

Condensed Consolidated Interim Financial Statements of

**REALIA PROPERTIES INC. (formerly  
TitanStar Properties Inc.)**

For the nine months period ended September 30, 2020

**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, 2020 and December 31, 2019, and the results of its operations and its cash flows for the nine months period ended September 30, 2020 and September 30, 2019.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

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

	September 30, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash	\$ 1,920,876	\$ 803,021
Amounts receivable	743,461	488,352
Prepaid expenses and deposits	102,857	56,590
	<u>2,767,194</u>	<u>1,347,963</u>
Investment properties (note 5)	38,478,816	38,343,769
Mortgage reserve fund	1,336,979	661,870
	<u>\$ 42,582,989</u>	<u>\$ 40,353,602</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 858,875	\$ 1,143,513
Notes payable (note 6)	1,331,900	1,299,000
Current portion of mortgages payable (note 7)	19,845,121	11,937,966
Due to related parties (note 9)	2,237,278	287,273
Convertible debentures – non-related parties (note 8)	4,542,000	4,375,450
	<u>28,815,171</u>	<u>19,043,202</u>
Tenants' security deposits	199,597	221,558
Mortgages payable (note 7)	8,658,398	15,985,230
	<u>37,673,169</u>	<u>35,249,990</u>
Shareholders' equity:		
Share capital (note 10)	21,800,437	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	1,169,908	866,657
Deficit	(19,646,622)	(18,961,744)
Equity attributable to the shareholders of Realia Properties Inc.	<u>4,841,100</u>	<u>5,034,293</u>
Non-controlling interest	68,721	69,319
Total Shareholders' equity	<u>4,909,821</u>	<u>5,103,612</u>
	<u>\$ 42,852,990</u>	<u>\$ 40,353,602</u>

Subsequent events (note 18)

See accompanying notes to condensed consolidated interim financial statements for additional clarification.

Approved on behalf of the Board:

"Jean-Daniel Cohen"  
Director

"Stephane Amine"  
Chair, Audit Committee

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

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

	For three months ended		For nine months ended	
	Sep. 30, 2020	Sep. 30, 2019	Sep. 30, 2020	Sep. 30, 2019
Revenue:				
Rental income	\$ 761,253	\$ 846,136	\$ 2,432,173	\$ 2,531,339
Recoveries of operating expenses income	290,042	305,433	975,280	963,760
Other income	18,904	8,439	79,710	26,159
	<b>1,070,199</b>	1,160,008	<b>3,487,163</b>	3,521,258
Property operating expenses				
Operating and leasing expenses	(339,264)	(416,905)	(1,029,197)	(1,109,138)
Earnings from property operations	<b>730,935</b>	743,103	<b>2,457,966</b>	2,412,120
Other revenues (expenses):				
General and administrative (note 12)	(82,852)	(351,621)	(307,946)	(916,440)
Depreciation	(373,925)	(436,108)	(1,157,006)	(1,591,943)
Net finance costs (note 13)	(631,845)	(656,025)	(1,937,437)	(1,972,477)
Gain on write-off of financial liabilities (notes 8 and 10)	-	-	337,236	-
Loss on settlement of dispute	-	(289,955)	-	(289,955)
Foreign exchange gain (loss)	(68,477)	26,769	(78,288)	30,835
	<b>(1,157,099)</b>	(1,706,940)	<b>(3,143,441)</b>	(4,739,980)
Income (loss) for the period	\$ (426,164)	\$ (963,837)	\$ (685,475)	\$ (2,327,860)
Other comprehensive income (loss):				
Foreign currency translation on US operations	191,724	(74,460)	(303,250)	494,583
Comprehensive income (loss)	\$ (234,440)	\$ (1,038,297)	\$ (988,725)	\$ (1,823,277)
Net income (loss) for the period attributed to:				
Non-controlling interest	(588)	(1,916)	(598)	(5,887)
Shareholders of Realia Properties Inc.	(425,576)	(961,921)	(684,877)	(2,321,973)
	\$ (426,164)	\$ (963,837)	\$ (685,475)	\$ (2,327,860)
Comprehensive income (loss) for the period attributed to:				
Non-controlling interest	(588)	(1,916)	(598)	(5,887)
Shareholders of Realia Properties Inc.	(233,852)	(1,036,381)	(988,127)	(1,827,390)
	\$ (234,440)	\$ (1,038,297)	\$ (988,725)	\$ (1,833,277)
Weighted average number of units	255,221,137	255,221,137	255,221,137	247,754,686
Basic and diluted loss per common share (note 14)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

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

	Number of shares	Share capital	Share capital to be issued	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, 2018	216,761,868	17,901,128	3,710,875	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 <sup>(1)</sup>	38,459,269	3,710,875	(3,710,875)	-	-	-	-	-	-	-
Net income (loss) for the period	-	-	-	-	-	-	(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
Balance, December 31, 2019	255,221,137	21,612,003	-	269,319	1,248,058	866,658	(18,961,745)	5,034,293	69,319	5,103,612
Adjustment re writeoff of Desjardins fees <sup>(2)</sup>	-	188,434	-	-	-	-	-	188,434	-	188,434
Net income (loss) for the period	-	-	-	-	-	-	(684,877)	(684,877)	(598)	(685,475)
Other comprehensive income (loss)	-	-	-	-	-	303,250	-	303,250	-	303,250
Balance, September 30, 2020	255,221,137	21,800,437	-	269,319	1,248,058	1,169,908	(19,646,622)	4,841,100	68,721	4,909,821

See accompanying notes to condensed consolidated interim financial statements.

<sup>(1)</sup> 38,459,269 shares issued February 22, 2019 (note 11c)

<sup>(2)</sup> write-off of Desjardins fees on equity raised from 2015 originally applied to offset share capital

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

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

	For the nine months ended September 30,	
	2020	2019
Cash provided by (used in):		
Cash flows from operating activities:		
Net income (loss) for the period	\$ (684,877)	\$ (2,321,973)
Adjustments to reconcile net (income) loss for the period to net cash provided by operating activities:		
Depreciation and amortization	1,210,539	1,645,476
Accretion of convertible debentures	113,018	99,310
Gain on write-off of financial liabilities	337,236	-
Foreign exchange (gain) loss	78,288	30,835
Interest expense	1,747,454	1,814,009
Change in operating assets and liabilities	(571,863)	60,136
	<u>2,229,795</u>	<u>1,327,793</u>
Cash flows from investing activities:		
Additions to investment properties	(197,372)	(383,549)
Security deposits returned	27,572	22,448
	<u>(169,800)</u>	<u>(361,101)</u>
Cash flows from financing activities:		
Repayment of debt	(161,466)	(992,192)
Advances from related parties	1,984,387	104,167
Proceeds from mortgages payable	-	287,427
Contributions to mortgage reserve fund	(675,109)	(347,798)
Interest paid	(1,538,013)	(1,733,019)
	<u>(390,201)</u>	<u>(2,681,415)</u>
Effect of exchange rate changes on cash	(551,939)	(503,767)
Increase (decrease) in cash	1,117,855	(2,218,490)
Cash, beginning of year	803,021	3,050,264
Cash, end of year	<u>\$ 1,920,876</u>	<u>\$ 831,774</u>

See accompanying notes to condensed consolidated interim financial statements.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

## 1. Organization:

Realia Properties Inc. (“Realia” and collectively with its subsidiaries the “Company”) (formerly TitanStar Properties Inc. before a name change effective October 18, 2019) 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 focus is on necessity-based, retail / commercial properties and community centers.

These condensed consolidated interim financial statements have been approved and authorized for issue by the Board of Directors on November 30, 2020.

## 2. Basis of presentation and statement of compliance:

The accompanying condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) using the same presentation and accounting policies in the December 31, 2019 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, 2019.

## 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 the group entities unless otherwise stated.

### (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., Realia Properties US (formerly 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.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

### 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 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.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

### 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	5 - 15 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.



# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

### 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) 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.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

### 3. Significant accounting policies (continued):

#### (h) 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.

#### (i) 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.

#### (j) 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.

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.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

### 3. Significant accounting policies (continued):

(k) 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.

(l) 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.

(m) 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.

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).

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

### 3. Significant accounting policies (continued):

#### (m) Foreign currency translation (continued):

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.

#### (n) 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 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.

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 condensed consolidated interim 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.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

### 3. Significant accounting policies (continued):

(o) 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.

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.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

### 3. Significant accounting policies (continued):

(o) Financial instruments (continued):

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.

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
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
Tenants' security deposits	Financial liabilities at amortized cost	Amortized cost

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

### 3. Significant accounting policies (continued):

(p) Impairment of assets:

(i) Financial assets:

The Company applies an expected loss model that assesses the risk a financial asset will default rather than whether a loss has been incurred. 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.

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.

(q) 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 condensed consolidated interim 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.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

### 3. Significant accounting policies (continued):

(r) New accounting policies adopted in the prior period:

#### *Adoption of IFRS 16, Leases ("IFRS 16")*

IFRS 16 was issued in January 2016 and applies to annual financial reporting periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17, *Leases*, and related interpretations. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. All leases result in the lessee obtaining the right to use an asset at the start of the lease and incurring a financing obligation corresponding to the lease payments to be made over time.

The adoption of IFRS 16 did not have an impact on the Company's condensed consolidated interim financial statements for the period ended September 30, 2020.

(s) Future changes to significant accounting policies:

Certain standards, amendments and interpretations have been issued but are not yet effective up to the date of the issuance of these condensed consolidated interim financial statements. Such issued standards and interpretations are not expected to have a material impact on the Company's condensed consolidated interim financial statements.



# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

## 4. Critical accounting judgments, estimates and assumptions:

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

### (a) Judgements:

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

#### (i) Business combinations:

The Company acquires interests in entities that own investment properties. At the time of acquisition, the Company considers whether the acquisition represents a business combination or acquisition of a group of assets and liabilities. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the investment property. When the acquisition does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities, and the acquisition cost is allocated to the assets and liabilities acquired based on their relative fair values at the acquisition date. The Company may elect to use the concentration test as permitted and defined in the amendment to IFRS 3 to assess if a transaction could be accounted for as an asset acquisition

#### (ii) Investment properties:

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

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

## 4. Critical accounting judgments, estimates and assumptions (continued):

### (a) Judgements: (continued)

#### (iii) Going concern:

The assessment of the Company's ability to continue on a going concern basis, to obtain sufficient funds to cover ongoing operating expenses and to meet its obligations for the coming year involves a large part of judgment based on past experience and other factors, including expectations of future events that are considered reasonable in the circumstances.

### (b) Estimates:

The significant areas of estimation include the following:

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

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

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

#### (ii) Convertible debentures:

For convertible debentures containing an equity component, the Company assesses the value of the debt component which is calculated at the estimated fair value of the future interest and principal payments due under the terms of the convertible debentures, using an estimated discount rate based on Management's estimated cost of capital.

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

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## 5. Investment properties:

	September 30, 2020	December 31, 2019
Balance, beginning of year	\$ 38,343,769	\$ 41,050,682
Capital additions	196,774	640,384
Depreciation	(1,157,006)	(1,443,931)
Foreign currency translation	1,095,280	(1,903,366)
Balance, end of the year	\$ 38,478,816	\$ 38,343,769

- (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 (note 9). 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, Realia 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 \$1,304,750 (US\$1,000,000), for a note payable still outstanding as at September 30, 2020 (note 6).

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

## 5. 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 38,459,269 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, begin 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.

The estimated fair value of the Company's investment properties at September 30, 2020 was \$43,939,381 (US\$32,990,000) and at December 31, 2019 was \$42,854,010 (US\$32,990,000).

## 6. Notes payable:

	September 30, 2020	Dec 31, 2019
Martin Downs GP, LLC	\$1,331,900	\$1,299,000
Total Notes Payable	\$1,331,900	\$1,299,000

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 one of the Company's officers is a partner for an amount of \$1,304,750 (US\$1,000,000).

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%. The note matured on August 30, 2019 and was extended to February, 2020 in exchange for an extension fees of \$21,053 (US\$15,000), extended to August 31, 2020 in exchange for extension fees of \$20,124 (US\$15,000) and further extended to April 29, 2021 in exchange for an extension fees of \$39 957 (US\$30,000). The Company may, from time to time, repay all or any part of the amount subject to a minimum interest payment requirement.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## 7. Mortgages payable:

	September 30, 2020	Dec 31, 2019
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	\$ 8,862,490	\$ 8,752,648
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	7,705,761	7,564,043
Mortgage payable bears a floating interest rate, the greater of 1-month LIBOR plus 4.95% (6.71% as at December 31, 2019; 7.45% at December 31, 2018) or 7.075%, maturing on April 29, 2021 (a)	11,987,100	11,691,000
	28,555,351	28,007,691
Less: deferred financing costs	(51,833)	(84,495)
Less: current portion	(19,845,121)	(11,937,966)
	\$ 8,658,398	\$ 15,985,230

(a) The original maturity date of the mortgage payable was August 20, 2019. A first amendment to the mortgage loan agreement extended the maturity date to February 29, 2020, and a second amendment extended again the maturity date to April 29, 2020. An extension fee of \$59,706 (US\$45,000) was charged by the lender, payable at maturity. A third amendment to the mortgage loan agreement extended the current maturity date to April 29, 2021.

The mortgages payable are recorded at amortized cost and bear a weighted average effective interest rate of 6.12% as at September 30, 2020 (December 31, 2019 – 6.12%). The mortgages payable are secured by the Company's investment properties.

Principal repayments, as of September 30, 2020, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2020	\$ 109,476
2021	19,782,630
2022	168,058
2023	176,386
2024	183,987
Thereafter	8,134,814
	\$ 28,555,351

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## 7. Mortgages payable (continued):

For the period ended September 30, 2020, the Company incurred \$1,312,283 (September 30, 2019 - \$1,337,562) of interest on the mortgages payable, which is included in finance costs (note 13).

## 8. Convertible debentures:

Non-related parties:

	September 30, 2020	Dec 31, 2019
Liability, beginning of year	\$ 4,428,983	\$ 4,294,371
Accretion	113,018	134,612
Liability, end of year	4,542,000	4,428,983
Transaction costs, beginning of year	(53,533)	(124,910)
Amortization of transaction costs	53,533	71,377
Transaction costs, end of year	-	(53,533)
<b>Convertible debentures</b>	<b>\$ 4,542,000</b>	<b>\$ 4,375,450</b>

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 initial 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.

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.

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.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## 8. Convertible debentures (continued):

Non-related parties (continued):

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 condensed consolidated interim 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%.

On September 30, 2020 the convertible debentures matured. Given the COVID19 crisis, the Company was not in a position to repay the principal amount of the outstanding debentures, but did pay the interest due.

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

	September 30, 2020	Dec 31, 2019
Principal, beginning of year	\$ 4,542,000	\$ 4,542,000
Principal, end of year	\$ 4,542,000	\$ 4,542,000

For the period ended September 30, 2020, the Company incurred \$323,618 (September 30, 2019 - \$323,618) of interest on the convertible debentures, which is included in finance costs (note 13).

As a condition of the convertible debentures, the Company is required to maintain a debt service coverage ratio. At the end of September 30, 2020, the Company was in compliance with the covenant.

## 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, 2020	Dec 31, 2019
Due to Hoche Private Equity Investors SARL (b) (c) (d)	\$ 584,387	\$ 151,960
Due to Inovalis USA LLC (e)	138,741	135,313
Due to Inovalis S.A. (f)(g)	1,500,000	-
Due to Kyra Dorn (h)	14,150	-
	<b>\$ 2,237,278</b>	<b>\$ 287,273</b>

Included in accounts payable and accrued liabilities is \$9,268 of accrued interest charges (September 30, 2019 - \$15,946) owing to private companies related through common directors.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## 9. Related party balances and transactions (continued):

### (a) Key management personnel compensation

	September 30, 2020	Dec 31, 2019
CFO:		
Consulting fees	60,798	79,737
Corporate Secretary:		
Consulting fees (former)	23,763	66,140
Consulting fees (current)	9,999	-
	<b>\$ 94,560</b>	<b>\$ 145,877</b>

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

### (b) 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 facility is repayable upon demand.

The Company drew \$100,000 in 2018 under this loan facility. The loan remains outstanding at September 30, 2020.

### (c) Down payment:

On July 6, 2018, a private company of which the Chairman of the Board of the Company is a principal provided a \$52,336 (US\$40,000) down payment for the refinancing of the Martin Downs mortgage. The down payment is repayable upon demand.

### (d) Interest Reserve:

On April 29, 2020, a private company of which the Chairman of the Board of the Company is a principal provided a US\$323,681.25 (CAD \$439,429.67) payment for an up-front 6-month interest reserve associated with the extension of the Martin Downs mortgage. The note payable



# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

bears interest at a fixed rate of 7.5% per annum and ending until all indebtedness owing is repaid. The note is repayable upon demand. The Company may, from time to time, repay all or any part of the note payable without penalty.

## 9. Related party balances and transactions (continued):

### (e) Asset Management and Disposition Fees – Martin Downs:

On July 22, 2013, Martin Downs NSC, LLC entered into a management agreement with Inovalis USA LLC, pursuant to which Inovalis USA LLC provided management services to Martin Downs NSC, LLC with respect to the investment properties it holds. As payment for its services, Inovalis USA LLC was entitled, until October 31, 2018, to 1% of gross revenues collected, as asset management fees. Inovalis USA LLC was also entitled to a 1% disposition fee associated with the sale of its ownership interest in Martin Downs to the Company. On September 30, 2019, the Company formally terminated the management agreement with Inovalis USA LLC and the associated fees became due (management fee – \$84,700 (US\$63,975) and disposition fee – \$53,213 (US\$40,192)).

### (f) Working Capital

On September 27, 2020, Inovalis S.A., a private company of which one of the Director's is a principal, provided a CAD\$400,000 loan to fund ongoing working capital requirements of the Company. The note payable bears interest at a fixed rate of 7.5% per annum and matures on September 27, 2021. The Company may, from time to time, repay all or any part of the note payable without penalty.

### (g) Overfunding

On September 27, 2020, Inovalis S.A., overfunded the working party loan by \$1,100,000. This amount was refunded in October 2020.

### (h) Expense Reimbursement

On September 30, 2020, an officer of the Company submitted an expense report for reimbursement of corporate legal fees.

## 10. Share capital:

At September 30, 2020 and December 31, 2019, 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, 2020		December 31, 2019	
	Common shares	Amount	Common Shares	Amount
Issued and outstanding, beginning of year	255,221,137	\$ 21,612,003	216,761,868	\$ 21,612,003
Write-off of financial liability (a)	-	188,434	-	-
Share issue – additional interest in Martin Downs NSC, LLC (b)	-	-	38,459,269	-

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

Issued and outstanding, end of year	255,221,137	\$ 21,800,437	255,221,137	\$ 21,612,003
-------------------------------------	-------------	---------------	-------------	---------------

---

During September 30, 2020 and December 31, 2019, the following share transactions occurred:

- (a) In 2015, the Company offset \$467,995 of share capital with regards to Desjardins 6% finders fees on equity raised and recorded a liability to Desjardins. In 2016 audit, \$279,561 of share capital was reclassified to share issue costs. On March 31, 2020, the total liability was written off and the remaining balance to share capital of \$188,434 was reversed. The share issue costs has been fully amortized, the remaining balance to reverse the liability was recorded as a miscellaneous income.
  
- (b) With respect to the acquisition in October 2018 of the additional 41% interest in Martin Downs NSC, LLC (Note 5c), the Company issued 38,459,269 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 condensed consolidated interim statement of changes in shareholders' equity. The shares were issued at a fair value of \$3,710,875.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## 11. Share options:

The Company's 2008 stock option plan was approved by the shareholders at the annual general meeting on December 2, 2009. The share option plan provides that the aggregate number of common shares reserved for issuance under the share option plan, together with any share options outstanding, will not exceed 10% of the Company's issued and outstanding common shares at any time. On July 12, 2019, the board of directors of the Company adopted a modification to the plan to adopt a 2% fixed stock option plan of up to a maximum of 5,104,422 options available for issuance. 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, 2020		December 31, 2019	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding, beginning of year	360,000	\$ 0.06	360,000	\$ 0.06
Outstanding, end of year	360,000	\$ 0.06	360,000	\$ 0.06
Share options exercisable	360,000		360,000	
Weighted average remaining life (years)	4.83		5.58	
Weighted average remaining life (years) - vested	4.83		5.58	

Total share-based compensation expense recognized for the period was \$Nil (2019 - \$Nil).

Share options vested and share options outstanding for the period ended September 30, 2020 are summarized as follows:

Share options outstanding	Share options vested	Exercise price	Remaining contractual life (years)
360,000	360,000	0.06	4.83

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## 12. General and administrative expenses:

	Sep. 30, 2020	Sep. 30, 2019
Insurance	\$ 15,375	\$ 12,225
Bank charges	3,443	2,155
Filing fees	21,642	21,877
Office costs	17,856	62,162
Management fees (note 10e)	-	-
Professional fees	247,963	816,303
Travel	1,667	1,784
	<b>\$ 307,946</b>	<b>\$ 916,507</b>

## 13. Finance costs:

	Sep. 30, 2020	Sep. 30, 2019
Interest on long-term debt and notes payable	\$ 1,747,454	\$ 1,814,009
Financing fees	21,845	5,114
Amortization of transaction costs	53,533	53,533
Accretion of convertible debenture – non-related parties	113,018	99,310
Miscellaneous Interest (income) expense	1,587	512
	<b>\$ 1,937,437</b>	<b>\$ 1,972,477</b>

## 14. Earnings per share:

The weighted average basic and diluted common shares outstanding for the period ended September 30, 2020 are 255,221,137 (2019 - 249,636,640). The share options and convertibles debentures were excluded from the diluted net income per common shares as their effect would be anti-dilutive.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

## 15. Capital management:

The Company's objectives when managing capital of \$41,524,518 (2019 - \$38,988,532), 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 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.

## 16. 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.

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

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## 16. Risk management and fair values (continued):

### (a) Liquidity risk (continued):

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

Year ended	2020	2021	2022	2023	2024 and thereafter
Mortgages payable	\$ 496,672	\$ 20,738,223	\$ 583,612	\$ 583,612	\$ 9,381,767
Convertible debentures payable	4,542,000	-	-	-	-
Notes payable	1,365,196	-	-	-	-
Accounts payable and accrued liabilities	858,875	-	-	-	-
Due to related parties	2,237,278	-	-	-	-
<b>Total</b>	<b>\$ 9,500,021</b>	<b>\$ 20,738,223</b>	<b>\$ 583,612</b>	<b>\$ 583,612</b>	<b>\$ 9,381,767</b>

In order to meet the 2020 obligations, the Company is pursuing a sale of a 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, 2020 and December 31, 2019, the Martin Downs mortgage, accounting for 42% of total outstanding mortgage principal balance as of 3Q2020 end, was subject to a floating rate loan. The Company manages the interest rate risk by utilizing a mix of floating and fixed rate debt, but strives towards replacing floating rate with fixed rate debt when possible. 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.

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.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## 16. Risk management and fair values (continued):

### (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, 2020 and December 31, 2019.

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

	September 30, 2020	Dec 31, 2019
Cash	\$ 7,124	\$ 9,359
Notes payable	1,331,900	1,299,000
Accounts payable	67,420	60,215

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, 2020 of approximately \$69,615 (2019 – \$69,131).

### (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 condensed consolidated interim 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(q).

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.

# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## 16. Risk management and fair values (continued):

### (e) 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.

	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Investment properties	\$38,478,816	\$43,939,381	\$38,343,769	\$42,854,010
Mortgages payable	\$28,555,351	\$28,558,283	\$28,007,691	\$28,642,170
Convertible debt	\$4,542,000	\$4,542,000	\$4,375,450	\$4,375,450

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. To note, given that COVID-19 has had tremendous impact on loan refinancing, market interest rate comparables are not available for 3Q2020 and in-place rates have been utilized.

#### (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, 2020.



# REALIA PROPERTIES INC. (formerly TitanStar Properties Inc.)

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

---

## 17. COVID-19:

Subsequent to year-end, an outbreak of a new strain of coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets at the date of completion of the financial statements. These events have caused significant changes to the in place cash flows in the beginning of the year. As the Company owns retail strip centers, several of the tenants had been deemed non-essential and had been required to close. Most of these tenants have re-opened in June, however, Arizona and Florida are facing their second wave of the COVID-19 crisis.

As of November 27, 2020, 116<sup>th</sup> Street Centre, located in Carmel, IN, reported that there are currently no restrictions mandating the closure of certain tenants, however, restaurants are still restricted to 75% capacity. The mortgage is current and the Company is not pursuing any mortgage deferral.

As of November 27, 2020, Metro Gateway, located in Phoenix, Arizona, reported that there are currently no restrictions mandating the closure of certain tenants, however, bars and restaurants are to restricted to 50% capacity when there is positive COVID testing is reported at 3% or more. The majority of tenants at the center have been impacted as a result of the COVID-19 related closures and several rent relief packages have been granted. Additionally, two tenants have vacated since year end 2019. As such, there has been inadequate property level funds to pay mortgage payments in full. The Company has negotiated a mortgage payment package with the special servicer to occur on November 30, 2020, at which time the mortgage will be brought current.

As of November 27, 2020, Martin Downs Town Center, located in Palm City, FL, reported that all tenants had reopened, though restaurants are still operated at limited capacity. The mortgage is paid current from the interest reserve.

## 18. Subsequent Events:

On November 4, 2020, the holders of the non-related party convertible debentures granted the Company a formal waiver of default and approved a 3-month extension of the debentures to allow for the negotiations of a modification to the debentures.