TITANSTAR PROPERTIES INC.
(formerly DPVC Inc.)

FINANCIAL STATEMENTS

OCTOBER 31, 2010

(unaudited)

Responsibility for Financial Statements

The accompanying financial statements for TitanStar Properties Inc. (formerly DPVC Inc.) have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditors. Management believes the financial statements are free of material misstatement and present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and April 30, 2010 and the results of its operations and its cash flows for the three and six months ended October 31, 2010 and September 30, 2009.

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)
BALANCE SHEET
(expressed in Canadian Dollars)
(unaudited)

	October 31, 2010	April 30, 2010
ASSETS		
Current		
Cash	$ 584,217	$ 620,759
Accounts receivable	9,141	9,550
Prepaid expenses	80,854	23,890
	674,212	654,199
Deferred charges (note 14)	33,922	--
Advance to joint venture (note 4)	857,099	--
Real estate held (note 4)	8,706,018	5,909,089
	$ 10,271,251	$ 6,563,288
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 126,999	$ 120,794
Short term loans payable (note 10)	2,122,040	--
Lease deposits	7,571	9,463
	2,256,610	130,257
Mortgage loan payable (note 10)	1,724,569	--
Shareholders' Equity		
Share capital (note 6)	$ 6,532,074	$ 6,527,144
Contributed surplus (note 7)	74,627	20,251
Deficit	(316,629)	(114,364)
	$ 6,290,072	$ 6,433,031
	$ 10,271,251	$ 6,563,288

Nature of Operation and Going Concern (note 1)

Approved by the Board:

"Rick Turner" *"D. Neil McDonnell"*

Director Director

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

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

	For the three months ended October 31, 2010	For the six months ended October 31, 2010	For the three months ended September 30, 2009	For the six months ended September 30, 2009
REVENUE				
Leasing revenue	$ 8,608	$ 8,608	$ --	$ --
EXPENSES				
General and administrative	$ 51,580	$ 114,995	$ 3,339	$ 7,847
Depreciation expense	3,382	3,382	--	--
Writedown of acquisition costs	--	--	1,318	1,318
Stock based compensation	2,347	55,806	--	--
	57,309	174,183	4,657	9,165
OTHER				
Interest expense	20,004	20,004	--	--
Loan cost amortization	12,067	12,067	--	--
Foreign exchange loss	4,211	4,619	--	--
Loss and Comprehensive Loss	(84,983)	(202,265)	(4,657)	(9,165)
Deficit, Beginning of Period	**(231,646)**	**(114,364)**	**(18,136)**	**(13,628)**
Deficit, End of Period	**($316,629)**	**($316,629)**	**($ 22,793)**	**($ 22,793)**
Basic and Diluted Loss Per Common Share (note 5)	**($ 0.00)**	**($ 0.01)**	**($ 0.00)**	**($ 0.00)**
Weighted Average Number of Common Shares Outstanding	**22,956,252**	**22,954,609**	**3,000,000**	**3,000,000**

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

TITANSTAR PROPERTIES INC. (formerly DPVC Inc.)
STATEMENT OF CASH FLOW
(expressed in Canadian Dollars)
(unaudited)

	For the three months ended October 31, 2010	For the six months ended October 31, 2010	For the three months ended September 30, 2009	For the six months ended September 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	($ 84,983)	($202,265)	($ 4,657)	($ 9,165)
Items not involving cash				
Stock based compensation	2,347	55,806	--	--
Depreciation expense	3,382	3,382	--	--
Writedown of acquisition costs	--	--	1,318	1,318
Loan cost amortization	12,067	12,067	--	--
Foreign exchange loss	4,211	4,619	--	--
Changes in non-cash working capital items				
Change in accounts receivable	3,074	409	(172)	(172)
Change in prepaid expenses	(46,382)	(42,511)	(1,361)	(1,361)
Change in accounts payable and accrued liabilities	13,166	(13,791)	1,550	(907)
Change in lease deposits	(61)	(1,892)	--	--
Cash flow from operating activities	**(93,179)**	**(184,176)**	**(3,322)**	**(10,287)**
CASH FLOW FROM FINANCING ACTIVITIES				
Deferred acquisition and share issuance costs	(33,922)	(33,922)	--	--
Issuance of common shares, net of costs	3,500	3,500	--	--
Proceeds from short term loans, net of costs	2,112,340	2,112,340	--	--
Proceeds from mortgage financing, net of costs	1,712,962	1,712,962	--	--
Cash flow from financing activities	**3,794,880**	**3,794,880**	**--**	**--**
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to real estate held for development	(15,341)	(34,181)	--	--
Acquisition of interest in joint ventures	(2,760,419)	(2,760,419)	--	--
Advance to joint venture	(852,646)	(852,646)	--	--
Cash flow from investing activities	**(3,628,406)**	**(3,647,246)**	**--**	**--**
Change in cash for the period	**73,295**	**(36,542)**	**(3,322)**	**(10,287)**
Cash, Beginning of Period	**510,922**	**620,759**	**308,830**	**317,113**
Cash, End of Period	**$ 584,217**	**$ 584,217**	**$ 305,508**	**$ 305,508**

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

1. Nature of Operations

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. 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

These unaudited financial statements have been prepared by management and are based upon Canadian generally accepted accounting principles consistent with those used and described in the audited annual financial statements. In accordance with Canadian generally accepted accounting principles, these interim statements do not contain all the financial statement disclosures included in audited annual financial statements and, accordingly, should be read in conjunction with the audited annual financial statements for the period ended April 30, 2010.

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 on a time proportion basis.

Income properties and intangible assets and liabilities:

Income properties include tangible assets, land and buildings and fixtures of the real estate investments. 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, 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.

2. Summary of Significant Accounting Policies, continued

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.

Properties under development include initial acquisition costs, other direct costs and realty taxes, interest, and operating revenue and expenses during the period of development.

Amortization on buildings and building improvements and fixtures is recorded on a straight-line basis over the remaining useful life. Improvements that do not meet the capitalization criteria are expensed in full in the period incurred.

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.

3. Future Changes to Significant Accounting Policies

CICA Handbook Section 1582 – Business Combinations will apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1st, 2011. CICA Handbook Sections 1601 – Consolidations and 1602 – Non-controlling interests will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1st, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. These sections replace the former CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. CICA Handbook Section 1582 establishes standards for the accounting for a business combination. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is currently considering the effect on the financial statements of the new standards.

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 for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis.

(expressed in Canadian dollars)

3. Future Changes to Significant Accounting Policies (continued)

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 Company's current GAAP financial statements may be significantly different when presented in accordance with IFRS.

4. Acquisition of interest in joint ventures

On October 18, 2010, the Company acquired a 50% interest in Sahara Crossing LP through its 100% wholly owned subsidiary TitanStar DSC Holdings Inc. for consideration including associated costs of $1,968,465. Total consideration is allocated between an equity investment of $263,173 and an advance to the joint venture of $1,705,292, such advance is to be repaid on the same terms as the respective capital accounts.

In consideration of its interest in the venture, the Company will provide 90% of the capital required to acquire, improve and maintain the Sahara Property and Sahara Crossing Development Company, LLC (SCDC) will contribute the remaining 10% of such capital requirements. In addition, SCDC will guarantee, directly or indirectly, all debts of the partnership plus provide project development and management services. 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.

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

		As at October 18, 2010
Cash	$	73,778
Prepaid expenses		14,453
Real estate held		2,760,419
Other receivable		--
Total assets acquired	$	2,848,650
Accounts payable	$	11,393
Lease deposits		--
Other liabilities		8,476
Mortgage loan		1,712,962
Total liabilities assumed	$	1,732,831
Net assets acquired	$	1,115,819

(expressed in Canadian dollars)

4. Acquisition of interest in joint ventures, continued

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.

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	$	8,691,378
Accounts payable	$	11,332
Lease deposits		9,463
Other liabilities		667
Short-term loan		2,759,075
Total liabilities assumed	$	2,780,537
Net assets acquired	$	5,910,841

5. Loss per Share

The weighted average basic and diluted common shares outstanding for the three months and six months ended October 31, 2010 is 22,956,252 and 22,954,609 (September 30, 2009: 3,000,000 and 3,000,000). As the company is in a loss position, stock options outstanding are not dilutive.

(expressed in Canadian dollars)

6. 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 at $0.35 per share (a)	19,952,983	$ 6,983,544
Share issuance costs (a)		$ (774,697)
Balance as at April 30, 2010	22,952,983	$ 6,527,144
Common shares issued pursuant to warrants exercised at $0.20 per share	17,500	3,500
Reallocation from contributed surplus		1,430
Balance as at October 31, 2010	22,970,483	$ 6,532,074

(a) On April 16, 2010, the Company completed a public offering by the issuance of 19,952,983 common shares at a price of $0.35 per common share for gross proceeds of $6,983,544. Issue costs of $774,697 were incurred in connection with the offering.

7. Contributed Surplus

Balance as at December 31, 2009	$ 8,169
Stock based compensation	12,082
Balance as at April 30, 2010	$ 20,251
Stock based compensation	53,459
Balance as at July 31, 2010	$ 73,710
Stock based compensation	2,347
Reallocation to share capital	(1,430)
Balance as at October 31, 2010	$ 74,627

(expressed in Canadian dollars)

8. Stock Options

The Company's Stock Option Plan was approved by the Shareholders at the annual general meeting on December 2, 2009. The Stock Option Plan provides that the aggregate number of common shares reserved for issuance under the Stock Option Plan, together with any stock 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.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	October 31, 2010		April 30, 2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding, beginning of period	200,000	$0.28	100,000	$0.20
Stock options granted	725,000	$0.35	100,000	$0.35
Stock options exercised	(17,500)	$0.20	--	--
Stock options expired	(82,500)	$0.20	--	--
Balance outstanding, end of period	825,000	$0.35	200,000	$0.28
Stock options exercisable	712,500		200,000	
Weighted average remaining life (years)	4.59		2.71	

For the six months ended October 31, 2010, the Company recognized $55,806 in stock-based compensation for stock options granted. The fair value of each stock 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% - 2.55%
Expected average option term	5 years
Volatility	22.8% - 36.8%

(expressed in Canadian dollars)

9. Investment in joint ventures

Summarized financial information of the Company's interest in jointly controlled entities, which has been proportionately consolidated, is as follows:

		Three months ended October 31, 2010
Proportionate Statement of Joint Venture Earnings		
Revenue	$	8,608
General and administrative expenses		(38,338)
Net loss	$	(29,730)

		Three months ended October 31, 2010
Proportionate Statement of Joint Venture Cash Flows		
Operating activities	$	2,248
Financing activities		2,838,419
Investing activities		(2,775,760)
Increase in cash and cash equivalents	$	64,907

		Six months ended October 31, 2010
Proportionate Statement of Joint Venture Earnings		
Revenue	$	8,608
General and administrative expenses		(59,443)
Net loss	$	(50,835)

		Six months ended October 31, 2010
Proportionate Statement of Joint Venture Cash Flows		
Operating activities	$	(6,283)
Financing activities		2,838,419
Investing activities		(2,775,760)
Increase in cash and cash equivalents	$	37,536

		As at October 31, 2010
Proportionate Balance Sheet		
Cash	$	69,541
Prepaid expenses		23,166
Real estate held for development		8,706,018
	$	8,798,725
Accounts payable and accrued liabilities	$	34,667
Lease deposits		7,571
Short term loans		69,350
Mortgage loan		1,724,569
Equity		6,962,568
	$	8,798,725

10. Mortgages and Short-term Loans

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 (CAD $1,050,806) and CAD $1,080,000. The material terms of both loans include a 3% origination fee, an interest rate of 12.75% per annum with a minimum of three months interest payable, and a term of four months. As security against such indebtedness, the Company pledged its limited partnership interest in LV Loan Holdings LP, a State of Nevada limited partnership, which holds a note evidencing indebtedness owing from Deer Springs Crossing LP, a State of Nevada limited partnership through which the Company owns a 50% interest in the "Deer Springs" property in Las Vegas, Nevada.

Sahara Crossing, LP entered into a USD $3,500,000 (CAD $3,570,700) mortgage financing with Alliance Mortgage, LLC on October 18, 2010. The terms of the loan include a 3% original fee, an interest rate of 12.75% per annum with a minimum of three months interest payable, and a term of one year. The borrower may extend the term for an additional year with the payment of a 1% extension fee. As security against such indebtedness, Sahara Crossing, LP pledged its interest in the Sahara Property. The Company's financial statements reflect its proportionate interest in this loan of 50%.

11. 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.

(expressed in Canadian dollars)

12. 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.

	Carrying amount	Due within one year	Due within 1 - 3 years
Accounts payable and accrued liabilities	$ 126,999	$ 126,999	$ --
Short term loans	2,122,040	2,122,040	--
Lease deposits	7,571	7,571	--
Mortgage loan (a)	1,724,569	--	1,724,569
Total	**$ 3,981,179**	**$ 2,256,610**	**$ 1,724,569**

(a) Mortgage loan principal is due and payable on November 1, 2011. Borrower has option to extend due to date to November 1, 2012 with payment of an extension fee.

The Company has engaged a syndicate of investment dealers 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 6,756,757 and a maximum of 16,216,217 Units of the Company at a price of $0.37 per Unit, for a minimum of CAD $2.5 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

12. Risk Management and Fair Values (continued)

common share of the Company for a period of two years from issuance at an exercise price of $0.40 per share in the first year and an exercise price of $0.45 per share in the second year.

Pursuant to an engagement letter with the Lead Agent with respect to the Offering, the Company will pay the Agents a cash commission equal to 8.0% of the gross proceeds raised under the Offering, and issue to the Agents 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, for a period of 24 months from the date of issuance. The exercise price of the agent's warrants will be CAD $0.40 per share for the first year of issuance, and CAD $0.45 from the second anniversary of issuance to expiry.

There can be no assurance that the Company will be able to complete the private placement financing or complete it pursuant to the terms noted above.

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.

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:

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.

12. Risk Management and Fair Values (continued)

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 October 31, 2010. The Canadian dollar equivalent of monetary assets and liabilities that are denominated in U.S. dollars are as follows:

	October 31, 2010	April 30, 2010
Cash	$187,817	$ 32,005
Advance to joint venture	857,099	--
Accounts payable	34,667	48,895
Lease deposits	7,571	9,463
Loans payable	69,350	--
Mortgage payable	1,724,569	--

Sensitivity Analysis:

The sensitivity analyses below show the impact on net loss and comprehensive loss if interest rates on short-term investments had been higher or lower:

Interest rate	-0.50%	-0.25%	+0.25%	+0.50%
Three months ended October 31, 2010	$ -	$ -	$ 312	$ 624
Six months ended October 31, 2010	$ -	$ -	$ 325	$ 650
Three months ended September 30, 2009	$ -	$ -	$ 192	$ 386
Six months ended September 30, 2009	$ -	$ -	$ 384	$ 772

For the three and six months ended October 31, 2010, 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 months ended October 31, 2010 would have been approximately $40,000 lower (September 30, 2009 - $nil and $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 months ended October 31, 2010 would have been approximately $40,000 higher (September 30, 2009 - $nil and $nil). The foreign currency exchange rate sensitivity in net income in 2010 is attributable to a change in the translation of monetary assets and liabilities denominated in U.S. dollars.

12. 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, accounts receivable, accounts payable and customer deposits approximates its 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 October 31, 2010 is level 1 for cash (April 30, 2010 – level 1 for cash).

13. Related party transactions

On April 16, 2010, the Company entered into an asset management agreement with TitanStar Capital Corporation (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 Corporation 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 Corporation and TitanStar Investment Group Inc.

For the three and six months ended October 31, 2010, the Company accrued and paid $3,000 and $6,000 to TitanStar Capital Corporation for management fees pursuant to the Asset Management Agreement (September 30, 2009 - $nil and $nil).

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.

14. Deferred Charges

Deferred charges represent costs related to the Company's proposed private placement and issuance of new common shares. These costs are not amortized and will be allocated at the time of conclusion of the private placement transaction.