

**TITANSTAR PROPERTIES INC.**

**FORM 51-102F1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the period ended December 31, 2016**

**TITANSTAR PROPERTIES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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This Management's Discussion and Analysis ("MD&A") dated April 28, 2017 is in respect of the period ended December 31, 2016, and should be read in conjunction with the audited consolidated financial statements for the period ended December 31, 2016, together with the audited consolidated financial statements and appended notes and MD&A for the period ended December 31, 2015 and April 30, 2015.

**FORWARD-LOOKING STATEMENTS**

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

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

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

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**OVERVIEW OF THE COMPANY**

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 "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." As at December 31, 2016, the Company held a 100% beneficial interest in 116<sup>th</sup> Street Centre located in Indianapolis, Indiana, a 100% beneficial interest in Metro Gateway Shopping Center located in Phoenix, Arizona, a 49% membership interest in Martin Downs NSC LLC, a single purpose entity which holds registered title to Martin Downs Town Center located in Palm City, Florida, a 38.4% interest in Adams Dairy Landing located in Blue Springs, Missouri, and 50% interest in Deer Springs Crossing located in Las Vegas, Nevada.

The sole business of the Company is the ownership of real property interests, consistent with a well-established investment policy. The Company seeks to create a portfolio of stabilized income producing real estate assets primarily in the United States southwest area with value to be maximized through the acquisition of well-positioned, quality assets where management believes there will be lease rate increases in the future and decreasing capitalization rates which will each contribute to value creation.

The initial focus is on necessity-based, nationally-anchored retail/commercial properties and community centers.

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

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

DSC LP owns certain lands 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").

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

BSP LP was formed by the Company and RED development of Phoenix Arizona and completed its acquisition of a commercial retail property located in Blue Springs, Missouri (the "Adams Dairy Landing"). The Adams Dairy Landing property is a 279,934 square foot retail shopping center. It is currently 94% leased.

- 49% beneficial interest in a Delaware LLC, Martin Downs NSC LLC

Prior to the acquisition, the center was owned 90% by Inovalis City Center Retail Fund and 10% owned by Martin Downs GP LC. The Company acquired its interest from Inovalis City Center Retail Fund. Martin Downs Town Center (the "Martin Downs") is a

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36,252 square foot neighborhood retail shopping center located in Palm City, Florida. It is currently 97% leased.

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

TSP Metro Gateway, LLC was formed by the Company and completed its acquisition of a commercial retail property located in Phoenix, Arizona (the “Metro Gateway”). Metro Gateway is a 67,793 square foot retail shopping center. It is currently 94% leased.

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

TSP 116<sup>th</sup> Street, LLC was formed by the Company and completed its acquisition of a commercial retail property located in Indianapolis, Indiana (the “116<sup>th</sup> Street”). 116<sup>th</sup> Street is a 44,854 square foot retail shopping center. It is currently 95% leased.

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A detailed description of each property interest owned by subsidiaries, joint ventures and associates follows below.

**REAL ESTATE PORTFOLIO**

**Overview**

As at December 31, 2016, the Company's real estate portfolio consisted of five properties. The details of each property as at the date of this MD&A are as follows:

<b>Property</b>	<b>Date Acquired</b>	<b>%</b>	<b>Purchase Price (USD)<sup>(1)</sup></b>	<b>Lot Size (acres)</b>	<b>Gross Leasable Area (sq ft)</b>	<b>Built/renovated</b>	<b>Major Tenants</b>	<b>Occupancy</b>
Deer Springs Property <sup>(2)</sup> (Las Vegas, NV)	April 2010	50%	10.50 million	0.55 20.16	3,900 N/A <sup>(3)</sup>	2016 --	• Subway • Dollar Loan N/A <sup>(3)</sup>	100% N/A <sup>(3)</sup>
Adams Dairy Landing <sup>(4)</sup> (Blue Springs, MO)	September 2013	38.4%	58 million	33.32	279,934	2008	• Gordmans • TJ Maxx • Home Goods • Ross Dress for Less • Michaels	94%
Martin Downs <sup>(5)</sup> Town Center (Palm City, FL)	September 2015	49%	11.5 million	7.49	36,252	2006	• Panera Bread • BB & T • Sun Trust Bank • Edward Jones	97%
Metro Gateway <sup>(6)</sup> Shopping Center (Phoenix, AZ)	March 2016	100%	9.1 million	6.46	73,146	1978/1986	• Planet Fitness • Laser Quest • Dart Bar • Dominos Pizza	94%
116 <sup>th</sup> Street Center <sup>(7)</sup> (Indianapolis, IN)	August 2016	100%	9.825 million	3.97	44,854	2007/2008	• Fred Astaire Dance • Upland Brewing Co. • Meridian Design • Fogata Grills	95%

Notes:

- (1) Subject to customary closing adjustments.
- (2) The Deer Springs Property is owned directly by Deer Springs Crossing LP, a Nevada limited partnership of which the Company owns a 50% beneficial interest. The remaining 50% beneficial interest is beneficially owned by Juliet Companies, LLC ("Juliet"). The Deer Springs Property is managed by Juliet through Diamond Property Company.
- (3) The 20.16 acre parcel is available for, but not currently under, development.
- (4) The Adams Dairy Landing is owned directly by Blue Springs Partners LP, a Delaware limited partnership. The Company owns a 38.4% beneficial interest through its subsidiary, TitanStar US, Inc. The remaining 61.6% is owned by Blue Springs Development Two LLC (GP) and Blue Springs Development Three Inc. (LP).
- (5) Martin Downs is owned directly by Martin Downs NSC LLC. The Company owns 49% beneficial interest through its subsidiary Titanstar US Inc. The remaining 51% is owned by Inovalis City Center Retail Fund Inc. and Martin Downs GP LLC.
- (6) Metro Gateway is owned directly by TSP Metro Gateway LLC, a Nevada LLC. The Company owns a 100% beneficial interest through its subsidiary, TitanStar US, Inc.
- (7) 116<sup>th</sup> Street is owned directly by TSP 116<sup>th</sup> Street, LLC, a Nevada LLC. The Company owns a 100% beneficial interest through its subsidiary, TitanStar US, Inc.

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*Deer Springs Property*

The Deer Springs Property is currently an approximately 20.7 acre (901,692 sq. ft.) parcel of property located in Las Vegas, Nevada, with 2.2 acres of the original property having been sold to third parties as described below. The property is located near the I-215/North Fifth interchange in North Las Vegas. When initially acquired, the Deer Springs Property was partially improved with concrete curbs, gutters, sidewalks, street lights, asphalt-paved parking areas and other improvements.

In June 2010, the Company announced that it had entered into a ground lease with McDonalds USA LLC ("McDonalds") for 38,000 square feet of land on the Deer Springs Property, with an annual ground rental rate of US\$135,000. The site work which was required has been completed, and McDonalds began to construct its approximately 5,000 square foot restaurant at its own expense. In November 2011, the Deer Springs Crossing LP (the "Deer Springs LP") sold the 38,000 square feet of land under long term lease to McDonalds to a private individual at arm's length to the Company and Deer Springs LP for a purchase price of approximately US\$2.36 million. In January 2013, 7-Eleven, Inc. purchased a 52,875 square feet development pad, located on 1.2 acres of land within the Deer Springs Property, on which it intends to build a store and gas bar. In consideration, the Deer Springs LP received US\$819,562.50.

Additionally, the Company owns a beneficial 50% interest in LVLH LP. The remaining 50% interest in LVLH LP is beneficially owned by Juliet. LVLH LP owns a promissory note evidencing debt owing under the Deer Springs LP to it. As at December 31, 2016, the amount of indebtedness owing under the Deer Springs Note is approximately US\$9.5 million, with interest accruing at a rate of 0.67% per annum, to be adjusted every three years, and maturing on April 15, 2020. Interest payments are to be made on annual basis. The debt is secured by a deed of trust, assignment of rents, security agreement and fixture filing that encumbers the fee interest in the Deer Springs Property and all buildings and other improvements to the Deer Springs Property. The Company and Juliet have agreed to maintain the debt for income tax purposes.

On February 27, 2017, the Company announced that a 3,900 square foot multi-tenant building, constructed on 24,320 square feet of land and leased to two national tenants (Subway IP Inc. ("Subway") and Dollar Loan Centre, LLC ("Dollar Loan")) has been completed and the two tenants are now in occupancy. This 3,900 square foot development has not been sold and no decision has been made to sell it or hold it for its income. The balance of Deer Springs Property of approximately 20.16 acres has been listed for sale effective February 25, 2017.

*Swanway Plaza*

The Swanway Plaza is a 55,790 square foot retail shopping centre located at the Broadway Boulevard and Swan Road intersection in Tucson, Arizona, covering a total site area of 5.47 acres.

*San Tan Plaza*

The San Tan Plaza is a 29,945 square foot retail shopping centre covering a total site area of 6.76 acres, located directly adjacent to Loop 202 in Chandler, Arizona.

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On March 9, 2016, the Company received from Romspen a “buy/sell” notice with respect to its respective 50% interest in San Tan and Swanway, at property values of US\$9,750,000 for Swanway and US\$4,250,000 for San Tan for an aggregate value of US\$14,000,000. Pursuant to the limited partnership agreements governing the properties, the Company received proceeds from the sale equal to the net worth of each partnership, for aggregate total proceeds of US\$2,515,512. These amounts were calculated independently.

Management of the Company believes that the notice values given and resulting net worth amounts calculated for each property are more than the Company would pay for these properties at the time. For this and other strategic reasons, the Company, with board approval, elected to sell these interests to Romspen pursuant to the partnership agreements governing each.

On August 31, 2016, the Company completed the sale of San Tan and Swanway properties. The Company's cash on cash internal rate of return on the combined equity investments of both properties over the holding period is approximately 21%.

*Adams Dairy Landing*

Adams Dairy Landing is a 279,934 square foot retail shopping centre and as at the date of this MD&A is 94% leased and has a variety of retail clients, shadow anchored by two US national retail chains: Target (for 131,630 square feet) and Kohl's (for 64,015 square feet). Additional tenants include Gordmans, a US apparel and home fashion retailer; TJ Maxx/Home Goods, a US national home furnishing retail chain; Ross, a US off-price apparel and home fashion retail chain; Michaels, a US arts and crafts retail chain; and ULTA Beauty, a US beauty product and services retailer. Prior to September 27, 2014, the income stream to the Company was guaranteed at 100% of proforma regardless of actual occupancy.

Pursuant to the terms of the acquisition, the vendors, subsidiaries of RED Development, received US \$6.0 million, which was drawn from the Romspen line of credit facility. The Romspen line of credit facility has subsequently been repaid from proceeds of the Sahara Property sale and proceeds from private placements. RED Development is at arm's length from the Company.

The Adams Dairy Landing is managed by RED Development at market management fees rates. These charges are operating expenses recoverable from tenants.

*Martin Downs Town Center*

Martin Downs Town Center is a 36,252 square foot neighborhood retail shopping center located in Palm City, Florida, covering a total site area of 7.6 acres. The center was built in 2006 and as of the date of this MD&A is 97% leased, shadow anchored by a Publix supermarket. The center has a variety of retail tenants including Panera Bread, BB & T (Trust Company), Sun Trust Bank, Edward Jones, Dunkin' Donuts, Vine & Barley, and others.

Pursuant to the terms of the acquisition, the vendors received a total of US\$2.269 million. Prior to the acquisition the center was owned 90% by an affiliate of Inovalis, Inovalis City Center Retail Fund Inc., and 10% owned by Martin Downs GP LC. The Company acquired its interest from Inovalis City Center Retail Fund Inc. Consideration and closing costs for the acquisition were

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paid by issuing common shares of the Company. The property was independently appraised at US\$12.5 million and the transaction was concluded based on a property value of US\$11.5 million.

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

*Metro Gateway Shopping Center*

Metro Gateway is a 73,146 square foot community center located in Phoenix, Arizona on approximately 6.4 acres. As of the date of this MD&A is 94% leased. The well-located, stabilized shopping center is comprised of a complimentary mix of long-term leased tenants including Planet Fitness, Laser Quest and Dart Bar.

The acquisition cost of US\$9.1 million was financed, in part, through a first mortgage deed of US\$6,080,000. The remainder of the acquisition cost was funded from proceeds of the convertible debenture private placement of an aggregate principal amount of \$4,500,000 of 8% convertible unsecured subordinated debentures.

Metro Gateway is managed by Mutual Property Advisors, at market management fees rates. These charges are operating expenses recoverable from tenants.

*116<sup>th</sup> Street Centre*

116<sup>th</sup> Street Centre is a 44,854 square foot retail center located in Indianapolis, Indiana on approximately 3.97 acres. As of the date of this MD&A is 95% leased. The well-located, stabilized shopping center is comprised of a complimentary mix of long-term leased tenants including Fred Astaire Dance Studio, Fogata Grills, Meridian Design Group and Upland Brewing Co.

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

116<sup>th</sup> Street Centre is managed by McCrea Property Group, at market management fees rates. These charges are operating expenses recoverable from tenants.



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**Discussion of Current Market Valuations and Historic Cost**

The following table is intended to illustrate the change in value of properties since they were acquired, net of the face value of mortgages and non-property debt. The property cost is the contracted purchase price without adjustments for transaction costs, depreciation and amortization. The Mortgage amounts are the original principal not adjusted for amortization and transaction cost. The non-property debt in the form of debentures are stated at face value and not adjusted for debt / equity split or amortization of transaction costs. These measures are not recognized measures under GAAP or IFRS but are intended to provide readers with guidance of the trend in the asset values of the properties and the net asset values after debt since acquisition on a simplified basis.

Net Asset Values

	AT COST				AT VALUE			
	Cost in US\$	% Own	Cost in US\$	@ \$1.3427	Value in US\$	% Own	Value in US\$	@ \$1.3427
				Cost in CAD\$				Value in CAD\$
Deer Springs Property	\$ 10,500,000	50%	\$ 5,250,000	\$ 7,049,175	\$ 13,569,195	50%	\$ 6,784,598	\$ 9,109,679 <sup>(1)</sup>
Adams Dairy Landing	58,000,000	38.4%	22,272,000	29,904,614	62,000,000	38.4%	23,808,000	31,967,002 <sup>(2)</sup>
Martin Downs	11,500,000	49%	5,635,000	7,566,115	12,500,000	49%	6,125,000	8,224,038 <sup>(3)</sup>
Metro Gateway	9,100,000	100%	9,100,000	12,218,570	9,100,000	100%	9,100,000	12,218,570 <sup>(4)</sup>
116 <sup>th</sup> Street	9,825,000	100%	9,825,000	13,192,027	10,000,000	100%	10,000,000	13,427,000 <sup>(5)</sup>
<b>Total Cost &amp; Value</b>	<b>98,925,000</b>		<b>52,082,000</b>	<b>69,930,501</b>	<b>107,169,195</b>		<b>55,817,598</b>	<b>74,946,289</b>
	<b>Debt in US\$</b>	<b>% Own</b>	<b>Debt in US\$</b>	<b>Debt in CAD\$</b>	<b>Debt in US\$</b>	<b>% Own</b>	<b>Debt in US\$</b>	<b>Debt in CAD\$</b>
Deer Springs Property	-	50%	-	-	-	50%	-	-
Adams Dairy Landing	42,661,400	38.4%	16,381,978	21,996,081	42,661,400	38.4%	16,381,978	21,996,081
Martin Downs	6,624,175	49%	3,245,846	4,358,197	6,624,175	49%	3,245,846	4,358,197
Metro Gateway	6,062,945	100%	6,062,945	8,140,717	6,062,945	100%	6,062,945	8,140,717
116 <sup>th</sup> Street	6,975,750	100%	6,975,750	9,366,340	6,975,750	100%	6,975,750	9,366,340
<b>Total Real Estate Debt</b>	<b>62,324,270</b>		<b>32,666,519</b>	<b>43,861,335</b>	<b>62,324,270</b>		<b>32,666,519</b>	<b>43,861,335</b>
<i>Real Estate Leverage</i>			<i>62.72%</i>	<i>62.72%</i>			<i>58.52%</i>	<i>58.52%</i>
Total Non-Real Estate Debt				13,456,098				13,456,098
<b>NAV</b>				<b>12,613,068</b>				<b>17,628,856</b>
Shares Outstanding				123,431,412				123,431,412
<b>NAV per share</b>				<b>0.10219</b>				<b>0.14282</b>

Market values are based on management estimates unless appraisal values are referenced.

- (1) Deer Springs Property is valued at the average land residual value resulting from entering into leases and plans for development of two pads. Development proformas were prepared for lenders in order to secure construction loans to build the premises for the respective tenants. Market value was derived from using capitalization rates common on similar transactions in the local market and applying those rates to the net operating income in the leases. Deductions from the market value for construction and soft costs resulted in a land residual value per square foot for the land applicable to the two transactions. This land value per square foot was applied to the remaining square footage available for development at the Deer Springs Property to calculate its current market value.
- (2) US\$62,000,000 per Cushman & Wakefield appraisal dated November 30, 2016.
- (3) US\$12,500,000 per CBRE appraisal dated June 4, 2015.
- (4) US\$9,100,000 per CBRE appraisal dated January 20, 2016.
- (5) US\$10,000,000 per Colliers appraisal dated July 29, 2016.

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**SELECTED FINANCIAL INFORMATION**

A summary of selected financial information for the year ended December 31, 2016, December 31, 2015 and April 30, 2015 is as follows:

	Year ended December 31, 2016	Eight months ended December 31, 2015	Year ended April 30, 2015
Share of income (loss) of joint ventures and associates	\$ (1,669,216)	\$ (1,405,038)	\$ 468,263
Loss for the period	(3,490,261)	(2,214,021)	(1,312,527)
Comprehensive income (loss)	(3,992,191)	117,266	211,452
Loss per share, basic and diluted	(0.03)	(0.03)	(0.00)
Total assets	40,187,635	20,236,716	16,348,955

The Company experienced a higher comprehensive loss in the period ended December 31, 2016 than in the comparable period in December 31, 2015 and April 30, 2015 as a result of increased currency translation loss of \$501,930, increased general and administrative costs (note 14), finance costs (note 15), and depreciation costs for the newly acquired properties at 100% ownership.

Total assets as at December 31, 2016 included \$25,237,874 of investment properties, \$13,679,922 of interests in joint ventures and associates, \$340,820 of mortgage reserve funds, \$829,321 of cash, \$56,311 of accounts receivable and \$43,387 of prepaid expenses and deposits.

A comparison of the Company's financial condition as at December 31, 2016, December 31, 2015 and April 30, 2015 is as follows:

	Year ended December 31, 2016	Eight months ended December 31, 2015	Year ended April 30, 2015
Total assets	\$ 40,187,635	\$ 20,236,716	\$ 16,348,955
Working capital	\$ (2,618,290)	\$ (4,270,362)	\$ 84,426

The increase in working capital from December 31, 2015 to December 31, 2016 is due primarily to reclassification of convertible debentures from current liabilities in December 31, 2015 to long-term liabilities in December 31, 2016. As a condition of the convertible debentures, the Company is required to maintain a debt service coverage ratio. As of December 31, 2015, the Company was not in compliance with the covenant. As a result of the non-compliance, the convertible debentures holders have the right to demand payment and the convertible debentures are presented as a current liability. As at December 31, 2016, the Company was in compliance with the covenant and the convertible debentures are presented as a long-term liability.

In addition, the working capital deficiency in the year ended December 31, 2016 is a result of short-term notes payable provided to the Company by a company of which the Chairman is a principal and by a private company owned by a director of the Company.

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**Results of Operations**

A summary of selected financial information for the year ended December 31, 2016, December 31, 2015 and April 30, 2015 is as follows:

	Year ended December 31, 2016	Eight months ended December 31, 2015	Year ended April 30, 2015
Revenue	\$ 1,473,538	\$ -	\$ -
Property operating & leasing expenses	(390,523)		
Earnings from property operations	1,083,015	-	-
Other revenue (expenses)			
General and administrative expense	(830,990)	(335,582)	(645,316)
Depreciation	(498,689)	-	-
Share of loss of joint ventures and associates	(1,669,216)	(1,405,038)	468,263
Gain on sale of interest in joint ventures	290,860	-	-
Net finance costs	(1,980,385)	(618,691)	(1,315,009)
Share-based compensation	(16,360)	(22,419)	(13,420)
Interest income	-	30	34
Change in fair value of embedded derivative liability	71,594	106,506	191,090
Loss on redemption of convertible debentures	(11,118)	(22,102)	(23,084)
Gain on settlement of financial liabilities	257,030		
Foreign exchange gain	4,998	83,275	24,915
	(4,382,276)	(2,214,021)	(1,312,527)
Loss for the period	\$ (3,299,261)	\$ (2,214,021)	\$ (1,312,527)

The Company experienced a higher net loss in the period ended December 31, 2016 than in the comparable period in December 31, 2015 and April 30, 2015 due primarily to:

- 1) increased financing costs associated with interest payments on long-term debt;
- 2) increased general and administrative expenses; and
- 3) inclusion of depreciation expense related to the Company's newly acquired 100% interest in Metro Gateway and 116<sup>th</sup> Street Centres.

**Selected Quarterly Financial Information**

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

	Quarter ended December 31, 2016	Quarter ended September 30, 2016	Quarter ended June 30, 2016	Quarter ended March 31, 2016
Loss for the period	\$ (614,117)	\$ (745,671)	\$ (890,940)	\$ (1,048,533)
Comprehensive income (loss)	\$ (2,100,150)	\$ 1,417,097	\$ (847,077)	\$ (2,271,061)
Net income (loss) per share, basic & diluted	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.01)
	Quarter ended December 31, 2015	Quarter ended October 31, 2015	Quarter ended July 31, 2015	Quarter ended April 30, 2015
Loss for the period	\$ (866,008)	\$ (567,947)	\$ (780,066)	\$ (898,875)
Comprehensive income (loss)	\$ 213,944	\$ (608,581)	\$ 511,903	\$ (2,139,808)
Net income (loss) per share, basic & diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

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The results for the year ended December 31, 2016 are previously described under Results of Operations.

**Financing and Capital Resources**

On May 28, 2014, the Company announced that it had formed a strategic alliance with Hoche Partners International (“Hoche”) and Inovalis S.A. (France) (“Inovalis”) with respect to the Company’s ongoing identification, and if considered desirable, acquisition of commercial retail properties in select markets in the United States. The parties plan to cooperate towards a common goal of acquiring institutional quality retail properties, principally leased to strong regional, national and credit tenants. Each of the Company, Hoche and Inovalis are at arm’s length to each other.

On June 30 2014, with TSXV approval, each of Hoche and Inovalis acquired 8,615,384 common shares (for aggregate total of 17,230,768 common shares) in a non-brokered private placement offering, at a price of \$0.08125 per share for aggregate proceeds of \$1.4 million. Desjardins Capital Markets (“Desjardins”) acted as exclusive financial advisor to the Company with respect to the non-brokered private placement. The Company paid Desjardins a fee of 6.0% in connection with the completion of the private placement.

On September 30, 2014, the Company closed its private placement of an aggregate principal amount of \$2.5 million of 9.0% convertible unsecured subordinated debentures. The debentures are held by a private company of which the Chairman of the Company is a principal, and by a private company of which a director of the Company is a director.

The debentures will bear interest of 9.0% per annum and will mature on September 30, 2019. The Company may repay all or a portion of the indebtedness owing under the Debentures at any time without penalty.

Each Debenture will be convertible into units with each comprised of one common share and one share purchase warrant at a conversion of \$0.09 in the first year, and for each year thereafter at a conversion price equal to the greater of the closing sales price (or the closing bid, if no sales were reported at the date of determination) of the shares on the TSX Venture Exchange or \$0.10. Each warrant will entitle the holder to acquire an additional share at an exercise price equal to the conversion price of the Debentures in effect at the time such warrants are issued, and will expire on September 30, 2019.

On October 22, 2014, the Company negotiated a reduced rate of interest on the indebtedness owing by it under convertible unsecured subordinated debentures issued in September 30, 2014. The Company and the debenture holders agreed to reduce the debenture rate from 9.0% per annum to 7.5% per annum. All other terms of the debentures remain unchanged.

On September 21, 2015, with TSX approval, the Company issued an aggregate total of 50,552,705 common shares to an affiliate of Inovalis and Hoche in consideration of an initial 49% beneficial interest in Martin Downs NSC LLC, a single purpose entity that holds registered title to the Martin Downs Town Center at a price of \$0.06 per share for aggregate proceeds of \$3,033,162.

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On October 2, 2015, the Company announced it has closed its non-brokered private placement of 1,524,804 common shares at a price of \$0.06 per share, for gross aggregate proceeds of \$91,489.

On December 15, 2015, the Company announced that it has obtained a loan facility for up to \$750,000. Under the terms of the loan facility, the Company may draw advances in any amount from time to time from January 1, 2016 to December 31, 2016. Interest on any outstanding drawdowns will accrue at a fixed rate of 8% per annum payable monthly. Outstanding indebtedness is payable on demand. The loan facility is provided by a private company of which the Chairman of the Company is a principal. In consideration of the loan facility, the Company issued 1,846,153 common shares and recognized financing costs of \$150,000, representing the fair value of those shares as at that date. All bonus shares are subject to a four month resale restriction period.

On April 5, 2016, with TSX approval, the Company issued an aggregate total of 555,434 common shares at a deemed price of \$0.06 per common share for gross aggregate proceeds of \$33,326 to settle a debt related to management fees to TitanStar Capital Corp. ("TitanStar Capital") and Inovalis. TitanStar Capital is a corporation owned by the Chairman of the Company.

On August 30, 2016, with TSX approval, the Company issued an aggregate total of 1,756,628 common shares at a deemed price of \$0.10 per common share for gross aggregate proceeds of \$175,663 to settle interest owing to Round Table Management Ltd., a company owned by a director of the Company.

On September 8, 2016, with TSX approval, the Company issued an aggregate total 2,495,920 common shares at a deemed price of \$0.06 per common share for gross aggregate proceeds of \$149,755 to settle a debt related to management fees to TitanStar Capital and Inovalis.

On March 24, 2017, with TSX approval, the Company issued an aggregate total of 81,858,226 common shares upon conversion of its outstanding convertible debentures in the total aggregate principal amount of \$4,500,000. The shares were issued to Hoche.

On April 11, 2017, with TSX approval, the Company issued an aggregate total of 6,351,301 common shares to settle the interest amount of \$349,151 accrued on its convertible debentures. The shares were issued to Hoche.

Currently, the Company's capital structure consists of one class of common shares and two classes (A and B) of non-voting preferred shares. No preferred shares have been issued to date.

As at the date of this MD&A, the Company has no commitment for capital expenditure.

### **Liquidity**

As at December 31, 2016, the Company had a working capital deficiency of \$2,618,290 (December 31, 2015 – working capital deficiency of \$4,270,362; April 30, 2015 – working capital of \$84,426). The increase in working capital from December 31, 2015 to December 31, 2016 is due primarily to reclassification of convertible debentures from current liabilities in December 31, 2015 to long-term liabilities in December 31, 2016. As a condition of the convertible debentures, the Company is required to maintain a debt service coverage ratio. As of December 31, 2015, the

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Company was not in compliance with the covenant. As a result of the non-compliance, the convertible debenture holders had the right to demand payment and the convertible debentures are presented as a current liability. As at December 31, 2016, the Company was in compliance with the covenant and the convertible debentures are presented as a long-term liability, as the debenture holders do not have the right to demand repayment.

In addition, the working capital deficiency in the year ended December 31, 2016 is a result of the short-term notes payable provided to the Company by a company of which the Chairman is a principal and by a private company owned by a director of the Company.

The Company receives ongoing revenue from its interests in the real estate assets described above (see "Real Estate Portfolio"), and anticipates that it may complete further equity or debt financings for additional capital in the future. In the event that the occupancy rate decreases substantially at any one of the Company's real estate assets, the Company's revenue will correspondingly decrease. The Company may not be able to complete further equity or debt financings on terms favorable to the Company or at all. In these events, the Company may not receive the cash flow or liquidity necessary to comply with its obligations to lenders or under the Debentures.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Transactions with Related Parties**

All of the related party disclosure below is identical to that contained in the financial statements.

Notes payable

		December 31, 2016	December 31, 2015	April 30, 2015
Debt Resolution Corp.	(a)	\$1,040,593	\$ -	\$ -
Titanstar Finance Inc.	(b)	1,000,000	-	-
Non-related shareholder	(c)	-	400,000	400,000
<b>Total notes payable</b>		<b>\$2,040,593</b>	<b>\$ 400,000</b>	<b>\$ 400,000</b>

- (a) On August 30, 2016, the Company entered into an agreement with Debt Resolution Corp., a private company which is related through common directors, to borrow an aggregate amount of US\$775,000 (CAD \$1,040,593) for the purpose of funding the Company's costs in relation to the acquisition of a retail real estate asset, 116th Street Centre.

The note payable bears interest at a fixed rate of (i) 8% per annum for the first three month period commencing on the date that the lender advance any portion of the principal amount and ending on the interest adjustment date which is three months after the completion of the acquisition, and (ii) 10% per annum from and including the interest adjustment date until all indebtedness owing is repaid. The note matures August 25, 2017.

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- (b) On August 31, 2016, the Company entered into an agreement with Titanstar Finance Inc., a private company which is related through common directors, to borrow an aggregate amount of CAD\$1,000,000 for the purpose of funding the Company's costs in relation to the acquisition of a retail real estate asset, 116th Street Centre.

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

- (c) On December 16, 2013, the Company received promissory note payable proceeds of \$400,000 from a shareholder. The promissory note payable was unsecured, accrued interest at a rate of 6% per annum, and was due on demand. On August 30, 2016, the promissory note was paid out including all outstanding interest payments due.

For the year ended December 31, 2016, the Company incurred \$76,786 (eight months ending December 31, 2015 - \$16,000; April 30, 2015 - \$24,000) of interest on the notes payable.

Convertible debentures

	December 31, 2016	December 31, 2015	April 30, 2015
Liability, beginning of period	\$ 2,701,152	\$ 2,244,564	\$ -
Issuances	3,990,631	419,544	2,219,011
Accretion	79,946	37,044	25,553
Liability, end of period	6,771,729	2,701,152	2,244,564
Transaction costs, beginning of period	(279,562)	-	-
Amortization of transaction costs	42,279	-	-
Transaction costs, end of period	(237,283)	-	-
<b>Convertible debentures</b>	<b>\$ 6,534,446</b>	<b>\$ 2,701,152</b>	<b>\$ 2,224,564</b>

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

	December 31, 2016	December 31, 2015	April 30, 2015
Principal, beginning of period	\$ 2,950,000	\$ 2,500,000	\$ -
Issuances	4,050,000	450,000	2,500,000
Principal, end of period	\$ 7,000,000	\$ 2,950,000	\$ 2,500,000

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

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

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

As at December 31, 2016, the embedded derivative liability is classified as a current liability on the consolidated statement of financial position and is carried at a fair value of \$191,000 (December 31, 2015 – \$nil; April 30, 2015 - \$89,899).

- (ii) On October 30, 2015, the Company issued a convertible unsecured subordinated debenture with a face value of \$450,000 in exchange for cash proceeds of \$450,000. The debenture is held by a private company of which a director of the Company is the Chairman. The debenture bears interest at 8% per annum, commencing in August 2016, and matures on October 30, 2020. The Company may repay all or a portion of the indebtedness owing under the debenture at any time without penalty.

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

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



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As at December 31, 2016, the embedded derivative liability is classified as a current liability on the consolidated statement of financial position and is carried at a fair value of \$nil (December 31, 2015 - \$13,849).

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

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

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

As at December 31, 2016, the embedded derivative liability is classified as a current liability on the consolidated statement of financial position and is carried at a fair value of \$1,623.

For the year ended December 31, 2016, the Company incurred \$468,542 (eight months ending December 31, 2015 - \$130,539; April 30, 2015 - \$110,798) of interest on the convertible debentures due to related parties.

**Related party balances and transactions**

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

	December 31, 2016	December 31, 2015	April 30, 2015
Due to Inovalis	\$ 28,680	\$ 3,326	\$ -
Due to Titanstar Capital	35,386	58,627	-
Due from the Chairman of the Board	-	-	(3,241)
	\$ 64,066	\$ 58,712	\$ -

Included in accounts payable and accrued liabilities are \$321,000 of accrued interest (eight months ending December 31, 2015 - \$123,336; April 30, 2015 - \$55,918) owing to private companies related through common directors.

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(a) Key management personnel compensation

Key management personnel include the members of the Board of Directors and executive officers of the Company. For the year ended December 31, 2016, the Company paid \$84,000 (eight months ended December 31, 2015 - \$56,000; April 30, 2015 - \$84,000) of service fees to the chief financial officer and \$nil (2015 - \$nil) to the Board of Directors.

(b) Asset management agreement:

On April 16, 2010, the Company entered into an asset management agreement with TitanStar Capital Corp. (“Titanstar Capital”) (the “Asset Manager”), pursuant to which the Asset Manager will provide asset management, administrative and other services to the Company and its subsidiaries. TitanStar Capital is a corporation owned by TitanStar Investment Group Inc., and is a related entity as it is owned by the Chairman of the Board of the Company. The Company has the right to terminate the asset management agreement at any time upon 60 days’ notice. The Asset Manager is entitled to a monthly advisory fee.

For the year ended December 31, 2016, the Company incurred operating expenses of \$66,942 (eight months ended December 31, 2015 - \$36,593; April 30, 2015 – \$62,489), included in general and administrative expenses, that were charged by the Asset Manager.

(c) Non-binding term sheet:

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

- (i) 0.75% to Titanstar Capital of the net asset value of the Company calculated quarterly in arrears;
- (ii) 0.75% to Inovalis of the equity raised or arranged by Inovalis; and
- (iii) 0.375% to Inovalis and 0.375% to Titanstar Capital on the equity raised on the Canadian capital market.

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

For the year ended December 31, 2016, the Company recorded \$130,964 (eight months ended December 31, 2015 - \$59,328; April 30, 2015 - \$nil) to Titanstar Capital and \$53,529 to Inovalis (eight months ended December 31, 2015 - \$3,326; April 30, 2015 - \$nil) for management fees pursuant to the non-binding term sheet, for an aggregate total of \$188,493 (note 14). These fees were settled by the Company through the issuance of shares (note 11).

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(d) Martin Downs Town Center:

On September 18, 2015, the Company acquired a 49% interest in Martin Downs Town Center for total consideration, including closing costs, of \$3,146,172 (US\$2,369,075). Consideration and closing costs for the acquisition were paid by the issuance of common shares and cash. The Company acquired its interest from a company jointly owned and controlled by Inovalis and Hoche.

(e) Loan facility:

On December 15, 2015, the Company obtained a loan facility for up to \$750,000. Under the terms of the loan facility, the Company may draw advances in any amount from time to time from January 1, 2016 to December 31, 2016. Interest on any outstanding drawdowns will accrue at a fixed rate of 8% per annum, and is payable monthly. Outstanding indebtedness is payable on demand. The loan facility is provided by a private company of which the Chairman of the Board of the Company is a principal.

**Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable, due to related parties, notes payable, embedded derivative liability, convertible debentures and mortgages payable.

Derivatives, including separated embedded derivatives, are financial liabilities and are recorded initially at fair value. Fair value changes on derivatives are recognized in net loss, unless they are designated as effective hedging instruments.

It is management's opinion that the Company is not exposed to significant liquidity or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values. Mortgages are recorded at the outstanding balance less unamortized deferred financing costs.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows or fair value associated with some financial instruments. The Company is exposed to interest rate risk, through its interests in joint ventures and associates.

For a review of the interest rate risk exposure, please see the section entitled Interest Fluctuations and Financing Risk in the Risk and Uncertainty section below.

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 venture and associates 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 December 31, 2016.

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For a review of the foreign exchange risk exposure on US dollar denominated monetary assets and liabilities of the Company, please see the section entitled Foreign Currency in the Risk and Uncertainty section below.

**Disclosure of Outstanding Share Data**

As at December 31, 2016 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:

	<b>As at December 31, 2016</b>	<b>As at the date of this MD&amp;A</b>
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	123,431,412 common shares	211,640,939 common shares
Securities convertible or exercisable into voting or equity securities – directors and officers share options	2,295,000	2,295,000
Securities convertible or exercisable into voting or equity securities – agent’s warrants	-	-
Total voting or equity securities issuable on conversion or exchange of outstanding securities	2,295,000	2,295,000

**Additional Disclosure for Venture Issuers with Significant Equity Investees**

The following table summarizes the assets, liabilities and results of operations of the Company’s equity investees, DSC LP, LVLH LP, for which the Company holds a 50% indirect interest in each, Adams Dairy Landing for which the Company holds a 38.4% interest, and Martin Downs Town Center for which the Company holds a 49% interest. All figures are translated to Canadian dollars at the rate of exchange in effect at the quarter end date for net assets and at average rates prevailing during the period for net income.

	Year ended December 31, 2016	Eight months ended December 31, 2015	Year ended April 30, 2015
Total assets	\$ 103,895,481	\$ 130,999,515	\$ 103,685,949
Total liabilities	(74,341,024)	(89,034,224)	(69,384,027)
Net assets	29,554,457	41,965,291	34,301,922
Titanstar’s share of net assets	\$ 13,679,922	\$ 19,334,118	\$ 15,474,492
Revenue and gains	\$ 9,259,014	\$ 6,484,905	\$ 11,806,589
Expenses	(13,509,341)	(9,896,530)	(11,459,462)
Net income (loss)	(4,250,327)	(3,411,625)	347,127
Titanstar’s share of net income (loss)	\$ (1,669,216)	\$ (1,405,038)	\$ 468,263

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Additional information regarding the Company's proportionate interest in the significant equity investees is disclosed in note 5 in the December 31, 2016 consolidated financial statements.

**RISKS AND UNCERTAINTIES**

**General Business Risks**

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

**Real Property Ownership**

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

The performance of the economy in the area in which the Deer Springs Property, Adams Dairy Landing, Martin Downs Town Center Metro Gateway Shopping Center, and 116<sup>th</sup> Street Center (collectively called the "Properties") are located affects occupancy, market rental rates and expenses. These factors consequently can have an impact on the future share of income/(loss) attributable to the Company from the Properties, and the value of the underlying investments in subsidiaries, joint ventures and associates.

Other factors may further adversely affect the future share of income/(loss) from subsidiaries, joint ventures and associates 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 subsidiaries, as applicable, were unable to meet their mortgage payments. In addition, applicable laws, including tax laws, interest rate levels and the availability of financing also affect revenues from properties and real estate values generally.

**Asset and Development Strategy**

It is intended that the Company's business strategy will involve expansion through acquisitions that are in addition to the Properties. These activities require the Company to identify acquisition

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

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

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 and Associate 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 the Deer Springs Property (through DSC LP). The Company also has a 38.4% interest in Adams Dairy Landing

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and a 49% interest in Martin Downs Town Center (through TitanStar US Inc.). The Company may also enter into further arrangements with respect to other properties in the future. In any such arrangement, the Company may not be in a position to exercise sole decision-making authority regarding the properties owned through these arrangements. Investments may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that investment partners might become bankrupt or fail to fund their share of required capital contributions. Investment partners may have business interests or goals that are inconsistent with the Company's business interests or goals and may be in a position to take actions contrary to the Company's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the Company nor the investment partner would have full control over the arrangement. Any disputes that may arise between the Company and its investment partners could result in litigation or arbitration that could increase the Company's expenses and distract its officers and/or directors from focusing their time and effort on the Company's business. In addition, the Company might in certain circumstances be liable for the actions of its investment partners.

**Investment Concentration**

The Company will be susceptible to adverse markets in Las Vegas, Nevada, Tucson, Arizona Chandler, Arizona, Blue Springs, Missouri, Palm City, Florida, Phoenix, Arizona, and Indianapolis, Indiana, the markets in which it is operating, such as changing demographics and other factors. Presently, the Company's depreciated book value interests in the Deer Springs Property, located in Nevada, account for 19% of the Company's total real property assets, the Company's interest in Adams Dairy Landing located in Missouri, account for 9% of the Company's real property assets, the Company's interest in Martin Downs Town Center in Palm City, Florida account for 7% of the Company's real property assets, the Company's interest in Metro Gateway in Phoenix, Arizona account for 31% of the Company's real property assets and the Company's interest in 116<sup>th</sup> Street in Indianapolis, Indiana accounts for 34% of the Company's real property assets. As a result of this concentration of assets, the Company will be particularly susceptible to adverse market conditions in these regions. Any adverse economic or real estate markets in the areas in which the Properties are located, or in the future in any of the other markets in which the Company operates, or any decrease in demand for commercial real estate resulting from the local economy or demographics could adversely affect the rental revenues of the joint ventures and associates. This effect could impair the ability of the joint ventures and associates to service their debt obligations and generate stable positive cash flow from operations to generate a return for the Company.

**Illiquidity**

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity in the joint ventures may tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions.

**Uninsured Losses**

DSC LP, Adams Dairy Landing, Martin Downs Town Center, Metro Gateway Shopping Center

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

**Environmental Risk**

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

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

**Public Market Risk**

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

**Debt Financing**

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

- requiring the subsidiaries, joint ventures and associates to use a substantial portion of their cash flow from operations to pay principal and interest, which will reduce the amount of cash available for generating a return to the Company, and thus, other purposes;
- limiting the Company's ability to borrow more money for operating or capital needs or to finance acquisitions in the future; and



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- 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 or the subsidiaries', joint ventures' and associates' cash flow will be insufficient to meet required payments of principal and interest, the Company will also be subject to the risk that the subsidiaries, joint ventures and associates will not be able to refinance potential future indebtedness on their properties and that the terms of any refinancing they could obtain would not be as favourable as the terms of their existing indebtedness. If the subsidiaries, joint ventures and associates are not successful in refinancing debt when it becomes due, the Company may be forced to dispose of its interest in the joint ventures and associates 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.

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**Potential Volatility of Share Price**

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

**Limited Prior Public Market**

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

**Proposed Acquisitions**

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

**Potential Conflicts of Interest**

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

In connection with real estate acquisitions, the Company has engaged, and may in the future engage, third parties to provide due diligence and valuation services in relation to the subject properties and the Company has paid, and may in the future pay, such advisers a success fee in connection with the completion of such acquisitions. In particular, the Company has paid such a success fee to Juliet in connection with the Company's acquisition of each of the Swanway Plaza and the San Tan Plaza. There is a risk that the payment of a success fee could result in such

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advisers recommending that the Company complete real estate acquisitions that such advisers would not recommend completing in the absence of a success fee.

Juliet is the manager of certain properties of the Company, and may in the future manage further properties acquired by the Company. There is a risk that the expectation of being engaged as the manager of a property could result in an adviser recommending that the Company complete real estate acquisitions that such adviser would not recommend completing in the absence of such an expectation.

**Foreign Currency**

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

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

	December 31, 2016	December 31, 2015	April 30, 2015
Cash	\$ 799,115	\$ 133,434	\$ 218,874
Short-term investments	-	86,633	75,489
Taxes recoverable	-	-	523,286
Deposits	30,231	384,802	20,291
Notes payable	1,040,593	-	-
Mortgage payable	17,356,444	-	-
Accounts payable*	149,949	127,498	52,295
Accounts receivable	50,054	-	-
Tenants Security Deposits	112,885	-	-

If the Canadian dollar had strengthened 5 percent against the U.S. dollar with all other variables held constant, the Company would have additional income from foreign exchange included in net income for the year ended December 31, 2016 of approximately \$836,600 (eight months ended December 31, 2015 – loss \$32,300; April 30, 2015 – loss \$39,300) and additional loss from currency translation adjustments of subsidiaries, joint ventures and associates included in other comprehensive income or loss for the year ended December 31, 2016 of approximately \$1,955,900 (eight months ended December 31, 2015 – loss \$971,000; April 30, 2015 – loss \$772,500). If the Canadian dollar had weakened 5 percent against the U.S. dollar with all other variables held constant, the Company would have additional loss from foreign exchange included in net loss for the year ended December 31, 2016 of approximately \$836,600 (eight months ended December 31, 2015 - income \$32,300; April 30, 2015 – income \$39,300) and additional income from currency translation adjustments of subsidiaries, joint ventures and associates included in other comprehensive income or loss for year ended December 31, 2016 of approximately \$1,955,900 (eight months ended December 31, 2015 – income \$971,000; April 30, 2015 – income \$773,500). The foreign currency exchange rate sensitivity in comprehensive income or loss is attributable to a change in the translation of monetary assets and liabilities, and interest in joint ventures and associates, denominated in U.S. dollars.

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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.

### **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.

### **Changes to Significant Accounting Policies**

The following standards will be effective for subsequent annual periods. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of

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its business model and the contractual cash flow characteristics of its financial assets. The standard is effective for years beginning on or after January 1, 2018 with earlier adoption permitted.

IFRS 15 – Revenue from Contracts with Customers replaces IAS 11 – Construction Contracts and IAS 18 – Revenue, as well as various IFRIC and SIC interpretations, specifies the steps and timing for entities to recognize revenue and enhance disclosure requirements effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

IFRS 16 – Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right of use asset and a lease liability. The standard is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted.

**Other MD&A Requirements**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).