TITANSTAR PROPERTIES INC.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended July 31, 2011 and 2010

Responsibility for Financial Statements

The accompanying unaudited condensed interim financial statements for TitanStar Properties Inc. (the "Company") have been prepared by management in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

These unaudited condensed interim financial statements, which are the responsibility of management, have not been reviewed by the Company's auditors.

Management believes these unaudited condensed interim financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2011, April 30, 2011 and May 1, 2010 and the results of its operations and its cash flows for the three months ended July 31, 2011 and July 31, 2010.

TITANSTAR PROPERTIES INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian Dollars)
(unaudited)

	July 31, 2011	April 30, 2011	May 1, 2010
ASSETS			
Current			
Cash	$ 732,692	$ 564,299	$ 588,754
Trade and other receivables	34,785	32,461	9,550
Prepaid expenses	7,719	9,367	3,333
	775,196	606,127	601,637
Advances to joint ventures	1,605,485	1,590,194	-
Interests in joint ventures (note 5)	5,665,145	5,673,164	5,976,939
	$ 8,045,826	**$ 7,869,485**	**$ 6,578,576**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ 39,557	$ 28,115	$ 71,899
Shareholders' equity			
Share capital (note 7)	8,014,293	7,914,727	6,527,144
Contributed surplus (note 8)	1,152,042	1,048,644	20,251
Accumulated other comprehensive income (loss)	(338,269)	(401,223)	73,646
Deficit	(821,797)	(720,778)	(114,364)
	8,006,269	7,841,370	6,506,677
	$ 8,045,826	**$ 7,869,485**	**$ 6,578,576**

Subsequent events (note 16)

Approved by the Board:

Board Chair

Chair, Audit Committee

TITANSTAR PROPERTIES INC.
CONDENSED INTERIM STATEMENTS OF NET AND TOTAL COMPREHENSIVE LOSS
(expressed in Canadian Dollars)
(unaudited)

	For the three months ended July 31, 2011	For the three months ended July 31, 2010
EXPENSES		
General and administrative (note 12)	$ 37,132	$ 42,310
Share-based compensation (note 8)	3,063	53,459
OPERATING LOSS	(40,195)	(95,769)
OTHER ITEMS		
Share of loss of joint ventures (note 5)	(63,328)	(21,105)
Foreign exchange gain (loss)	2,504	(862)
	(60,824)	(21,967)
NET LOSS	**($ 101,019)**	**($ 117,736)**
Basic and diluted loss per common share (note 6)	**($ 0.00)**	**($ 0.01)**
NET LOSS	($ 101,019)	($ 117,736)
OTHER COMPREHENSIVE INCOME		
Currency translation adjustments of joint ventures	62,954	73,781
TOTAL COMPREHENSIVE LOSS	($ 38,065)	($ 43,955)

TITANSTAR PROPERTIES INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(expressed in Canadian Dollars)
(unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, April 30, 2011	30,017,056	$ 7,914,727	$ 1,048,644	($ 401,223)	($ 720,778)	$ 7,841,370
Issuance of shares for cash	623,750	230,788	-	-	-	230,788
Share issuance costs	-	(38,319)	-	-	-	(38,319)
Proceeds allocated to warrants	-	(92,903)	92,903	-	-	-
Issuance of warrants for agents	-	-	7,432	-	-	7,432
Share-based compensation	-	-	3,063	-	-	3,063
Net loss for the period	-	-	-	-	(101,019)	(101,019)
Other comprehensive income	-	-	-	62,954	-	62,954
Balance, July 31, 2011	30,640,806	$ 8,014,293	$ 1,152,042	($ 338,269)	($ 821,797)	$ 8,006,269
Balance, May 1, 2010	22,952,983	$ 6,527,144	$ 20,251	$ 73,646	($ 114,364)	$ 6,506,677
Share-based compensation	-	-	53,459	-	-	53,459
Net loss for the period	-	-	-	-	(117,736)	(117,736)
Other comprehensive income	-	-	-	73,781	-	73,781
Balance, July 31, 2010	22,952,983	$ 6,527,144	$ 73,710	$ 147,427	($ 232,100)	$ 6,516,181

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

TITANSTAR PROPERTIES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(expressed in Canadian Dollars)
(unaudited)

	For the three months ended July 31, 2011	For the three months ended July 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	($ 101,019)	($ 117,736)
Adjustments to reconcile net loss to net cash provided by operating activities		
Foreign exchange (gain) loss	(2,504)	862
Share-based compensation	3,063	53,459
Share of loss of joint ventures	63,328	21,105
Changes in operating assets and liabilities (note 13)	10,766	(39,294)
	(26,366)	(81,604)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	230,788	-
Share issuance costs	(38,319)	-
	192,469	-
Unrealized foreign exchange (gain)	2,290	(862)
Change in cash for the period	168,393	(82,466)
Cash, beginning of period	564,299	588,754
Cash, end of period	$ 732,692	$ 506,288

1. Organization

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 registered office of the Company is 590-1333 West Broadway, Vancouver, BC, V6H 4C1.

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.

These condensed interim financial statements have been approved for issue by the Board of Directors on October 24, 2011.

2. Summary of significant accounting policies

a) Statement of compliance

The accompanying condensed interim financial statements are prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These standards include IAS 34 – Interim Financial Reporting, and IFRS 1 - First-time Adoption of International Financial Reporting Standards ("IFRS1"). Subject to certain transition elections disclosed in Note 4, the accounting policies set out below have been applied consistently in all material respects. Comparative amounts have been restated to give effect to changes required for the adoption of IFRS. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, net loss and comprehensive loss and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended April 30, 2011.

These condensed interim financial statements are based on currently effective IFRS standards. Subsequent changes to IFRS standards that are given effect in the Company's annual financial statements for the year ending April 30, 2011 could result in the restatement of these condensed interim financial statements, including the transition adjustments recognized on change-over to IFRS. The condensed interim financial statements do not include all of the information required for annual financial statements.

2. Summary of significant accounting policies (continued)

The condensed interim financial statements should be read in conjunction with the Company's Canadian generally accepted accounting principles annual financial statements for the year ended April 30, 2011.

b) Basis of presentation

The condensed interim financial statements are prepared on a going concern basis and have been presented in Canadian dollars. The condensed interim financial statements have been prepared on a historical cost basis.

In these condensed interim financial statements, "Historical GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS.

c) Investment properties

Property that is held to provide rental revenue or capital appreciation, or both, and that is not significantly occupied by the Company is classified as investment property. Investment property is initially recorded at cost, including related transaction costs. The company has opted to apply the cost model offered by IAS 40 – Investment Property, and continues to report investment properties at cost subsequent to acquisition. At each reporting date, the fair value of investment properties is disclosed.

Initial direct leasing costs from negotiating and arranging tenant leases are added to the carrying amount of investment properties. Expenditures with a future economic benefit to the Company, including tenant improvements, are added to the carrying amount of investment properties. Repairs and maintenance expenditures are expensed when incurred.

The carrying amount of investment property also includes the value of lease incentives. Lease incentives in the form of free rent or lower than market rent are accounted for as adjustments to investment property revenue using the straight-line method over the initial term of the lease. Lease incentives in the form of cash or other payments are amortized on a straight-line basis over the term of the lease as a reduction of investment income revenue.

2. Summary of significant accounting policies (continued)

d) Interests in joint ventures

Investments in entities where the Company exercises significant influence (the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies) are accounted for using the equity method and are recorded at initial cost plus the Company's share of post acquisition income or loss less distributions received.

The Company's share of net income before fair value adjustments in the equity investments is reported in income from equity investments in the statement of loss and comprehensive loss. Changes in the fair value of financial instruments measured at fair value through net income within equity investments are also included in fair value adjustments to equity investments in the statement of loss and comprehensive loss.

The accounting policies of the equity investments are consistent with the accounting policies of the Company. All intercompany balances, transactions and unrealized gains and losses are eliminated.

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

e) Share options and warrants

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

The fair value of share options and warrants granted are estimated on the date of grant and subsequently using the Black-Scholes option pricing model. Shares of the Company are considered puttable instruments and so subsequent to initial recognition, share options and warrants are measured at fair value at each reporting date and are presented as liabilities. On the exercise of share options, the consideration received and the fair value of the option is credited to shares. Awards of warrants related to acquisitions are treated as part of the consideration for the investment property acquired.

2. Summary of significant accounting policies (continued)

f) Shares

Shares are initially recognized at the fair value of the consideration received by the Company. Transactions costs related to the issuance of the units are recognized directly in shareholders' equity as a reduction of the proceeds received.

g) Loss per share

Basic loss per share is calculated by dividing the loss by the weighted average number of common shares outstanding during the period. The Company computes 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.

h) Revenue recognition

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.

i) Financing costs

Financing costs include underwriting, legal and other costs incurred in connection with the arrangement of borrowings. Costs incurred in connection with mortgage and facilities financings are measured at amortized cost using the effective interest method and are offset against the related mortgage or facilities. Any unamortized costs are expensed immediately in the event any debt is extinguished.

2. Summary of significant accounting policies (continued)

j) Foreign currency translation

The functional currency of the Company's equity accounted investments is the United States dollar as it is the currency of the primary economic environment in which the investees operate. As per IAS 21 – The Effects of Changes in Foreign Exchange Rates, assets and liabilities of the investees are translated to Canadian dollars, the presentation currency and functional currency of the Company, at the period end rate 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.

k) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized of the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that enactment or substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a deferred tax asset will be recovered, it provides a valuation allowance against the excess.

l) Financial instruments

Financial instruments are measured at fair value on initial recognition. The measurement in subsequent periods and classification of financial assets and liabilities is dependent on the purpose for which the instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Financial assets and financial liabilities classified as fair value through profit and loss are subsequently measured at fair value with gains and losses recognized in net income. 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 disposed of.

2. Summary of significant accounting policies (continued)

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.

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

Financial Assets/Liabilities	Classification	Measurement
Cash	Held for trading	Fair Value
Trade and other receivables	Loans and receivables	Amortized cost
Advances to joint ventures	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	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.

2. Summary of significant accounting policies (continued)

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.

m) 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 date (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.

2. Summary of significant accounting policies (continued)

n) Future changes to Significant Accounting Policies

The following new or amended standards have been issued by the IASB:

1. IFRS 7 – Financial Instruments – Disclosure, amendments relating to disclosures with respect to the transfers of financial assets, effective for annual periods beginning on or after July 1, 2011 with earlier application permitted.

2. IFRS 9 – replaces IAS 39 – Financial Instruments: Recognition and Measurement, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

3. IFRS 11 – Joint Arrangements – supersedes IAS 31 – Interest in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-monetary Contributions by Venturers, established principles for the financial reporting by parties to a joint arrangement, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

4. IFRS 12 – Disclosure of Interest in Other Entities, combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangement, associates and unconsolidated structured entities, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

5. In conjunction with IFRS 11 and IFRS 12, the IASB also issued amended and retitled IAS 27 – Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

6. IFRS 13 – Fair Value Measurement, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements, effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

The Company is currently evaluating the impact of these standards on its financial statements.

3. Critical accounting adjustments, estimates and assumptions

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

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

a) Investment Properties

Critical judgments are made by the Company in respect of fair values of investment properties held in equity accounted investments. The fair values of investment properties are reviewed regularly by management with reference to market conditions and external valuations. Internal appraisals are prepared by management for properties not subject to external appraisals during each reporting period. Judgment is also required in determining whether certain costs are additions to investment properties. Changes in capitalization rates and net operating income assumptions may materially change the calculated fair value of investment properties.

b) Business combinations

Accounting for business combinations under IFRS 3 – Business Combinations only applies if a business, as defined, has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or to lower costs or to obtain other economic benefits directly and proportionately to the Company. A business generally consists of inputs, processes applied to these inputs and resulting inputs that are, or will be used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been presumed to be a business. The Company applies judgment in determining if the acquisition of an individual property qualifies as a business combination with IFRS 3 or as an asset acquisition.

c) Classification of co-ownerships

The Company makes judgments as to whether its co-ownerships provide it with joint control, significant influence or no influence. The Company has determined that it has significant influence in all of its co-ownerships and therefore has accounted for its investment in these co-ownerships using the equity method.

3. Critical accounting adjustments, estimates and assumptions (continued)

d) Fair value and impairment of financial instruments

The fair value of amounts receivable, warrants, share options and accounts payable and accrued liabilities requires estimates and assumptions to be made with respect to future cash flow, interest rates and other market factors.

4. Transition to IFRS

The Company has adopted IFRS effective May 1, 2010 (the "transition date") and has prepared its opening IFRS balance sheet as at that date. Prior to the adoption of IFRS, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles in effect at that time ("Historical GAAP").

The Company has elected the following optional and mandatory exemptions from full retroactive application:

Business combinations
The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3 – Business Combinations, retroactively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to May 1, 2010.

Share-based payments
The Company has applied the share-based payments exemption in IFRS 1 to not apply IFRS 2 – Share-based payments to liabilities arising from share-based payment transactions that were settled prior to May 1, 2010. Accordingly, the Company has not restated for the settlement of liabilities arising from share-based payments that took place prior to May 1, 2010.

(expressed in Canadian dollars)

4. Transition to IFRS (continued)

Statement of financial position impact

The following is a reconciliation of the Company's balance sheet in accordance with Historical GAAP to its balance sheet in accordance with IFRS:

	As at May 1, 2010		
	April 30, 2010 Historical GAAP	Adjustments	May 1, 2010 IFRS
Assets			
Cash	$ 620,759	($ 32,005)	$ 588,754
Trade and other receivables	9,550	-	9,550
Prepaid expenses	23,890	(20,557)	3,333
	654,119	(52,562)	601,637
Income properties	5,909,089	(5,909,089)	-
Interests in joint ventures	-	5,976,939	5,976,939
	$ 6,563,288	$ 15,288	$ 6,578,576
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities	$ 120,794	($ 48,895)	$ 71,899
Deferred revenue	9,463	(9,463)	-
	130,257	(58,358)	71,899
Share capital	6,527,144	-	6,527,144
Contributed surplus	20,251	-	20,251
Accumulated other comprehensive income	-	73,646	73,646
Deficit	(114,364)	-	(114,364)
	$ 6,563,288	$ 15,288	$ 6,578,576

(expressed in Canadian dollars)

4. Transition to IFRS (continued)

	As at July 31, 2010		
	July 31, 2010 Historical GAAP	Adjustments	July 31, 2010 IFRS
Assets			
Cash	$ 510,922	($ 4,634)	$ 506,288
Trade and other receivables	12,215	-	12,215
Prepaid expenses	20,019	(15,217)	4,802
	543,156	(19,851)	523,305
Income properties	5,927,929	(5,927,929)	-
Interests in joint ventures	-	6,029,615	6,029,615
	$ 6,471,085	$ 81,835	$ 6,552,920
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities	$ 94,245	($ 57,506)	$ 36,739
Deferred revenue	7,632	(7,632)	-
	101,877	(65,138)	36,739
Share capital	6,527,144	-	6,527,144
Contributed surplus	73,710	-	73,710
Accumulated other comprehensive income	-	147,427	147,427
Deficit	(231,646)	(454)	(232,100)
	$ 6,471,085	$ 81,835	$ 6,552,920

(expressed in Canadian dollars)

4. Transition to IFRS (continued)

	As at April 30, 2011		
	April 30, 2011 Historical GAAP	Adjustments	April 30, 2011 IFRS
Assets			
Cash	$ 622,095	($ 57,796)	$ 564,299
Trade and other receivables	53,040	(20,579)	32,461
Prepaid expenses	34,975	(25,608)	9,367
	710,110	(103,983)	606,127
Advances to joint ventures	795,097	795,097	1,590,194
Income properties	8,469,323	(8,469,323)	-
Intangible assets	200,540	(200,540)	-
Interests in joint ventures	-	5,673,164	5,673,164
	$ 10,175,070	($2,305,585)	$ 7,869,485
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities	$ 37,783	($ 9,668)	$ 28,115
Deferred revenue	30,714	(30,714)	-
Mortgage loan payable	151,004	(151,004)	-
Loan payable	1,625,809	(1,625,809)	-
	1,845,310	(1,817,195)	28,115
Share capital	7,914,727	-	7,914,727
Contributed surplus	1,048,644	-	1,048,644
Accumulated other comprehensive loss	-	(401,223)	(401,223)
Deficit	(633,611)	(87,167)	(720,778)
	$ 10,175,070	($2,305,585)	$ 7,869,485

Adjustments related to interests in joint ventures

Under Historical GAAP, the Company accounted for its investment in joint ventures through proportionate consolidation. Under IFRS, the Company has elected to restate its investment interests in joint ventures under the equity method, as permitted by IAS 31 – Interest in Joint Ventures. The Company previously showed a proportionate share of all the assets and liabilities of its jointly controlled investees, notably including income properties, intangible assets and loans payable. From the Transition Date, the Company now presents its net investment in joint ventures at initial cost plus the Company's share of post acquisition income or loss less distributions received, as described above in Significant Accounting Policies.

(expressed in Canadian dollars)

4. Transition to IFRS (continued)

Statement of net and total comprehensive loss impact

The following is a reconciliation of the Company's comprehensive loss reported in accordance with Historical GAAP to its comprehensive loss in accordance with IFRS for the three months ended July 31, 2010, and year ended April 31, 2011:

	For the year ended April 30, 2011	For the three months ended July 31, 2010
As reported under Historical GAAP	($ 519,247)	($ 117,282)
Adjustments made to interests in joint ventures:		
Eliminate joint venture balances		
- Revenue	(153,736)	-
- General and administrative expenses	135,690	21,105
- Amortization of income properties	33,242	-
- Amortization of intangible assets	6,508	-
- Interest expense	121,645	-
- Loan cost amortization	32,723	-
- Foreign exchange losses	(87,167)	(454)
Share of loss in joint ventures	(176,072)	(21,105)
Net loss as reported under IFRS	($ 606,414)	($ 117,736)
Other comprehensive income under Historical GAAP	-	-
Other comprehensive income under IFRS		
Currency translation adjustments of joint ventures	(474,869)	73,781
As reported under IFRS	($1,081,283)	($ 43,955)

Adjustments related to interest in joint ventures

Under Historical GAAP, income properties and intangible assets held by the Company's joint venture investments were recorded at cost and depreciated over their estimated useful lives. The Company also proportionately consolidated their share of the jointly controlled entities' income. Under IFRS, income from interests in joint ventures is adjusted to eliminate the amortization of building and improvements, tenant relationships, lease origination costs, and in-place leases. The Company's share of the jointly controlled entities' revenues and administrative expenses is also eliminated. The income or loss from joint ventures is restated as a net figure in income from interests in joint ventures.

(expressed in Canadian dollars)

4. Transition to IFRS (continued)

Statement of cash flow impact

The following is a reconciliation of the Company's change in cash for the period reported in accordance with Historical GAAP to its change in cash for the period in accordance with IFRS for the three months ended July 31, 2010, and year ended April 31, 2011:

	Three months ended July 31, 2010		
	July 31, 2010 Historical GAAP	Adjustments	July 31, 2010 IFRS
Operating activities			
Loss for the period	($ 117,282)	($ 454)	($ 117,736)
Share-based compensation	53,459	-	53,459
Foreign exchange loss	408	454	862
Share of loss of joint ventures	-	21,105	21,105
Changes in non-cash working capital	(27,582)	(11,712)	(39,294)
	(90,997)	9,393	(81,604)
Financing activities	-	-	-
Investing activities			
Additions to real property	(18,840)	18,840	-
Unrealized foreign exchange (gain)	-	(862)	(862)
Change in cash for the period	(109,837)	27,371	(82,466)
Cash, beginning of period	620,759	(32,005)	588,754
Cash, end of period	$ 510,922	($ 4,634)	$ 506,288

(expressed in Canadian dollars)

4. Transition to IFRS (continued)

	Year ended April 30, 2011		
	April 30, 2011 Historical GAAP	Adjustments	April 30, 2011 IFRS
Operating activities			
Loss for the period	($ 519,247)	($ 87,167)	($ 606,414)
Share-based compensation	65,275	-	65,275
Foreign exchange (gain)/loss	149,281	(95,557)	53,724
Share of loss of joint ventures	-	176,072	176,072
Changes in non-cash working capital	(111,764)	39,035	(72,729)
	(416,455)	32,383	(384,072)
Financing activities			
Additions to income properties	(31,717)	31,717	-
Advances to joint ventures	(852,646)	(737,548)	(1,590,194)
Acquisition of interests in JVs	(2,837,271)	2,547,654	(289,617)
Investing activities			
Issuance of shares	2,610,732	-	2,610,732
Share issuance costs	(260,031)	-	(260,031)
Proceeds from mortgage financing	1,776,075	(1,776,075)	-
Change in loans payable	146,433	(146,433)	-
Proceeds from loans payable	2,121,124	(2,121,124)	-
Repayment of loans payable	(2,108,970)	2,108,970	-
Transaction costs	(141,161)	141,161	-
Unrealized foreign exchange (gain)	(4,777)	(106,496)	(111,273)
Change in cash for the period	1,336	(25,791)	(24,455)
Cash, beginning of period	620,759	(32,005)	588,754
Cash, end of period	$ 622,095	($ 57,796)	$ 564,299

Adjustments related to interest in joint ventures
Under Historical GAAP, the Company proportionately consolidated all cash flows relating to operating, financing and investing activities in the joint ventures, including those relating to rental income, operating expenses, income properties, intangible assets, mortgages and other loans payable. Under IFRS, the only cash flows relating to the joint ventures reported in the cash flow statements are for transactions directly with the Company, being advances and additional investment in this case.

(expressed in Canadian dollars)

5. Interests in joint ventures

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

	For the three months ended July 31, 2011	For the year ended April 30, 2011
Interests in joint ventures, beginning of period	$ 5,673,164	$ 5,976,939
Contributions and investments	-	289,617
Share of loss	(63,328)	(176,072)
Currency translation adjustments	55,309	(417,320)
Interests in joint ventures, end of period	$ 5,665,145	$ 5,673,164

Summarized financial information of the Company's share of its interests in joint ventures is as follows:

	For the three months ended July 31, 2011	For the three months ended July 31, 2010
Revenue	$ 80,148	$ -
General and administrative expense	(87,979)	(21,105)
Interest expense	(55,496)	-
Net loss	(63,328)	(21,105)
Currency translation adjustments	55,309	73,781
Total comprehensive loss	($ 8,019)	$ 52,676

	For the three months ended July 31, 2011	For the three months ended July 31, 2010
Operating activities	$ 6,187	($ 8,531)
Investing activities	(39,283)	(18,840)
Decrease in cash	($ 33,096)	($ 27,371)

(expressed in Canadian dollars)

5. Interests in joint ventures (continued)

	As at July 31, 2011	As at April 30, 2011	As at May 1, 2010
Cash	$ 24,700	$ 57,796	$ 32,005
Trade and other receivables	30,415	20,579	-
Prepaid expenses	31,404	24,374	20,813
Income properties	8,310,524	8,183,961	5,982,597
	$ 8,397,043	$ 8,773,846	$ 6, 035,415
Accounts payable and accrued liabilities	$ 43,413	$ 9,668	$ 48,895
Deferred revenue	-	29,916	9,581
Loan payable	1,030,666	946,101	-
Mortgage loan	1,657,819	1,627,861	-
Equity	5,665,145	5,673,164	5,976,939
	$ 8,397,043	$ 8,773,846	$ 6, 035,415

During the three months ended July 31, 2011, the Company did not acquire an interest in any additional joint ventures.

At July 31, 2011, the Company held the following investment properties co-ownership accounted for on the equity basis:

Property Name	**%**	**City**	**State**	**Date Acquired**	**Sq. Ft.**
Deer Springs	50%	Las Vegas	NV	04/16/10	N/A
Sahara Crossing	50%	Las Vegas	NV	10/18/10	61,125

At July 31, 2011, the fair value of the Company’s share of investment properties held by jointly controlled entities was $8,310,524.

Summarized financial information of the Company's proportionate share in its joint ventures is not presented here because the adjustments from Historical GAAP to IFRS presented in Note 4 cover the Company’s proportionate share of assets, liabilities and loss.

6. Loss per share

The weighted average basic and diluted common shares outstanding for the year ended July 31, 2011 is 30,179,332 (July 31, 2010 – 22,952,983). As the company is in a loss position, share options outstanding are anti-dilutive.

7. Share capital

At July 31, 2011 the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

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 first 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 first anniversary of issuance to expiry.

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 warrants were valued at $92,903 and are exercisable for a period of 24 months from June 29, 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 first anniversary of issuance to expiry. Issue costs of $38,319 were incurred in connection with the offering, which included the value of 49,900 non-transferable share purchase warrants issued to the agent. The agent warrants were valued at $7,432 and are exercisable for a period of 24 months from June 29, 3011. 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 first anniversary of issuance to expiry. All securities issued pursuant to this second tranche of its offering are subject to a hold period expiring on October 30, 2011.

8. 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.

On April 16, 2010, 100,000 share options with an exercise price of $0.35 per share were granted to TitanStar Capital Company. The options vested immediately and expire five years after the grant date if unexercised.

(expressed in Canadian dollars)

8. Share options (continued)

On June 1, 2010, 600,000 share options with an exercise price of $0.35 per share were granted to four employees. The options vested immediately and expire five years after the grant date if unexercised.

On February 10, 2011, 125,000 share options with an exercise price of $0.35 per share were granted to an employee. The options vest one third on each of the first, third and fourth anniversaries of the grant date, and expire five years after the grant date if unexercised.

On February 10, 2011, 20,000 share options with an exercise price of $0.35 per share were granted to an employee. The options vested immediately and expire five years after the grant date if unexercised. The employee left the company in Q1 2012; therefore these options are forfeit if not exercised within 90 days of the termination date.

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

	Three months ended July 31, 2011		Three months ended July 31, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	845,000	$0.35	200,000	$0.28
Share options granted	-	-	725,000	0.35
Share options forfeited	(20,000)	0.35	-	-
Outstanding, end of period	825,000	$0.35	925,000	$0.33
Share options exercisable	761,666		800,000	
Weighted average remaining life (years)	3.22		4.35	

For the three months ended July 31, 2011, the Company recognized $3,063 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 (two year)	22.8% - 96.3%

(expressed in Canadian dollars)

9. Warrants

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

	Three months ended July 31, 2011		Three months ended July 31, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	7,710,299	$0.42	200,000	$0.28
Warrants issued	673,650	$0.43	-	-
Outstanding, end of period	8,383,949	$0.42	200,000	$0.28
Weighted average remaining life (years)	1.53		0.96	

For the three months ended July 31, 2011, the Company recorded $100,335 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	1.56%
Expected average warrant term	2 years
Volatility (two year)	183.8%

10. Related party transactions

During 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 a monthly advisory fee. 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.

(expressed in Canadian dollars)

10. Related party transactions (continued)

Also in 2010, the Company granted to the Asset Manager options to purchase 100,000 common shares (note 8). 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 months ended July 31, 2011, the Company accrued and paid $3,000 to the Asset Manager for management fees pursuant to the asset management agreement (July 31, 2010 - $3,000).

11. Segment information

The Company has determined that the ownership of real property interests through its joint ventures qualifies as a single business segment with all the revenue generated and assets held from its joint ventures within the United States of America.

12. General and administrative expenses

	For the three months ended July 31, 2011	For the three months ended July 31, 2010
Insurance	$ 3,000	$ -
Bank charges	109	(18)
Filing fees	2,844	3,154
Office costs	83	-
Management fees	3,000	3,000
Professional fees	24,284	31,348
Marketing and promotion	1,437	1,923
Travel	2,375	2,903
General and administrative expenses	$ 37,132	$ 42,310

(expressed in Canadian dollars)

13. Changes in operating assets and liabilities

	For the three months ended July 31, 2011	For the three months ended July 31, 2010
Trade and other receivables	($ 2,324)	($ 2,665)
Prepaid expenses	1,648	(1,469)
Accounts payable and other accrued liabilities	11,442	(35,160)
	$ 10,766	($ 39,294)

14. Capital management

The Company’s objectives when managing capital, which is shareholders’ equity, 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.

15. Risk management and fair values

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

15. Risk management and fair values (continued)

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.

Pursuant to the Sahara Crossing, 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 January 15, 2012. As disclosed in note 16, the Company has made additional capital contributions subsequent to the period end.

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 in the joint venture 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 for the three months ended July 31, 2011, would be approximately $8,750 (Three months ended July 31, 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.

15. Risk management and fair values (continued)

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.

Foreign exchange risk:

Foreign exchange risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company is exposed to foreign exchange risk 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 July 31, 2011. The Canadian dollar equivalent of monetary assets and liabilities that are denominated in U.S. dollars are as follows:

	July 31, 2011	July 31, 2010
Cash	$ 342,993	$ -
Advance to joint venture	1,602,628	-

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 three month period ended July 31, 2011 would have been approximately $57,000 lower (July 31, 2010 - $nil). 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 month period ended July 31, 2011 would have been approximately $57,000 higher (July 31, 2010 - $nil). The foreign currency exchange rate sensitivity in net income in 2012 is attributable to a change in the translation of monetary assets and liabilities denominated in U.S. dollars.

15. Risk management and fair values (continued)

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.

Fair values:

The fair value of cash, trade and other receivables, advances to equity accounted investments and accounts payable and accrued liabilities approximates their recorded value. 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 July 31, 2011 is level 1 for cash (April 31, 2011 – level 1 for cash).

16. Subsequent events

On October 5, 2011, the Company advanced $150,728 (USD157,500) to Sahara Crossing LP per the partnership agreement to fund certain tenant improvements and inducements with respect to a lease.