TITANSTAR PROPERTIES INC.

FORM 51-102F1

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended June 30, 2019

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SECTION I

This Management's Discussion and Analysis ("MD&A") dated August 28, 2019 is in respect of the six months period ended June 30, 2019, and should be read in conjunction with the condensed consolidated interim financial statements for the six months period ended June 30, 2019 together with the audited consolidated financial statements and appended notes and MD&A for the year ended December 31, 2018.

FORWARD-LOOKING DISCLAIMER

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

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

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

BASIS OF PRESENTATION

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information included in this MD&A for the six months period ended June 30, 2019 includes material information up to August 28, 2019. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended June 30, 2019, available on SEDAR at www.sedar.com.

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

OVERVIEW OF THE COMPANY

TitanStar Properties Inc. (formerly "Titanstar Properties Inc." and "DPVC Inc.") was incorporated under the *Canada Business Corporations Act* on June 3, 2008 and is a real estate holding company trading on the TSX Venture Exchange (the "Exchange"). The Company issued share capital and commenced operations on June 30, 2008. On September 27, 2010, the Company's shareholders passed a special resolution approving a change in the Company's name from "DPVC Inc." to "TitanStar Properties Inc.". On January 9, 2019, the company's Board of Directors passed a resolution to change the Company's name from "TitanStar Properties Inc." to "Realia Properties Inc." which was approved at the Annual General Meeting on June 3, 2019. In relation to the new corporate name, the Company has also introduced a new web address and updated its website. The Company can now be found at www.RealiaProperties.com.

As at June 30, 2019, the Company held a 100% beneficial interest in 116th Street Centre located in Indianapolis, Indiana, a 100% beneficial interest in Metro Gateway Shopping Center located in Phoenix, Arizona, and a 99% membership interest in Martin Downs NSC LLC, a partnership which holds registered title to Martin Downs Town Center located in Palm City, Florida.

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 in the United States with value to be maximized through the acquisition of well-positioned quality assets where management believes there will be room to improve occupancy and increase lease rates which will each contribute to value creation.

The focus is on necessity-based neighborhood shopping centers.

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

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

  DSC LP owned certain lands located in Las Vegas, Nevada (the "Deer Springs Property" or "DSC") and LVLH LP owned a promissory note (with respect to a loan related to the Deer Springs Property) and certain related security documents (the "Deer Springs Note"). On January 10, 2018, the Company, along with its partner Juliet, sold a portion of DSC, and as of May 21, 2018, the Company and Juliet sold their remaining interests in DSC.

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

  BSP LP was formed by the Company and RED Development, the managing partner, and completed its acquisition of a commercial retail property located in Blue Springs, Missouri (the "Adams Dairy Landing") in 2013. The Adams Dairy Landing property is a 279,934 square foot retail shopping center. 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.

- 99% beneficial interest in a Delaware LLC, Martin Downs NSC LLC

  On September 2015, the Company purchased 49% ownership interest in Martin Downs NSC LLC, which holds Martin Downs Town Center ("Martin Downs"), a 36,252 square foot, 100% leased

neighborhood retail shopping center located in Palm City, Florida. On August 31, 2018 and October 17, 2018, the Company acquired an additional 9% and 41% ownership interest in the property, respectively.

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

  TSP Metro Gateway, LLC was formed by the Company and completed its acquisition of a commercial retail property located in Phoenix, Arizona (the "Metro Gateway") in 2016. Metro Gateway is a 67,793 square foot retail shopping center. It is currently 100% leased.

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

  TSP 116th Street, LLC was formed by the Company and completed its acquisition of a commercial retail property located in Indianapolis, Indiana (the "116th Street") in 2016. 116th Street is a 44,854 square foot retail shopping center. It is currently 90% leased.

A detailed description of each property interest owned through subsidiaries or joint ventures of the group follows below.

On July 19, 2018, the Company announced that a Notice of Civil Claim has been filed with the Supreme Court of British Columbia by its former directors and certain entities owned by the former directors against the Company and certain of its current shareholders and directors with respect to:

- an alleged breach of the Shareholder Agreement between the former directors of the Company and the Company
- an alleged breach of the Trade-Name License Agreement and the Domain Name License Agreement between the Company and a company owned by one of the former directors of the Company

The action seeks, among other relief, a declaration that the former directors and their entities are no longer required to make any payments to the Company under a loan agreement that was entered into concurrently with the Shareholder Agreement.

On August 24, 2018, the Company filed a Response to Civil Claim and a Counterclaim in the Supreme Court of British Columbia in response to the Notice of Civil Claim announced on July 19, 2018.

The Company's position in the Response is that:

- it is not in breach of the Shareholder Agreement between the Plaintiffs, the Company and certain of its shareholders
- it is not in breach of the financing agreements between the Plaintiffs, the Company and certain of its shareholders
- it is not in breach of the Trade-Name Licence Agreement and the Domain Name Licence Agreement between the Company and TitanStar Investment Group Inc.

On September 18, 2018, the Company received a Response to Counterclaim whereas the defendants in the Counterclaim deny all claims.

The Company intends to continue to vigorously defend its rights and interests and to pursue any remedies available to it as a result of any damages caused to it.

PROPERTY PORTFOLIO

Overview

As at June 30, 2019, the Company's real estate portfolio consisted of three properties. The details of each property as at the date of this MD&A are as follows:

Property	Date Acquired	%	Purchase Price (USD)[1]	Lot Size (acres)	Gross Leasable Area (sq ft)	Built/ renovated	Major Tenants	Occupancy
Martin Downs [2] Town Center (Palm City, FL)	September 2015	99%	11.5 million [3]	7.49	36,252	2006	• Panera Bread • BB & T • Sun Trust Bank • Edward Jones	100%
Metro Gateway [4] Shopping Center (Phoenix, AZ)	March 2016	100%	9.1 million	6.46	73,146	1978/1986	• Planet Fitness • Laser Quest • Dart Bar • Domino's Pizza	100%
116th Street Center [5] (Indianapolis, IN)	August 2016	100%	9.825 million	3.97	44,839	2007/2008	• Fred Astaire Dance • Upland Brewing Co. • Sylvan Learning • Caliente Mexican	90%

Notes:

(1) Subject to customary closing adjustments.

(2) Martin Downs is owned directly by Martin Downs NSC LLC. The Company owns 99% beneficial interest through its subsidiary TitanStar US Inc.

(3) The Company initial acquired its 49% ownership interest based on the purchase and sales agreement price of $11.5MM. The acquisition of the additional 41% interest from Inovalis City Center Retail Fund was based on the $11.5MM price per the PSA. The acquisition of the 9% was based on an agreed upon value of $1.0MM.

(4) Metro Gateway is owned directly by TSP Metro Gateway LLC, a Nevada LLC. The Company owns a 100% beneficial interest through its subsidiary, TitanStar US, Inc.

(5) 116th Street is owned directly by TSP 116th Street, LLC, a Nevada LLC. The Company owns a 100% beneficial interest through its subsidiary, TitanStar US, Inc.

Deer Springs Property

At acquisition, the Deer Springs Property was a 22.9 acre (926,012 sq. ft.) parcel of property located in Las Vegas, Nevada. The Property is located near the I-215/North Fifth interchange in North Las Vegas. When initially acquired, the Deer Springs Property was partially improved with concrete curbs, gutters, sidewalks, street lights, asphalt-paved parking areas and other improvements.

On February 27, 2017, the Company announced that a 3,900 square foot multi-tenant building, constructed on 24,320 square feet of land and leased to two national tenants (Subway IP Inc. ("Subway") and Dollar Loan Centre, LLC ("Dollar Loan")) had been completed and the two tenants were in occupancy.

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

On May 21, 2018, the Company, together with its partner Juliet, completed the sale of the remaining portion of the DSC property. In consideration of the sale, the Company and Juliet received a gross purchase price of USD$1.65 million, of which the Company received a net USD$377,000 for its beneficial 50% interest in the property. The purchasers were at arm's length to the Company.

Adam's Dairy Landing

Adams Dairy Landing ("ADL") is a 279,934 square foot retail shopping centre shadow anchored by two US national retail chains: Target (for 131,630 square feet) and Kohl's (for 64,015 square feet).

During the year ended December 31, 2017, the Company, along with its limited partner in ADL performed an impairment analysis of the income property consisting of an assessment of market conditions and expected cash flows to be generated from the property. The Company determined the recoverable amounts from the expected future cash flows was less than its carrying value, and recorded an impairment loss of $3,813,900. Further, the Company performed an impairment review of its investment in joint ventures and associates in the consolidated statement of income (loss) of $1,153,148. As a result of the full impairment of its investment in ADL, the Company discontinued recognizing its share of further losses.

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.

Martin Downs Town Center

Martin Downs Town Center is a 36,252 square foot neighborhood retail shopping center located in Palm City, Florida, covering a total site area of 7.6 acres. The center was built in 2006 and as of the date of this MD&A is 100% leased, shadow anchored by a Publix supermarket. The center has a variety of retail tenants including Panera Bread, BB & T (Trust Company), Sun Trust Bank, Edward Jones, Dunkin' Donuts, Olympic Diner, Hokkaido Hibachi and Sushi, and others.

Pursuant to the terms of the acquisition, the sellers received US$2.369 million in exchange for the Company's acquisition of an initial 49% interest in the joint venture. Consideration and closing costs for the acquisition were paid by issuing common shares of the Company. The property was independently

appraised at US$12.5 million and the transaction was concluded based on a property value of US$11.5 million. Prior to the acquisition, the center was 90% owned by an affiliate of Inovalis, Inovalis City Center Retail Fund Inc. and 10% owned by Martin Downs GP LLC. The Company acquired its interest from Inovalis City Center Retail Fund Inc.

On August 31, 2018, the Company acquired an additional 9% ownership interest from Martin Downs GP LLC for $1,302,000 (US$1,000,000), which is still outstanding as at June 30, 2019.

On October 17, 2018, the Company acquired an additional 41% interest from Inovalis City Center Retail Fund Inc. 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 begin to consolidate Martin Downs NSC, LLC at the time of the acquisition of the additional 41% interest.

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

Metro Gateway Shopping Center

Metro Gateway is a 73,146 square foot community center located in Phoenix, Arizona on approximately 6.4 acres. As of the date of this MD&A is 100% leased. The well-located, stabilized shopping center is comprised of a complimentary mix of long-term leased tenants including Planet Fitness, Laser Quest and Dart Bar.

The acquisition cost of US$9,100,000 was financed, in part, through a first mortgage deed of US$6,080,000. The remainder of the acquisition cost was funded from proceeds of the convertible debenture private placement of an aggregate principal amount of $4,500,000 of 8% convertible unsecured subordinated debentures.

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

116th Street Centre

116th Street Centre is a 44,839 square foot retail center located in Indianapolis, Indiana on approximately 3.97 acres. As of the date of this MD&A it is 90% leased. The well-located, stabilized shopping center is comprised of a complimentary mix of long-term leased tenants including Sylvan Learning, Fred Astaire Dance Studio, Caliente Mexican Grill, Meridian Design Group and Upland Brewing Co.

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

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

OUTLOOK

The Company owns interest in three neighborhood shopping centers. The Company anticipates selling a portion of its interest in the assets to repay the outstanding corporate debts as they come due.

INVESTING ACTIVITY

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

SECTION II

NON-IFRS INDUSTRY MEASURES

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

a) Adjusted Funds From Operations ("AFFO")

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

b) AFFO Company

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

c) Debt Coverage Ratio

   NOI divided by mortgage cost (principal and interest).

d) Debt to Gross Book Value

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

e) Debt to Gross Book Value (Company)

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

f) Interest Coverage Ratio (Company)

   NOI divided by all mortgage and corporate debt.

g) Net Asset Value Table (page 10)

KEY PERFORMANCE INDICATORS

Six months ended June 30, 2019	Martin Downs	Metro Gateway	116th Street	Corporate Debt	G&A	Total
Property Related						
NOI	743,237	528,169	459,052			1,730,458
AFFO	249,504	299,166	221,385			770,055
Occupancy	100%	100%	90%			97% (1)
Debt Coverage Ratio	1.72	1.75	1.52			1.67
% of Property Costs Recovered	126%	108%	82%			104% (1)
Debt to Gross Book Value	59%	64%	69%			64% (1)
Weighted Average Lease Term to Maturity (in years) (excludes renewal options)	4.79	3.83	4.49			4.24 (1)
Mortgage Interest Rate	7.43%	5.55%	4.78%			5.94% (1)
Combined Property and Corporate						
NOI	743,237	528,169	459,052			1,730,458
AFFO	249,504	299,166	221,385	(302,326)	(564,820)	(97,090)
AFFO Per Share						0.00
Interest Coverage Ratio Property and Corporate Debt						1.17
Debt to Gross Book Value						69% (1)
Weighted Average Interest Rate						6.65% (1)

(1) Weighted-average

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

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

	AT COST				AT VALUE				
				@$1.3095				@$1.3095	
	Cost in US$	**% Own**	**Cost in US$**	**Cost in CAD$**	**Value in US$**	**% Own**	**Value in US$**	**Value in CAD$**	
Martin Downs	$ 11,500,000	0.990	$ 11,385,000	$ 14,908,658	$ 13,600,000	0.990	$ 13,464,000	$ 17,631,108	(1)
Metro Gateway	9,100,000	1.000	9,100,000	11,916,450	9,500,000	1.000	9,500,000	12,440,250	(2)
116th Street	9,825,000	1.000	9,825,000	12,865,838	9,900,000	1.000	9,900,000	12,964,050	(3)
Total Cost and Value	$ 30,425,000		30,310,000	$ 39,690,945	$ 33,000,000		$ 32,864,000	$ 43,035,408	
	Debt in US$	**% Own**	**Debt in US$**	**Cost in CAD$**	**Debt in US$**	**% Own**	**Debt in US$**	**Debt in CAD$**	
Martin Downs	$ 9,000,000	0.990	$ 8,910,000	$ 11,667,645	$ 8,950,493	0.990	$ 8,860,988	$ 11,603,463	
Metro Gateway	5,866,231	1.000	5,866,231	7,681,830	5,850,472	1.000	5,850,472	7,661,193	
116th Street	6,792,579	1.000	6,792,579	8,894,882	6,751,076	1.000	6,751,076	8,840,534	
Total Real Estate Debt	$ 21,658,810		$ 21,568,810	$ 28,244,357	$ 21,552,040		$ 21,462,536	$ 28,105,190	
Real estate leverage			71.16%	71.16%			65.31%	65.31%	
Total Non-Real Estate Debt				6,651,500				6,651,500	
NAV				$ 4,795,088				$ 8,278,718	
Shares outstanding				255,221,137				255,221,137	
NAV per share				$ 0.01879				$ 0.03244	

Market values are based on management estimates unless appraisal values are referenced.
(1) US$13,600,000 per CBRE appraisal dated April 10, 2018.
(2) US$9,500,000 per CBRE valuation dated March 7, 2018.
(3) US$9,900,000 per CBRE valuation dated March 15, 2018.

CAPITAL STRUCTURE, FINANCING

The Company's objectives when managing capital of $42,652,849 (2018 - $26,692,476), 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.

SECTION III

SELECTED FINANCIAL INFORMATION

A summary of selected financial information for the six months period ended June 30, 2019 and June 30, 2018 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Rental income and recoveries	$ 1,183,450	$ 689,840	$ 2,361,251	$ 1,322,833
Share of loss of joint ventures and associates	-	41,963	-	76,112
Net income (loss)	(601,558)	(135,428)	(1,364,023)	293,931
Comprehensive income (loss)	(374,651)	(65,983)	(794,980)	(137,825)
Net income (loss) per share, basic and diluted	0.00	0.00	(0.01)	0.00
Total assets	42,046,315	27,610,311	42,046,315	27,610,311
Working capital deficiency	(12,758,965)	(4,807,138)	(12,758,965)	(4,807,138)

The Company experienced a higher rental income and recoveries in the six months period ended June 30, 2019 than in comparable period in June 30, 2018 as a result of consolidating Martin Downs since October 2018. Net income loss, total assets, comprehensive income loss and working capital deficiency also increased because of consolidating Martin Downs.

RESULTS OF OPERATIONS

Summary

A summary of selected financial information for the six months period ended June 30, 2019 and June 30, 2018 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue				
Rental income and recoveries [1]	$ 1,183,450	$ 689,840	$ 2,361,251	$ 1,322,833
Property operating expenses				
Operating and leasing expenses [1]	(342,186)	(231,900)	(692,233)	(364,211)
Earnings from property operations	841,264	457,940	1,669,018	968,622
Other revenues (expenses)				
General and administrative [2]	(327,557)	(205,796)	(564,820)	(355,811)
Depreciation [1]	(461,526)	(239,571)	(1,155,835)	(472,318)
Share of loss of joint ventures and associates [3]	-	43,166	-	77,315
Net finance costs [4]	(660,945)	(398,069)	(1,316,452)	(796,008)
Gain on settlement of financial liabilities	-	89,535	-	18,324
Foreign exchange gain (loss)	7,206	117,367	4,065	853,807
	(1,442,822)	(593,368)	(3,033,042)	(674,691)
Income (loss) for the period	(601,558)	(135,428)	(1,364,024)	293,931

1. Due to the Company's acquisition of additional ownership interest in Martin Downs (9% interest acquisition in August 2018 and 41% interest acquisition in October 2018 which trigger beginning of consolidating the accounts of Martin Downs), the Company is now responsible for a greater portion of revenue and expenses.
2. General and administrative expenses increased in June 30, 2019 primarily due to increased legal services.
3. The Company did not hold any interests in joint ventures and associates as at June 30, 2019.
4. Net finance costs increased in June 30, 2019 as a result of consolidating Martin Downs since October 2018.

TOTAL ASSETS

Total assets as at June 30, 2019 included $38,780,028 of investment properties, $676,179 of mortgage reserve funds, $2,142,580 of cash, $390,589 of accounts receivable and $56,939 of prepaid expenses and deposits.

LIQUIDITY, WORKING CAPITAL

As at June 30, 2019, the Company had a working capital deficiency of $12,758,965 (June 30, 2018 – working capital deficiency of $4,807,138).

The net increase in working capital deficiency from June 30, 2018 to June 30, 2019 is due primarily to consolidation of Martin Downs with a mortgage payable of $11,720,670 net of transaction costs due August 31, 2019; and the reclassification of convertible debt of $4,270,281 net of transaction costs from current

liability in June 30, 2018 to long term liability in June 30, 2019 due to the extension of the debt from September 30, 2018 to September 30, 2020.

SELECTED QUARTERLY INFORMATION - MOST RECENT EIGHT QUARTERS

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

	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net income (loss)	$ (1,364,024)	$ (762,465)	$ (381,187)	$ 1,830,515	$(135,428)	$ 429,359	$(4,705,211)	$(743,169)
Comprehensive income (loss)	(794,981)	(420,329)	3,655,802	3,200,425	(65,983)	(71,842)	(4,516,977)	(1,481,932)
Net income (loss) per share, basic and diluted	(0.01)	0.00	0.00	0.01	0.00	0.00	(0.02)	0.00

In the third quarter ended September 30, 2018, the Company experienced a higher net income and comprehensive income than in the comparable period in September 30, 2017 due to gain in foreign exchange from the sale of Deer Springs Property and the reclassification of cumulative foreign exchange gain attributable to Deer Springs Property and Adams Dairy Landing from Other Comprehensive income in the balance sheet to profit and loss.

In the fourth quarter ended December 31, 2018, the Company experienced a lower comprehensive loss than in the comparable period in December 31, 2017 due to the impairment loss recorded in 2017 for Adams Dairy Landing.

In the first quarter ended March 31, 2019, the Company experienced a net loss and a higher comprehensive loss than in the comparable period in March 31, 2018 due primarily from the consolidation of Martin Downs.

The results for the second quarter ended June 30, 2019 are previously described under Results of Operations.

SECTION IV

CRITICAL ACCOUNTING ESTIMATES

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

(a) Judgements:

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

(i) 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) Classification of joint arrangements:

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

(iii) Investment properties:

The Company's accounting policy relating to investment properties is described in note 3(d) of the Financial Statements. 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.

(iv) 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 of the financial statements is determined by management.

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

(ii) Impairment of assets:

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

(iii) Convertible debentures:

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

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

CHANGES IN ACCOUNTING POLICIES

The following standards will be effective for subsequent annual periods.

IFRS 16 - 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.

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 lease for asset of low value. Therefore, the Company is using the exemption permitted by IFRS 16 for assets of low value. At June 30, 2019, the future minimum lease payments under this lease are not significant.

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.

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.

RISKS AND UNCERTAINTIES

General Business Risks

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

Real Property Ownership

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

The performance of the economy in the area in which Martin Downs Town Center, Metro Gateway Shopping Center, and 116th Street Center (collectively called the "Properties") are located affects occupancy, market rental rates and expenses. These factors consequently can have an impact on the future share of income/(loss) attributable to the Company from the Properties.

Other factors may further adversely affect the future value of the Properties. These factors include local conditions in the areas in which the Properties are located, such as an oversupply of commercial real estate properties or a reduction in the demand for commercial real estate properties, the attractiveness of the Properties to tenants, competition from other properties and the Company's ability to provide adequate facilities, maintenance, services and amenities. Operating costs, including real estate taxes, insurance and maintenance costs, and mortgage payments, if any, do not, in general, decline when circumstances cause a reduction in income from a property. The Company could sustain a loss as a result of foreclosure on the

Properties if they are mortgaged to secure payment of indebtedness and the Company or its wholly-owned subsidiaries, as applicable, were unable to meet their mortgage payments. In addition, applicable laws, including tax laws, interest rate levels and the availability of financing also affect revenues from properties and real estate values generally.

Asset and Development Strategy

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

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

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

Joint Venture and Associate Investments

The Company no longer has any interests in joint venture and associate investments as at June 30, 2019. The Company may however enter into arrangements with respect to other properties in the future. In any such arrangement, the Company may not be in a position to exercise sole decision-making authority regarding the properties owned through these arrangements. Investments may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that investment partners might become bankrupt or fail to fund their share of required capital contributions. Investment partners may have business interests or goals that are inconsistent with the Company's business interests or goals and may be in a position to take actions contrary to the Company's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the Company nor the investment partner would have full control over the arrangement.

Any disputes that may arise between the Company and its investment partners could result in litigation or arbitration that could increase the Company's expenses and distract its officers and/or directors from focusing their time and effort on the Company's business. In addition, the Company might in certain circumstances be liable for the actions of its investment partners.

Investment Concentration

The Company will be susceptible to adverse markets in Palm City, Florida, Phoenix, Arizona, and Indianapolis, Indiana, the markets in which it is operating, such as changing demographics and other factors. Presently, the Company's depreciated book value interests in Martin Downs Town Center in Palm City, Florida account for 41% of the Company's real property assets, the Company's interest in Metro Gateway in Phoenix, Arizona account for 28% of the Company's real property assets and the Company's interest in 116th Street in Indianapolis, Indiana accounts for 31% of the Company's real property assets. As a result of this concentration of assets, the Company will be particularly susceptible to adverse market conditions in these regions. Any adverse economic or real estate markets in the areas in which the Properties are located, or in the future in any of the other markets in which the Company operates, or any decrease in demand for commercial real estate resulting from the local economy or demographics could adversely affect the rental revenues of the joint ventures and associates. This effect could impair the ability of the joint ventures and associates to service their debt obligations and generate stable positive cash flow from operations to generate a return for the Company.

Illiquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments.

Uninsured Losses

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

Environmental Risk

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

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

Public Market Risk

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

Debt Financing

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

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

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

Interest Fluctuations and Financing Risk

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

Failure to Obtain Additional Financing

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

Dilution

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

Potential Volatility of Share Price

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

Limited Prior Public Market

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

Proposed Acquisitions

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

Potential Conflicts of Interest

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

Foreign Currency

The results of operations of the Company are reported in Canadian dollars. The Company's operations are anticipated to be conducted almost exclusively in the United States. Any fluctuations in the value of the US dollar relative to the Canadian dollar may result in variations in the share of income/(loss) from wholly owned subsidiaries and joint ventures and associates and the net income of the Company. The Company does not plan on undertaking any hedging in order to mitigate its foreign currency risks.

As at June 30, 2019, the Canadian dollar equivalent of monetary assets and liabilities held by the Company that are denominated in U.S. dollars are as follows:

	June 30, 2019	December 31, 2018
Cash	$ 53,937	$ 162,698
Notes payable	1,309,500	1,302,000
Accounts payable	84,710	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/(loss) from foreign exchange included in net income and equity for the period ended June 30, 2019 of approximately $63,961 (2018 – $12,390).

Foreign Political Risk

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

Inability to Resell Shares

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

RELATED PARTY TRANSACTIONS

NOTES PAYABLE

	June 30, 2019	December 31, 2018
Titanstar Finance Inc. (b) (c)	400,000	400,000
Round Table Management (d)	400,000	400,000
Martin Downs GP, LLC (e)	1,309,500	1,302,000
Total notes payable	$ 2,109,500	$ 2,102,000

(a) On August 31, 2016, 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 $1,000,000 for the purpose of funding the Company’s costs in relation to the acquisition of a retail real estate asset, 116th Street Centre.

The note payable bore interest at a fixed rate of (i) 8% per annum for the first three month period commencing on the date that the lender advance any portion of the principal amount and ending on the interest adjustment date which is three months after the completion of the acquisition, and (ii) 10% per annum from and including the interest adjustment date until all indebtedness owing is repaid. The note matured on August 31, 2017 and was extended to January 15, 2018.

On January 11, 2018, the Company paid $600,000 and the $400,000 was replaced on February 22, 2018.

(b) 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 payable bears interest at a fixed rate of 7.5% per annum commencing on the date that the lender advances any portion of the principal amount and ending until all indebtedness owing is repaid. The note matures on September 30, 2019. The Company may, from time to time, repay all or any part of the note payable without penalty.

(c) 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 payable bears interest at a fixed rate of 7.5% per annum commencing on the date that the lender advance any portion of the principal amount and ending until all indebtedness owing is repaid. The note matures on September 30, 2019. The Company may, from time to time, repay all or any part of the note payable without penalty.

(d) 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 officers 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 August 30, 2019. The Company may, from time to time, repay all or any part of the amount due without penalty.

Convertible Debentures – Related parties

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

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

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

The conversion feature is considered an embedded derivative liability as the conversion price varies based on the conversion date and closing sales price of the Company's common shares. The calculated present value of the embedded derivative liability at inception was $280,989 and the residual balance of $2,219,011 was allocated to the debt component.

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.

(b) On October 30, 2015, the Company issued a convertible unsecured subordinated debenture with a face value of $450,000 in exchange for cash proceeds of $450,000. The debenture is held by a

private company of which a director of the Company is the Chairman. The debenture bears interest at 8% per annum, commencing in August 2016, and matures on October 30, 2020. The Company may repay all or a portion of the indebtedness owing under the debenture at any time without penalty.

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

The conversion feature is considered an embedded derivative liability as the conversion price varies based on the conversion date and closing sales price of the Company's common shares. The calculated present value of the embedded derivative liability at inception was $30,456 and the residual balance of $419,544 was allocated to the debt component.

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

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

The conversion feature is considered an embedded derivative liability as the conversion price varies based on the conversion date and closing sales price of the Company's common shares. The calculated present value of the embedded derivative liability at inception was $59,368 and the residual balance of $3,990,632 was allocated to the debt component. Transaction costs allocated to the debt component were $279,562.

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

(e) On April 10, 2017, the Company issued 6,351,301 common shares to Hoche as settlement of $349,150 accrued interest charged on the $4.5 million convertible debentures. The shares were issued at a fair value of $222,295. The difference of $126,855 was recorded as gain on settlement of financial liabilities in the statement of income (loss) and comprehensive loss.

Other Related Party Balances and Transactions

Other related party transactions and balances, not already disclosed include:

	June 30,	December 31,

	2019	2018
Due to Hoche Partners (d) (e)	152,380	154,548
	$ 154,116	$ 154,548

Included in accounts payable and accrued liabilities is $5,469 of accrued interest charges (2018 - $48,100) owing to private companies related through common directors.

(a) Key management personnel compensation

	June 30, 2019	December 31, 2018
Former CFO:		
Consulting fees	-	21,000
Current CFO:		
Consulting fees	40,063	44,340
Corporate Secretary:		
Consulting fees	33,070	31,751
	$ 73,133	$ 97,091

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

(b) Asset management agreement:

On April 16, 2010, the Company entered into an asset management agreement with TitanStar Capital Corp. ("Titanstar Capital") (the "Asset Manager"), pursuant to which the Asset Manager will provide asset management, administrative and other services to the Company and its subsidiaries. TitanStar Capital is a corporation owned by TitanStar Investment Group Inc., and is a related entity as it is owned by the 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 six months period ended June 30, 2019, the Company incurred operating expenses of $Nil (2018 - $45,964), included in general and administrative expenses, that were charged by the Asset Manager.

(c) Non-binding term sheet:

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

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

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

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

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

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 six months period ended June 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.

(d) Loan facility – TitanStar Finance:

On July 12, 2017, the Company obtained a loan facility for up to $500,000. Under the terms of the loan facility, the Company may draw certain amounts from July 12, 2017 to December 31, 2017, for the purpose of funding working capital requirements. Interest on any outstanding draws 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 is subordinate to the Company's senior indebtedness to secured lenders. The loan facility is provided by a private company of which the former Chief Executive Officer and former Chairman of the Board of the Company is a principal. In consideration of providing the loan facility, the loan facility provider will receive $15,000.

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

(e) Loan facility – Hoche Partners:

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 Chief Executive Officer and 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.

(f) Down payment:

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

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

the Company will generally benefit only as shareholders and incentive stock option holders of the Company, benefitting only as other shareholders will benefit.

CONVERTIBLE DEBENTURES – NON-RELATED PARTIES

	June 30, 2019	December 31, 2018
Liability, beginning of year	$ 4,294,371	$ 4,492,969
Accretion	65,131	80,051
Redemption of debentures via sinking fund	-	-
Impact of convertible debenture modification	-	(278,649)
Liability, end of year	4,359,502	4,294,371
Transaction costs, beginning of year	(124,909)	(134,167)
Redemption of debentures via sinking fund	-	-
Amortization of transaction costs	35,688	152,011
Debt modification - transaction costs	-	(142,754)
Transaction costs, end of year	(89,221)	(124,910)
Convertible debentures	$ 4,270,281	$ 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.

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%.

For the year ended December 31, 2018, the Company incurred $398,187 (2017 - $396,334) 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. As of June 30, 2019, the Company was in compliance with the covenant.

OUTSTANDING SHARE DATA

As at June 30, 2019 and the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	As at June 30, 2019	As at the date of this MD&A
Voting or equity securities authorized	Unlimited	Unlimited
Securities convertible or exercisable into voting or equity securities – share options	Share options to acquire up to 10% of outstanding common shares	Share options to acquire up to 10% of outstanding common shares
Voting or equity securities issued and outstanding	255,221,137 common shares	255,221,137 common shares
Securities convertible or exercisable into voting or equity securities – directors and officers share options	360,000	360,000
Total voting or equity securities issuable on conversion or exchange of outstanding securities	360,000	360,000

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITH SIGNIFICANT EQUITY INVESTEES

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

	June 30, 2019	December 31, 2018
Total assets	$ -	$ -
Total liabilities	-	-
Company's impairment of its investments	-	-
Net assets	-	-
TitanStar's share of net assets	$ -	$ -

	Six months ended June 30,	
	2019	2018
Revenue and gains	$ -	$ 899,433
Expenses	-	(740,497)
Net Income (loss)	-	158,936
TitanStar's share of net loss	$ -	$ 77,315

Additional information regarding the Company's interest in the significant equity investees is disclosed in note 5 to the June 30, 2019 condensed consolidated interim financial statements.

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	$ 3,633
2020	$ 448

CONTINGENCIES

On July 19, 2018, the Company announced that a Notice of Civil Claim has been filed with the Supreme Court of British Columbia by its former directors and certain entities owned by the former directors against the Company and certain of its current shareholders and directors with respect to:

- an alleged breach of the Shareholder Agreement between the former directors of the Company and the Company
- an alleged breach of the Trade-Name License Agreement and the Domain Name License Agreement between the Company and a company owned by one of the former directors of the Company

The action seeks, among other relief, a declaration that the former directors and their entities are no longer required to make any payments to the Company under a loan agreement that was entered into concurrently with the Shareholder Agreement

On August 24, 2018, the Company filed a Response to Civil Claim and a Counterclaim in the Supreme Court of British Columbia in response to the Notice of Civil Claim announced on July 19, 2018.

The Company’s position in the Response is that:

- it is not in breach of the Shareholder Agreement between the Plaintiffs, the Company and certain of its shareholders
- it is not in breach of the financing agreements between the Plaintiffs, the Company and certain of its shareholders
- it is not in breach of the Trade-Name Licence Agreement and the Domain Name Licence Agreement between the Company and TitanStar Investment Group Inc.

On September 18, 2018, the Company received a Response to Counterclaim where as the defendants in the Counterclaim deny all claims.

The Company intends to continue to vigorously defend its rights and interests and to pursue any remedies available to it as a result of any damages caused to it. Therefore, it is impracticable at this time, to assess the outcome of this claim and to reliably estimate the amount of the obligation. As such, the Company has not recorded any provision as at June 30, 2019.

SUBSEQUENT EVENTS

As at May 2, 2019, Jean-Daniel Cohen resigned as CEO of the Company and Eric Fazilleau resigned as COO. Mr. Fazilleau was subsequently elected as CEO of the Company.

AVAILABLE SOURCES OF ADDITIONAL INFORMATION

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