Edgefront
REIT

EDGEFRONT REAL ESTATE INVESTMENT TRUST
(FORMERLY EDGEFRONT REALTY CORP.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2013

March 5, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of Edgefront Real Estate Investment Trust ("the Company" or "the REIT") for the year ended December 31, 2013 should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2013. The information contained in this MD&A reflects events up to March 5, 2014, the date on which this MD&A was approved by the Company's Board of Trustees. Financial data included in this MD&A is presented in Canadian dollars, which is the functional currency of the Company, and has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Additional information about the Company 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 Real Estate Investment Trust is the successor to Edgefront Realty Corp. (the "Corporation") following the conversion of the Corporation to a real estate investment trust. The Corporation was incorporated under the Business Corporation Act (Ontario) on July 30, 2012. On January 6, 2014, shareholders of the Corporation voted to approve a plan of arrangement (the "Arrangement") providing for the conversion of the Corporation into Edgefront Real Estate Investment Trust. The Arrangement became effective January 14, 2014. Further details of the Arrangement are contained in the information circular dated December 5, 2013, which can be found at www.sedar.com.

The Company owns and operates commercial real estate properties.

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 (the "QT Property") for a purchase price of $1,148,000. The purchase was approved by the TSX Venture Exchange as the Company's qualifying transaction as defined in Policy 2.4 "Capital Pool Companies" of the TSX Venture Exchange Policies.

On May 10, 2013, Edgefront Real Estate Investment Trust, 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 Corporation acquired 1 Trust Unit of the REIT for cash of $100. The registered office of the REIT is located at Suite 4050, 525-8th Avenue S.W., Calgary, Alberta, T2P 1G1.

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

The strategy of the Company is to grow by acquiring industrial commercial real estate assets in Western Canada, 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 unit basis, to the earnings of the Company. The Company feels that this strategy is superior to the previously stated strategy of acquiring industrial, office and commercial real estate as the Company will now be a pure play industrial commercial real estate 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.

SUMMARY OF RESULTS

Financial Highlights

	Three Month Ended December 31, 2013	Year Ended December 31, 2013	Period from July 30, 2012 (date of incorporation) to December 31, 2012
	$	**$**	**$**
Rental income	226,698	627,308	-
Operating expenses	(100,021)	(285,725)	-
Net rental income	126,677	341,583	-
General and administrative expense	(314,126)	(784,083)	(39,030)
Stock-based compensation	-	-	(263,500)
Transaction costs	(11,960)	(245,227)	-
Fair value adjustment of income properties	-	438,900	-
Net finance expense	(32,026)	(74,108)	12,755
Net loss	(231,435)	(322,935)	(289,775)
Basic and diluted loss per unit	(0.08)	(0.12)	(0.14)

Select Balance Sheet Data	**As at December 31, 2013**	**As at December 31, 2012**
	$	**$**
Income properties	7,140,000	-
Cash and cash equivalents	681,636	4,939,718
Total Assets	8,631,984	4,939,718
Mortgages payable	3,311,591	-
Total non-current liabilities	3,087,154	-
Shareholders’ equity	4,605,741	4,928,676

On March 8, 2013, the Company acquired the QT Property, which is comprised of 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, the Company did not have any commercial operations.

On May 1, 2013, the Company acquired an office property located in Miramichi, New Brunswick (Miramichi), for a purchase price of $5,465,000. New mortgage financing with a ten year term, a 12 year amortization period, and bearing interest at a rate of 3.74% was arranged for the property by the Company. The property is comprised of a newly constructed two story office building with approximately 29,000 square feet of leasable area.

Net rental income of $126,677 for the three months and $341,583 for the year ended December 31, 2013 was generated by the QT Property which was owned and earned rental income for the entire three month period and 299 days of the year ended December 31, 2013, as well as from the Miramichi Property, which was owned and earned rental income for the entire three month period and 245 days of the year ended December 31, 2013.

Net interest expense of $32,026 for the three months and $74,108 for the year ended December 31, 2013, respectively, relates to mortgages secured against the income properties net of interest earned. On March 1, 2013, the Company assumed a mortgage with a principal amount of $497,055 and bearing interest at 4.0 percent. On May 1, 2013, the Company took on new mortgage debt in the principal amount of $3,000,000 and bearing interest at 3.74 percent. Interest earned on guaranteed investment certificates in the three months and year ended December 31, 2013 of $2,380 and $23,091 respectively partially offset interest expense.

For the year ended December 31, 2013, general and administrative expense of $784,083 was primarily comprised of professional and other fees of approximately $455,000 related to the Arrangement. Costs related to the Arrangement include legal, tax, audit, stock exchange and other costs. The remainder of expenses relate to compensation expense of $197,000, professional fees of approximately $41,000, listing fees of approximately $17,000, communication expenses of approximately $15,000 and other costs of approximately $60,000.

General and administrative expense of $314,126 for the three months ended December 31, 2013 was primarily comprised of compensation expense of approximately $197,000 relating to bonus payments made to the CEO and CFO of the Company, representing total compensation for the year. Professional and other fees of approximately $69,000 related to the Arrangement. Costs related to the Arrangement include legal, stock exchange and other costs. The remainder of general and administrative expenses for the three months ended December 31, 2013 related to other professional fees of $18,000 and other costs of approximately $29,000.

Transaction costs of $11,960 for the three months ended December 31, 2013 and $245,227 for the year ended December 31, 2013 relate to due diligence costs associated with properties the Company had intended to purchase, but for which the purchase agreements were terminated. The costs were incurred to obtain audited statements, environmental assessments, building condition reports, appraisals and other information about the properties during the due diligence period.

Fair value adjustment of income properties for the year ended December 31, 2013 of $438,900 relates primarily to the fair value adjustment recorded with respect to the Miramichi Property in the second quarter. A third party appraisal dated February 7, 2013, using the discounted cash flow method and applying a discount rate of 7.5% and a terminal capitalization rate of 7.0% arrived at an appraised value of $6,170,000 for the Miramichi property. Based on the direct capitalization approach, applying a capitalization rate of 6.75%, the same appraisal valued the property at $5,990,000. As at December 31, 2013, the fair value of the investment property was determined internally by management through the application of the direct capitalization method using a capitalization rate of 6.75%.

SUMMARY OF QUARTERLY RESULTS

The quarterly results fluctuate based on timing of activities related to pursuing and completing acquisitions and corporate activities.

		Q4 2013		Q3 2013		Q2 2013		Q1 2013
Net rental income	$	126,677	$	134,290	$	74,759	$	5,857
Net income (loss)	$	(231,435)	$	39,814	$	(89,247)	$	(42,067)
Net income (loss) per unit	$	(0.08)	$	0.01	$	(0.03)	$	(0.02)
Weighted average number of units*		2,750,000		2,750,000		2,750,000		2,750,000

***** Weighted average number of units has been adjusted to reflect the 20 for 1 exchange of shares of the Corporation. for units of the REIT in connection with the plan of arrangement completed January 14, 2014.

		Q4 2012		Q3 2012**
Net rental income	$	-	$	-
Net income (loss)	$	(276,988)	$	(12,787)
Net income (loss) per share	$	(0.11)	$	(0.01)
Weighted average number of units*		2,636,957		1,066,272

***** Weighted average number of units has been adjusted to reflect the 20 for 1 exchange of shares of the Corporation. for units of the REIT in connection with the plan of arrangement completed January 14, 2014.

****** 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 December 31, 2013, the Company had cash and cash equivalents of $681,636 (December 31, 2012 - $4,939,718) and working capital of $538,895 (December 31, 2012 - $4,928,676).

The following table details the changes in cash and cash equivalents for the three months and the year ended December 31, 2013 and the period from July 30, 2012 to December 31, 2012.

	Three Months Ended December 31, 2013	Year Ended December 31, 2013	Period from July 30, 2012 (date of incorporation) to December 31, 2012
Cash provided by (used in):	**$**	**$**	**$**
Operating activities	(284,544)	(853,645)	(15.233)
Investing activities	-	(6,211,146)	-
Financing activities	(54,815)	2,806,709	4,954,951
Change in cash and cash equivalents	(339,359)	(4,258,082)	4,939,718
Cash and cash equivalents – beginning of period	1,020,995	4,939,718	-
Cash and cash equivalents – end of period	681,636	681,636	4,939,718

The decrease in cash and cash equivalents for the year ended December 31, 2013 is primarily due to the purchase of the QT Property in the first quarter which used cash of $701,276 and the purchase of the Miramichi Property in the second quarter which used $2,573,510. The net loss for the year of $322,935, net of the $438,900 non-cash gain on fair value adjustments of investment properties of $761,835 accounted for the second most significant use of cash. Principal repayments with respect to the mortgages on the Company's income properties totaled $129,651 in the year ended December 31, 2013.

The decrease in cash and cash equivalents attributable to operating activities for the three months ended December 31, 2013 was due primarily to the loss in the period, with bonuses representing total management compensation for the year being paid in the quarter, and with costs associated with the Arrangement incurred in the quarter. Also in the quarter, a deposit was paid towards the acquisition of a portfolio of properties which closed in January 2014, more than offsetting cash generated from changes in other non-cash working capital items. Cash used in financing activities for the three months ended December 31, 2013 of $54,815 reflects principal repayments with respect to the mortgages on the Company's income properties.

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.

Mortgages 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. On May 1, 2013, when the Company acquired the Miramichi Property, new mortgage financing with a ten year term, a 12 year amortization period, and bearing interest at a rate of 3.74% was arranged by the Company.

The mortgages payable are secured by charges against the investment properties. At December 31, 2013, the weighted average interest rate, including deferred financing costs, on the mortgages payable is 4.07% and the weighted average term to maturity is 8.52 years. As at December 31, 2013, unamortized deferred financing costs of $55,813 are netted against mortgages payable. Interest expense recorded in the year ended December 31, 2013 includes the amortization of deferred financing costs in the amount of $7,827.

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

	Scheduled Repayments $	Principal Maturities $	Total $
2014	224,438	-	224,438
2015	232,957	-	232,957
2016	241,800	-	241,800
2017	245,901	414,040	659,941
2018	239,685	-	239,685
Thereafter	1,171,602	596,981	1,768,583
Total	2,356,383	1,011,021	3,367,404

PROPOSED TRANSACTIONS

The proposed transactions of the Company are described under the section "Subsequent Events" which follows.

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 consolidated 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 materially 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 Properties

The critical assumptions and estimates used when determining the fair value of investment properties 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. The Company also applies judgement in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. The Company considers all the properties is has acquired to date to be asset acquisitions.

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 resulted in additional fair value disclosures.

FINANCIAL INSTRUMENTS AND RISKS AND UNCERTAINTIES

Fair Value
The Company's financial instruments consist of cash and cash equivalents, other receivables (included in other current assets), and accounts payable and accrued liabilities, the fair value of which approximates carrying values due to the short-term nature of these instruments. The fair value of the mortgages payable at December 31, 2013 is approximately $3,225,000. The fair value of the mortgages payable at December 31, 2013 has been calculated using level 3 inputs by discounting the expected cash flows of each debt using a discount rate based on the Government of Canada benchmark bond yield for instruments of similar maturity, adjusted for the risk profile specific to Edgefront and the investment properties. Changes in benchmark bond yields for instruments of similar maturity are applied to the interest rates of the mortgages to maintain an appropriate risk adjustment factor when selecting a discount rate. Discount rates of 4.83 percent and 4.25 percent have been used in the calculation of the fair values of the mortgages secured against the Miramichi and TD PEI properties respectively.

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 Company 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 December 31, 2013, the Company had cash and cash equivalents of $681,636, mortgages payable of $3,311,591 and accounts payable and accrued liabilities of $714,652. The Company completed a significant acquisition subsequent to year end and entered into a $45,000,000 credit facility secured by the properties acquired. $34,400,000 was drawn against the credit facility on the closing date of the acquisition and additional funds remain available to the Company. Accounts payable and accrued liabilities at December 2013 were primarily comprised of liabilities relating to the acquisition and financing costs relating to the revolving credit facility. The Company is 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 $
2014	714,652	224,438	122,397	1,061,487
2015	-	232,957	113,878	346,835
2016	-	241,800	105,035	346,835
2017	-	659,941	91,767	751,708
2018	-	239,685	70,481	310,166
Thereafter	-	1,768,583	198,299	1,966,882
Total	714,652	3,367,404	701,857	4,783,913

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 December 31, 2013, the Company had two tenants, with one tenant accounting for approximately 82 percent of the Company's rental income, resulting in concentration of credit risk, however, the major tenant is the Government of Canada and the second 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 December 31, 2013, annual future minimum ground lease payments on account of base rent are as follows:

	2014 $	2015 $	2016 $	2017 $	2018 $	Thereafter $
Minimum annual rent	48,000	48,000	52,800	52,800	52,800	3,528,914

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
	55,000,000	4,947,451

There were no changes in the share capital of the Company during the year ended December 31, 2013. On January 14, 2014, pursuant to a plan of arrangement entered into between the Corporation and the REIT, shareholders exchanged common shares of the Corporation for units of the REIT on the basis of 1 REIT unit for every 20 common shares of the Corporation. The average number of shares outstanding included in the calculation of loss per share reflects the impact of the 20 for 1 exchange.

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 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 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 December 31, 2013, the directors and officers of the Company beneficially own, directly or indirectly, or have control or direction over 26,600,000 common shares or approximately 48.4% of the issued and outstanding common shares of the Company. As at December 31, 2012, the directors and officers of the Company beneficially owned, directly or indirectly, or had 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 December 31, 2013 which have not been applied in the preparation of the Company's financial statements for the period ended December 31, 2013. The Company is currently considering the impact that these standards changes will have on the financial statements. The standards issued or amended but not yet effective at December 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.In November 2013, the previously published effective date requirements were removed. There is now no mandatory effective date for IFRS 9, but early adoptions is permitted.

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

IAS 36, Impairment of Assets, amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are effective for periods beginning on or after January 1, 2014.

IFRIC 21, Levies, provides an interpretation on the accounting for levies imposed by governments. IFRIC 21 clarifies that the obligating event that gives rise to liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively.

SUBSEQUENT EVENTS

On November 1, 2013, the Company entered into a conditional agreement to purchase, indirectly through the purchase of two newly created holding companies and a newly created limited partnership, a portfolio of 10 industrial properties (the Properties). The purchase price of the Properties was $68,000,000 subject to certain closing adjustments, and was satisfied by total cash payments of approximately $34,000,000 funded by the proceeds of a new five year $45,000,000 secured revolving credit facility with a major financial institution based in Western Canada, with the remaining $34,000,000 satisfied through the issuance to the vendors of new securities of the REIT valued at the equivalent of $0.10 per share. The transaction closed on January 14, 2014.

The Properties, which are located in the Western Canada provinces of Saskatchewan, Alberta, and British Columbia contain approximately 435,000 square feet of buildings on approximately 122 acres of land. The Properties are tenanted subject to leases with a 12 year term and four 5 year renewal options, with annual rents of $5,364,000 for the first three years of the lease, and annual increases thereafter calculated at the lesser of CPI and 2.5%.

On January 6, 2014, shareholders of the Company voted to approve the Arrangement, providing for the conversion of the Company into the REIT. The Arrangement became effective January 14, 2014. The conversion was accounted for as a continuity of interest, and accordingly, the consolidated financial statements of the Company are reflective as if the REIT had always carried on the business formerly carried on by the Corporation. At the effective time of the Arrangement, shareholders exchanged common shares of the Corporation for units of the REIT on the basis of 1 REIT unit for every 20 common shares of the Corporation. Options were also exchanged on a 20 for 1 basis.

On February 14, 2014, the REIT announced its first cash distribution of $0.00742 per unit paid on February 28, 2014 to unitholders of record as of February 14, 2014. The REIT also announced a distribution of $0.01333 per unit payable to unitholders of record as of February 28, 2014 and payable on March 14, 2014.