options expired	-	-	(1,560,000)	0.08
Outstanding, end of period	360,000	$ 0.06	360,000	$ 0.06
Share options exercisable	360,000		360,000	
Weighted average remaining life (years)	5.83		6.58	
Weighted average remaining life (years) - vested	5.83		6.58	

Total share-based compensation expense recognized for the nine months period ending September 30, 2019 was $Nil (2018 - $Nil).

Share options vested and share options outstanding for the period ended September 30, 2019 are summarized as follows:

Share options outstanding	Share options vested	Exercise price	Remaining contractual life (years)
360,000	360,000	$0.06	5.83

12. Earnings per share:

The weighted average basic and diluted common shares outstanding for the period ended September 30, 2019 are 247,754,686 (2018 – 215,488,012). The share options and convertibles debentures were excluded from the diluted net income per common shares as their effect would be anti-dilutive.

13. Capital management:

The Company's objectives when managing capital of $39,442,816 (2018 - $26,106,049), which is share capital, contributed surplus, equity component of convertible debentures, accumulated other comprehensive income, deficit, notes payable, mortgages 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.

14. Risk management and fair values:

The main risks that arise from the Company's financial statements are liquidity risk, interest rate risk, credit risk and foreign exchange risk. The Company's approach to managing these risks is summarized below.

Management's risk management policies are typically performed as a part of the overall management of the Company's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk.

These risks and the actions taken to manage them include the following:

(a) Liquidity risk:

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full.

14. Risk management and fair values (continued):

(a) Liquidity risk (continued):

The Company's financial liabilities include accounts payable and accrued liabilities, convertible debentures, mortgages payable, due to related parties, and notes payable.

The following table provides the future non-discounted scheduled payments of financial liabilities, including estimated interest payments:

Year ended December 31,	2019	2020	2021	2022	2023 and thereafter
Mortgages payable	$ 493,763	$ 13,189,351	$ 8,312,273	$ 580,194	$ 10,487,214
Convertible debentures payable	107,873	4,865,618	-	-	-
Notes payable	33,103	1,346,168	-	-	-
Accounts payable and accrued liabilities	1,301,600	-	-	-	-
Due to related parties	290,892	-	-	-	-
Total	$ 2,227,231	$ 19,401,137	$ 8,312,273	$ 580,194	$ 10,487,214

In order to meet the ongoing obligations, the Company is pursing a sale of portion of its interest in its properties to raise equity. The Company intends to retain 25% interest in each property and receive asset management fees for managing the portfolio.

(b) Interest rate risk:

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

As at September 30, 2019 and December 31, 2018 , the Company is not exposed to changes in market interest rates as all its borrowings are at fixed interest rate (except one mortgage payable that is at variable interest rate but with a cap) Therefore, changes in market interest rate do not have a significant impact on interest expense. The Company is exposed to the risk of change in fair value arising from interest rate fluctuations.

(c) Credit risk:

Credit risk arises from the possibility that debtors or tenants may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable (tenants), which may include the analysis of the financial position of the debtor or tenant and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. In the case of a tenant, management carefully watches and monitors rent payments which are due each month. An allowance for expected credit losses or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

14. Risk management and fair values (continued):

(c) Credit risk (continued):

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for expected credit losses.

(d) Foreign exchange risk:

Foreign exchange risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company is exposed to foreign exchange risk on transactions denominated in currencies other than the functional currency of each of the group's entities. Changes in the applicable exchange rates may result in a decrease or increase in foreign exchange income or loss. The Company may enter into forward exchange contracts to manage part of the foreign exchange risk exposures, but no forward contracts exist as at September 30, 2019.

The Canadian dollar equivalent of monetary assets and liabilities exposed to the foreign exchange risk are as follows:

	September 30, 2019	December 31, 2018
Cash	$ 7,170	$ 162,698
Notes payable	1,324,100	1,302,000
Accounts payable	65,793	102,069

If the Canadian dollar had strengthened or weakened 5 percent against the U.S. dollar with all other variables held constant, the Company would have additional income or loss from foreign exchange included in net income and equity for the period ended September 30, 2019 of approximately $69,131 (2018 – $12,390).

(e) 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 consolidated statement of financial position or for which fair value disclosure is required in the notes to the condensed consolidated interim financial statements are classified based on a three-level hierarchy as detailed in note 3(r).

For assets and liabilities that are recognized at fair value in the condensed consolidated interim 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.

14. Risk management and fair values (continued):

(e) Fair values (continued):

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.

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.

	September 30, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Investment properties	$ 38,958,734	$ 43,695,300	$ 41,050,682	$ 45,002,100
Mortgages payable	28,615,255	29,210,587	29,309,487	29,932,820
Convertible debentures – non-related parties	4,322,304	4,322,304	4,169,461	4,169,461

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, accounts receivable, accounts payable and accrued liabilities, notes payable and due to related parties approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

(*ii*) Mortgages payable and convertible debentures

The fair values of the mortgages payable and convertible debentures 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 period ended September 30, 2019

15. Commitments:

The Company has entered into premises leases plus operating costs expiring at the latest in February 2020. The minimum payments over the remaining year is as follows:

2019	$	672
2020	$	448

16. Notable events:

On May 3, 2019, Jean-Daniel Cohen resigned as CEO and Eric Fazilleau resigned as COO. The directors simultaneously appointed Mr. Fazilleau as CEO.

On September 20, 2019, the Company settled the previously announced litigation brought by its former directors T. Richard Turner, Greg Yuel and entities controlled by Turner and Yuel against the Company and certain of its current shareholders and directors.The settlement agreement provided, among other things, for a payment by the Company of approximately $1.25 million to repay loans made by the former directors and to settle all claims. The settlement was made without any admission of liability.

16. Subsequent events:

On October 10, 2019, as part of the settlement of litigation, the Company’s name was changed to Realia Properties Inc. The symbol on the TSX Venture Exchange was changed to “RLP.”