



Edgefront

REALTY

EDGEFRONT REALTY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three-month period ended March 31, 2013

May 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of Edgefront Realty Corp (the "Company") for the three-month period ended March 31, 2013 should be read in conjunction with the Company's audited financial statements for the period from July 30, 2012 (date of incorporation) to December 31, 2012 as well as the unaudited interim financial statements as at March 31, 2013 and for the period then ended. The information contained in this MD&A reflects other material events up to May 30, 2013 the date on which this MD&A was approved by the Company Board of Directors.

Additional information about the Company, including a management information circular dated May 15, 2013 can be accessed at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements which reflect the Company's current expectations and projections about future results. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect.

While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements except as required by applicable law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

BUSINESS OVERVIEW AND STRATEGY

Edgefront Realty Corp. (the Company) was incorporated under the Business Corporation Act (Ontario) on July 30, 2012. The registered office of the Company is located at 1 Toronto Street, Suite 201, Toronto, Ontario.

On March 8, 2013, the Company completed the purchase of a leasehold interest in a property located at 695 University Avenue, Charlottetown, Prince Edward Island (QT Property). The purchase was approved by the TSX Venture Exchange as the Corporation's qualifying transaction as defined in Policy 2.4 "Capital Pool Companies" of the TSX Venture Exchange Policies.

Pursuant to a plan of arrangement (the Arrangement) to be voted on by the shareholders of Edgefront Realty Corp. (the Corporation) on June 14, 2013, the Corporation will enter into a plan of arrangement with Edgefront Real Estate Investment Trust, and shares of Edgefront Realty Corp. will be exchanged for units of Edgefront Real Estate Investment Trust (the REIT). The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust dated May 10, 2013, and governed by the laws of the province of Ontario. (See "Proposed Transactions")

The strategy of the Company is to grow by acquiring industrial, retail and office commercial real estate assets in Atlantic Canada, Ontario, and other jurisdictions, potentially including the United States, where opportunities exist to purchase assets on terms such that the acquisitions are expected to be accretive, on a per share basis, to the earnings of the Company. The Company will seek to identify potential acquisitions using investment criteria that focus on the security of cash flow, potential for capital appreciation, and potential for increasing value through more efficient management of the assets being acquired. The Company believes that an initial focus on secondary markets will provide investment opportunities for which there is less competition and which can therefore generate more favourable returns for the Company as compared to available opportunities in primary markets.

SUMMARY OF RESULTS

Select Operating Results

**Three-Month Period Ended
March 31, 2013**

	\$
Rental income	10,498
Operating expenses	<u>(4,641)</u>
Net rental income	5,857
General and administrative expense	(27,931)
Fair value adjustment of income property	(29,563)
Net loss	(42,067)
Basic and diluted loss per share	(0.001)

Select Balance Sheet Data

	As at March 31, 2013	As at December 31, 2012
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	\$	\$
Income property	1,150,000	-
Cash and cash equivalents	3,911,988	4,939,718
Mortgage payable	485,673	-
Shareholders' equity	4,886,609	4,928,676

Net loss of \$42,067 during the period includes net rental income of \$5,857, general and administrative expenses of \$27,931, fair value adjustment of investment property of \$29,563 and net interest income of \$9,570. The income property was owned and earned rental income for 24 days during the period. Interest earned on guaranteed investment certificates of \$11,862 was partially offset by interest expense of \$2,292 on a mortgage secured against the income property. General and administrative expenses of \$27,931 for the period were primarily comprised of listing fees of approximately \$13,000, professional fees of approximately \$7,000 and communication expenses of approximately \$4,000.

On March 8, 2013, the Company acquired the rights in a 66 year ground lease to a property located at 695 University Avenue, Charlottetown, Prince Edward Island. The ground lease commenced May 1, 2006, and has two ten year options to renew. The property contains a building with approximately 4,500 square feet of gross leasable area, and is leased to a schedule I Canadian chartered bank. Prior to the acquisition of this property Company did not have any commercial operations.

SUMMARY OF QUARTERLY RESULTS

	Q1 2013	Q4 2012	Q3 2012**
Net rental income	\$ 5,857	\$ -	\$ -
Net loss	\$ (42,067)	\$ (276,988)	\$ (12,787)
Net loss per share	\$ (0.001)	\$ (0.005)	\$ (0.001)
Weighted average number of shares	55,000,000	52,739,130	21,325,446

** Period from July 30, 2012 (date of incorporation) to September 30, 2012

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of liquidity is cash and cash equivalents on hand. As at March 31, 2013, the Company had cash and cash equivalents of \$3,911,988 (December 31, 2012 - \$4,939,718) and working capital of \$4,205,321 (December 31, 2012 - \$4,928,676). The decrease in cash and cash equivalents as compared to December 31, 2012 is primarily due to the purchase of the QT Property in the quarter, which used cash of \$701,276. Additionally \$360,000 was paid in the quarter with respect of deposits for the purchase of a second investment property in Miramichi, New Brunswick – see the section titled “Subsequent Events”.

The Company believes that it has sufficient resources to meet its current obligations, to identify, investigate and complete potential acquisitions, and to fund further expenditures as required to continue as a going concern.

Mortgage Payable

On March 8, 2013, when the Company acquired the QT Property, as partial consideration for the purchase, it assumed a mortgage, secured by a charge against the QT Property, bearing interest at 4.0% and maturing September 1, 2017. Interest expense recorded in the period includes the amortization of deferred financing costs in the amount of \$285. As at March 31, 2013, unamortized deferred financing costs of \$11,382 are netted against mortgage payable.

The breakdown of future principal repayments, including mortgage maturity, is presented in the following table:

	Scheduled repayments	Principal maturities	Total
	\$	\$	\$
2013	12,584	-	12,584
2014	17,771	-	17,771
2015	18,489	-	18,489
2016	19,236	-	19,236
2017	<u>14,935</u>	<u>414,040</u>	<u>428,975</u>
Total	83,015	414,040	497,055

PROPOSED TRANSACTIONS

The proposed transactions of the Company are described under the section “Subsequent Events” which follows and are further described in the Management Information Circular dated May 15, 2013 which is available on SEDAR at www.sedar.com.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

A summary of significant accounting policies and accounting estimates can be found in note 2 to the Company's unaudited interim financial statements.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results may differ from these estimates. The estimates and judgements used in determining the recorded amount for asset, liabilities and equity in the financial statements include the following:

Investment Property

The critical assumptions and estimates used when determining the fair value of investment property are normalized income and capitalization rates. Management determines fair value internally utilizing financial information, external market data and capitalization rates determined by reference to third party appraisals and reports published by industry experts including commercial real estate brokerages.

CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and revised standards, along with consequential amendments, effective January 1, 2013. These changes were required due to changes in IFRS, and were made in accordance with the applicable transitional provisions and are summarised as follows:

Fair value measurement

IFRS 13, “Fair Value measurement” (IFRS 13), provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that the market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 in accordance with the transition provisions. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013. Furthermore, adoption of this standard will result in additional fair value disclosures, and will also result in additional disclosures in the Company’s financial statements for the year ended December 31, 2013.

Presentation of items of other comprehensive income

The Company has adopted the amendments to IAS 1, “Presentation of items of Financial Statements”, effective January 1, 2013. The amendments require the Company to group other comprehensive items by those that will be reclassified subsequently to the statement of comprehensive income and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income.

FINANCIAL INSTRUMENTS AND RISKS AND UNCERTAINTIES

Fair Value

The Company’s financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities, the fair value of which approximates carrying values due to the short-term nature of these instruments. In the case of the mortgage payable, the fair value approximates carrying value due to the fact that the mortgage interest rate was bought down to a market rate on March 8, 2013, the date of assumption of the mortgage.

Real property ownership and tenant risk

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depends on the credit and financial stability of tenants and upon the vacancy rates of the property. The property generates revenue through rental payments made by the tenants thereof. The ability to rent vacant property will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant will be replaced. The terms of any subsequent lease may be less favourable to the Company than those of an existing lease. In the event of default by a tenant, the Company may experience delays or limitations in enforcing its rights as landlord and incur substantial costs in protecting its investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to the Company.

Competition

The real estate business is competitive. Numerous developers, managers and owners of properties compete with the Company when seeking tenants. Some of the competing properties may be better located than the Company’s property. The existence of competition could have an impact on the Company’s ability to lease its property and could have an impact on the rents that can be charged. The Company is subject to competition for suitable real property investments and a number of these competitors have greater financial resources than those of the Company. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

Fixed costs and increased expenses

The Company incurs a number of fixed costs which must be paid throughout its ownership of real property, regardless of whether its property is producing income. Fixed costs include utilities, property taxes, maintenance costs, mortgage payments, insurance costs, and related costs.

General uninsured risks

The Company carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with customary policy specifications, limits and deductibles. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms.

Environmental and litigation risk

The Company is subject to federal, provincial and local environmental regulations that apply generally to the ownership of real property and the operation of commercial properties. If it fails to comply with those laws, the Company could be subject to significant fines or other governmental sanctions. Under various federal, provincial and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a facility and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with contamination. Such liability may be imposed whether or not the owner or operator knew of, or was responsible for, the presence of these hazardous or toxic substances. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the Company's ability to sell or rent such facility or to borrow using such facility as collateral. In order to assess the potential for liabilities arising from the environmental condition at the Properties, the REIT may obtain or examine environmental assessments prepared by environmental consulting firms. The environmental assessments received in respect of the investment property have not revealed, nor is the company aware of, any environmental liability that the company believes will have a material adverse effect on it.

In addition, in connection with the ownership, operation and management of real properties, the Company could potentially be liable for property damage or injuries to persons and property. In the normal course of the Company's operations, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes.

Liquidity risk

Liquidity risk is the risk that the Company will not have the financial resources required to meet its financial obligations as they become due. The Company manages this risk by ensuring it has sufficient cash and cash equivalents on hand to meet obligations as they become due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. As at March 31, 2013, the Company had cash and cash equivalents of \$3,911,988, a mortgage payable of \$485,673 and accounts payable and accrued liabilities of \$57,629, and was not subject to significant liquidity risk.

The contractual maturities and repayment obligations of the Company's financial liabilities are as follows:

	Accounts payable and accrued liabilities	Mortgage payable	Mortgage interest	Total
	\$	\$	\$	\$
2013	57,629	12,584	12,984	83,197
2014	-	17,771	18,898	36,669
2015	-	18,489	18,181	36,670
2016	-	19,236	17,434	36,670
2017	-	428,975	12,567	441,542
Total	<u>57,629</u>	<u>497,055</u>	<u>80,064</u>	<u>634,748</u>

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. There is a risk that the Company may not be able to renegotiate its mortgage at maturity on terms as favourable as the existing mortgage payable. The Company's cash equivalents consist of investments in guaranteed investment certificates which bear interest at fixed rates for a period of one year, and there is a risk that the interest rate the Company earns on its cash equivalents in the future may not be as favourable as current rates. The Company mitigates interest rate risk by maintaining reasonable levels of debt to gross book value and aims to structure new debt to stagger the maturities to ensure that the majority of debt does not become due for repayment in any one particular year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss to another party by failing to pay for its obligations. The Company is subject to credit risk with respect to its cash and cash equivalents. The Company mitigates credit risk by depositing cash with and investing in guaranteed investment certificates of a Canadian schedule I chartered bank and monitoring the bank's credit ratings.

As at March 31, 2013, the Company had a single tenant, resulting in concentration of credit risk, however, the tenant is a Canadian schedule I chartered bank with a strong credit rating, which mitigates credit risk.

COMMITMENTS

On March 8, 2013, the Company acquired the income property located at 695 University Avenue, Charlottetown, Prince Edward Island. The property is subject to a 66 year land lease which commenced May 1, 2006, and has two ten year options to renew. The land lease provides for annual base rent and additional rent comprised of the property's proportionate share of common area maintenance and property tax expense. The full annual ground lease payment is due in advance each May 1st. As at March 31, 2013, annual future minimum ground lease payments on account of base rent are as follows:

	2013	2014	2015	2016	2017	Thereafter
	\$	\$	\$	\$	\$	\$
Minimum annual rent	48,000	48,000	48,000	52,800	52,800	3,581,714

OUTSTANDING SHARE DATA

	Shares	Amount
		\$
Authorized		
Unlimited number of common shares		
Issued and outstanding		
Common shares issued for cash		
Issued at \$0.05 per share	10,000,000	500,000
Issued at \$0.10 per share, net of \$52,549 of issuance costs	45,000,000	4,447,451
	<u>55,000,000</u>	<u>4,947,451</u>

On July 30, 2012, the Company issued 100 common shares for cash consideration of \$5. On August 30, 2012, the Company issued 9,999,900 common shares for cash consideration of \$499,995. This total of 10,000,000 shares will be held in escrow and will be released in future periods in accordance with an escrow agreement to be entered into between the Company and the initial shareholders.

On August 31, 2012, the Company issued 31,100,000 common shares at \$0.10 per share for cash consideration of \$3,110,000 in a private placement. Of these 31,100,000 common shares, 22,000,000 common shares will be held in escrow and will be released in future periods in accordance with an escrow agreement to be entered into between the Company and the shareholders of the private placement.

On September 25, 2012, the Company issued 9,900,000 common shares at \$0.10 per share for cash of \$990,000 in a private placement.

On November 22, 2012, in connection with the Company's initial public offering, 4,000,000 common shares were sold at \$0.10 per share for aggregate gross proceeds of \$400,000. Cash share issue costs of \$45,049 were incurred in connection with the offering. These costs were recognized directly in equity as share issue costs. In connection with the initial public offering, the Company granted its agent under the offering, Desjardins Financial, an option to purchase 240,000 shares at a price of \$0.10 per share. The company determined the fair value of the options to be \$7,500, which has been recognized in equity as share issue costs.

Also on November 22, 2012, the Company granted share options to directors and officers of the Company to purchase 5,500,000 common shares at \$0.10 per share. The share options vested immediately and will expire 5 years from the date of grant.

As at March 31, 2013, the directors and officers of the Company beneficially own, directly or indirectly, or have control or direction over 23,000,000 common shares or approximately 41.8% of the issued and outstanding common shares of the Company.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are several pending changes to IFRS which are not yet effective for the period ended March 31, 2013 which have not been applied in the preparation of the Company's financial statements for the period ended March 31, 2013. These changes are not expected to have a material impact on the financial statements of the Company. The standards issued or amended but not yet effective at March 31, 2013 include the following:

IFRS 9, Financial Instruments, is a new standard which will replace IAS 39, Financial Instruments: Recognition and Measurement, and addresses classification and measurement of financial assets, as well as providing guidance on financial liabilities and derecognition of financial instruments. IFRS 9 provides a single approach, based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IAS 32, Financial Instruments: Presentation, clarifies requirements for offsetting of financial assets and financial liabilities and is effective for annual periods beginning on or after January 1, 2014.

SUBSEQUENT EVENTS

On April 15, 2013, the Company announced that it had entered into conditional agreements to purchase three properties located in the Halifax and Bedford, Nova Scotia areas for an aggregate purchase price of approximately \$31.3 million. The purchase price is expected to be satisfied through cash generated from new mortgages, the issuance of new securities by the Company, and the assumption of an existing mortgage on the properties. The mortgage to be assumed matures in December, 2020, and has a principal balance of approximately \$3.0 million. The Company will receive a credit at closing equal to the amount required to buy the interest rate on the assumed mortgage down to 4.10%. The transaction is expected to close in July 2013.

On April 29, 2013, the Company entered into a conditional agreement to purchase an industrial property located in Ajax Ontario for a purchase price of \$25.5 million, subject to a holdback for environmental remediation of \$1.25 million. The purchase price is expected to be satisfied through cash generated from new mortgages and the issuance of new securities by the Company. Approximately \$5.0 million of the purchase price is expected to be satisfied by issuing new securities of the Company to the vendor of the property. The transaction is expected to close in July 2013.

On May 1, 2013, the Company acquired an office building located in Miramichi, New Brunswick, for a purchase price of approximately \$5.5 million, subject to customary closing adjustments. The purchase price was satisfied with cash on hand as well as a new mortgage in the amount of approximately \$3.0 million with a 10 year term and bearing interest as 3.74%.

On May 3, 2013, the Company entered into a conditional agreement to purchase an industrial property located in Cambridge, Ontario for a purchase price of approximately \$12.4 million, and a retail property located in Oakville, Ontario for a purchase price of approximately \$6.4 million. The properties are being sold by a company owned in part by the Chairman and a director of the Company. The purchase price is expected to be satisfied through cash generated from new mortgages on the properties and the issuance of new securities by the Company. Approximately \$2.0 million of the purchase price is expected to be satisfied by issuing new securities of the Company to the vendor of the property. The transaction is expected to close in July 2013.

On May 10, 2013, Edgefront Real Estate Investment Trust (the REIT), an unincorporated, open-ended real estate investment trust governed by the laws of the province of Ontario, was established pursuant to the Declaration of Trust then dated, and the Company acquired 1 Trust Unit of the REIT for cash of \$100.

On May 13, 2013, Edgefront GP Inc. (GP) was incorporated by the REIT, and the REIT subscribed for 10 shares of GP, representing all of the outstanding shares of GP, for \$1 per share, or total consideration of \$10. Also on May 13, 2013, the REIT and GP together formed Edgefront REIT LP (LP). In connection with the formation of LP, the REIT subscribed for 15 Class A LP units representing 99.99% ownership interest in LP. The class A LP Units were acquired by the REIT for \$6 per unit or total consideration of \$90. GP subscribed for 10 Class A GP Units of LP, representing a 0.01% ownership interest in the LP for \$1 per unit or total consideration of \$10.

On May 17, 2013, the Company mailed an information circular to its shareholders detailing its intention to complete a plan of arrangement with Edgefront Real Estate Investment Trust, pursuant to which the shares of Edgefront Realty Corp. will be exchanged for units of Edgefront Real Estate Investment Trust (the Arrangement). The Company also detailed its intention to complete a private placement of 300,000,000 shares at a price of \$0.15 per share, for gross proceeds of \$45,000,000, immediately prior to the completion of the Arrangement. The Company intends for the funds to be used, among other purposes, to finance the acquisition of properties acquisitions described above. A shareholder vote will be held on June 14, 2013 at which the Company's shareholders will vote on the Plan of Arrangement and the purchase of properties from a corporation owned in part by the Company's Chairman and director.