

TITANSTAR PROPERTIES INC.
(formerly DPVC Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2011 and 2010

SCARROW & DONALD LLP
CHARTERED ACCOUNTANTS
100 - Five Donald Street
Winnipeg, Manitoba R3L 2T4
Telephone: (204) 982-9800
Fax: (204) 474-2886
www.scarrowdonald.mb.ca

August 11, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of TitanStar Properties Inc.:

We have audited the accompanying consolidated financial statements of TitanStar Properties Inc., which comprise the consolidated balance sheets as at April 30, 2011 and 2010, and the consolidated statements of operations and deficit and cash flows for the periods then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TitanStar Properties Inc. as at April 30, 2011 and 2010, and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Scarrow & Donald LLP

Chartered Accountants
Winnipeg, Canada

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)
CONSOLIDATED BALANCE SHEETS
(expressed in Canadian Dollars)

	April 30, 2011	April 30, 2010
ASSETS		
Current		
Cash	\$ 622,095	\$ 620,759
Prepaid expenses	34,975	23,890
Accounts receivable	<u>53,040</u>	<u>9,550</u>
	710,110	654,199
Advance to joint venture (note 4)	795,097	-
Income properties (note 5)	8,469,323	5,909,089
Intangible assets (note 6)	<u>200,540</u>	<u>-</u>
	<u>\$ 10,175,070</u>	<u>\$ 6,563,288</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 37,783	\$ 116,223
Deferred revenue	30,714	9,463
Loan payable (note 7)	151,004	4,571
Mortgage loan payable (note 8)	<u>1,625,809</u>	<u>-</u>
	1,845,310	130,257
Shareholders' equity		
Share capital (note 9)	7,914,727	6,527,144
Contributed surplus (note 10)	1,048,644	20,251
Deficit	<u>(633,611)</u>	<u>(114,364)</u>
	8,329,760	6,433,031
	<u>\$ 10,175,070</u>	<u>\$ 6,563,288</u>
Subsequent event (note 19)		
Approved by the Board:		
<i>"Rick Turner"</i>	<i>"D. Neil McDonnell"</i>	
Board Chair	Chair, Audit Committee	

The accompanying notes are an integral part of these financial statements.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(expressed in Canadian Dollars)

	For the year ended April 30, 2011	For the four months ended April 30, 2010
REVENUE		
Leasing revenue	\$ 153,736	\$ -
EXPENSES		
General and administrative	293,334	72,006
Amortization of income properties	33,242	-
Amortization of intangible assets	6,508	-
Share-based compensation (note 11)	<u>65,275</u>	<u>12,082</u>
	398,359	84,088
OTHER ITEMS		
Interest expense	197,298	-
Transaction costs amortization	110,770	-
Foreign exchange loss (gain)	<u>(33,444)</u>	<u>115</u>
	274,624	115
Net loss and comprehensive loss	(519,247)	(84,203)
Deficit, beginning of period	(114,364)	(30,161)
Deficit, end of period	<u>(\$ 633,611)</u>	<u>(\$ 114,364)</u>
Basic and diluted loss per common share (note 13)	<u>(\$ 0.02)</u>	<u>(\$ 0.02)</u>

The accompanying notes are an integral part of these financial statements.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in Canadian Dollars)

	For the year ended April 30, 2011	For the four months ended April 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from tenants	\$ 154,408	\$ -
Cash paid to suppliers	(375,747)	(52,005)
Interest paid	<u>(195,116)</u>	<u>-</u>
	(416,455)	(52,005)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to income properties	(31,717)	-
Advance to joint venture	(852,646)	-
Acquisition of interest in joint ventures (note 4)	<u>(2,837,271)</u>	<u>(3,150,623)</u>
	(3,721,634)	(3,150,623)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	2,610,732	6,983,544
Share issuance costs	(260,031)	(702,089)
Proceeds from mortgage financing	1,776,075	-
Change in loans payable	146,433	-
Proceeds from short-term loans payable	2,121,124	-
Repayment of short-term loans payable	(2,108,970)	(2,759,075)
Transaction costs	<u>(141,161)</u>	<u>-</u>
	4,144,202	3,522,380
Unrealized foreign exchange (gain)	<u>(4,777)</u>	<u>-</u>
Change in cash for the period	1,336	319,752
Cash, beginning of period	<u>620,759</u>	<u>301,007</u>
Cash, end of period	<u>\$ 622,095</u>	<u>\$ 620,759</u>

The accompanying notes are an integral part of these financial statements.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

1. Incorporation

TitanStar Properties Inc. (the “Company”) was incorporated under the *Canada Business Corporations Act* on June 3, 2008 and is a real estate holding company trading on the TSX Venture Exchange (“TSXV: TSP”). 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.

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 real estate assets in the United States with value to be maximized through the acquisition of well-positioned, undervalued or underperforming assets.

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements of the Company include the Company’s 50% proportionate share of the assets, liabilities, revenues and expenses of its joint venture interests in LV Loan Holdings GP Inc., and LV Loan Holdings LP (“LVLH LP”) and the accounts of the Company’s wholly-owned subsidiary TitanStar DSC Holdings Inc. which holds a 50% proportionate share of the assets, liabilities, revenues and expenses of joint venture interests in each of Deer Springs Crossing LP (“DSC LP”) and Sahara Crossing LP (“SC LP”). All significant intercompany balances and transactions have been eliminated upon consolidation.

An assumption underlying the preparation of financial statements in accordance with Canadian generally accepted accounting principles is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations. These financial statements are prepared in accordance with Canadian generally accepted accounting principles, are expressed in Canadian dollars and include the following significant accounting policies.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

2. Summary of significant accounting policies (continued)

a) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

b) Cash

Cash consists of cash on deposit and highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less.

c) Income properties and intangible assets

Income properties include land, buildings and fixtures, site improvements and real estate held for development. Intangible assets include lease origination costs on existing leases, the value of in-place leases, the value of above-market and below-market existing leases and the value of tenant relationships. Upon acquisition of income properties, the purchase price is allocated based on estimated fair values to land, buildings and fixtures, site improvements, real estate held for development and intangibles, including lease origination costs on existing leases, the value of in-place leases, the value of above-market and below-market existing leases, and the value of tenant relationships.

Income properties and intangible assets are carried at cost less accumulated amortization. If events or circumstances indicate that the carrying value of the income properties and intangible assets may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows to be generated from the income-producing properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income properties and intangible assets are written down to estimated fair value and an impairment loss is recognized. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

2. Summary of significant accounting policies (continued)

Real estate held for development includes initial acquisition costs, other direct costs and realty taxes during the period of development.

Amortization is recorded on a straight-line basis over the remaining useful life of 39 years for buildings and fixtures and 15 years for site improvements. Improvements that do not meet the capitalization criteria are expensed in full in the period incurred. Real estate held for development will be depreciated over its estimated useful life when the asset is developed.

Lease origination costs, in-place leases, above-market and below-market existing leases and tenant relationships are amortized over the remaining term of the respective leases.

d) Financial instruments

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Transactions to purchase or sell financial assets are recorded on the settlement date.

Financial assets and financial liabilities classified as held-for-trading are subsequently measured at fair value with gains and losses recognized in net earnings. Financial assets classified as held-to-maturity, loans and receivables, and other liabilities are subsequently measured at their amortized cost, using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income until the financial asset is derecognized. Investments in equity instruments are classified as available-for-sale if they do not have a quoted market price in an active market and are measured at cost.

Net gains and losses arising from changes in fair value of loans and receivables, held-to-maturity investments, and other liabilities are recognized in net income upon de-recognition or impairment. The Company does not reclassify a financial instrument into or out of the held-for-trading category while it is held or issued, except in rare circumstances.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

2. Summary of significant accounting policies (continued)

Derivative instruments are 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. Changes in the fair values of derivative instruments are recognized in net earnings, except for derivatives that are designated as cash flow hedges, in which case the fair value change for the effective portion of such hedging relationships are recognized in other comprehensive income. The Company presently does not have any derivative financial instruments.

The Company has designated its financial instruments as follows:

Financial Statement Item	Classification	Measurement
Cash	Held-for-trading	Fair Value
Accounts receivable	Loans and receivables	Amortized cost
Advance to joint venture	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Loan payable	Other liabilities	Amortized cost
Mortgage loan payable	Other liabilities	Amortized cost

Transaction costs are expensed as incurred for financial instruments designated as held-for-trading. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method.

The Company assesses impairment of all its financial assets, except those classified as held-for-trading. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current earnings.

Comprehensive income includes net income and other comprehensive income. Other comprehensive income generally includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation adjustments net of hedging arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The Company's financial statements will include a statement of other comprehensive income for any items included in other comprehensive income while the cumulative amount and accumulated other comprehensive income, will be presented as a category of shareholders' equity.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

2. Summary of significant accounting policies (continued)

e) Revenue recognition accounting policy

Rents are recognized as revenue over the terms of the related lease agreements. Rental revenue from leases with contractual rent increases are recognized on a straight-line basis over the term of the respective leases. Recoveries from tenants for property operating costs and property taxes are recognized as revenues during the period in which the applicable costs are incurred. Interest revenue is recognized when reasonable assurance exists regarding measurement and collectability on a time proportion basis.

f) Foreign currency translation

Monetary assets and liabilities of the Canadian and foreign operations denominated in currencies other than Canadian dollars are translated at the rates of exchange at the balance sheet date. Other balance sheet items, denominated in currencies other than Canadian dollars, are translated at the rates prevailing at the respective transaction dates. Income and expenses, denominated in currencies other than Canadian dollars, are translated at average rates prevailing during the year. Gains or losses on foreign exchange are recorded in the consolidated statements of operations.

The U.S. joint ventures are considered to be integrated foreign operations, and their accounts have been translated using the temporal method with translation gains and losses included in the consolidated statements of operations.

g) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

h) Loss per share

Basic loss per share is calculated by dividing the loss by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the 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.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

2. Summary of significant accounting policies (continued)

i) 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 balance sheet 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.

3. Future changes to significant accounting policies

The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis.

The Company is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. The Company's consolidated financial performance and financial position as disclosed in the Company's current Canadian generally accepted accounting principles financial statements may be significantly different when presented in accordance with IFRS.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

4. Acquisition of interest in joint ventures

On October 18, 2010, the Company acquired a 50% interest in SC LP through its 100% wholly owned subsidiary TitanStar DSC Holdings Inc.

Net proceeds from the joint venture will first be allocated 90% to repay the Company's advance to the joint venture and 10% to repay advances from the other venturer. Subsequent proceeds will be distributed to the Company and the other venturer equally.

The net income properties acquired and consideration provided at the time of acquisition were as follows:

	As at October 18, 2010
Income properties	
- Land	\$ 479,972
- Building and fixtures	1,866,199
- Site improvements	215,588
Intangible assets	
- Lease origination costs	73,526
- In-place leases	117,974
- Tenant relationships	15,548
Working capital	<u>68,464</u>
	<u>\$ 2,837,271</u>
Consideration provided:	
Mortgage financing, net transaction costs of \$63,113	\$ 1,712,962
Cash	
- Advance to joint venture	852,646
- Equity	<u>271,663</u>
	<u>\$ 2,837,271</u>

On April 16, 2010, the Company completed its Qualifying Transaction and acquired a 50% interest in DSC LP through a 100% wholly owned subsidiary Titanstar DSC Holdings Inc. and a 50% interest in LVLH LP (49.5% limited partnership interest in LVLH LP and 0.5% interest in LVLH LP through a 50% interest in the general partner of LVLH LP, LV Loan Holding GP) for consideration including associated costs of \$5,910,841.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

4. Acquisition of interest in joint ventures (continued)

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition

	As at April 16, 2010
Cash	\$ 2,760,218
Prepaid expenses	21,113
Real estate held for development	5,909,089
Other receivable	958
Total assets acquired	<u>\$ 8,691,378</u>
Accounts payable	\$ 11,332
Lease deposits	9,463
Other liabilities	667
Short-term loan	2,759,075
Total liabilities assumed	<u>\$ 2,780,537</u>
Net assets acquired	<u>\$ 5,910,841</u>

5. Income properties

April 30, 2011	Cost	Accumulated amortization	Net book Value
Land	\$ 479,972	\$ -	\$ 479,972
Buildings and fixtures	1,873,505	25,564	1,847,941
Site improvements	215,588	7,678	207,910
Real estate held for development	5,933,500	-	5,933,500
	<u>\$ 8,502,565</u>	<u>\$ 33,242</u>	<u>\$ 8,469,323</u>
April 30, 2010	Cost	Accumulated amortization	Net book Value
Real estate held for development	<u>\$ 5,909,089</u>	<u>\$ -</u>	<u>\$ 5,909,089</u>

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

6. Intangible assets

April 30, 2011	Cost	Accumulated amortization	Net book Value
Lease origination costs	\$ 73,526	\$ 2,311	\$ 71,215
In-place leases	117,974	3,708	114,266
Tenant relationships	15,548	489	15,059
	<u>\$ 207,048</u>	<u>\$ 6,508</u>	<u>\$ 200,540</u>

7. Loan payable

DSC LP has an unsecured revolving line of credit promissory note for up to \$500,000 US dollars (2010 - \$nil US dollars) bearing interest at prime (3.25%) with a maturity date of December 31, 2013.

8. Mortgage loan payable

	2011	2010
SC LP mortgage secured by income property, bearing interest at 12.75%, due November 2011. The term may be extended for one year with the payment of a 1% extension fee	<u>\$ 1,656,200</u>	<u>\$ -</u>
Transaction costs	(30,391)	-
	<u>\$ 1,625,809</u>	<u>\$ -</u>

Transaction costs amortization includes \$32,722 related to the SC LP mortgage and \$78,048 related to loans advanced and repaid during the year ended April 30, 2011.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

9. Share capital

	Number of Common Shares	Amount
Authorized:		
Unlimited number of common shares		
Issued and outstanding:		
Balance as at December 31, 2009	3,000,000	\$ 318,297
Common shares issued pursuant to public offering	19,952,983	6,983,544
Share issuance costs		<u>(774,697)</u>
Balance as at April 30, 2010	22,952,983	6,527,144
Common shares issued pursuant to warrants	17,500	3,500
Value associated with warrants exercised		1,430
Common shares issued pursuant to private placement	7,046,573	2,607,232
Proceeds allocated to warrants		(893,100)
Share issuance costs		<u>(331,479)</u>
Balance as at April 30, 2011	<u>30,017,056</u>	<u>\$ 7,914,727</u>

On April 16, 2010, the Company completed a public offering by the issuance of 19,952,983 common shares for gross proceeds of \$6,983,544. Issue costs of \$774,697 were incurred in connection with the offering.

On January 27, 2011, the Company issued 7,046,573 common shares and 7,046,573 non-transferable share purchase warrants for gross proceeds of \$2,607,232. The warrants were valued at \$893,100 and are exercisable for a period of 24 months from January 27, 2011. The exercise price of the warrants is \$0.40 per share for the first year of issuance, and \$0.45 per share from the second anniversary of issuance to expiry. Issue costs of \$331,479 were incurred in connection with the offering, which included the value of 563,726 non-transferable share purchase warrants issued to the agent. The agent warrants were valued at \$71,448 and are exercisable for a period of 24 months from January 27, 2011. The exercise price of the agent's warrants is \$0.40 per share for the first year of issuance, and \$0.45 per share from the second anniversary of issuance to expiry.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

10. Contributed surplus

Balance as at December 31, 2009	\$ 8,169
Share-based compensation	<u>12,082</u>
Balance as at April 30, 2010	20,251
Share-based compensation	65,275
Value associated with warrants exercised	(1,430)
Share purchase warrants issued	<u>964,548</u>
Balance as at April 30, 2011	<u>\$ 1,048,644</u>

11. Share options

The Company's share 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. The exercise price of an option will be determined by the board of directors but will, in any event, not be less than the discounted market price of the Company's common shares at the time of the grant of the option.

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

	April 30, 2011		April 30, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Share options granted	870,000	\$0.35	-	\$ -
Share options forfeited	(125,000)	0.35	-	-
Balance outstanding, end of period	745,000	\$0.35	-	\$ -
Share options exercisable	620,000		-	
Weighted average remaining life (years)	4.09		-	

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

11. Share options (continued)

For the year ended April 30, 2011, the Company recognized \$65,275 in share-based compensation for share options granted. The fair value of each share option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	0%
Risk-free interest rate	2.44% - 2.61%
Expected average option term	5 years
Volatility	22.8% - 96.3%

12. Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	April 30, 2011		April 30, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, beginning of period	200,000	\$0.28	100,000	\$0.20
Warrants issued	7,610,299	0.43	100,000	0.35
Warrants exercised	(17,500)	0.20	-	-
Warrants expired	(82,500)	0.20	-	-
Balance outstanding and exercisable, end of period	7,710,299	\$0.42	200,000	\$0.28
Weighted average remaining life (years)	1.77		2.71	

For the four months ended April 30, 2010, the Company recognized \$12,082 in share-based compensation for warrants granted. The fair value of each warrant grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	0%
Risk-free interest rate	3.09%
Expected average option term	5 years
Volatility	47%

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

12. Warrants (continued)

For the year ended April 30, 2011, the Company recorded \$964,548 in contributed surplus for warrants granted. The fair value of each warrant grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	0%
Risk-free interest rate	1.67%
Expected average warrant term	2 years
Volatility	91.9%

13. Loss per share

The weighted average basic and diluted common shares outstanding for the year ended April 30, 2011 is 24,777,306 (2010 - 5,327,848). As the company is in a loss position, share options outstanding are anti-dilutive.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

14. Income taxes

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

	<u>2011</u>	<u>2010</u>
Basic statutory tax rate	27.83%	28.50%
Loss before taxes	(\$ 519,247)	(\$ 84,203)
Expected tax recovery on net loss, before income tax	144,500	24,000
Differences due to recognition of items for tax purposes		
Rate differential (U.S. statutory rates versus Canadian statutory rates)	12,000	-
Change in estimated tax rate	-	(5,200)
Future income tax on acquisition of joint venture interest	-	1,065,500
Future income tax on transaction costs	25,200	193,700
Other	(800)	(8,010)
Increase in valuation allowance	(202,600)	(1,269,990)
Provision for income taxes	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's future income tax assets is as follows:

	<u>2011</u>	<u>2010</u>
Non-capital loss carry forward	\$ 220,500	\$ 43,100
Transaction costs	217,500	192,300
Cumulative eligible capital	200	200
Real estate held for development	<u>1,065,500</u>	<u>1,065,500</u>
	1,503,700	1,301,100
Valuation allowance	<u>(1,503,700)</u>	<u>(1,301,100)</u>
Future income tax asset	<u>\$ -</u>	<u>\$ -</u>

The Company has approximately \$812,300 of unused tax losses for which no future income tax asset has been recognized that will expire as follows:

2028	\$ 15,000
2029	37,100
2030	127,900
2031	632,300

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

15. Investment in joint ventures

Summarized financial information of the Company's proportionate share in its joint ventures, which has been proportionately consolidated, is as follows:

	Year ended April 30, 2011
Revenue	\$ 153,736
General and administrative expenses	135,690
Amortization of income properties	33,242
Amortization of intangible assets	6,508
Interest expense	121,646
Transaction costs amortization	<u>32,722</u>
Net loss	(\$ 176,072)

	Year ended April 30, 2011
Operating activities	\$ 70,545
Investing activities	(2,868,988)
Financing activities	2,944,109
Unrealized foreign exchange (gain)	(119,875)
Increase in cash and cash equivalents	<u>\$ 25,791</u>

	As at April 30, 2011
Cash	\$ 57,796
Prepaid expenses	25,608
Accounts receivable	20,579
Income properties	8,469,323
Intangible assets	<u>200,540</u>
	<u>\$ 8,773,846</u>

Accounts payable and accrued liabilities	\$ 9,668
Deferred revenue	30,714
Loan payable	151,004
Mortgage loan	1,625,809
Equity	<u>6,956,651</u>
	<u>\$ 8,773,846</u>

	Four months ended April 30, 2010
General and administrative expenses	\$ 7,431
Net loss	(\$ 7,431)

	Four months ended April 30, 2010
Operating activities	\$ 30,862
Financing activities	(2,759,075)
Decrease in cash and cash equivalents	<u>(\$ 2,728,213)</u>

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

15. Investment in joint ventures (continued)

	As at April 30, 2010
Cash	\$ 32,005
Prepaid expenses	20,557
Income properties	<u>5,909,089</u>
	<u>\$ 5,961,651</u>
Current liabilities	\$ 58,358
Equity	<u>5,905,809</u>
	<u>\$ 5,903,293</u>

16. Related party transactions

On April 16, 2010, the Company entered into an asset management agreement with TitanStar Capital Company (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 Company is a corporation owned by TitanStar Investment Group Inc., which is owned by T. Richard Turner, Chief Executive Officer of the Company. Denise Turner, Executive Vice President and Secretary of the Company is also a Director and Officer of TitanStar Capital Company and TitanStar Investment Group Inc. The Company has the right to terminate the asset management agreement at any time upon 60 days notice. The Asset Manager is entitled to an advisory fee of \$1,000 per month. On the date on which the Company attains an asset base with a gross book value of \$200 million the Asset Manager is entitled to an annual advisory fee of 0.3% of the gross book value of the assets, payable monthly.

On April 16, 2010, the Company granted to the Asset Manager options to purchase 100,000 common shares (note 11). Each option will allow the Asset Manager to purchase one common share at a price of \$0.35 per Share from the date of issuance until the fifth anniversary of the issuance of such options.

For the year ended April 30, 2011, the Company accrued and paid \$12,000 to the Asset Manager for management fees pursuant to the asset management agreement (2010 - \$29,320 reimbursement of expenses).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

17. Capital management

The Company's objectives when managing capital, which is share capital and deficit, 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 the 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.

18. Risk management and fair values

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:

Liquidity risk:

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company's source of liquidity is its equity. The risk with issuing new capital is that the capital markets may not be receptive to an equity issue with financial terms favourable to the Company. The funds are primarily used to finance working capital and are adequate to meet the Company's financial obligations associated with financial liabilities.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

18. Risk management and fair values (continued)

Pursuant to the SC LP limited partnership agreement as amended, the Company is required to provide an additional capital contribution of \$1,477,275 US dollars to the partnership on or before September 1, 2011.

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 some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company invests in short-term investments that may be cashed prior to maturity.

There is interest rate risk associated with the loan payable as the interest is impacted by changes in the prime rate. The impact on net income if interest rates would have been 1% higher or lower, would be approximately \$1,500 (2010 - \$nil). The sensitivity analysis does not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs or be mitigated by management actions to reduce exposure to risks. Other limitations in the sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Credit risk:

Credit risk arises from the possibility that debtors 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, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts 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 doubtful accounts receivable.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

18. Risk management and fair values (continued)

Foreign exchange risk:

Currency 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 currency risk as its joint ventures investments undertake their economic activities in U.S. currency. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company may enter into forward exchange contracts to manage part of the foreign exchange risk exposures denominated in U.S. currency, but has no forward contracts as at April 30, 2011. The Canadian dollar equivalent of monetary assets and liabilities that are denominated in U.S. dollars are as follows:

	April 30, 2011	April 30, 2010
Cash	\$ 167,516	\$ 32,005
Accounts receivable	20,579	-
Advance to joint venture	795,097	-
Accounts payable	9,667	48,895
Loan payable	151,004	-
Mortgage payable	1,625,809	-

For the current period, if the Canadian dollar had weakened 5 percent against the U.S. dollar with all other variables held constant, after-tax net income for the year ended April 30, 2011 would have been approximately \$38,000 lower (2010 - \$1,000). Conversely, if the Canadian dollar had strengthened 5 percent against the U.S. dollar with all other variables held constant, after-tax net income for the year ended April 30, 2011 would have been approximately \$38,000 higher (2010 - \$1,000). The foreign currency exchange rate sensitivity in net income in 2011 is attributable to a change in the translation of monetary assets and liabilities denominated in U.S. dollars.

The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs or be mitigated by management actions to reduce exposure to risks.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2011 and 2010

(expressed in Canadian dollars)

18. Risk management and fair values (continued)

Fair values:

The fair value of cash, accounts receivable, advance to joint venture, accounts payable and loan payable approximates its recorded value. The fair value of the mortgage loan payable approximates carrying value. The fair value of the mortgages loan payable has been estimated based on current market rates for mortgages with similar terms and conditions. Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at year-end may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

The fair value hierarchy of financial instruments measured at fair value on the balance sheet as at April 30, 2011 is level 1 for cash (2010 – level 1 for cash).

19. Subsequent event

On June 29, 2011, the Company issued 623,750 common shares and 623,750 non-transferable share purchase warrants for gross proceeds of \$230,788. The exercise price of the warrants is \$0.40 per share for the first year of issuance, and \$0.45 per share from the second anniversary of issuance to expiry. Issue costs of \$35,008 were incurred in connection with the offering, which included the value of 49,900 non-transferable share purchase warrants issued to the agent. The exercise price of the agent's warrants is \$0.40 per share for the first year of issuance, and \$0.45 per share from the second anniversary of issuance to expiry.

TitanStar Properties Inc. (formerly DPVC Inc.)

FORM 51-102F1

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE AND TWELVE MONTHS ENDED APRIL 30, 2011

Date

This management discussion and analysis ("MD&A") dated August 3, 2011 is in respect of the three and twelve months ended April 30, 2011, and should be read in conjunction with the audited consolidated financial statements for the year ended April 30, 2011.

Forward-Looking Statements

This MD&A may contain forward-looking statements with respect to TitanStar Properties Inc. ("TitanStar" or the "Company"). These forward-looking statements by their nature involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of management, may ultimately prove to be incorrect. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

Overview

TitanStar Properties Inc. (formerly 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 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.

The Company has engaged a syndicate of investment dealers led by Sora Group Wealth Advisors Inc. (the "Lead Agent") to act as Agents for a brokered private placement financing (the "Offering") on a commercially-reasonable best efforts basis, via offering memorandum and other exemptions from the prospectus requirements, to offer a minimum of 8,108,109 and a maximum of 16,216,217 Units at a price of \$0.37 per Unit, for a minimum of CAD \$3 million and a maximum of CAD \$6 million in proceeds. Each Unit is comprised of one common share of the Company (a "Common Share") and one non-transferable share purchase warrant (a "Warrant"), with each warrant exercisable by the holder to acquire one additional common share of the Company for a period of 24 months from issuance at an exercise price of CAD \$0.40 per share in the first year and an exercise price of CAD \$0.45 per share in the second year. The Agents for the Offering receive a cash commission equal to 8.0% of the gross proceeds raised under the Offering, and that number of Agent's warrants that will entitle the holder thereof to purchase that number of common shares that is equal to 8.0% of the number of Units issued under the Offering. On January 27, 2011, the Company issued 7,046,573 common shares and 7,046,573

warrants along with 563,726 warrants to the Agent in connection with the Offering. Subsequent to year end, on June 29, 2011, the Company further issued 623,750 common shares and 623,750 warrants along with 49,900 warrants to the Agent in connection with the Offering.

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 real estate assets in the United States with value to be maximized through the acquisition of well-positioned, undervalued or underperforming assets. The investment policy is:

- 1) Be opportunistic in approach in viewing real estate assets for purchase.
- 2) Invest and purchase where expertise can be maximized and where management can make a difference by creating value in difficult situations or in value-added refurbishment programs;
- 3) Be selective and focused on purchasing assets in geographic areas where management has known infrastructure “on the ground”. The likely geographic areas include Nevada, Southern California, Oregon, Washington State, Arizona, Utah and Colorado;
- 4) Be selective and focused on purchasing residential, commercial, retail or industrial assets; and
- 5) Use the combined contact base of management and its partners to purchase “stressed” assets from banks, private lenders and brokers prior to these assets being offered at auction or generally to the public

The initial focus is on necessity-based, nationally-anchored retail/commercial properties, community centers, industrial properties, and income-producing residential apartments that require investment or creativity to create value.

In prior reporting periods, the Company acquired a 50% interest in each of two Nevada limited partnerships, Deer Springs Crossing, LP (“DSC LP”) and LV Loan Holdings LP (“LVLH LP”). DSC LP owns certain land located in Las Vegas, Nevada (the “Deer Springs Property”) and LVLH LP owns a promissory note (with respect to a loan related to the Deer Springs Property) and certain related security documents (the “Deer Springs Note”).

On October 18, 2010, the Company and Sahara Crossing Development Company, LLC (“SCDC”), a related party of Juliet Companies LLC (“Juliet”) formed a joint venture (the “Venture”) and completed its acquisition of a commercial retail property located in Las Vegas, Nevada (“the Sahara Property”). The Venture intends to own and develop the Sahara Property, and is structured as a State of Nevada limited partnership, with each of the Company, through its subsidiary, and SCDC owning a 50% interest in and to the Venture. All net proceeds from the partnership will be firstly applied to repay each of the Company and SCDC's respective capital accounts, and lastly distributed to the Company and SCDC equally.

Effective January 1, 2010, the Company changed its year end to April 30 to increase operational efficiencies by staggering its year end away from a calendar year where there are substantial conflicts with advisors, the executive management team and the board of directors and their

obligations to other reporting issuers. Prior to January 1, 2010, the Company's fiscal year end was December 31.

Selected Financial Information

Annual and Quarterly Results

A summary of selected financial information for the three and twelve months ended April 30, 2011 and the four months ended April 30, 2010 and twelve months ended December 31, 2009 is as follows:

	Three months ended April 30, 2011	Four months ended April 30, 2010
Revenue	\$ 80,653	\$ -
Net loss and comprehensive loss	(93,988)	(84,203)
Net loss per share, basic and diluted	(0.00)	(0.02)
Total assets	\$ 10,175,070	\$ 6,563,288

	Twelve months ended April 30, 2011	Twelve months ended December 31, 2009
Revenue	\$ 153,736	\$ 20
Net loss and comprehensive loss	(519,247)	(23,675)
Net loss per share, basic and diluted	(0.02)	(0.01)
Total assets	\$ 10,175,070	\$ 374,418

Revenues earned during the three and twelve months ended April 30, 2011 relate to leasing revenues from the Sahara Property acquired in October 2010.

Expenses incurred during the three and twelve months ended April 30, 2011 consisted primarily of share based compensation, professional fees, interest and loan fees and expenses directly related to the Sahara and Deer Springs properties. The increase in expenses for the three and twelve months ended April 30, 2011, as compared to the four months ended April 30, 2010 and twelve months ended December 31, 2009, results primarily from increased share based compensation, increased professional fees resulting from increased activity in the period, the acquisition of DSC LP and LVLH LP in April 2010 and the acquisition of the Sahara Property in October 2010.

Total assets as at April 30, 2011 included \$8,469,323 of income properties, \$795,097 of advance to joint venture, \$200,540 of intangible assets, \$34,975 of prepaid expenses, \$53,040 of accounts receivable and \$622,095 in cash, which were financed primarily by the issuance of 7,046,573 common shares related to the Offering and short terms loans related to the Sahara Property acquisition.

A comparative of the Company's financial condition as at April 30, 2011 and April 30, 2010:

	April 30, 2011	April 30, 2010
Total Assets	\$ 10,175,070	\$ 6,563,288
Working Capital (Deficit)	(\$ 1,135,200)	\$ 523,942

The Company's working capital deficit as at April 30, 2011 is primarily due to the SC LP mortgage loan classified in current liabilities as the mortgage is due November 2011. The Company expects to extend the term for one year with the payment of a 1% extension fee.

Results of Operations

A summary of selected financial information for the three and twelve months ended April 30, 2011 and the four months ended April 30, 2010 and twelve months ended December 31, 2009 is as follows:

	For the three months ended April 30, 2011	For the four months ended April 30, 2010
Revenue	\$ 80,652	\$ -
General and administrative expense	83,998	72,006
Amortization of income properties	15,172	-
Amortization of intangible assets	2,970	-
Share based compensation expense	7,122	12,082
Interest expense	55,376	-
Loan cost amortization	15,308	-
Foreign exchange loss (gain)	(6,342)	115
Total expenses	\$ 173,604	\$ 84,203
Net loss from operations	(\$ 92,952)	(\$ 84,203)

	For the twelve months ended April 30, 2011	For the twelve months ended December 31, 2009
Revenue	\$ 153,736	\$ 20
General and administrative expense	293,334	22,377
Amortization of income properties	33,242	-
Amortization of intangible assets	6,508	-
Write-down of acquisition costs	-	1,318
Share based compensation expense	65,275	-
Interest expense	197,298	-
Loan cost amortization	110,770	-
Foreign exchange loss (gain)	(33,444)	-
Total expenses	\$ 672,983	\$ 23,695
Net loss from operations	(\$ 519,247)	(\$ 23,675)

Revenues earned during the three and twelve months ended April 30, 2011 relate to leasing revenues from the Sahara Property acquired in October 2010.

Expenses incurred during the three and twelve months ended April 30, 2011 consisted primarily of share based compensation, professional fees, interest and transaction fees and expenses directly related to the Sahara and Deer Springs properties. The increase in expenses for the three and twelve months ended April 30, 2011, as compared to the four months ended April 30, 2010 and twelve months ended December 31, 2009, results primarily from increased share based compensation, increased professional fees resulting from increased activity in the period, and the acquisition of the Deer Springs Property in April 2010 and the Sahara Property in October 2010.

Annual and Quarterly Results

Selected Quarterly Financial Information

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

	Quarter Ended June 30, 2009	Quarter Ended September 30, 2009	Quarter Ended December 31, 2009
Net earnings (loss) and comprehensive income	(\$ 4,508)	(\$ 4,657)	(\$ 7,368)
Net earnings (loss) per share, basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00

	Quarter Ended March 31, 2010	Month Ended April 30, 2010	Quarter Ended July 31, 2010
Net earnings (loss) and comprehensive income	(\$ 3,653)	(\$ 80,550)	(\$ 117,282)
Net earnings (loss) per share, basic and diluted	\$ 0.00	(\$ 0.02)	(\$ 0.01)

	Quarter Ended October 31, 2010	Quarter Ended January 31, 2011	Quarter Ended April 30, 2011
Leasing revenue	\$ 8,608	\$ 64,476	\$80,652
Net earnings (loss) and comprehensive income	(84,455)	(224,558)	(92,952)
Net earnings (loss) per share, basic and diluted	(\$ 0.00)	(\$ 0.01)	(\$ 0.00)

The difference in the expenses between the fiscal periods is due to the amount of activity by the Company in each period, relating to filing and professional fees, and in the one month ended April 30, 2010, to the acquisition of DSC LP and LVLH LP. The increase in expenses in the quarter ended July 31, 2010 results from increased share based compensation expense, professional fees and expenses directly related to the Deer Springs Property. In the quarter ended October 31, 2010, expenses included costs related to the acquisition of the Sahara Property. In the quarter ended January 31, 2011, expenses included interest and transaction costs amortization expenses, professional fees and depreciation expenses related to the acquisition of the Sahara Property. In the quarter ended April 30, 2011, expenses primarily included interest and transaction costs amortization expenses, professional fees and depreciation expense.

Financing and Capital Resources

The Company is in the process of completing an Offering as described above. On January 27, 2011, the Company issued 7,046,573 common shares and 7,046,573 warrants for gross proceeds of \$2,607,232 in connection with the Offering. Issue costs of \$331,479 were incurred in connection with the Offering, which included the value of 563,726 warrants issued to the Agent. Subsequent to year end, on June 29, 2011, the Company further issued 623,750 common shares and 623,750 warrants for gross proceeds of \$230,788 in connection with the Offering. Issue costs of \$35,008 were incurred in connection with the Offering, which included the value of 49,900 warrants issued to the Agent. The net proceeds from the Offering will be used to repay indebtedness, fund additional project costs, including lease-up and tenant improvement costs, and working capital.

On April 16, 2010, Deer Springs Crossing LP entered into an unsecured, maximum USD \$500,000 revolving line of credit promissory note with LV Loan Holdings Investors, LLC. The Company's financial statements reflect its proportionate interest in this note of 50%. As at April 30, 2011, the advances under the note were USD \$314,500 (CAD \$297,643).

On October 18, 2010, Sahara Crossing, LP entered into a USD \$3,500,000 (CAD \$3,552,150) mortgage financing. As security against such indebtedness, Sahara Crossing, LP pledged its interest in the Sahara Property. The Company's financial statements reflect its proportionate equity interest in Sahara Crossing, LP of 50%.

On October 18, 2010, the Company entered into short term loans to finance the acquisition of the Sahara Property. These principal amount of the loans were USD \$1,030,000 and CAD \$1,080,000. On January 27, 2011, the principal and accrued interest on the short term loans were repaid.

Liquidity

As at April 30, 2011, the Company had a working capital deficit of \$1,135,200. The decrease in working capital is primarily due to the SC LP mortgage loan classified in current liabilities as the mortgage is due November 2011. The Company expects to extend the term for one year with the payment of a 1% extension fee.

There can be no assurance that the Company will be able to complete the Offering (see "Overview") financing or complete it pursuant to the terms noted above.

Pursuant to the amended Sahara Crossing LP limited partnership agreement, the Company is required to provide an additional capital contribution of USD \$1,477,275 to the partnership on or before September 1, 2011.

The Company has no additional capital resource commitments as at April 30, 2011.

Transactions with Related Parties

On April 16, 2010, the Company entered into an asset management agreement with TitanStar Capital Company (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 Company is a corporation owned by TitanStar Investment Group Inc., which is owned by T. Richard Turner, Chief Executive Officer of the Company. Denise Turner, Executive Vice President and Secretary of the Company is also a Director and Officer of TitanStar Capital Company and TitanStar Investment Group Inc. The Company has the right to terminate the asset management agreement at any time upon 60 days notice. The Asset Manager is entitled to an advisory fee of \$1,000 per month. On the date on which the Company attains an asset base with a gross book value of \$200 million the Asset Manager is entitled to an annual advisory fee of 0.3% of the gross book value of the assets, payable monthly.

On April 16, 2010, the Company granted the Asset Manager options to purchase 100,000 common shares. Each option will allow the Asset Manager to purchase one common share at a price of \$0.35 per share from the date of issuance until the fifth anniversary of the issuance of such options.

For the three and twelve months ended April 30, 2011, the Company accrued and paid \$3,000 and \$12,000 to the Asset Manager for management fees pursuant to the asset management agreement (2010 - \$29,320 reimbursement of expenses). The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Commitments and Contingent Liabilities

Pursuant to the Sahara Crossing LP limited partnership agreement as amended, the Company is required to provide an additional capital contribution of USD \$1,477,275 to the partnership on or before September 1, 2011.

The Company has no additional commitments or contingent liabilities as at April 30, 2011.

Implementation of International Financial Reporting Standards (IFRS)

The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis.

These new standards will be effective for interim and annual periods of the Company after May 1, 2011. Comparative IFRS information for the previous fiscal year will also be provided.

The Company is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. The Company's consolidated financial performance and financial position as disclosed in the Company's current Canadian generally accepted accounting principles financial statements may be significantly different when presented in accordance with IFRS.

Impact of Adoption of IFRS

IFRS is based on a conceptual framework similar to GAAP; however, significant differences exist in the recognition, measurement, presentation and disclosure for certain accounting areas. Management is not yet in a position to comment on the potential impacts on the Company's financial statements, some of which may be material.

The significant IFRS differences that are expected to have an impact on the Company's consolidated financial statements include the following:

Investment Property

IFRS defines investment property as property held by the owner, or by the lessee under a finance lease, to earn rental income, capital appreciation or both, but not property held for use in the production or supply of goods or services, for administrative purposes, or for sale in the ordinary course of business. Assets the Company has classified as income properties under GAAP will qualify for inclusion as investment property under IFRS.

Under IFRS, the Company has a choice of measuring income properties and related intangible assets using the historical cost model or the fair value model. The historical cost model is generally consistent with GAAP and would require that the fair value of the investment properties be disclosed in the notes to the consolidated financial statements. Under the fair value model, investment properties are measured at their fair values, and changes in fair value are recorded to the consolidated statement of operations and deficit each reporting period.

The Company has chosen to measure income properties and related intangible assets using the historical cost model and to make the election under IFRS 1 to record investment property on transition date (May 1, 2010) at fair value. IFRS requires that the fair value of investment properties measured at historical cost to be disclosed in the notes to the annual consolidated financial statements. As investment properties are amortized over the useful lives of each of the significant component parts, management will identify the significant components of its investment properties and determined the related useful lives at May 1, 2010. Management is in the process of determining the individual fair values of each component on the transition date and calculating the related amortization impact for the 2011 IFRS comparative period. The magnitude of the impact to the consolidated balance sheet will be completed during the first quarter of fiscal 2012.

Impairment

GAAP and IFRS require that assets be tested for potential impairment with the consideration of similar factors for identifying potential impairment. If potential impairment is identified, the calculation of impairment under IFRS differs from GAAP. An impairment loss is recognized under GAAP based on estimated net recoverable amount calculated using the undiscounted future cash flows from an asset or group of assets are less than their carrying value. An impairment loss under IFRS is recognized if the recoverable amount (which is calculated as the higher of the fair value less costs to sell, and the value in use) is less than its carrying value. The value in use is calculated as the discounted present value of estimated future cash flows expected to arise from that entity's planned use of an asset and from its disposal at the end of its useful life.

The reversal of impairment losses is not permitted under GAAP. Under IFRS, an impairment loss is reversed if, as a result of changes to impairment indicator estimates, the recoverable amount is higher than the carrying value. The reversal amount cannot exceed the amortized amount of the asset assuming an impairment loss had not been previously recognized. This new accounting policy is not expected to impact the Company on transition.

Borrowing Costs

Under IAS 23 – Borrowing Costs, borrowing costs will be capitalized and included in the depreciable base of the asset to which the borrowings relates. An exemption under IFRS 1 allows the Company to adopt IAS 23 - Borrowing Costs prospectively to construction projects for which the capitalization commencement date is after May 1, 2010 or it may elect any date earlier than May 1, 2010 for transition. Management is currently assessing the impact of this change on the financial statements and does not expect a material adjustment.

Business Combinations

Under IFRS, property acquisitions may be classified as business combinations. While both GAAP and IFRS require the acquisition method of accounting for business combinations, IFRS prohibits the capitalization of transactions costs (including commissions, land transfer tax, appraisals, and legal fees associated with a purchase). This may have a material impact on the statement of operations and deficit in the year of acquisition.

Certain intangible assets, such as the value of in-place leases and the value of tenant relationships, that were recognized as part of an acquisition of an income property and considered a business combination under GAAP do not meet the definition of an intangible asset under IFRS and are, therefore, reestablished as part of the value of investment properties on the transition date.

IFRS requires that the standards for business combinations be applied from inception. Rather than apply the standard retrospectively to all acquisitions, the Company expects to elect the IFRS 1 exemption to restate its business combinations subsequent to the transition date only. The

magnitude of the impact to the consolidated balance sheet will be completed during the first quarter of fiscal 2012.

Foreign Currency Translation

Under GAAP, the Company translates the financial statements of United States investments using the temporal method. Under the temporal method, non-monetary assets and liabilities that are denominated in currencies other than Canadian dollars are translated at the rates prevailing at the respective transaction dates, and gains or losses on foreign exchange were included in the consolidated statement of operation.

Under IFRS, the translation of assets and liabilities of United States investments is based on the functional currency. The functional currency of the Company's investments is United States dollars as it is the currency of the primary economic environment in which the subsidiaries operate. Consideration in determining the functional currency is given to the denomination of the major cash flows of the entity. Assets and liabilities of the subsidiaries are translated to Canadian dollars at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the accumulated other comprehensive income in equity. The magnitude of the impact to the consolidated balance sheet will be completed during the first quarter of fiscal 2012.

Joint Ventures

Under IAS 31 – Interests in Joint Ventures (“IAS 31”), there is an option to proportionately consolidate jointly controlled entities or account for such interests using the equity method. The International Accounting Standards Board recently issued IFRS 11 – Joint Arrangements. The new standard supersedes IAS 31 and SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers and is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

IFRS 11 is concerned principally in addressing two aspects of IAS 31: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities. IFRS 11 improves on IAS 31 by requiring a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. In some instances, the application of this principle will result in parties recognizing assets, liabilities, revenues and expenses relating to their arrangements and, in other instances, it will result in parties recognizing an investment. As a result, the application of this principle will trigger the elimination of proportionate consolidation when entities have rights to the net assets of the arrangements. This may impact the jointly controlled entities which the Company currently proportionately consolidates under GAAP. The magnitude of the impact to the consolidated balance sheet will be completed during the first quarter of fiscal 2012.

Share based payments

IFRS2 – Share Based Payment, requires the use of graded vested which is consistent with the Company's practice under GAAP and therefore no adjustments arise on transition. IFRS requires the Company to estimate for expected forfeitures upon an option grant. Estimating the quantity of awards that are expected to vest but not ultimately be exercised (estimated forfeiture rate) based on historical information may result in a decrease of the compensation expense for the current period. Under GAAP the actual forfeiture is accounted for once it occurs or can be estimated for expected forfeitures upon an option grant. The magnitude of the impact to the consolidated balance sheet will be completed during the first quarter of fiscal 2012.

Information Systems

Management has reviewed its information systems and the effect of IFRS on these systems. No major changes to the systems are planned for fiscal 2012 as a result of the adoption of IFRS standards.

Internal Controls over Financial Reporting and Disclosure

Management began its analysis of internal controls over financial reporting and disclosure relating to the IFRS conversion during the fourth quarter of fiscal 2011. This process will be completed during the first quarter of fiscal 2012.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable, loan payable and mortgage loan payable. It is management's opinion that the Company is not exposed to significant liquidity, interest or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values.

Currency 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 currency risk as its joint ventures investments undertake their economic activities in U.S. currency. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company may enter into forward exchange contracts to manage part of the foreign exchange risk exposures denominated in U.S. currency, but has no forward contracts as at April 30, 2011. The Canadian dollar equivalent of monetary assets and liabilities that are denominated in U.S. dollars are as follows:

	April 30, 2011	April 30, 2010
Cash	\$ 167,516	\$ 32,005
Accounts receivable	20,579	-
Advance to joint venture	795,097	-
Accounts payable	9,667	48,895
Loan payable	151,004	-
Mortgage payable	1,625,809	-

For the three and twelve months ended April 30, 2011, if the Canadian dollar had weakened 5 percent against the U.S. dollar with all other variables held constant, after-tax net income for the three and twelve months ended April 30, 2011 would have been approximately \$38,000 lower (2010 - \$1,000). Conversely, if the Canadian dollar had strengthened 5 percent against the U.S. dollar with all other variables held constant, after-tax net income for the three months ended April 30, 2011 would have been approximately \$38,000 higher (2010 - \$1,000). The foreign currency exchange rate sensitivity in net income in fiscal 2011 is attributable to a change in the translation of monetary assets and liabilities denominated in U.S. dollars.

Proposed Transactions

The Company does not have any proposed transactions.

Additional Disclosure for Venture Issuers without Significant Revenue

As the Company has not had significant revenue from operations in the last two financial years, the following is a breakdown of the material costs incurred:

Material Components	For the three months ended April 30, 2011	For the four months ended April 30, 2010
General and administrative expenses	\$83,998	\$ 72,006
Consisting of:		
- professional fees	15,915	19,136
- management fees	4,775	29,320
- Deer Springs property (utilities, insurance and general maintenance)	18,266	5,323
- Sahara property (taxes, utilities, insurance and general maintenance)	32,374	-
- Miscellaneous	12,668	18,227
Other material costs, whether capitalized, deferred or expensed, not referred to above		
- interest expense	55,376	960
- transaction costs amortization	15,308	1,151
- share based compensation	7,122	12,082

Material Components	For the twelve months ended April 30, 2011	For the twelve months ended December 31, 2009
General and administrative expenses	\$293,334	\$ 22,377
Consisting of:		
- professional fees	118,839	-
- management fees	16,207	
- Deer Springs property (utilities, insurance and general maintenance)	73,059	-
- Sahara property (taxes, utilities, insurance and general maintenance)	55,430	-
- Miscellaneous	29,799	22,377
Other material costs, whether capitalized, deferred or expensed, not referred to above		
- acquisition of interest in joint venture	2,837,271	-
- interest expense	197,298	-
- transaction costs amortization	110,770	-
- share based compensation	65,275	-

Disclosure of Outstanding Share Data

As at April 30, 2011 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 April 30, 2011	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	30,017,056 common shares	30,640,806 common shares
Securities convertible or exercisable into voting or equity securities – share options	745,000	725,000
Securities convertible or exercisable into voting or equity securities – asset manager’s warrants	100,000	100,000
Securities convertible or exercisable into voting or equity securities – unit holder warrants	7,046,573	7,670,323
Securities convertible or exercisable into voting or equity securities – agent’s warrants	563,726	613,626
Total voting or equity securities issuable on conversion or exchange of outstanding securities	8,455,299	9,108,949

Acquisition of interest in joint ventures

On April 16, 2010, the Company completed its Qualifying Transaction and acquired a 50% interest in DSC LP through a 100% wholly owned subsidiary TitanStar DSC Holdings Inc. and a 50% interest in LVLH LP (49.5% limited partnership interest in LVLH LP and 0.5% interest in LVLH LP through a 50% interest in the general partner of LVLH LP, LV Loan Holding GP Inc.) for consideration including associated costs of \$5,910,841.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	As at April 16, 2010
Cash	\$ 2,760,218
Prepaid expenses	21,113
Real estate held for development	5,909,089
Other receivable	958
<u>Total assets acquired</u>	<u>\$ 8,691,378</u>
Accounts payable	\$ 11,332
Lease deposits	9,463
Other liabilities	667
<u>Short-term loan</u>	<u>2,759,075</u>
<u>Total liabilities assumed</u>	<u>\$ 2,780,537</u>
Net assets acquired	\$ 5,910,841

On October 18, 2010, the Company acquired a 50% interest in SC LP through its 100% wholly owned subsidiary TitanStar DSC Holdings Inc.

Net proceeds from the joint venture will first be allocated 90% to repay the Company's advance to the joint venture and 10% to repay advances from the other venturer. Subsequent proceeds will be distributed to the Company and the other venturer equally.

The net income properties acquired and consideration provided at the time of acquisition were as follows:

	As at October 18, 2010
Income properties	
- Land	\$ 479,972
- Building and fixtures	1,866,199
- Site improvements	215,588
Intangible assets	
- Lease origination costs	73,526
- In-place leases	117,974
- Tenant relationships	15,548
Working capital	<u>68,464</u>
	<u>\$ 2,837,271</u>
Consideration provided:	
Mortgage financing, net transaction costs of \$63,113	\$ 1,712,962
Cash	
- Advance to joint venture	852,646
- Equity	<u>271,663</u>
	<u>\$ 2,837,271</u>

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, 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 the Deer Springs Property and Sahara Property (together called “the Properties”) are located affects occupancy, market rental rates and expenses. These factors consequently can have an impact on future revenues from the Properties and the underlying value.

Other factors may further adversely affect revenues from and 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 subsidiary, TitanStar DSC Holdings Inc., as applicable, was unable to meet its 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 and further development projects that are in addition to the Properties. These activities require the Company to identify acquisition or development 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 or development criteria or in completing acquisitions, developments, or investments on satisfactory terms. Failure to identify or complete acquisitions or developments will slow the Company's growth. The Company could also face significant competition for acquisitions and development 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.

In addition, even if the Company were successful in identifying suitable acquisitions or development 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. If the Company's acquisition or expansion of properties fails to perform as expected or incurs significant increases in projected costs, the Company's revenues could be lower, and its operating expenses higher, than expected.

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.

Dependence on and Relationship with Asset Manager

The financial performance of the Company will depend in part on the performance of the Asset Manager. The success of the Company is dependent on the services of certain management personnel, including T. Richard Turner, the Chief Executive Officer of the Company. The loss of the services of such personnel could have an adverse effect on the Company.

Joint Venture Investments

The Company has a 50% interest in LV Loan Holdings GP Inc. and LVLH LP and, through its wholly-owned subsidiary, TitanStar DSC Holding Inc., has a 50% interest in each of the Deer Springs Property (through Deer Springs Crossing LP) and the Sahara Crossing Property (through Sahara Crossing LP). The Company may also enter into further joint ventures with respect to other properties in the future. In any such joint venture, the Company may not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture 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 joint venture partner would have full control over the joint venture. Any disputes that may arise between the Company and its joint venture 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 joint venture partners.

Investment Concentration

The Company will be susceptible to adverse developments in Las Vegas, Nevada, the sole market in which it is initially operating, such as new developments, changing demographics and other factors. Presently, the Company's 50% interest in the Deer Springs Property (through its indirect ownership of the DSC LP Interest) and 50% interest in Sahara Property (through its indirect ownership of the Sahara Crossing LP Interest) accounts for 100% of the Company's total real property assets. As a result of this concentration of assets, the Company will be particularly susceptible to adverse market conditions in Las Vegas, Nevada. Any adverse economic or real estate developments in the area 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 Company's

rental revenues, which could impair its ability to satisfy its debt service obligations and generate stable positive cash flow from its operations.

In addition, because the Company's investments will initially consist of its indirect ownership of the Properties, it will be subject to risks inherent in investments in a single industry. Demand for commercial real estate could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing properties in an area and the excess amount of units in a particular market. To the extent that any of these conditions occur, they are likely to affect market rents for space, which could cause a decrease in the Company's future potential rental revenue from the Properties. Any such decrease could impair the Company's ability to satisfy any debt service obligations and generate stable positive cash flow from its operations.

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. Such illiquidity may tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions.

Uninsured Losses

Deer Springs Crossing LP and Sahara Crossing LP 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.

Appraised Value of Deer Springs Property

The appraised value of the Deer Springs Property in the Appraisal prepared by the Appraiser is an estimate only, is made effective as at the date set forth in the Appraisal and is subject to a number of assumptions, qualifications and limiting conditions, including but not limited to those described in the Appraisal. Such assumptions, qualifications and limiting conditions generally include, among other things: (i) that title to the Deer Springs Property is good and marketable; (ii) there are no encroachments, encumbrances, restrictions, leases or covenants that would in any way affect valuation, except as noted in the Appraisal; (iii) the existing use of the Deer Springs Property is legal and may be continued by any purchaser of the Deer Springs Property; (iv) there has been no delinquency in the payment of taxes relating to the Deer Springs Property; and (v) that environmental laws have been complied with and there are no potentially hazardous materials on the Deer Springs Property or any adjoining property.

There can be no assurance that the appraised value of the Deer Springs Property is an accurate reflection of the value of such property as at the effective date set forth in the Appraisal or on

any other date. In addition, there can be no assurance that the valuation method used in appraising the Deer Springs Property was appropriate for such property as at the effective date set forth in the Appraisal or on any other date. The Company undertakes no obligation to update appraisals of its properties, including the Deer Springs Property.

Environmental Matters

As an indirect owner of real property the Company will be subject to various state, federal 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 has incurred and may incur indebtedness in the future in connection with the acquisition or expansion of facilities and its business. The Company may incur unsecured debt or mortgage debt by obtaining loans secured by some or all of its real estate properties or assets. The Company's debt may harm its business and operating results by:

- requiring the Company to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount of cash available for 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 cash flow will be insufficient to meet required payments of principal and interest, the Company will also be subject to the risk that it will not be able to refinance potential future indebtedness on its properties and that the terms of any refinancing it could obtain would not be as favourable as the terms of its existing indebtedness. If the Company is not successful in refinancing debt when it becomes due, it may be forced to dispose of properties on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations. 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 favourable 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 the Appraisal prepared by the Appraiser or any other valuation.

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 will be reporting 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 revenue and net income of the Company. The Company does not plan on undertaking any hedging in order to mitigate its foreign currency risks.

The Canadian dollar equivalent of monetary assets and liabilities that are denominated in U.S. dollars are as follows:

	April 30, 2011	April 30, 2010
Cash	\$ 167,516	\$ 32,005
Accounts receivable	20,579	-
Advance to joint venture	795,097	-
Accounts payable	9,667	48,895
Loan payable	151,004	-
Mortgage payable	1,625,809	-

For the three and twelve months ended April 30, 2011, if the Canadian dollar had weakened 5 percent against the U.S. dollar with all other variables held constant, after-tax net income for the three and twelve months ended April 30, 2011 would have been approximately \$38,000 lower (2010 - \$1,000). Conversely, if the Canadian dollar had strengthened 5 percent against the U.S.

dollar with all other variables held constant, after-tax net income for the three months ended April 30, 2011 would have been approximately \$38,000 higher (2010 - \$1,000). The foreign currency exchange rate sensitivity in net income in fiscal 2011 is attributable to a change in the translation of monetary assets and liabilities denominated in U.S. dollars.

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.

Critical Accounting Estimates

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Other MD&A Requirements

Additional information relating to the Company is available on SEDAR at www.sedar.com.