



Condensed Consolidated Interim Financial Statements of

REALIA PROPERTIES INC.

For the nine months period ended September 30, 2024

(Expressed in Canadian Dollars)

Responsibility for Financial Statements

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

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

Management believes these unaudited condensed consolidated interim financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2024 and December 31, 2023, and the results of its operations and its cash flows for the nine months period ended September 30, 2024 and September 30, 2023.

REALIA PROPERTIES INC.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash	\$ 1,821,481	\$ 1,753,720
Amounts receivable (note 6)	2,286,974	1,913,050
Prepaid expenses and deposits	190,678	199,573
Bond receivable (note 6)	-	-
	4,299,133	3,866,343
Investment properties (notes 5 and 8)	35,342,067	35,454,191
Mortgage reserve fund (note 8)	1,772,574	1,449,046
Bond receivable (note 6)	9,280,563	9,092,875
	\$ 50,694,337	\$ 49,862,455
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (notes 9 and 10)	\$ 652,097	\$ 636,276
Current portion of mortgages payable (note 8)	471,021	439,156
Derivative liability (note 9)	-	148,516
	1,123,118	1,223,948
Tenants' security deposits	240,512	231,411
Mortgages payable (note 8)	26,430,872	26,233,331
Convertible debentures (note 9)	1,883,588	1,718,510
	29,678,090	29,407,200
Shareholders' equity:		
Share capital (note 11)	21,800,437	21,800,437
Equity component of convertible debentures (note 9)	149,052	149,052
Contributed surplus	1,313,196	1,313,196
Accumulated other comprehensive income (loss)	292,704	(51,161)
Deficit	(9,876,367)	(10,083,779)
Equity attributable to Shareholders' of Realia Properties Inc.	13,679,022	13,127,745
Non-controlling interest	7,337,225	7,327,510
Total Shareholders' Equity	21,016,247	20,455,255
	\$ 50,694,337	\$ 49,862,455

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Jean-Daniel Cohen"
Director

"Stephane Amine"
Chair, Audit Committee

REALIA PROPERTIES INC.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) (Expressed in Canadian dollars)

	For three months ended		For nine months ended	
	Sep. 30, 2024	Sep. 30, 2023	Sep. 30, 2024	Sep. 30, 2023
Revenue:				
Rental income	\$ 997,215	\$ 967,699	\$ 2,959,638	\$ 2,758,268
Recoveries of operating expenses income	386,757	342,599	1,221,573	1,092,290
Other income	662	240,546	2,388	290,689
	1,384,634	1,550,844	4,183,599	4,141,247
Property operating expenses				
Operating and leasing expenses	(671,676)	(924,560)	(2,023,781)	(1,723,891)
Earnings from property operations	712,958	626,284	2,159,818	2,417,356
Other revenues (expenses):				
General and administrative (note 12)	(70,146)	(84,335)	(417,440)	(517,771)
Depreciation	(326,010)	(355,082)	(999,964)	(1,065,046)
Net finance costs (note 13)	(235,555)	(228,428)	(690,335)	(960,914)
Change in fair value of embedded derivative liability	10,067	-	148,516	(186,162)
Miscellaneous income	85,195	(144,588)	254,905	-
Foreign exchange gain (loss)	(40,577)	15,981	(125,081)	(15,184)
	(577,026)	(796,453)	(1,829,399)	(2,745,075)
Net income (loss) for the period	\$ 135,932	\$ (170,169)	\$ 330,419	\$ (327,719)
Other comprehensive income (loss):				
Foreign currency translation on US operations	(174,756)	200,794	344,303	37,206
Comprehensive income (loss)	\$ (38,824)	\$ 30,624	\$ 674,722	\$ (290,513)
Net income (loss) for the period attributed to:				
Non-controlling interest	\$ 41,682	\$ (223,750)	\$ 123,007	\$ (117,995)
Shareholders of Realia Properties Inc.	94,250	53,581	207,412	(209,727)
	\$ 135,932	\$ (170,169)	\$ 330,419	\$ (327,719)
Comprehensive income (loss) attributed to:				
Non-controlling interest	\$ 51,423	\$ (205,488)	\$ 112,068	\$ (119,196)
Shareholders of Realia Properties Inc.	(90,247)	236,112	562,654	(171,317)
	\$ (38,824)	\$ 30,624	\$ 674,722	\$ (290,513)
Weighted average number of units	255,221,137	255,221,137	255,221,137	255,221,137
Basic and diluted loss per common share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

REALIA PROPERTIES INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Equity component of convertible debentures	Contributed surplus	Accumulated other comprehensive income	Deficit	Total attributable to owners of the parent	Non- controlling interest	Total shareholders' equity
Balance, December 31, 2022	255,221,137	21,800,437	475,792	1,313,196	422,172	(18,051,070)	5,633,787	-	5,633,787
Non-controlling's share of acquisition of assets	-	-	(326,740)	-	-	8,106,248	7,779,508	7,634,036	15,413,544
Net income (loss) for the period	-	-	-	-	-	174,376	174,376	(291,431)	(117,055)
Other comprehensive income (loss)	-	-	-	-	(17,308)	-	(17,308)	(15,095)	(32,403)
Balance, December 31, 2023	255,221,137	21,800,437	149,052	1,313,196	(51,161)	(10,083,779)	13,127,745	7,327,510	20,455,255
NCI's foreign exchange movement	-	-	-	-	-	-	-	(113,729)	(113,729)
Net income (loss) for the period	-	-	-	-	-	207,412	207,412	123,007	330,419
Other comprehensive income (loss)	-	-	-	-	343,865	-	343,865	437	344,302
Balance, September 30, 2024	255,221,137	21,800,437	149,052	1,313,196	292,704	(9,876,366)	13,679,023	7,337,225	21,016,248

See accompanying notes to consolidated financial statements.

REALIA PROPERTIES INC.

Condensed Consolidated Interim Statements of Cash Flows (Expressed in Canadian dollars)

	For the nine months ended September 30,	
	2024	2023
Cash provided by (used in):		
Cash flows from operating activities:		
Net income (loss) for the period	\$ 330,419	\$ (327,719)
Adjustments to reconcile net (income) loss for the period to net cash provided by operating activities:		
Depreciation and amortization	922,927	1,077,037
Accretion	153,087	212,630
Change in fair value of derivative liability	(148,516)	186,162
Foreign exchange	125,081	15,184
Interest expense	1,100,999	1,291,542
Interest income	(586,332)	(27,804)
Change in operating assets and liabilities (note 19)	209,192	(49,975)
	2,106,857	2,377,056
Cash flows from investing activities:		
Additions to investment properties	(148,446)	(27,728)
Security deposits received (paid)	4,325	25,555
	(144,121)	(254,173)
Cash flows from financing activities:		
Repayment of debt	(222,044)	(317,936)
Conversion of convertible debt	-	(336,695)
Additions to non-controlling interest	(152,548)	(116,795)
Contributions to mortgage reserve fund	(323,528)	(202,718)
Interest paid	(1,073,068)	(1,072,224)
	(1,771,188)	(2,046,368)
Effect of exchange rate changes on cash	(123,786)	32,581
Increase (decrease) in cash	67,761	109,097
Cash, beginning of year	1,753,720	2,760,394
Cash, end of year	\$ 1,821,481	\$ 2,869,491

See accompanying notes to consolidated financial statements.

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

1. Organization:

Realia Properties Inc. ("Realia" and collectively with its subsidiaries, the "Company") was incorporated under the Canada Business Corporations Act on June 3, 2008 and is a real estate holding company trading on the TSX Venture Exchange (common shares "TSXV: RLP", convertible debentures "TSXV: RLP.DB"). The Company issued share capital and commenced operations on June 30, 2008. The registered office of the Company is 151 Yonge Street, 11th Floor, Toronto, Ontario M5C 2W7.

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 within the United States with value to be maximized through the acquisition of well-positioned quality assets. The focus is on necessity-based, retail/commercial properties and community centers.

These condensed consolidated interim financial statements have been approved and authorized for issue by the Board of Directors on July 31, 2025.

2. Basis of presentation and statement of compliance:

a) Statement of compliance:

The accompanying condensed consolidated interim financial statements are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of presentation:

- i) The condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern. For the period ended September 30, 2024, the Company reported a net income of \$330,419 (2023 – loss of \$327,719), the Company has a deficit of \$9,876,366 (2023 – deficit of \$10,083,779) and working capital of \$3,176,016 (2023 – working capital of \$2,642,395).

The ability of the Company to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent on the Company's ability to raise additional financings, the continued support from the third-party convertible debenture holders and related parties, and on its ability to achieve profitable operations in the future.

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

2. Basis of presentation and statement of compliance (continued):

b) Basis of presentation (continued):

i) (continued):

Management is of the opinion that sufficient working capital will be obtained from the cash flows from its investment properties and from proceeds received from the sale of a portion of interest in its properties to meet the Company's debt obligations and commitments as they become due, and that the Company's current credit facilities and shareholder arrangements are sufficient to support future operations. In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for general and administration costs and interest charges. Although management may have been successful in the past in undertaking financings and borrowings, there can be no reassurance that management will be able to do so in the future on terms acceptable to the Company.

The application of the going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is, primarily as a result of the conditions described above, material uncertainties that may cast significant doubt as to the appropriateness of the use of the going concern assumption. These condensed consolidated interim financial statements have been prepared on a going concern basis notwithstanding these conditions. If the going concern basis was not appropriate for these condensed consolidated interim financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and consolidated statement of financial position classifications used. These adjustments could be material.

- ii) The condensed consolidated interim financial statements have been prepared on a historical basis except for certain financial instruments at fair value. In addition, the condensed consolidated interim financial statements have been prepared on a accrual basis, except for cash flow information.
- iii) The preparation of these condensed consolidated interim financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

c) Functional and presentation currencies:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of Realia, the parent Company, and its Canadian subsidiary. The functional currency of the Company's US subsidiaries is the US dollar.

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

3. Material accounting policy information:

The material accounting policies applied in the preparation of these condensed consolidated interim financial statements are set out below. The accounting policies have been applied consistently by the group entities unless otherwise stated.

a) Basis of consolidation:

The condensed consolidated interim financial statements include the assets and liabilities and results of operations of Realia and its subsidiaries. The assets and liabilities and results of operations include the consolidation of its wholly owned 100% US subsidiaries: Realia Properties US, and its wholly owned Canadian subsidiary, Realia Hospitality Inc. It also includes the consolidation of its 25.01% ownership of RLP US Sub LLC, TSP Metro Gateway LLC, TSP 116 Street LLC, and Martin Downs NSC LLC, and its wholly owned Canadian subsidiary, Realia Hospitality Inc.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies.

All material intercompany balances and transactions are eliminated upon consolidation.

Where the Company's interest in a subsidiary is less than 100%, the Company recognizes non-controlling interest. Non-controlling interests in the net assets are identified separately from the Company's deficiency. The non-controlling interest consists of the non-controlling interest as at the date of the original acquisition plus the non-controlling interest's share of changes in equity or deficiency since the date of acquisition.

b) Investment properties:

Investment properties are comprised of properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Investment properties include land and buildings and lease related intangible assets which include below and above market rents, value of in-place leases and prepaid lease origination costs. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, estimated useful life, components, and residual value.

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

3. Material accounting policy information (continued):

b) Investment properties (continued):

The basis of depreciation and estimated useful lives of buildings, major components and lease related intangibles are as follows:

Asset	Basis	Rate
Buildings	Straight-line	35 - 45 years
Major components	Straight-line	5 - 15 years
Lease related intangibles	Straight-line	Weighted average term of the lease

Depreciation methods, useful lives and residual values are reviewed annually and adjusted as required.

Note 5 discloses the fair value of the investment properties. The following approaches either individually, or in combination, are used by management in their determination of the fair value of investment properties:

- The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.
- The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews independent appraisals when obtained for properties, to ensure the assumptions used by the appraisers are reasonable. The fair value amount determined by management and disclosed in note 5 reflects those assumptions used in the approaches above.

An investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income (loss) and comprehensive income (loss) in the period of retirement or disposal.

c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and in the bank and highly-liquid investments having terms of three months or less from the date of acquisition and that are readily convertible to known amounts of cash. Cash and cash equivalents exclude cash subject to restrictions. As at September 30, 2024 and December 31, 2023, there were no cash equivalents.

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
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3. Material accounting policy information (continued):

d) Revenue recognition:

The Company accounts for its leases as operating leases given that it has retained substantially all of the risk and benefits of ownership.

The Company earns revenue from tenants from various sources consisting of rent earned under lease agreements, property tax and operating cost recoveries. Revenue from lease components is recognized on a straight-line basis over the lease term and includes the recoveries of specified operating expenses. Revenue recognition commences when a tenant has the right to use the premises and is recognized pursuant to the terms of the lease agreement.

Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. The recoveries of operating expenses relate to services provided to customers and are recognized as revenue when the services are transferred to the customer at the transaction price.

e) Finance income (expenses):

Finance income consists of interest income on the bond receivable. Finance expense include interest on long-term debt, financing fees, amortization of deferred financing costs and accretion of convertible debentures.

Finance income is recognized in the period in which it is earned, while finance expenses are recognized in the period in which they are incurred.

f) Provisions:

Provisions are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material, such as closure costs.

g) Convertible debentures:

Convertible debentures are separated into debt and equity components based on the residual method. The value of the debt component is calculated at the estimated fair value of the future interest and principal payments due under the terms of the convertible debentures, with the residual value assigned to the equity component.

Transaction costs directly related to the debt component reduce the carrying value of the convertible debentures and are amortized over the lives of the convertible debentures using the effective interest rate method. Transaction costs related to the equity component of convertible debentures are recognized in the value of the equity component, net of deferred income tax.

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

3. Material accounting policy information (continued):

g) Convertible debentures (continued):

Subsequent to initial recognition, the liability component of convertible debentures is measured at amortized cost using the effective interest rate method and is accreted up to its face value. The equity component is not re-measured subsequent to initial recognition.

Modification is deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or recovered, is at least 10 percent different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The consideration paid, represented by the fair value of the modified convertible debentures, is allocated to the liability and equity components of the original convertible debentures at the date of extinguishment. The method used in allocating the consideration paid and the transaction costs to the separate components of the original debentures is consistent with that used in the original allocation to the separate components of the original convertible debentures of the proceeds received by the Company when the original convertible debentures were issued.

Once the allocation of the consideration is made, any resulting gain or loss is treated as follows:

- The amount of gain or loss relating to the original liability component is recognized in the consolidated statements of income (loss) and comprehensive income (loss); and
- The amount of consideration relating to the original equity component is recognized in equity. It comprises the amount transferred from convertible debentures equity reserve attributable to the extinguished convertible debentures, net of the amount of consideration relating to the equity component of convertible debentures upon their early extinguishment.

h) Share options and warrants:

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

When share options and warrants are granted to employees, the fair value is estimated on the date of grant using the Black-Scholes option pricing model and is recorded as an expense over the applicable vesting period based on the number of awards expected to vest. Each tranche of an award is considered a separate award within its own vesting period and grant date fair value. On the exercise of share options, the consideration received and the grant date fair value of the option is credited to share capital.

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

3. Material accounting policy information (continued):

h) Share options and warrants (continued):

When share options and warrants are granted to non-employees, the fair value of the goods or services received is recorded as an expense. When the value of goods or services received in exchange cannot be reliably estimated, the fair value is measured by use of a valuation model or the fair value of the shares granted.

i) Share capital:

For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Transaction costs related to the issuance of the shares are recognized directly in shareholders' equity as a reduction of the proceeds received.

j) Income or loss per share:

Basic income or loss per share is calculated by dividing the income or loss by the weighted average number of common shares outstanding during the period. The Company computes dilutive effects of options, warrants and similar instruments. The dilutive effect on income per share is recognized by the use of proceeds that could be obtained upon exercise of options, warrants and similar instruments. It is assumed that the proceeds would be used to purchase common shares at the average market price during the period.

k) Foreign currency translation:

Foreign operations

The functional currency of the Company's subsidiaries is the United States dollar as it is the currency of the primary economic environment in which the subsidiaries operate. In determining the functional currency, consideration is given to the denomination of major cash flows of the entity. The functional currency of entities within the group has remained unchanged during the reporting period.

Upon consolidation, assets and liabilities of the US subsidiaries are translated to Canadian dollars, the presentation currency of the Company, at the period end rate of exchange and the results of their operations translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in equity. Translation adjustments from monetary receivables and payables within the Company's subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are included in the accumulated other comprehensive income in equity.

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

3. Material accounting policy information (continued):

k) Foreign currency translation (continued):

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate).

Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

l) Income taxes:

Current income tax for each entity is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the consolidated statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred income tax is recognized using the consolidated statement of financial position method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investment in subsidiaries, interest in joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the consolidated statement of financial position date.

Current and deferred income taxes relating to items recognized directly in equity are recognized in equity and not in the consolidated statement of income (loss) and comprehensive income (loss).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

3. Material accounting policy information (continued):

l) Income taxes (continued):

either the same taxable entities or in different taxable entities, and where there is the intent to settle the balance on a net basis.

m) Financial instruments:

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 *Revenue from Contracts with Customers*, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortized cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVOCI).

In the periods presented, the Company does not have any financial assets categorized as FVTPL or FVOCI.

The classification is determined by both:

- The entity's business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within net finance costs, except for impairment of trade receivables which is presented within operating and leasing expenses.

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

3. Material accounting policy information (continued):

m) Financial instruments (continued):

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method.

Discounting is omitted where the effect of discounting is not significant.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative instruments

Derivative instruments are initially recorded at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Subsequent to initial recognition, changes in the fair values of derivative instruments are recognized in net loss, except for derivatives that are designated as cash flow hedges.

Transaction costs are expensed as incurred for financial instruments classified or designated at fair value through profit or loss.

The following is a summary of the classification adopted by the Company for each significant category of financial instrument:

REALIA PROPERTIES INC.

Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

3. Material accounting policy information (continued):

m) Financial instruments (continued):

Financial instruments	Classification	Measurement
Cash	Financial assets at amortized cost	Amortized cost
Amounts receivable	Financial assets at amortized cost	Amortized cost
Bond receivable	Financial assets at amortized cost	Amortized cost
Mortgage reserve fund	Financial assets at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Amortized cost
Convertible debentures	Financial liabilities at amortized cost	Amortized cost
Derivative liability	Financial liabilities at fair value	Fair value
Mortgages payable	Financial liabilities at amortized cost	Amortized cost
Tenants' security deposits	Financial liabilities at amortized cost	Amortized cost

n) Impairment of assets:

i) Financial assets:

The Company applies an expected loss model that assesses the risk a financial asset will default rather than whether a loss has been incurred. The Company applied the simplified approach to estimate expected credit losses which requires the loss allowance to be measured for lifetime expected credit losses. While the Company's financial assets are subject to the expected credit loss requirements, the identified loss was not significant.

ii) Non-financial assets:

Investment properties are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of assessing impairment, assets are grouped into cash generating units ("CGU's"), defined as the lowest levels for which there are separately identifiable cash inflows. An impairment loss is recognized within impairment of assets for the amount by which the carrying amount of the individual asset or CGU exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value-in-use. In determining fair value less costs to sell, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used. Value-in-use is assessed using the present value of the expected future cash flows of the relevant asset or CGU.

Impairments are reversed to the extent that events or circumstances give rise to changes in the estimate of recoverable amount since the period the impairment was recorded. Impairment reversals are recognized within impairment of assets.

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3. Material accounting policy information (continued):

o) Fair values:

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs.

Fair value measurements recognized in the consolidated statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobserved inputs) (Level 3).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

p) Recent accounting pronouncements and adopted policies:

The Company adopted IAS 1 on January 1, 2023. This standard clarifies how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The adoption of this new standard did not impact the Company's consolidated financial statements.

Issued but not yet effective, in April 2024, the IASB issued a new IFRS accounting standard to improve the reporting of financial performance. IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements. The standard will become effective January 1, 2027, with early adoption permitted. The Company is in the process of assessing the impact of this new standard on the Company's consolidated financial statements.

4. Critical accounting judgments, estimates and assumptions:

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

a) Judgments:

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

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4. Critical accounting judgments, estimates and assumptions (continued):

a) Judgments (continued):

i) Investment properties:

The Company's accounting policy relating to investment properties is described in note 3(b). In applying this policy, judgment is applied to determine the significant components of each property, including the useful lives over which the componentized assets are to be amortized.

ii) Modification versus extinguishment of financial liability:

Judgment is required in applying IFRS 9 Financial Instruments to determine whether the amended terms of the loan agreements are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original financial liability.

iii) Assessment of control:

Judgment is required in determining whether the Company has control of its entities by assessing the definition of control in accordance with IFRS 10 *Consolidated Financial Statements*. There is judgment required to determine whether the Company has power; whether the Company has exposure or rights to variable returns; and whether the Company has the ability to use its power to affect the amount of its returns.

iv) Functional currency:

The determination of the functional currency for the Company and its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

v) Impairment of long-lived assets:

Assets are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's long-lived assets.

vi) Convertible debentures:

In accordance with the substance of the contractual arrangement, convertible debentures are compound financial instruments that are accounted for separately by their components: a financial liability and an equity instrument.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a

REALIA PROPERTIES INC.

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4. Critical accounting judgments, estimates and assumptions (continued):

a) Judgments (continued):

vi) Convertible debentures (continued):

number of assumptions, including contractual future cash flows, discount factors and the presence of any derivative financial instruments.

vii) Amounts receivable and bond receivable:

The determination of when receivables are impaired requires significant judgement as to their collectability.

b) Estimates:

The significant areas of estimation include the following:

i) Fair value of the investment properties:

The fair value of investment properties disclosed in note 5 is determined by management.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (i.e., tenant profiles, future revenue streams and overall repair and condition of the property), discount rates applicable to those assets' cash flows and capitalization rates. These estimates are based on market conditions existing at the reporting date.

ii) Investment properties – useful life:

Depreciation is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of lease term. A change in the useful life or residual value will impact the reported carrying value of the investment properties resulting in a change in related depreciation expense.

iii) Convertible debentures:

For convertible debentures containing an equity component, the Company assesses the value of the debt component which is calculated at the estimated fair value of the future interest and principal payments due under the terms of the convertible debentures, using an estimated discount rate based on Management's estimated cost of capital.

For convertible debentures which do not contain an equity component, the Company is required to estimate the fair value of the embedded derivative liability which is calculated based on using a model which considers inputs requiring significant estimates.

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4. Critical accounting judgments, estimates and assumptions (continued):

b) Estimates (continued):

i) Recoverability of accounts receivable and allowance for doubtful account:

The Company monitors its exposure for credit losses on its tenants' receivable balances and the credit-worthiness of them on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based upon specific tenants, where a risk of default has been identified, and include a provision for specific defaults based upon historical experience and aging of accounts. As of September 30, 2024 and December 31, 2023, the Company recorded an allowance for doubtful accounts of \$nil (2023 - \$nil). If circumstances related to specific tenants change, estimates of the recoverability of receivables could also change. The Company also assesses the expected credit loss of non-trade financial assets, such as the bond receivable which is secured by interest in T-Westbrook Center LLC and East Winds Resort Ltd. in St Lucia (Note 6).

5) Investment properties:

	September 30, 2024	Dec 31, 2023
Balance, beginning of year	\$ 35,454,191	\$ 37,177,341
Capital additions	148,446	377,111
Depreciation	(910,935)	(1,346,765)
Foreign currency translation	650,366	(753,496)
Balance, end of the year	\$ 35,342,067	\$ 35,454,191

a) On March 30, 2016, the Company completed the purchase of a 100% interest in Metro Gateway Shopping Center, a retail real estate property located in Phoenix, Arizona.

The acquisition cost of \$11,803,610 (US\$9,100,000) before standard closing costs and adjustments was financed with a \$7,886,368 (US\$6,080,000) mortgage with the remainder financed with part of the proceeds from a \$4,500,000 issuance of convertible unsecured subordinated debentures to a related party (note 9). The seller was at arm's length to the Company.

On February 23, 2023, 74.99% ownership interest in the property was conveyed to a third party as a result of conversion of the outstanding note (note 9). The Company retains control over the asset.

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5. Investment properties (continued):

- b) On August 31, 2016, the Company completed the purchase of a 100% interest in 116th Street Centre, a retail real estate property located in Carmel, Indiana.

The acquisition cost of \$12,894,330 (US\$9,825,000) before standard closing costs and adjustments was financed in part through a first mortgage of \$9,154,974 (US\$6,975,750) with the remainder provided by \$3,301,358 (US\$2,515,512) of proceeds from the sale of the Company's interests in Swanway and San Tan joint ventures, and the bridging loans provided – 50% by Titanstar Finance Inc., a Company of which the Chairman of the Board of Directors was a principal, and 50% by a private company owned by a director of the Company. The seller was at arm's length to the Company. The bridge loans were settled in January 2018.

On February 23, 2023, 74.99% ownership interest in the property was conveyed to a third party as a result of conversion of the outstanding note (note 9). The Company retains control over the asset.

- c) On September 15, 2015, the Company acquired a 49% interest in Martin Downs NSC, LLC, which holds Martin Downs Town Center ("MDTC"), a retail real shopping center located in Palm Springs, Florida, for total consideration of \$3,146,172 (US\$2,369,075), paid by issuance of common shares. The Company's interest is held through its wholly owned subsidiary, Realia US, Inc. The Company accounted for its interest under the equity method.

On August 31, 2018, the Company acquired an additional 9% ownership interest for \$1,304,750 (US\$1,000,000), and on October 17, 2018, the Company acquired an additional 41% interest. In consideration for the acquisition cost of \$3,710,875, the Company issued 38,459,269 common shares. As of October 17, 2018, the Company held 99% in Martin Downs NSC, LLC and therefore, was deemed to have acquired control and therefore, began to consolidate Martin Downs NSC, LLC. It was determined, using the optimal concentration test permitted in the amendments of IFRS 3 Business Combination, that the transaction was not a business acquisition. Therefore, the transaction was accounted for at cost, as an asset acquisition, without remeasurement of the previously held equity interest in Martin Downs NSC, LLC.

On March 19, 2021, the Company acquired the remaining 1% for a total consideration of \$47,108 (US\$37,500).

On February 23, 2023, 74.99% ownership interest in the property was conveyed to a third party as a result of conversion of the outstanding note (note 9). The Company retains control over the asset.

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5. Investment properties (continued):

Management's estimated fair value of the Company's investment properties at September 30, 2024 was \$53,918,205 (US\$39,942,370) and at December 31, 2023 was \$52,827,779 (US\$39,942,370).

The valuation technique of the Company's investment property portfolio utilizes either individually or a combination of the Direct Comparison Approach or the Income Approach, which uses the "overall capitalization rate" method. This method requires that rental income from current leases and key assumptions about rental income, vacancies and inflation rates among other factors are used to determine a one-year income forecast for each individual property, and also considers any capital expenditures anticipated within the following year. A capitalization rate is also determined for each property based on market information related to the external sale of similar buildings within a similar geographic location. These factors were used to determine the fair value of investment properties at the reporting date.

The key valuation assumptions for the Company's investment properties are as follows:

	2024	2023
Capitalization rates – range	6.75% - 7.50%	6.75% - 7.50%
Capitalization rate – weighted average	7.06%	7.06%

If the capitalization rates were increased/decreased by 0.25%, the investment properties balance would increase/decrease by approximately US\$1,467,000/-US\$1,366,000 (2023 - US\$1,467,000/-US\$1,366,000).

6. Bond receivable:

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 "PAI" bond). As at September 30, 2024, the value of the bond was \$9,280,563. The bond had 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 certain real estate properties. Interest income of \$1,558,117 was accrued as at September 30, 2024 (December 31, 2023 - \$984,742) and recorded in amounts receivable. The maturity date of the bond receivable was extended to December 31, 2025. Subsequent to period-end, the Company exercised its option to convert the bond into 50% interest in the real estate properties (note 20).

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7. Mortgages payable:

	September 30, 2024	December 31, 2023
Mortgage payable bears a fixed interest rate of 4.78% maturing September 2026. The loan is being amortized over 30 years and is payable in monthly payments of US\$36,515, capital and interest	\$ 8,295,369	\$ 8,262,746
Mortgage payable bears a fixed interest rate of 4.42% maturing June 6, 2031. The loan is being amortized over 30 years and is payable in monthly payments of US\$75,793, capital and interest (a)	19,290,398	19,159,464
	27,585,767	27,422,210
Less: deferred financing costs	(683,874)	(749,723)
Less: current portion	(471,021)	(439,156)
	\$ 26,430,872	\$ 26,233,331

- a) On May 28, 2021, the Company refinanced the mortgages on Metro Gateway and Martin Downs Town Center. As part of the refinance, the Company obtained a cross-collateralized 10-year mortgage secured by the ownership interest in Martin Downs Town Center and Metro Gateway.

The mortgages payable are recorded at amortized cost and bear a weighted average effective interest rate of 4.63% as at September 30, 2024 (at December 31, 2023 – 4.63%). The mortgages payable are secured by the Company's investment properties.

The mortgage lenders require monthly reserves to be collected for tenant improvements, leasing commissions, capital improvements, taxes and insurance. As at September 30, 2024, the collective mortgage reserve balance was \$1,772,574 (at December 31, 2023 - \$1,449,046)

Principal repayments, as of September 30, 2024, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

2024	\$ 142,663
2025	586,073
2026	8,457,243
2027	425,106
2028	444,281
Thereafter	17,530,401
	\$ 27,585,767

For the period ended September 30, 2024, the Company incurred \$967,893 (September 30, 2023 - \$967,048) of interest on the mortgages payable, which is included in finance costs (note 14).

REALIA PROPERTIES INC.

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8. Convertible debentures:

	September 30, 2024	December 31, 2023
Liability, beginning of year	\$ 1,746,490	\$ 17,477,157
Conversion of debt	-	(15,993,721)
Accretion	153,086	262,496
Foreign exchange	-	558
Liability, end of year	1,899,576	1,746,490
Transaction costs, beginning of year	(27,980)	(43,968)
Amortization of transaction costs	11,992	15,988
Transaction costs, end of year	(15,988)	(27,980)
Convertible debentures	\$ 1,883,588	\$ 1,718,510
Less: current portion	-	-
	\$ 1,883,588	\$ 1,718,510

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 by lender, 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.

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8. Convertible debentures (continued):

a) (continued):

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 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. As at September 30, 2024, 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 bore an interest rate of 8.5% per annum, of which 3.0% was payable monthly in arrears and 5.5% shall accrue and be payable on the maturity date or conversion date.

At February 23, 2023, the Global IH Notes were converted into 74.99% ownership interest in Metro Gateway Shopping Center, 116th Street Centre and Martin Downs Town Center upon obtaining the mortgage loans servicers' approval.

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

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8. Convertible debentures (continued):

b) (continued):

	September 30, 2024	December 31, 2023
Principal, beginning of year	\$ 2,952,300	\$ 18,946,021
New convertible debt	-	-
Conversion of debt	-	(15,993,721)
Principal, end of period	\$ 2,952,300	\$ 2,952,300

For the period ended September 30, 2024, the Company incurred and paid \$105,176 (September 30, 2023 – incurred and paid \$295,974) of interest on the convertible debentures, which is included in finance costs (note 14). As at September 30, 2024, the Company revalued the derivative liability to \$nil (September 30, 2023 - \$285,728) and recorded a loss of \$148,516 (September 30, 2023 – loss of \$144,588).

9. Related party balances and transactions:

Other related party transactions and balances not already disclosed in the consolidated financial statements include:

a) Key management personnel compensation:

	September 30, 2024	September 30, 2023
CFO:		
Consulting fees	\$ 75,000	\$ 75,000
Corporate Secretary:		
Consulting fees	30,000	30,000
	\$ 105,000	\$ 105,000

Key management personnel include the members of the Board of Directors and executive officers of the Company. As at September 30, 2024 a receivable of US\$101,900 (CA\$137,555) is owing from a related party (September 30, 2023 - \$nil).

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9. Related party balances and transactions (continued):

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 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.

The loan was repaid in October 2022.

c) Down payment:

On July 6, 2018, a private company of which the Chairman of the Board of the Company is a principal provided a \$52,336 (US\$40,000) down payment for the refinancing of the Martin Downs mortgage.

The down payment was repaid in October 2022.

d) 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 was repaid in October 2022.

e) Working capital:

On September 27, 2020, Inovalis S.A., a private company of which one of the Directors 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.

The loan was repaid in September 2022.

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9. Related party balances and transactions (continued):

e) Working capital (continued):

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 matures on December 31, 2022.

For the period ended September 30, 2024, the Company incurred \$nil (September 30, 2023 - \$nil) of interest on the note payable, which is included in finance costs (note 14). The note payable was repaid in September 2022.

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, 2022.

The note payable was repaid in September 2022.

f) 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 and received at September 30, 2024 \$49,314 (US\$36,250) (September 30, 2023 \$48,581 (US\$36,250)) in asset management fees. As at September 30, 2024, the Company holds \$252,862 (December 31, 2023 - holds \$194,759) of cash in care of the Canadian partnership. This cash is restricted, cannot be used by the Company, and is not recorded by the Company as at September 30, 2024.

g) Global IH Fund Management Fees:

On February 23, 2023, in connection with the Convertible Notes conversions, Realia Properties US entered into an agreement with Inovalis SA delineating asset management duties of the Company's Investment Properties. Per this agreement, of the 2.08% in annual management fees charged to the Investment Properties, Realia Properties US would be entitled to 0.62% in Asset Management Fees and Inovalis SA entitled to 1.46% in Fund Management Fees. As at September 30, 2024, the Company paid to Inovalis, from Investment Properties distributions, \$484,132 (US\$355,875).

As at September 30, 2024 a receivable of \$137,555 (US\$101,900) is owing from Inovalis SA (December 31, 2023 - US\$184,755).

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10. Share capital:

At September 30, 2024 and December 31, 2023, the authorized share capital comprised an unlimited number of common shares and non-voting, perpetual, redeemable preferred shares. No preferred shares have been issued to date. There were no share capital transactions for the period ended September 30, 2024 and December 31, 2023.

11. Share options:

The Company's 2008 stock option plan was approved by the shareholders at the annual general meeting on December 2, 2009. The share option plan provides that the aggregate number of common shares reserved for issuance under the share option plan, together with any share options outstanding, will not exceed 10% of the Company's issued and outstanding common shares at any time. On July 12, 2019, the board of directors of the Company adopted a modification to the plan to adopt a 2% fixed stock option plan of up to a maximum of 5,104,422 options available for issuance. The exercise price of an option will be determined by the board of directors but will, in any event, not be less than the discounted market price of the Company's common shares at the time of the grant of the option.

There were no share option transactions during the period ended September 30, 2024 and year ended December 31, 2023.

As at September 30, 2024, there were 360,000 (December 31, 2023 – 360,000) options outstanding and exercisable with a weighted average remaining of .82 years and exercise price of \$0.06 (December 31, 2023 - 1.58 years and \$0.06).

Total share-based compensation expense recognized for the period was \$Nil (2023 - \$Nil). All outstanding share options of the Company will expire on July 28, 2025.

12. General and administrative expenses:

	For the nine months period ended September 30,	
	2024	2023
Insurance	\$ 23,517	\$ 17,969
Bank charges	2,473	2,880
Filing fees	14,002	40,947
Office costs	12,727	16,573
Professional and management fees	355,497	333,469
Travel	9,224	-
	\$ 417,440	\$ 412,017

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13. Finance costs:

	For the nine months period ended September 30,	
	2024	2023
Interest on mortgages, notes payable and convertible debenture	\$ 1,100,999	\$ 1,291,542
Interest income on bond receivable	(586,332)	(538,472)
Interest income	-	(27,804)
Financing fees	10,590	11,027
Amortization of transaction costs	11,991	11,991
Accretion	153,087	212,630
	\$ 690,335	\$ 960,914

14. Capital management:

The Company's objectives when managing capital of \$42,705,016 (2023 - \$41,750,153), 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 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 year, which was unchanged from the prior year, 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 period ended September 30, 2024 and year ended December 31, 2023. The Company is not subject to externally imposed capital requirements. As at September 30, 2024, the Company was in compliance with its financial covenant (note 9).

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15. Risk management and fair values:

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

Management's risk management policies are typically performed as a part of the overall management of the Company's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk.

These risks and the actions taken to manage them include the following:

a) Liquidity risk:

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full.

The Company's financial liabilities include accounts payable and accrued liabilities, convertible debentures, mortgages payable, and tenants' security deposit.

The following table provides the future non-discounted scheduled payments of financial liabilities, including estimated interest payments:

Years ended December 31,	2024	2025	2026	2027	2028 and thereafter
Mortgages payable	\$ 454,816	\$ 1,819,262	\$ 9,553,319	\$ 1,227,762	\$ 21,808,092
Convertible debentures payable	35,059	3,057,476	-	-	-
Accounts payable and accrued liabilities	652,095	-	-	-	-
Tenants' security deposit	23,866	4,590	30,292	58,822	122,942
Total	\$ 1,165,836	\$ 4,881,327	\$ 9,583,611	\$ 1,286,584	\$ 21,931,034

b) Interest rate risk:

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

As at September 30, 2024, all mortgages and convertible debentures are on a fixed interest rate. The Company strives towards fixed rate debt when possible.

REALIA PROPERTIES INC.

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15. Risk management and fair values (continued):

c) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on cash, bond receivable and accounts receivable. Credit risk arises from the possibility that debtors or tenants may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses.

The Company manages credit risk in respect of cash by holding it at major financial institutions with strong investment-grade ratings by a recognized agency. The Company has credit policies to address credit risk on accounts receivable (tenants), which may include the analysis of the financial position of the debtor or tenant and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. In the case of a tenant, management carefully watches and monitors rent payments which are due each month. An allowance for expected credit losses or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. Management assesses the credit worthiness of entities it advances loans prior to and on periodic basis. If it is determined that the counterparty is undergoing financial difficulty, management estimates a recoverable amount and books an allowance for expected credit losses.

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for expected credit losses.

d) Foreign exchange risk:

Foreign exchange risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company is exposed to foreign exchange risk on transactions denominated in currencies other than the functional currency of each of the group's entities. Changes in the applicable exchange rates may result in a decrease or increase in foreign exchange income or loss. The Company may enter into forward exchange contracts to manage part of the foreign exchange risk exposures, but no forward contracts exist as at September 30, 2024 and December 31, 2023.

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15. Risk management and fair values (continued):

d) Foreign exchange risk (continued):

As at September 30, 2024 and December 31, 2023, the Company is exposed to currency risk for its US dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	September 30, 2024	December 31, 2023
Cash	\$ 651,686	\$ 588,464
Accounts receivable	137,555	244,357
Bond receivable	9,280,563	9,092,875
Accounts payable	(58,758)	(65,718)
Total	\$ 10,011,045	\$ 9,859,978

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 period ended September 30, 2024 of approximately \$501,000 (December 31, 2023 - \$493,000).

e) Fair values:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured at fair value in the consolidated statement of financial position or for which fair value disclosure is required in the notes to the consolidated financial statements are classified based on a three-level hierarchy as detailed in note 3(m).

For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	September 30, 2024		December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
Investment properties	\$35,342,067	\$53,918,205	\$35,454,191	\$52,827,779
Mortgages payable	\$27,585,767	\$27,585,767	\$27,422,210	\$27,422,210
Convertible debt	\$1,883,588	\$1,883,588	\$1,718,510	\$1,718,510

REALIA PROPERTIES INC.

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15. Risk management and fair values (continued):

e) Fair values (continued):

The valuation techniques and inputs for the Company's financial instruments are as follows:

i) Short term assets and liabilities

The carrying values of financial assets and financial liabilities not measured at fair value, such as cash, accounts receivable, bond receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short years to maturity of these items or because they are receivable or payable on demand.

ii) Mortgages payable and convertible debentures

The fair values of the mortgages payable and convertible debentures have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions and therefore are classified as Level 2 in the fair value hierarchy.

iii) Investment properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts. Investment properties are classified as Level 3 investments.

There were no transfers between Level 1, Level 2 and Level 3 during the period ended September 30, 2024 and December 31, 2023.

16. Earnings per share:

The calculation of basic and diluted earnings (loss) per share for the relevant year is based on the following:

	September 30, 2024	December 31, 2023
Net income (loss) for the period attributed to Shareholders of Realia	\$ 330,419	\$ (174,376)
Basic weighted average number of common shares outstanding	255,221,137	255,221,137
Effect on dilutive securities:		
Options	-	-
Diluted weighted average number of common shares outstanding	255,221,137	255,221,137
Basic income (loss) per share	\$ 0.00	\$ 0.00
Diluted income (loss) per share	\$ 0.00	\$ 0.00

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17. Supplemental cash flow information:

Changes in operating assets and liabilities are based on the following:

	September 30, 2024	December 31, 2023
Accounts receivable	\$ 212,408	\$ (270,186)
Prepaid expenses	8,895	(81,595)
Accounts payable and accrued liabilities	(12,111)	(495,958)
Change in operating assets and liabilities	\$ 209,192	\$ (847,739)

Non-cash transactions:

\$nil of additions to investment properties (2023 - \$119,203) are included in accounts payable and accrued liabilities.

18. Subsequent events:

On December 31, 2024, the Company exercised its option to convert its interest in the PAI bonds (note 6) into a 50% ownership interest in RLP Hospitality East Winds, Inc., secured by East Winds Resort., a resort in St. Lucia. The Company will be seeking shareholder and TSX-V approval over the transaction. If received, the transfer will be effectuated.

On April 23, 2025, the Company sold the 116th Street property for a value of USD \$12,050,000.