Consolidated Financial Statements of

REALIA PROPERTIES INC.

Years ended December 31, 2020 and 2019

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF REALIA PROPERTIES INC.

Opinion

We have audited the consolidated financial statements of Realia Properties Inc. and its subsidiaries (the "Company"), which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has incurred a loss of $1,235,969 during the year ended December 31, 2020 and, as of that date, had a deficit of $20,196,897. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company as at and for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on June 12, 2020.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors’ report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2021

REALIA PROPERTIES INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 2,136,740	$ 803,021
Amounts receivable	815,873	488,352
Prepaid expenses and deposits	105,906	56,590
	3,058,519	1,347,963
Investment properties (notes 5 and 7)	36,314,480	38,343,769
Mortgage reserve fund	1,097,854	661,870
	$ 40,470,853	$ 40,353,602
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 728,800	$ 1,143,513
Notes payable (note 6)	1,272,500	1,299,000
Current portion of mortgages payable (note 7)	18,897,561	11,937,966
Due to related parties (note 9)	2,685,984	287,273
Convertible debentures (note 8)	4,542,000	4,375,450
	28,126,845	19,043,202
Tenants' security deposits	195,943	221,558
Mortgages payable (note 7)	8,223,245	15,985,230
	36,546,033	35,249,990
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	735,400	866,657
Deficit	(20,196,897)	(18,961,744)
Equity attributable to the shareholders of Realia Properties Inc.	3,856,317	5,034,293
Non-controlling interest	68,503	69,319
Total Shareholders' equity	3,924,820	5,103,612
	$ 40,470,853	$ 40,353,602

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Jean-Daniel Cohen"
Director

"Stephane Amine"
Chair, Audit Committee

REALIA PROPERTIES INC.

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

Years ended December 31, 2020, and 2019

	2020	2019
Revenue:		
Rental income	$ 3,220,003	$ 3,377,926
Recoveries of operating expenses	1,260,334	1,277,211
Other income	74,683	36,275
	4,555,020	4,691,412
Property operating expenses:		
Operating and leasing expenses	(1,459,683)	(1,537,378)
Earnings from property operations	3,095,337	3,154,034
Other revenues (expenses):		
General and administrative (note 12)	(547,415)	(747,312)
Depreciation and amortization	(1,546,230)	(1,766,804)
Net finance costs (note 13)	(2,553,790)	(2,591,296)
Loss on settlement of dispute	-	(411,626)
Gain on writeoff of liabilities (Note 10a)	337,236	-
Foreign exchange gain (loss)	(21,107)	37,326
	(4,331,306)	(5,479,712)
Net loss for the year	(1,235,969)	(2,325,678)
Other comprehensive income (loss):		
Foreign currency translation on US operations	131,257	471,602
Comprehensive loss	$ (1,104,712)	$ (1,854,076)
Net loss for the year attributed to:		
Non-controlling interest	$ (816)	$ (3,926)
Shareholders of Realia Properties Inc.	(1,235,153)	(2,321,752)
	$ (1,235,969)	$ (2,325,678)
Comprehensive loss attributed to:		
Non-controlling interest	$ (816)	$ (3,926)
Shareholders of Realia Properties Inc.	(1,103,896)	(1,850,150)
	$ (1,104,712)	$ (1,854,076)
Weighted average number of common shares	255,221,137	249,636,640
Basic and diluted income (loss) per common share	$ (0.00)	$ (0.01)

See accompanying notes to consolidated financial statements.

REALIA PROPERTIES INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)
Years ended December 31, 2020 and 2019

	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	1,338,259	(16,639,992)	7,827,647	73,245	7,900,892
Share issue – add'l ownership interest[1]	38,459,269	3,710,875	(3,710,875)	-	-	-	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(2,321,752)	(2,321,752)	(3,926)	(2,325,678)
Other comprehensive income (loss)	-	-	-	-	-	(471,602)	-	(471,602)	-	(471,602)
Balance, December 31, 2019	255,221,137	21,612,003	-	269,319	1,248,058	866,657	(18,961,744)	5,034,293	69,319	5,103,612
Write-off of liability related to share capital (note 10b)	-	188,434	-	-	-	-	-	188,434	-	188,434
Net loss for the year	-	-	-	-	-	-	(1,235,153)	(1,235,153)	(816)	(1,235,969)
Other comprehensive loss	-	-	-	-	-	(131,257)	-	(131,257)	-	(131,257)
Balance, December 31, 2020	255,221,137	21,800,437	-	269,319	1,248,058	735,400	(20,196,897)	3,856,317	68,503	3,924,820

See accompanying notes to consolidated financial statements.

[1] 38,459,269 shares issued February 22, 2019 (note 10b)

REALIA PROPERTIES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended December 31, 2020 and 2019

	2020	2019
Cash provided by (used in):		
Cash flows from operating activities:		
Net loss for the year	$ (1,235,969)	$ (2,325,678)
Adjustments to reconcile net (income) loss for the year to net cash provided by operating activities:		
Depreciation and amortization	1,546,230	1,766,804
Amortization of transaction costs	53,533	71,377
Accretion of convertible debentures	113,017	134,612
Gain on writeoff of liabilities	(337,236)	-
Foreign exchange (gain) loss	21,107	-
Interest expense	2,325,891	2,379,944
Change in operating assets and liabilities	(430,123)	27,404
	2,056,450	2,054,463
Cash flows from investing activities:		
Additions to investment properties	(541,926)	(640,384)
Security deposits received (paid)	(21,094)	23,147
	(563,020)	(617,237)
Cash flows from financing activities:		
Repayment of debt	(270,705)	(1,058,698)
Advances from related parties	2,402,563	-
Contributions to mortgage reserve fund	(449,423)	(160,365)
Interest paid	(2,182,755)	(2,368,631)
Insurance proceeds received	379,713	-
	(120,607)	(3,587,694)
Effect of exchange rate changes on cash	(39,104)	(96,775)
Increase (decrease) in cash	1,333,719	(2,247,243)
Cash, beginning of year	803,021	3,050,264
Cash, end of year	$ 2,136,740	$ 803,021

See accompanying notes to consolidated financial statements.

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 consolidated financial statements have been approved and authorized for issue by the Board of Directors on April 29, 2021.

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

   (a) Statement of compliance:

   The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

   (b) Basis of presentation:

   (*i*) The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. For the year ended December 31, 2020, the Company reported a loss of $1,235,969 (2019: $2,325,678), the Company has a deficit of $20,196,897 (2019: $18,961,744) and a working capital deficiency of $25,068,326 (2019: $17,695,239).

   The ability of the Company to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent on the Company's ability to raise additional financings, the continued support from the third-party convertible debenture holdersand related parties, and on its ability to achieve profitable operations in the future.

2. Basis of presentation and statement of compliance (continued):

(b) Basis of presentation (continued):

(*i*) (continued):

Management is of the opinion that sufficient working capital will be obtained from the cash flows from its investment properties and from proceeds received from the sale of a portion of interest in its properties to meet the Company's debt obligations and commitments as they become due and that the Company's current credit facilities and shareholder arrangements are sufficient to support future operations. In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for general and administration costs and interest charges. Although management may have been successful in the past in undertaking financings, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

The application of the going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is, primarily as a result of the conditions described above, material uncertainties that may cast significant doubt as to the appropriateness of the use of the going concern assumption. These consolidated financial statements have been prepared on a going concern basis notwithstanding these conditions. If the going concern basis was not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and consolidated statement of financial position classifications used. These adjustments could be material.

(*ii*) The consolidated financial statements have been prepared on a historical basis except for certain financial instruments at fair value. In addition, the consolidated financial statements have been prepared on an accrual basis, except for cash flow information.

(*iii*) The preparation of these consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(c) Functional and presentation currencies:

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of Realia, the parent company. The functional currency of the Company's US subsidiaries is the US dollar.

3. Significant accounting policies:

The significant accounting policies applied in the preparation of these consolidated 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 consolidated 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 116 Street LLC, as well as Martin Downs NSC LLC (since acquisition of control in October 2018) which is 99% owned.

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. Non-controlling interests in the net assets are identified separately from the Company's deficiency. The non-controlling interest consists of the non-controlling interest as at the date of the original acquisition plus the non-controlling interest's share of changes in equity or deficiency since the date of acquisition.

3. Significant accounting policies (continued):

(b) 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, 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.

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.

3. Significant accounting policies (continued):

(b) Investment properties (continued):

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.

(c) Cash and cash equivalents:

Cash and cash 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. As at December 31, 2020 and 2019, there were no cash equivalents.

(d) Revenue recognition:

The Company accounts for its leases as operating leases give that it has retained substantially all of the risk and benefits of ownership.

The Company earns revenue from tenants from various sources consisting of rent earned under lease agreements, property tax and operating cost recoveries. Revenue from lease components is recognized on a straight-line basis over the lease term and includes the recoveries of specified operating expenses. Revene recognition commences when a tenant has the right to use the premises and is recognized pursuant to the terms of the lease agreement.

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.

(e) 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.

3. Significant accounting policies (continued):

(f) 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.

(g) 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 and are amortized over the lives of the convertible debentures using the effective interest rate method. 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.

(h) 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.

3. Significant accounting policies (continued):

(i) 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.

(j) 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.

(k) 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).

3. Significant accounting policies (continued):

(k) 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.

(l) 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.

3. Significant accounting policies (continued):

(l) Income taxes (continued):

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

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

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

(m) Financial instruments:

Recognition and derecognition

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

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

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

Classification and initial measurement of financial assets

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

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

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

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

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

(m) Financial instruments (continued):

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortized cost

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

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

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

Discounting is omitted where the effect of discounting is immaterial.

Classification and measurement of financial liabilities

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

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

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

Derivative instruments

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

3. Significant accounting policies (continued):

(m) Financial instruments (continued):

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

(n) 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 not significant.

(*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

3. Significant accounting policies (continued):

(n) Impairment of assets: (continued)

(*ii*) Non-financial assets (continued):

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.

(o) Fair values:

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

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

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

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

(p) 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 consolidated financial statements. Such issued standards and interpretations are not expected to have a material impact on the Company's consolidated financial statements.

4. Critical accounting judgments, estimates and assumptions:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that effect the reported amounts in the consolidated 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) Judgments:

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

(*i*) 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.

(*ii*) 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.

(Expressed in Canadian dollars)

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

(b) Estimates: (continued)

(*ii*) Convertible debentures: (continued)

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.

5. Investment properties:

	2020	2019
Balance, beginning of year	$ 38,343,769	$ 41,050,682
Capital additions	450,625	640,384
Insurance recovery	(306,043)	-
Depreciation	(1,546,230)	(1,766,804)
Foreign currency translation	(627,641)	(1,580,493)
Balance, end of the year	$ 36,314,480	$ 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 8). 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.

(Expressed in Canadian dollars)

5. Investment properties (continued):

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 December 31, 2020 (note 6).

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 *Business Combination* 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.

Management's estimated fair value of the Company's investment properties at December 31, 2020 was $44,197,106 (US$34,887,500) and at December 31, 2019 was $42,854,010 (US$32,990,000).

The valuation technique of the Company's investment property portfolio utilizes either individually or a combination of the Direct Comparison Approach or the Income Approach, which uses the the "overall capitalization rate" method. This method requires that rental income from current leases and key assumptions about rental income, vacancies and inflation rates among other factors are used to determine a one-year income forecast for each individual property, and also considers any capital expenditures anticipated within the following year. A capitalization rate is also determined for each property based on market information related to the external sale of similar buildings within a similar geographic location. These factors were used to determine the fair value of investment properties at the reporting date.

The key valuation assumptions for the Company's investment properties are as follows:

	2020	2019
Capitalization rates – range	6.00% - 7.93%	6.00% - 8.00%
Capitalization rate – weighted average	6.89%	7.10%

If the capitalization rates were increased/ decreased by 0.25%, the investment properties balance would increase/ decrease by approximately $11,041,483 (2019 - $10,713,503).

(Expressed in Canadian dollars)

6. Notes payable:

	2020	2019
Martin Downs GP, LLC	$ 1,272,500	$ 1, 299,000
Total notes payable	$ 1,272,500	$ 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% and secured by interest in Martin Downs NSC, LLC. The note matured on August 30, 2019 and was extended to February 2020 in exchange for an extension fee of $21,053 (US$15,000), extended to August 31, 2020 in exchange for an extension fee of $20,124 (US$15,000) and further extended to February 28, 2021 in exchange for an extension fee of $39,957 (US$30,000). Subsequent to the year ended December, 31, 2020, the note was extended to February 28, 2026. There was no extension fee. The Company may, from time to time, repay all or any part of the amount subject to a minimum interest payment requirement.

(Expressed in Canadian dollars)

7. Mortgages payable:

	2020	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	$ 8,418,237	$ 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	7,294,883	7,564,043
Mortgage payable bears an interest rate of 7.075%. Prior to the discontinuation of LIBOR in September 2020, the rate was the greater of 1-month LIBOR plus 4.95% or 7.075%, maturing on April 29, 2021 (a)	11,452,500	11,691,000
	27,165,620	28,007,691
Less: deferred financing costs	(44,814)	(84,495)
Less: current portion	(18,897,561)	(11,937,966)
	$ 8,223,245	$ 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 6.13% as at December 31, 2020 (2019 – 6.12%). The mortgages payable are secured by the Company's investment properties.

(Expressed in Canadian dollars)

7. Mortgages payable (continued):

Principal repayments, as of December 31, 2020, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2021	$ 18,897,561
2022	163,368
2023	168,520
2024	175,781
2025	185,580
Thereafter	7,574,810
	$ 27,165,620

For the year ended December 31, 2020, the Company incurred $1,724,143 (2019 - $1,759,823) of interest on the mortgages payable, which is included in finance costs (note 13).

8. Convertible debentures:

	2020	2019
Liability, beginning of year	$ 4,428,983	$ 4,294,371
Accretion	113,017	134,612
Impact of convertible debenture modification	-	-
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)
Convertible debentures	$ 4,542,000	$ 4,375,450

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.

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.

(Expressed in Canadian dollars)

8. Convertible debentures: (continued)

In June 2020, the Company began negotiations with the Debenture holders on a modification and extension. On September 30, 2020, the convertible debentures matured. Subsequent to the year ended December 31, 2020, the convertible debentures were amended (note 18).

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

	2020	2019
Principal, beginning of year	$ 4,542,000	$ 4,542,000
Principal, end of year	$ 4,542,000	$ 4,542,000

For the year ended December 31, 2020, the Company incurred $323,618 (2019 - $431,490) 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 each fiscal quarter in 2020 and as of year end 2019, the Company was in compliance with the covenant.

(Expressed in Canadian dollars)

9. Related party balances and transactions:

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

	2020	2019
Due to Hoche Private Equity Investors SARL (b) (c) (e)	$ 564,463	$ 151,960
Due to Inovalis S.A. (f) (g)	1,988,968	-
Due to Inovalis USA LLC (d)	132,553	135,313
	$ 2,685,984	$ 287,273

Included in accounts payable and accrued liabilities is $12,540 of accrued interest charges (2019 - $18,906) owing to private companies related through common directors.

(a) Key management personnel compensation

	2020	2019
CFO:		
Consulting fees	$ 80,519	$ 79,737
Corporate Secretary:		
Consulting fees	43,761	66,140
	$ 124,280	$ 145,877

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 Company drew $100,000 in 2018 under this loan facility. The loan remains outstanding at December 31, 2020.

9. Related party balances and transactions (continued):

(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) 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 – $47,853 (US$40,192). The amounts are still outstanding as at December 31, 2020.

(e) 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$325,000 (CAD $439,429) payment for an up-front 6-month interest reserve associated with the extension of the Martin Downs mortgage. The note payable 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.

(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 $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) Working capital

On December 31, 2020, Inovalis S.A. provided a $1,589,000 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 December, 2021. The Company may, from time to time, repay all or any part of the note payable without penalty.

(Expressed in Canadian dollars)

10. Share capital:

At December 31, 2020 and 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.

	December 31, 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
Share issue – debt settlement (a)	-	188,434	-	-
Share issue – additional interest in Martin Downs NSC, LLC (b)	-	-	38,459,269	-
Issued and outstanding, end of year	255,221,137	$ 21,800,437	255,221,137	$ 21,612,003

During the years ended December 31, 2020 and 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 fiscal 2016, $279,561 of share capital was reclassed 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 in profit or loss.

(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 consolidated statement of changes in shareholders' equity. The shares were issued at a fair value of $3,710,875.

11. Share options:

The Company's 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.

(Expressed in Canadian dollars)

11. Share options: (continued)

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

	December 31, 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)	4.58		5.58	
Weighted average remaining life (years) - vested	4.58		5.58	

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

12. General and administrative expenses and (revenue):

	2020	2019
Insurance	$ 20,750	$ 16,900
Bank charges	4,337	2,887
Filing fees	34,790	27,810
Office costs	22,074	62,557
Professional fees (note 9)	463,797	635,374
Travel	1,667	1,784
	$ 547,415	$ 747,312

13. Finance costs:

	2020	2019
Interest on mortgages, notes payable and convertible debenture	$ 2,325,891	$ 2,379,944
Financing fees	61,349	5,363
Amortization of transaction costs	53,533	71,377
Accretion of convertible debenture – non-related parties	113,017	134,612
	$ 2,553,790	$ 2,591,296

14. Capital management:

The Company’s objectives when managing capital of $39,477,607 (2019 - $38,919,212), 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. There have been no changes to the Company’s approach to capital management during the years ended December 31, 2020 and 2019. The Company is not subject to externally imposed capital requirements. As at December 31, 2020, the Company is in compliance with its financial covenant.

15. 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:

(Expressed in Canadian dollars)

15. Risk management and fair values (continued):

(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.

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

Year ended December 31,	2021	2022	2023	2024	2025 and thereafter
Mortgages payable	$19,749,000	$ 557,584	$ 557,584	$ 557,584	$ 8,405,774
Convertible debentures payable	4,542,000	-	-	-	-
Notes payable	1,293,707	-	-	-	-
Accounts payable and accrued liabilities	728,800	-	-	-	-
Due to related parties	2,685,984	-	-	-	-
Tenants' security deposit	40,316	8,062	28,281	16,231	103,053
Total	$29,039,807	$ 565,646	$ 585,865	$ 573,815	$ 8,508,827

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 December 31, 2020, the Martin Downs mortgage, accounting for 42% of total outstanding mortgage principal balance 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.

A 0.25% change in the interest rate, with other variables unchanged, would increase or decrease net income and comprehensive income for the year ended December 31, 2020 by approximately $4,500,000 (2019 - $4,500,000).

(Expressed in Canadian dollars)

15. Risk management and fair values (continued):

(c) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on cash, and accounts receivable. 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.

(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 December 31, 2020 and 2019.

As at December 31, 2020 and 2019, the Company is exposed to currency risk for its US dollar equivalent of financial assets and liabilities demoinated in currencies other than Canadian dollars as follows:

	2020	2019
Cash	$ 24,415	$ 9,359
Notes payable	1,272,500	1,299,000
Accounts payable	56,866	60,215
Total	$1,353,781	$1,368,574

If the Canadian dollar had strengthened or weakened 5% 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 year ended December 31, 2020 of approximately $65,222 (2019 – $62,455).

(Expressed in Canadian dollars)

15. Risk management and fair values (continued):

(e) Fair values:

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

Assets and liabilities measured at fair value in the consolidated statement of financial position or for which fair value disclosure is required in the notes to the consolidated 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 consolidated 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.

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.

	December 31, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Investment properties	$36,314,480	$44,165,930	$38,343,769	$42,854,010
Mortgages payable	$27,120,806	$27,242,591	$27,923,26	$28,642,170
Convertible debt	$4,542,000	$4,542,000	$4,375,450	$4,375,450

15. Risk management and fair values (continued):

(e) Fair values (continued):

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

(*i*) Short term assets and liabilities

The carrying values of financial assets and financial liabilities not measured at fair value, such as cash, accounts receivable, accounts payable and accrued liabilities, notes payable and due to related parties approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

(*ii*) Mortgages payable and convertible debentures

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

(*iii*) Investment properties

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

There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2020.

(Expressed in Canadian dollars)

16. Income taxes:

A reconciliation between the statutory Canadian income tax rate and the actual effective rate is as follows:

	2020	2019
Net loss before income taxes	$ (1,235,969)	$ (2,325,678)
Basic statutory tax rate	27.00%	27.00%
Expected income taxes (recovery)	(333,711)	(627,933)
Adjustments resulting from:		
Items non-deductible for income tax purposes	12,237	18,173
Change in deferred tax asset not recognized	292,900	589,113
Prior year adjustments and other	-	9,991
Tax rate differences outside Canada	28,574	10,656
Total income taxe expense (recovery)	$ -	$ -

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	2020	2019
Convertible debentures	$ -	$ (15,257)
Non-capital losses	-	15,257
Net Deferred income tax assets (liabilities)	$ -	$ -

(Expressed in Canadian dollars)

16. Income taxes (continued):

Unrecognized deferred tax assets:

	2020	2019
Investment properties	$ 2,704,138	$ 631,044
Non capital losses carryforwards (Canada)	4,463,148	3,385,803
Non capital losses carryforwards (US)	6,051,110	7,356,916
Deferred financing costs	-	179,543
	$ 13,218,396	$ 11,553,306

As at December 31, 2020, the Company has non-capital losses in Canada of approximately $4,463,148 (2019 - $3,385,803) and in the USA of $6,051,110 (2019 - $7,356,916) that may be applied against future income for income tax purposes. The future benefits from these Canadian and U.S. tax losses have not been recorded in these consolidated financial statements due to uncertainty associated with their recovery.

17. COVID-19:

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. These events have caused significant changes to the cash flows at 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. Tenants have reopened in June 2020.

As of April 1, 2021, 116th Street Centre, located in Carmel, IN, reported that there are currently no COVID restrictions in place that impact the tenants. The mortgage payable remained current during COVID.

As of April 1, 2021, Metro Gateway, located in Phoenix, Arizona, reported that there are currently no restrictions in place that impact the tenants. Due to previous COVID related tenant closures, the Company entered into negotiations with the mortgage loan's special servicer regarding a mortgage payment plan. However, prior to an agreement being reached, the tenants were permitted to reopen and the loan was brough current.

As of April 1, 2021, Martin Downs Town Center, located in Palm City, FL, reported that there are no COVID restrictions in place that impact the tenants. The notes payable and mortgage payable remained current during COVID.

18. Subsequent events:

As at February 19, 2021, the Company entered into a second amendment to the Convertible Debentures. The debenture was amended as follows:

- Extended through September 30, 2025;
- Repayment of $ $1,589,700 of outstanding principal balance;
- Decreasing the interest rate payable on the Debentures from 9.5% per annum to 4.75% per annum, retroactive to October 1, 2020;
- Allowing the Corporation to repay 50% of the principal amount outstanding at maturity in cash, and the remaining 50% of the principal amount outstanding at maturity by way of common shares at a price of $0.10 per share.

As at March 19, 2021, the Company acquired the remaining 1% ownership interest in Martin Downs Town Center in consideration for USD $37,500 as determined by the existing Contribution Agreement. The Company now owns 100% ownership interest in Martin Downs Town Center.