



**REALIA PROPERTIES INC.**

**FORM 51-102F1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the year ended December 31, 2022**

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**SECTION I**

This Management's Discussion and Analysis ("MD&A") dated December 1, 2023 is in respect of the year ended December 31, 2022, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022, together with the audited consolidated financial statements and appended notes and MD&A for the year ended December 31, 2021.

**FORWARD-LOOKING DISCLAIMER**

This MD&A contains forward-looking statements with respect to Realia 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. 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.

**BASIS OF PRESENTATION**

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial information included in this MD&A for the year ended December 31, 2022 includes material information up to December 1, 2023. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022, available on SEDAR at [www.sedar.com](http://www.sedar.com).

All amounts presented in this MD&A are in Canadian dollars, unless otherwise noted.

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**OVERVIEW OF THE COMPANY**

Realia Properties Inc. (formerly "TitanStar Properties Inc." and "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.". On June 3, 2019, the shareholders approved a name change from "TitanStar Properties Inc." to "Realia Properties, Inc."

As at December 31, 2022, 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, and a 100% beneficial interest in Martin Downs Town Center located in Palm City, Florida.

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 in the United States with value to be maximized through the acquisition of well-positioned quality assets where management believes there will be room to improve occupancy and increase lease rates which will each contribute to value creation.

The focus is on necessity-based neighborhood shopping 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:

- 100% beneficial interest in a Delaware LLC, Martin Downs NSC LLC

On September 2015, the Company purchased 49% ownership interest in Martin Downs NSC LLC, which holds Martin Downs Town Center ("Martin Downs"), a 36,252 square foot, 100% leased neighborhood retail shopping center located in Palm City, Florida. On August 31, 2018 and October 17, 2018, the Company acquired an additional 9% and 41% ownership interest in the property, respectively. On March 19, 2021, the Company acquired the remaining 1% ownership interest in the property.

- 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") in 2016. Metro Gateway is a 67,793 square foot retail shopping center. It is currently 83% 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") in 2016. 116<sup>th</sup> Street is a 44,854 square foot retail shopping center. It is currently 100% leased.

A detailed description of each property interest owned through subsidiaries or joint ventures of the group follows below.

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**PROPERTY PORTFOLIO**

**Overview**

As at December 31, 2022, the Company's real estate portfolio consisted of three properties. The details of each property as at the date of this MD&A are as follows:

| Property                                                             | Date Acquired  | %    | Purchase Price (USD) <sup>(1)</sup> | Lot Size (acres) | Gross Leasable Area (sq ft) | Built/renovated | Major Tenants                                                                                                                                               | Occupancy |
|----------------------------------------------------------------------|----------------|------|-------------------------------------|------------------|-----------------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Martin Downs <sup>(2)</sup><br>Town Center<br>(Palm City, FL)        | September 2015 | 100% | 11.5 million <sup>(3)</sup>         | 7.49             | 36,252                      | 2006            | <ul style="list-style-type: none"> <li>• Panera Bread</li> <li>• BB &amp; T</li> <li>• Palm City Medical Center</li> <li>• Edward Jones</li> </ul>          | 100%      |
| Metro Gateway <sup>(4)</sup><br>Shopping Center<br>(Phoenix, AZ)     | March 2016     | 100% | 9.1 million                         | 6.46             | 83,146                      | 1978/1986       | <ul style="list-style-type: none"> <li>• Planet Fitness</li> <li>• Eye Glass World</li> <li>• Dart Bar</li> <li>• Domino's Pizza</li> </ul>                 | 85%       |
| 116 <sup>th</sup> Street Center <sup>(5)</sup><br>(Indianapolis, IN) | August 2016    | 100% | 9.825 million                       | 3.97             | 44,839                      | 2007/2008       | <ul style="list-style-type: none"> <li>• Fred Astaire Dance</li> <li>• Upland Brewing Co.</li> <li>• Sylvan Learning</li> <li>• Caliente Mexican</li> </ul> | 100%      |

Notes:

- (1) Subject to customary closing adjustments.
- (2) Martin Downs is owned directly by Martin Downs NSC LLC. The Company owns 100% beneficial interest through its subsidiary Realia Properties US.
- (3) The Company initially acquired its 49% ownership interest based on the purchase and sales agreement price of \$11.5MM. The acquisition of the additional 41% interest from Inovalis City Center Retail Fund was based on the US\$11.5MM price per the PSA. The acquisition of the 9% was based on an agreed upon value of US\$1.0MM. The Company acquired the remaining 1% ownership interest for US\$37,500.
- (4) Metro Gateway is owned directly by TSP Metro Gateway LLC, a Nevada LLC. The Company owns a 100% beneficial interest through its subsidiary, Realia Properties US.
- (5) 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, Realia Properties US.

*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 100% leased. The center is shadow anchored by a Publix supermarket and has a variety of retail tenants including Panera Bread, BB & T (Trust Company), Palm City Medical Center, Edward Jones, Dunkin' Donuts, Olympic Diner, Hokkaido Hibachi and Sushi, amongst others.

Pursuant to the terms of the acquisition, the sellers received US\$2.369 million in exchange for the Company's acquisition of an initial 49% interest in the joint venture. Consideration and closing costs for the acquisition were 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. Prior to the acquisition, the center was 90% owned by an affiliate of Inovalis, Inovalis City Center Retail Fund Inc. and 10% owned by Martin Downs GP LLC. The Company acquired its interest from Inovalis City Center Retail Fund Inc.

On August 31, 2018, the Company acquired an additional 9% ownership interest from Martin Downs GP LLC for \$1,302,000 (US\$1,000,000).

On October 17, 2018, the Company acquired an additional 41% interest from Inovalis City Center Retail Fund Inc. The acquisition was a result of the Company exercising an option from the original 2015 Purchase

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and Sales agreement. In consideration for the acquisition cost of \$3,710,875, the Company issued 38,459,269 common shares as at February 22, 2019.

On March 19, 2021, the Company acquired the remaining 1% ownership interest from Martin Downs GP LLC for \$47,141 (US\$37,500).

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

*Metro Gateway Shopping Center*

Metro Gateway is a 83,146 square foot community center located in Phoenix, Arizona on approximately 6.4 acres. As of the date of this MD&A is 83% leased. The well-located shopping center is comprised of a complimentary mix of national, regional and local tenants including Planet Fitness and Dart Bar.

The acquisition cost of US\$9,100,000 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. The management fees are recorded as operating expenses and are recoverable from tenants.

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

116<sup>th</sup> Street Centre is a 44,839 square foot retail center located in Indianapolis, Indiana on approximately 3.97 acres. As of the date of this MD&A it is 100% leased. The well-located, stabilized shopping center is comprised of a complimentary mix of long-term leased tenants including Sylvan Learning, Fred Astaire Dance Studio, Caliente Mexican Grill, 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 former Chairman is a principal, and 50% by a private company owned by a former director of the Company.

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

**OUTLOOK**

The Company owns interest in three neighborhood shopping centers. The Company anticipates selling a portion of its interest in the assets to repay the outstanding corporate debts as they come due.

**INVESTING ACTIVITY**

On August 24, 2022, the Company acquired from Hoche Partners Private Equity Investors, a company with two common directors, a short-term, senior bond of \$9,318,375 (US\$6,875,000). The bond has a maturity date of June 30, 2023, accrues interest of 8.25% which will be due and payable on maturity date, and is secured by interest in T-Westbrook Center LLC and East Winds Resort Ltd. in St Lucia. If the bond

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receivable is not paid by maturity date, the Company is entitled to interest in either T-Westbrook Center LLC or East Winds Resort Ltd.

## **SECTION II**

### **NON-IFRS INDUSTRY MEASURES**

The Company has included certain non-IFRS measures throughout this MD&A. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate the Company's performance, ability to generate cash flows and financial condition. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. The non-IFRS financial measures do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry or other industries. The non-IFRS financial measures noted in this MD&A are as follows and include definitions:

a) Adjusted Funds From Operations ("AFFO")

NOI less debt service loan reserves and non-recoverable operating expenses including owner's expenses.

b) AFFO Company

AFFO less cash cost of corporate debt and G & A expenses.

c) Debt Coverage Ratio

NOI divided by mortgage cost (principal and interest).

d) Debt to Gross Book Value

Principal balance of outstanding mortgage divided by original acquisition cost of properties.

e) Debt to Gross Book Value (Company)

All mortgage and corporate debt divided by original acquisition cost of properties.

f) Interest Coverage Ratio (Company)

NOI divided by all mortgage and corporate debt.

g) Net Asset Value Table (page 8)

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**KEY PERFORMANCE INDICATORS**

| Year ended December 31, 2022                                                     | Martin<br>Downs | Metro<br>Gateway | 116th Street | Corporate<br>Debt | G&A       | Total                |
|----------------------------------------------------------------------------------|-----------------|------------------|--------------|-------------------|-----------|----------------------|
| <b><u>Property related</u></b>                                                   |                 |                  |              |                   |           |                      |
| NOI                                                                              | 1,180,167       | 1,025,995        | 1,035,429    |                   |           | 3,241,592            |
| AFFO                                                                             | 568,991         | 628,664          | 597,104      |                   |           | 1,794,759            |
| Occupancy                                                                        | 100%            | 85%              | 100%         |                   |           | 92.6% <sup>(1)</sup> |
| Debt Coverage Ratio                                                              | 1.77            | 1.99             | 1.81         |                   |           | 1.85 <sup>(1)</sup>  |
| % of Property Costs Recovered                                                    | 87%             | 102%             | 90%          |                   |           | 92% <sup>(1)</sup>   |
| Debt to Gross Book Value                                                         | 69%             | 68%              | 65%          |                   |           | 67% <sup>(1)</sup>   |
| Weighted Average Lease Term to Maturity<br>(in years) (excludes renewal options) | 4.85            | 4.82             | 3.84         |                   |           | 4.54 <sup>(1)</sup>  |
| Mortgage Interest Rate                                                           | 4.42%           | 4.42%            | 4.78%        |                   |           | 4.5% <sup>(1)</sup>  |
| <b><u>Combined property and corporate</u></b>                                    |                 |                  |              |                   |           |                      |
| NOI                                                                              | 1,180,167       | 1,025,995        | 1,035,429    |                   |           | 3,241,592            |
| AFFO                                                                             | 568,991         | 628,664          | 597,104      | (990,176)         | (417,363) | 387,220              |
| AFFO Per Share                                                                   |                 |                  |              |                   |           | 0.00                 |
| Interest Coverage Ratio<br>Property and Corporate Debt                           |                 |                  |              |                   |           | 1.59                 |
| Debt to Gross Book Value                                                         |                 |                  |              |                   |           | 75% <sup>(1)</sup>   |
| Weighted Average Interest Rate                                                   |                 |                  |              |                   |           | 5.9% <sup>(1)</sup>  |

(1) Weighted average

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**PROPERTY NET ASSET VALUES (NAV) AT COST COMPARED TO CURRENT MARKET VALUES**

The Net Asset Value 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. These measures are not recognized measures under generally accepted accounting principles ("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.

|                                   | AT COST              |       |                      |                          | AT VALUE as at December 31, 2022 |       |                      |                           |
|-----------------------------------|----------------------|-------|----------------------|--------------------------|----------------------------------|-------|----------------------|---------------------------|
|                                   | Cost in US\$         | % Own | Cost in US\$         | @1.3554<br>Cost in CAD\$ | Value in US\$                    | % Own | Value in US\$        | @1.3554<br>Value in CAD\$ |
| Martin Downs                      | \$ 11,500,000        | 100%  | \$ 11,500,000        | \$ 15,587,100            | \$ 14,900,000                    | 100%  | \$ 14,900,000        | \$ 20,195,460 (1)         |
| Metro Gateway                     | 9,100,000            | 100%  | 9,100,000            | 12,334,140               | 12,097,000                       | 100%  | 12,097,000           | 16,396,274 (2)            |
| 116th Street                      | 9,825,000            | 100%  | 9,825,000            | 13,316,805               | 10,917,500                       | 100%  | 10,917,500           | 14,797,580 (3)            |
| <b>Total Cost and Value</b>       | <b>\$ 30,425,000</b> |       | <b>30,425,000</b>    | <b>\$ 41,238,045</b>     | <b>\$ 37,914,500</b>             |       | <b>\$ 37,914,500</b> | <b>\$ 51,389,313</b>      |
|                                   | Debt in US\$         | % Own | Debt in US\$         | Cost in CAD\$            | Debt in US\$                     | % Own | Debt in US\$         | Debt in CAD\$             |
|                                   |                      |       |                      |                          |                                  |       |                      |                           |
| Martin Downs                      | \$ 8,320,136         | 100%  | \$ 8,320,136         | \$ 11,277,112            | \$ 7,948,074                     | 100%  | \$ 7,948,074         | \$ 10,772,820             |
| Metro Gateway                     | 6,420,263            | 100%  | 6,420,263            | 8,702,024                | 6,166,564                        | 100%  | 6,166,564            | 8,358,161                 |
| 116th Street                      | 6,379,284            | 100%  | 6,379,284            | 8,646,481                | 6,358,067                        | 100%  | 6,358,067            | 8,617,724                 |
| <b>Total Real Estate Debt</b>     | <b>\$ 21,119,683</b> |       | <b>\$ 21,119,683</b> | <b>\$ 28,625,618</b>     | <b>\$ 20,472,706</b>             |       | <b>\$ 20,472,706</b> | <b>\$ 27,748,705</b>      |
| <i>Real estate leverage</i>       |                      |       | 69.42%               | 69.42%                   |                                  |       | 54.00%               | 54.00%                    |
| <b>Total Non-Real Estate Debt</b> |                      |       |                      | 18,687,406               |                                  |       |                      | 18,687,406                |
| <b>NAV</b>                        |                      |       |                      | <b>-\$ 6,074,979</b>     |                                  |       |                      | <b>\$ 4,953,202</b>       |
| Shares outstanding                |                      |       |                      | 255,221,137              |                                  |       |                      | 255,221,137               |
| <b>NAV per share</b>              |                      |       |                      | <b>-\$ 0.0238</b>        |                                  |       |                      | <b>\$ 0.0194</b>          |

(1) US\$14,900,000 per NAI BoV dated April 3, 2023.

(2) US\$12,097,000 per CBRE BoV dated March 29, 2023.

(3) US\$10,917,500 per CBRE BoV dated March 7, 2023.

**CAPITAL STRUCTURE, FINANCING**

The Company's objectives when managing capital of \$50,699,630 (2021 - \$37,860,674), which is share capital, contributed surplus, equity component of convertible debentures, accumulated other comprehensive income, deficit, notes payable, mortgages payable, due to related parties, convertible debentures and long-term debt, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new common shares, or sell assets to reduce debt.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict. There have been no changes to the Company's approach to capital management during the years ended December 31, 2022 and 2021. The Company is

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not subject to externally imposed capital requirements. As at December 31, 2022, the Company is in compliance with its financial covenant.

### SECTION III

#### SELECTED FINANCIAL INFORMATION

A summary of selected financial information for the year ended December 31, 2022, December 31, 2021 and December 31, 2020 is as follows:

|                                                | Year ended December 31, |             |              |
|------------------------------------------------|-------------------------|-------------|--------------|
|                                                | 2022                    | 2021        | 2020         |
| Rental income and recoveries                   | \$4,687,641             | \$5,179,163 | \$4,555,020  |
| Net income (loss)                              | (313,333)               | 2,077,324   | (1,235,153)  |
| Comprehensive income (loss)                    | 142,691                 | 2,390,552   | (1,336,410)  |
| Net income (loss) per share, basic and diluted | (0.01)                  | 0.01        | 0.00         |
| Total assets                                   | 51,712,661              | 38,833,998  | 40,470,853   |
| Non Current Liabilities                        | 29,162,499              | 28,699,714  | 8,419,188    |
| Working capital (deficiency)                   | 4,241,207               | (1,953,285) | (25,068,326) |

The Company experienced a lower net income and comprehensive income as of December 31, 2022 than in the comparable period of December 31, 2021 due to tenant's lease cancellation fee recognized as revenue in 2021 and gain on extinguishment of debt in the same year. The increase in total assets is mostly due to the weakening of the Canadian dollars (2022 – 1.3554 vs 2021 – 1.2637), increased depreciation and amortization of capitalized assets and additional investment in bonds. The increase in working capital is due to repayment of notes payable in 2022 and cash proceeds from additional convertible debentures.

#### RESULTS OF OPERATIONS

##### Summary

A summary of selected financial information for the years ended December 31, 2022 and December 31, 2021 is as follows:

|                                                       | Year ended<br>December 31, 2022 | Year ended<br>December 31, 2021 |
|-------------------------------------------------------|---------------------------------|---------------------------------|
| Revenue:                                              |                                 |                                 |
| Rental income and recoveries <sup>(1)</sup>           | \$ 4,687,641                    | \$ 5,179,163                    |
| Property operating expenses:                          |                                 |                                 |
| Operating and leasing expenses                        | (1,494,177)                     | (1,581,523)                     |
| Earnings from property operations                     | 3,193,464                       | 3,597,640                       |
| Other revenues (expenses):                            |                                 |                                 |
| General and administrative <sup>(2)</sup>             | (417,364)                       | (328,955)                       |
| Depreciation and amortization                         | (1,260,236)                     | (1,287,151)                     |
| Net finance costs <sup>(3)</sup>                      | (2,922,442)                     | (1,949,598)                     |
| Change in fair value of embedded derivative liability | 104,615                         | -                               |
| Recovery of deferred income tax                       | 89,101                          | 55,129                          |
| Gain on extinguishment of debt <sup>(4)</sup>         | -                               | 1,746,125                       |
| Foreign exchange gain <sup>(2)</sup>                  | 899,529                         | 244,134                         |
|                                                       | (3,506,797)                     | (1,520,316)                     |
| Income (loss) for the year                            | (313,333)                       | 2,077,324                       |

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1. Lower rental income in December 31, 2022 than in comparable period in December 31, 2021 due to the inclusion of tenant's lease cancellation fee to rental income in 2021.
2. Higher general and administrative expenses in December 2022 than in comparable period in December 31, 2021 due to timing of 2021 audit fees paid in 2022
3. Higher net finance costs in December 31, 2022 than in comparable period in December 31, 2021 due to interest on new convertible debt in 2022
4. Extinguishment of convertible debentures and Notes Payable in 2021.
5. Higher foreign exchange gain in December 31, 2022 than in comparable period in December 31, 2021 due to the weakening of Canadian dollar in 2022 (2022 – 1.3554 vs 2021 – 1.2637).

**TOTAL ASSETS**

Total assets as at December 31, 2022 included \$37,177,341 of investment properties, \$9,318,375 of bond receivable, \$1,417,534 of mortgage reserve funds, \$2,760,394 of cash, \$921,039 of accounts receivable and \$117,978 of prepaid expenses and deposits.

**LIQUIDITY, WORKING CAPITAL**

As at December 31, 2022, the Company had a working capital deficiency of \$4,241,207 (December 31, 2021 – working capital deficiency of \$1,953,285).

The net increase in working capital from December 31, 2021 to December 31, 2022 is due to repayment of notes payable in 2022 and cash proceeds from additional convertible debentures.

**SELECTED QUARTERLY INFORMATION - MOST RECENT EIGHT QUARTERS**

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

|                                                   | 2022         |              |              |              | 2021         |            |              |              |
|---------------------------------------------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|
|                                                   | Q4           | Q3           | Q2           | Q1           | Q4           | Q3         | Q2           | Q1           |
| Revenue                                           | \$ 1,301,383 | \$ 1,138,457 | \$ 1,126,575 | \$ 1,121,226 | \$ 1,109,806 | \$ 914,248 | \$ 1,099,182 | \$ 2,055,927 |
| Net income (loss)                                 | (1,107,116)  | 1,174,099    | (143,723)    | (236,593)    | 1,045,481    | (175,466)  | 66,003       | 1,141,306    |
| Comprehensive income (loss)                       | (2,392,065)  | 2,266,127    | (415,230)    | (228,190)    | 1,352,781    | (350,243)  | 118,178      | 1,269,835    |
| Net income (loss) per share,<br>basic and diluted | (0.01)       | 0.00         | 0.00         | 0.00         | 0.00         | 0.00       | 0.00         | 0.00         |

In the first quarter ended March 31, 2022, the Company experienced a lower net income and comprehensive income than in the comparable period in March 31, 2021 due to the inclusion of a lease termination fee to income in 2021.

In the second quarter ended June 30, 2022, the Company experienced a lower net income and comprehensive income than in the comparable period in June 30, 2021 due to higher foreign exchange gain in 2021.

In the third quarter ended September 30, 2022, the Company experienced a higher net income and comprehensive income than in the comparable period in September 30, 2021 due to increased occupancy (2022 93.4% vs 2021 88.3%) and weakening of the Canadian dollar (2022 1.3829 vs 2021 1.268).

The results for the year ended December 31, 2022 are previously described under Results of Operations.

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**SECTION IV**

**NEW ACCOUNTING POLICIES ADOPTED IN THE CURRENT PERIOD**

No new accounting policies were adopted in 2022.

**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, health crisis 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 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.

Other factors may further adversely affect the future 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 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

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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.

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.

**Joint Venture and Associate Investments**

The Company no longer has any interests in joint venture and associate investments as at December 31, 2022. The Company may however enter into 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 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 Martin Downs Town Center in Palm City, Florida account for 42% of the Company's real property assets, the Company's interest in Metro Gateway in Phoenix, Arizona account for 27% of the Company's real property assets and the Company's interest in 116<sup>th</sup> Street in Indianapolis, Indiana accounts for 31% 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

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adversely affect the rental revenues. This effect could impair the ability of the assets 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.

**Uninsured Losses**

Martin Downs Town Center, Metro Gateway Shopping Center 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 and its owned subsidiaries have incurred and may incur indebtedness in the future in connection with the acquisition or expansion of facilities and its business. The wholly owned subsidiaries 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 wholly owned subsidiaries' debt may harm the Company's business

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and operating results by:

- requiring the wholly owned subsidiaries 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
- 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 and its wholly owned subsidiaries' cash flow will be insufficient to meet required payments of principal and interest, the Company will also be subject to the risk that the wholly owned subsidiaries 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. 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 favorable terms. Future financing may take many forms, including debt or equity financing, which could alter the debt-to-equity ratio of the Company or which could be dilutive to Shareholders.

**Dilution**

The number of Shares that the Company is authorized to issue is unlimited. The directors of the Company will have the discretion to issue additional Shares in order to raise additional capital or in connection with future acquisitions, which may have a dilutive effect on Shareholders.

**Potential Volatility of Share Price**

It is not possible to predict the price at which the Shares will trade and there can be no assurance that an active trading market for the Shares will be sustained. The market price of the Shares may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: (i) actual or

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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*.

**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 wholly owned subsidiaries and 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.

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As at December 31, 2022, the Canadian dollar equivalent of monetary assets and liabilities held by the Company that are denominated in U.S. dollars are as follows:

|                  | 2022         | 2021        |
|------------------|--------------|-------------|
| Cash             | \$ 2,005,153 | \$ 377,836  |
| Bond receivable  | 9,318,375    | -           |
| Notes payable    | -            | (1,104,783) |
| Accounts payable | (59,014)     | (83,081)    |

If the Canadian dollar had strengthened or weakened 5% against the US dollar with all other variables held constant, the Company would have additional income or loss from foreign exchange included in net income and equity for the year ended December 31, 2022 of approximately \$563,000 (2021 - \$68,000).

**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.

**RELATED PARTY TRANSACTIONS**

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

**Notes Payable**

| Martin Downs GP, LLC         | 2022         | 2021         |
|------------------------------|--------------|--------------|
| Liability, beginning of year | \$ 1,104,783 | \$ 1,272,500 |
| Impact of extinguishment     | -            | (259,046)    |
| Accretion                    | 64,150       | 100,129      |
| Foreign exchange             | 21,544       | (8,800)      |
| Repayment                    | (1,190,477)  | -            |
| Liability, end of year       | \$ -         | \$ 1,104,783 |

On August 31, 2018, concurring with the refinancing of the mortgage loan related to Martin Downs Town Center, the Company acquired an additional 9% interest in Martin Downs NSC, LLC from the Martin Downs

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GP, LLC, a private entity in which one of the Company's officers is a partner for an amount of \$1,304,750 (US\$1,000,000).

Correspondingly, the US\$1,000,000 note payable to Martin Downs GP, LLC to finance the 9% ownership interest acquisition bears interest at a rate of 10% and secured by interest in Martin Downs NSC, LLC. The note matured on August 30, 2019 and was extended to February 2020 in exchange for an extension fee of \$21,053 (US\$15,000), extended to August 31, 2020 in exchange for an extension fee of \$20,124 (US\$15,000) and further extended to February 28, 2021 in exchange for an extension fee of \$39,957 (US\$30,000). On February 28, 2021, the note was extended to February 28, 2026, and the interest rate was reduced to 8.0%. There were no extension fees. The Company may, from time to time, repay all or any part of the note without penalty.

The Company used a discounted cash flow model with an estimated fair value interest rate of 12% to estimate the fair value of the liability.

The note payable was paid in September 2022.

**Other Related Party Balances and Transactions**

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

|                                                        | 2022 | 2021         |
|--------------------------------------------------------|------|--------------|
| Due to Hoche Private Equity Investors SARL (b) (c) (e) | \$ - | \$ 561,251   |
| Due to Inovalis S.A. (f) (g)                           | -    | 2,015,386    |
|                                                        | \$ - | \$ 2,576,637 |

Included in accounts payable and accrued liabilities is \$Nil of accrued interest charges (2021 - \$89,644) owing to private companies related through common directors. The loans were paid in September 2022 and October 2022.

**(a) Key management personnel compensation**

|                      | 2022       | 2021       |
|----------------------|------------|------------|
| CFO:                 |            |            |
| Consulting fees      | \$ 99,996  | \$ 102,748 |
| Corporate Secretary: |            |            |
| Consulting fees      | 39,996     | 39,996     |
|                      | \$ 139,992 | \$ 142,744 |

Key management personnel include the members of the Board of Directors and executive officers of the Company.

**(b) Loan facility:**

On April 4, 2018, the Company obtained a loan facility for up to \$100,000. Under the terms of the loan facility, the Company may draw from time to time from April 4, 2018 to December 31, 2018, for the purpose of funding working capital requirements. Interest on any outstanding drawdowns will accrue at a fixed rate of 10% per annum and is payable monthly. Outstanding indebtedness is payable on

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demand, subject to the terms and conditions of the loan facility but will be subordinated by the Company's senior indebtedness to secured lenders. The loan facility is provided by a private company of which the Chairman of the Board of the Company is a principal. In consideration of providing the loan facility, the loan facility provider will receive \$3,000.

The Company drew \$100,000 in 2018 under this loan facility.

For the year ended December 31, 2022, the Company incurred \$11,280 of interest on the note payable, which is included in finance costs. The loan was paid in October 2022.

(c) Down payment:

On July 6, 2018, a private company of which the Chief Executive Officer and Chairman of the Board of the Company provided a \$52,336 (\$40,000USD) down payment for the refinance of the Martin Downs mortgage.

The down payment was paid in October 2022.

(d) Asset Management and Disposition Fees – Martin Downs:

On July 22, 2013, Martin Downs NSC, LLC entered into a management agreement with Inovalis USA LLC, pursuant to which Inovalis USA LLC provided management services to Martin Downs NSC, LLC with respect to the investment properties it holds. As payment for its services, Inovalis USA LLC was entitled, until October 31, 2018, to 1% of gross revenues collected, as asset management fees. Inovalis USA LLC was also entitled to a 1% disposition fee associated with the sale of its ownership interest in Martin Downs to the Company. On September 30, 2019, the Company formally terminated the management agreement with Inovalis USA LLC and the associated fees became due (management fee – \$84,700 (US\$63,975) and disposition fee – \$47,853 (US\$40,192).

The amounts were paid in October 2021.

(e) Interest Reserve:

On April 29, 2020, a private company of which the Chairman of the Board of the Company is a principal provided a US\$325,000 (CAD \$439,429) payment for an up-front 6-month interest reserve associated with the extension of the Martin Downs mortgage. The note payable bears interest at a fixed rate of 7.5% per annum and ending until all indebtedness owing is repaid. The note is repayable upon demand.

For the year ended December 31, 2022, the Company incurred \$76,948 of interest on the note payable, which is included in finance costs. The note was paid in October 2022.

(f) Working Capital:

On September 27, 2020, Inovalis S.A., a private company of which one of the Director's is a principal, provided a \$400,000 loan to fund ongoing working capital requirements of the Company. The note payable bears interest at a fixed rate of 7.5% per annum and matures on December 31, 2022. The Company may, from time to time, repay all or any part of the note payable without penalty.

For the year ended December 31, 2022, the Company incurred \$52,824 of interest on the note payable, which is included in finance costs. The loan was paid in September 2022.

(g) Working Capital:

On December 31, 2020, Inovalis S.A. provided a \$1,589,000 loan to fund ongoing working capital requirements of the Company. The note payable bears interest at a fixed rate of 7.5% per annum and

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matures on December 31, 2022. The Company may, from time to time, repay all or any part of the note payable without penalty.

For the year ended December 31, 2022, the Company incurred \$209,843 of interest on the note payable, which is included in finance costs. The note payable was paid in September 2022.

(h) Working capital:

On March 8, 2021, Inovalis S.A. provided a \$26,417 loan to fund ongoing working capital requirements of the Company. The note payable bears interest at a fixed rate of 7.5% per annum and matures on December 31, 2021. The Company may, from time to time, repay all or any part of the note payable without any penalty.

For the year ended December 31, 2022, the Company incurred \$3,488 of interest on the note payable, which is included in finance costs. The note payable was paid in September 2022.

(i) Nominee:

On May 7, 2021, Realia Hospitality Inc., a wholly owned subsidiary of the Company, entered into a Nominee Ownership and Agency Agreement with Inovalis S.A. and Mirabeau Overseas Inc., an arm's length party, to act on their behalf in the acquisition of a Canadian partnership owning a hotel resort in St. Lucia. As part of the Nominee Agreement, Realia Hospitality Inc. is providing asset management services in consideration for a quarterly fee. As at December 31, 2022, the Company holds \$1,082,852 (2021 - \$978,595) of cash in trust of the Canadian partnership. This cash is restricted and cannot be used by the Company, and is not recorded by the Company as at December 31, 2022 and 2021.

Management of the Company does not receive any other fee than that described above. The Company's Chairman and CFO are entitled to receive incentive stock options under the Company's incentive stock option plan. The other directors of the Company also do not receive any cash fee and are entitled only to participate in the Company's incentive stock option plan. As such, the management and the directors of the Company will generally benefit only as shareholders and incentive stock option holders of the Company, benefitting only as other shareholders will benefit.

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**CONVERTIBLE DEBENTURES**

|                                      | 2022          | 2021         |
|--------------------------------------|---------------|--------------|
| Liability, beginning of year         | \$ 1,391,260  | \$ 4,542,000 |
| New convertible debt                 | 15,259,360    | -            |
| Repayment                            | -             | (1,589,700)  |
| Accretion                            | 800,592       | 130,220      |
| Impact of extinguishment             | -             | (1,487,079)  |
| Derivative liability                 | -             | (204,181)    |
| Foreign exchange                     | 25,945        | -            |
| Liability, end of year               | 17,477,157    | 1,391,260    |
| Transaction costs, beginning of year | (59,956)      | -            |
| Amortization of transaction costs    | 15,988        | 15,988       |
| Debt modification transaction costs  | -             | (75,944)     |
| Transaction costs, end of year       | (43,968)      | (59,956)     |
| Convertible debentures               | \$ 17,433,189 | \$ 1,331,304 |

- (a) The Company entered into a trust indenture on July 31, 2013 with BNY Trust Company of Canada under which the Company could issue convertible debentures to a maximum principal amount of \$11,500,000.

The BNY convertible debentures are redeemable, unsecured, subordinated to senior indebtedness and were set to mature on September 30, 2018.

On September 28, 2018, the Debenture holders approved an Extraordinary Resolution authorizing (i) the maturity extension of the Debentures from September 30, 2018 to September 30, 2020; (ii) a reduction in the conversion price at which the Debenture may be converted into common shares of the Corporation from \$0.08125 to \$0.06 per common share; and (iii) an increase of the interest rate payable on the Debentures from 8.5% per annum to 9.5% per annum, which took effect as of October 1, 2018.

In June 2020, the Company began negotiations with the Debenture holders on a modification and extension. On September 30, 2020, the convertible debentures matured and negotiations with the Debenture holders remained ongoing. On February 19, 2021, the Company entered into a second amendment to the Convertible Debentures. The debenture was amended as follows:

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

The second amendment to the Convertible Debentures was considered an extinguishment of the existing convertible debentures and new convertible debentures were recognized as the modified terms were substantially different from the original terms. The difference between the fair value and

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carrying value on the extinguishment date was determined to be \$1,487,079 and a derivative liability of \$204,181 was recorded.

The Company used a discounted cash flow model with an estimated fair value interest rate of 12% to estimate the fair value of the liability.

As a condition of the BNY convertible debentures, the Company is required to maintain a debt service coverage ratio. At the end of each fiscal quarter in 2022 and as of year end 2022, the Company was in compliance with the covenant.

(b) On August 19, 2022, the Company entered into two convertible notes with an arm's length party, Global IH, Inc. for a combined principal amount of \$15,993,721 (US\$11,800,000) ("Global IH Notes"). The Global IH Notes are redeemable, unsecured, and subordinated to senior indebtedness. The Global IH Notes:

- Bare an interest rate of 8.5% per annum, of which 3.0% is payable monthly in arrears and 5.5% shall accrue and be payable on the maturity date or conversion date;
- The Company may prepay the principal balance outstanding at any time without a prepayment penalty;
- The conversion date is determined upon obtaining bank's ("Servicer") approvals; once approved, the Global IH Notes will automatically convert to a percentage ownership interest based on the outstanding principal amount owing on conversion date, with 74.99% being the maximum percentage interest in Metro Gateway Shopping Center, 116th Street Centre, and Martin Downs Town Center, which are investment properties held by the Company's subsidiaries; and
- If servicers' approvals could not be obtained, the Company will continue to pay interest on the principal balance of the Global IH Notes until repaid in full.

The Company used a discounted cash flow model with an estimated fair value interest rate of 12% to estimate the fair value of the liability.

For the year ended December 31, 2022, the Company incurred \$619,055 (2021 - \$86,298) of interest on the convertible debentures, which is included in finance costs. The Company paid \$295,478 (2021 - \$140,234) of interest during the year and included \$323,873 (2021 - \$nil) of accrued interest charges in the accounts payable and accrued liabilities. As at December 31, 2022, the Company revalued the derivative liability to \$99,566 (2021 - \$204,181) and recorded a gain of \$104,615.

**REALIA PROPERTIES INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**OUTSTANDING SHARE DATA**

As at December 31, 2022 and the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

|                                                                                                               | As at December 31,<br>2022                                         | As at the date of this<br>MD&A                                     |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
| Voting or equity securities authorized                                                                        | Unlimited                                                          | Unlimited                                                          |
| Securities convertible or exercisable into voting or equity securities – share options                        | Share options to acquire up to 5,104,422 outstanding common shares | Share options to acquire up to 5,104,422 outstanding common shares |
| Voting or equity securities issued and outstanding                                                            | 255,221,137 common shares                                          | 255,221,137 common shares                                          |
| Securities convertible or exercisable into voting or equity securities – directors and officers share options | 360,000                                                            | 360,000                                                            |
| Total voting or equity securities issuable on conversion or exchange of outstanding securities                | 360,000                                                            | 360,000                                                            |

**ADDITIONAL DISCLOSURES FOR VENTURE ISSUERS WITH SIGNIFICANT EQUITY INVESTEEES**

**CONTINGENCIES**

None reported.

**COVID-19**

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. These events have caused significant changes to the cash flows at the beginning of the year. As the Company owns retail strip centers, several of the tenants had been deemed non-essential and had been required to close. Tenants have reopened in June 2020.

As of December 31, 2022, 116th Street Centre, located in Carmel, IN, reported that there are currently no COVID restrictions in place that impact the tenants. The mortgage payable remained current during COVID.

As of December 31, 2022, Metro Gateway, located in Phoenix, Arizona, reported that there are currently no restrictions in place that impact the tenants.

Due to previous COVID related tenant closures, the Company entered into negotiations with the mortgage loan's special servicer regarding a mortgage payment plan. However, prior to an agreement being reached, the tenants were permitted to re-open and the loan was brought current.

As of December 31, 2022, Martin Downs Town Center, located in Palm City, FL, reported that there are no COVID restrictions in place that impact the tenants. The mortgage payable remained current during COVID.

**REALIA PROPERTIES INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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**SUBSEQUENT EVENTS**

As at February 23, 2023, the Company received approval from the servicers and the Global IH Notes were converted into 74.99% of its ownership interest in Martin Downs Town Center, Metro Gateway Shopping Center, and 116th Street Centre. The Company then entered into asset management agreements whereby the Company will remain responsible for the day-to-day operations and asset management of the properties. In turn, the Company will receive compensation for its asset management.

On June 30, 2023, the Company executed an extension agreement for the outstanding bond receivable (Note 6) to have a maturity date of December 31, 2025.

**AVAILABLE SOURCES OF ADDITIONAL INFORMATION**

Additional information relating to the Company, including the Company's most recent annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.RealiaProperties.com](http://www.RealiaProperties.com).