

**European Commercial
Real Estate Investment Trust
(formerly European Commercial
Real Estate Limited)**

Management's Discussion and Analysis

For the three-month period ended March 31, 2017

May 30, 2017

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") outlines the financial position and results of operations of European Commercial Real Estate Investment Trust ("EC-REIT", the "REIT") and should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2017. The information contained in this MD&A, including forward-looking information, is based on information available to management as of May 30, 2017.

Additional information about the REIT can be accessed at www.sedar.com

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of applicable Canadian securities laws which reflect the REIT'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 REIT to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. 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.

Except as specifically required by applicable Canadian securities law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. These forward-looking statements should not be relied upon as representing the REIT'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 REIT. For more information, please see "Forward Looking Statements" and "Risk Factors" in the Company's management information circular dated March 20, 2017.

This MD&A is based on financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company's unaudited condensed consolidated interim financial statements for the period from January 1, 2017 to March 31, 2017, have been prepared in accordance with International Financial Reporting Standard 34, Interim Financial Reporting. The REIT's functional currency is the Canadian dollar. The unaudited condensed consolidated financial statements, are presented in Canadian dollars. The functional currency of the REIT's operating subsidiaries is the Euro reflecting the currency of the primary economic environment in which the subsidiaries operate. Foreign currency transactions are translated into the functional currency of the REIT using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated statement of loss and comprehensive loss. Unless otherwise stated, amounts expressed in this MD&A are in Canadian dollars.

Business Overview and Strategy

The REIT is an unincorporated, open-ended real estate investment trust established under the laws of

the Province of Ontario pursuant to a declaration of trust dated February 15, 2017, and as amended and restated on May 3, 2017.

Prior to its reorganisation as a real estate investment trust, the REIT was known as European Commercial Real Estate Limited (the “Company”) a capital pool company (“CPC”), as defined in Policy 2.4 of the TSX Venture Exchange (“TSXV”), the principal business of which was the identification and evaluation of assets or businesses for the purpose of completing a qualifying transaction. The Company was incorporated under the Business Corporation Act (Ontario) on July 25, 2016. On October 7, 2016, the Company’s common shares (the “Common Shares”) were listed for trading on the TSXV as a CPC. The Company ceased to be a CPC upon the completion of its qualifying transaction, as defined in Policy 2.4 of the TSXV (the “Qualifying Transaction”) on January 31, 2017.

On May 1, 2017, holders of Common Shares of the Company voted to approve a plan of arrangement (the “Arrangement”) providing for the conversion of the Company into the REIT. In accordance with the Arrangement, which was effective as of May 3, 2017, (i) all Common Shares were consolidated based on a ratio of one Common Share for every 31.25 Common Share held, (ii) all outstanding Common Shares and class B common shares of the Company (the “Class B Shares”) were transferred to ECRE Limited Partnership (“ECRE LP”), a subsidiary of the REIT, for units of the REIT (the “Units”) and/or, in the case of certain eligible holders of Common Shares, for class B limited partnership units of ECRE LP (“Class B LP Units”), in each case, at an exchange ratio of one to one. Holders of Class B LP Units also received special voting units of the REIT that will each initially entitle the holder to one vote at meetings of holders of Units of the REIT. The REIT became the continuing reporting issuer under Canadian securities laws and its Units remained listed on the TSXV under the symbol ERE.UN.

The strategy of the REIT is to aggregate a bespoke portfolio of high-quality, non-prime core assets in key European markets, and is designed primarily in order to deliver long-term, secure income with additional potential for capital appreciation. The REIT intends to grow by acquiring commercial real estate assets in Europe 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 REIT.

The consolidated financial statements of the REIT include the accounts of the REIT and its consolidated subsidiaries. The registered office address of the REIT is 199 Bay Street, Suite 5300, Toronto, Ontario.

Summary of Financial Results and Operational Highlights during the Period

On January 31, 2017, the Company completed the purchase of a commercial office property in Dusseldorf, Germany (the “QT Property”), from an arm’s length party, for an aggregate purchase price of \$15,458,300 (€11,000,000), subject to certain post-closing adjustments. The purchase was funded by an acquisition deposit provided by the Company upon execution of the acquisition agreement and a new \$10,472,784 (€7,500,000) mortgage provided by a German bank, with the remainder of the purchase price settled in cash, including funds raised pursuant to the QT Private Placement (as defined herein), net of closing adjustments. The acquisition of the QT Property was approved by the TSXV as the Company’s Qualifying Transaction and was the subject of a Business Acquisition Report dated March 21, 2017 available under the REIT’s SEDAR profile at www.sedar.com.

On January 31, 2017, in connection with the closing of the Qualifying Transaction, the Company issued an aggregate of 31,000,000 Common Shares to directors and officers of the Company as well as additional accredited investors on a private placement basis at a price of \$0.10 per Common Shares for total proceeds of \$3,100,000 (the “QT Private Placement”). Common Share issuance costs of \$298,626 were incurred in connection with the QT Private Placement. The proceeds of the QT Private Placement were used to fund a portion of the purchase price for the QT Property.

The Company also granted options to purchase Common Shares (“Stock Options”) to directors and officers of the Company to purchase 3,100,000 Common Shares at \$0.11 per Common Share. The Stock Options vest in one third instalments annually on January 31, 2018, 2019 and 2020 respectively, and will expire ten years from the grant date of the Stock Options.

On March 22, 2017, the Company announced that it had entered into an agreement to acquire a commercial office property in Landshut, Germany (the “Acquisition Property”), part of the greater Munich metropolitan region, for approximately \$44,973,840 (€30,200,000) from an arm’s length party. The acquisition of the Acquisition Property by the REIT closed on May 11, 2017 and was financed by the proceeds of the Offering and the Concurrent Private Placement (as defined herein) as well as an approximately \$26,805,600 (€18,000,000) seven-year secured mortgage from a German bank.

On May 3, 2017, ECRE completed a prospectus offering (the “Offering”) of 6,000,000 Class B Shares at a price of \$5.00 per Class B Share. Concurrently with the Offering, ECRE also issued, on a private placement basis, an additional 140,000 Class B Shares at a price of \$5.00 per Class B Share to certain exempt purchasers (the “Concurrent Private Placement”).

Summary of Results

Select Operating Results

	Three-Month Period Ended March 31, 2017
	\$
Property revenue	206,008
Property expenses	(79,485)
Net rental income	<u>126,523</u>
General and administrative expense	(617,675)
Fair value adjustment on investment property	781,552
Fair value adjustment of interest rate swap	(237,006)
Other	(87,319)
Deferred income tax expense	(102,799)
Net Loss	<u>(136,724)</u>
Basic and Diluted loss per share	(0.00)

Select Balance Sheet Data	Three-Month Period Ended March 31, 2017	Year Ended December 31, 2016
	\$	\$
QT Property	17,736,250	-
Cash and cash equivalents	1,437,124	3,164,675
Mortgage Payable	10,505,833	-
Shareholder Equity	7,446,207	5,190,756

Net rental income of \$126,523 for the period ended March 31, 2017 was generated by the QT Property which was owned for 59 days of the period following completion of the Qualifying Transaction on January 31, 2017. This comprised property revenue of \$206,008 and operating expenses of \$79,485. Following completion of the Qualifying Transaction, there have been no material changes to the occupancy rate, or tenancy profile of the QT Property. Both the rental income and operating expenses materially reflect the expected performance for the period following the Qualifying Transaction. All tenants of the QT Property are aware of the change of ownership and are actively engaged with the new asset manager.

The Company reported a net loss and comprehensive loss of \$170,379 for the period January 1, 2017

to March 31, 2017. Included in the reported net loss includes a fair value adjustment increasing the value of the QT Property from the date of acquisition by \$781,552 resulting in the QT Property being recorded at \$17,736,250 (€12,500,000). The fair value of the investment property is supported by an independent third party valuation report. The reported net loss further included professional fees of \$617,675, share-based compensation of \$74,312 and the fair value adjustment of the interest rate swap of \$237,006. Professional fees for the period included legal and related services fees \$513,412 and audit and related fees of \$104,264.

Summary of Quarterly Results

		Q1 2017		Q4 2016		July 25, 2016 (date of inception) to September 30, 2016
Property revenue	\$	206,008	\$	-	\$	-
Net Loss	\$	(136,724)	\$	(61,620)	\$	(25,000)
Net Loss per Share	\$	(0.00)	\$	(0.00)	\$	(0.00)
Weighted average shares		44,376,111		20,684,565		6,911,765

Financial Condition, Liquidity and Capital Resources

The REIT's principal source of liquidity is cash. As at March 31, 2017, the Company had cash of \$1,437,124 and net current assets of \$2,412,043. Accounts payable and accrued liabilities of \$3,187,255 comprised mainly the payables associated with the deferred financing fees, deferred acquisition costs and deferred share issuance costs. Until January 31, 2017, when the Company completed its Qualifying Transaction, it did not have a source of significant revenue and was expected to incur losses.

The financial condition and liquidity of the REIT should be considered in association with the Offering that was concluded on May 3, 2017, raising gross cash proceeds of \$30,700,000 before fees and expenses. In addition to existing cash resources, the proceeds of the Offering will be utilised to meet the outstanding commitments of the REIT, including the accounts payable and accrued liabilities of \$3,187,255, further fees and expenses incurred in association with the Offering as well as commitments associated with the acquisition of the Acquisition Property. Following the Offering, the REIT 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.

During the period from January 1, 2017 to March 31, 2017, financing activities, including private placements, increased cash by \$15,646,868. The Company used \$14,984,275 to fund the balance of the acquisition funding (including professional fees and related transaction taxes) required in connection with the QT Property. The Company further utilised \$2,170,847 to fund a deposit in respect of the acquisition of the Acquisition Property. The main sources of funds for the Company during this period included share offerings (gross proceeds \$3,100,000), and proceeds from borrowing (\$12,647,359).

Significant Accounting Policies and Accounting Estimates

A summary of significant accounting policies and accounting estimates can be found in note 2 to the REIT's financial statements for the period from January 1, 2017 to March 31, 2017.

Financial Instruments and Risks and Uncertainties

Fair Value

The REIT's financial instruments consist of cash, accounts receivables, accounts payable, interest rate swap, mortgage payable and promissory note payable. The amounts are initially recognised initially at fair value and are subsequently remeasured in accordance with the nature and classification adopted for the financial instrument as noted below.

Financial instrument	Classification	Measurement
Cash	Loans and receivable	Amortised cost
Accounts receivable	Loans and receivable	Amortised cost
Accounts payable and accrued liabilities	Other liabilities	Amortised cost
Mortgage and promissory note payable	Other liabilities	Amortised cost
Interest rate swap	Other liabilities	Fair value

Liquidity Risk

Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they become due. The REIT manages this risk by ensuring it has sufficient cash 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, 2017, the Company had cash of \$1,437,124, and accounts payable and accrued liabilities of \$3,187,255. In conjunction with the proceeds of the Offering, the REIT was not subject to significant liquidity risk.

The Company through a wholly owned subsidiary entered into a \$10,536,000 (€7,500,000) secured mortgage provided by a German bank in connection with the acquisition of the QT Property (the "QT Property Mortgage"). Annual interest on the QT Property Mortgage is based on a fixed-rate swap for a seven-year term with an all-in interest rate of approximately 1.547% and scheduled amortization of 2.5% per annum over the seven-year term. The QT Property Mortgage is secured by a first-priority lien on the QT Property. As at the end of the three-month period ended March 31, 2017, this amounted to an outstanding balance of \$10,575,078.

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 REIT is subject to credit risk with respect to its cash and accounts receivable.

Financial instruments that potentially subject the REIT to concentrations of credit risk consist of cash and accounts receivable. The REIT limits cash transactions to high credit quality financial institutions and lawyers.

General business risks

The REIT is subject to general business risks and to risks inherent in the real estate industry. The underlying value of the QT Property and the Acquisition Property as well as future investments or property acquisitions and REIT's income and ability to generate stable positive returns from its operating activities will depend on the ability of the REIT to maintain revenues and to generate income in excess of operating expenses. Income and gains from current or future investments and property acquisitions may be adversely affected by changes in national or local economic conditions, changes in interest rates and in the availability, cost and terms of any mortgage or other financing, the ongoing need for capital improvements, particularly in older structures, changes in real estate assessed values and taxes payable on such values (including as a result of possible increased assessments caused by an acquisition by the REIT) and other operating expenses, changes in governmental laws, regulations, rules and fiscal policies, changes in zoning laws, the impact of present or future environmental legislation and compliance with environmental laws, acts of God, including natural disasters (which may result in uninsured losses). Any of the foregoing events could negatively impact the asset value of the REIT or its ability to generate positive cash flow.

When interest rates increase, the cost of acquiring, developing, expanding or renovating real property increases and real property values may decrease as the number of potential buyers decreases.

Similarly, as financing becomes less available, it becomes more difficult to both acquire and to sell real property as well as to finance the investment and acquisition activities of the REIT. Finally, governments can, under eminent domain laws, expropriate or take real property for less compensation than an owner believes the property is worth. Almost all of these factors are beyond the REIT's control. Any one of, or a combination of, these factors may adversely affect the ability of the REIT to conduct its business and therefore negatively impact the financial position of the REIT.

While the REIT intends to acquire a portfolio of properties in order to achieve its investment objectives, the portfolio of the REIT will initially be concentrated. Until such time as the REIT acquires additional properties, the value of the Units, and the ability of the REIT to make distributions, will be dependent on the ability of the REIT to derive income from the its invested portfolio.

Real property ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit), local real estate markets and conditions (such as an oversupply of office and other commercial properties or a reduction in demand for real estate in the area), the attractiveness of the properties to residents or tenants, supply and demand for space, competition from other available space and various other factors.

The performance of the economy in areas in which properties are located affects occupancy, market rental rates, property sale prices and expenses. These factors consequently can have an impact on revenues generated from properties and their underlying values.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. The REIT's financial performance would be adversely affected if tenants at the REIT's portfolio properties were to become unable to meet their obligations under their leases. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and costs incurred in protecting the REIT's investment may be incurred. 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 flow available to the REIT.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease.

Other factors may further adversely affect revenues from and values of the REIT's investment activities and owned properties. These factors include local conditions in the areas in which properties are located, the attractiveness of the properties to tenants or future purchasers, competition from other properties and the REIT's abilities to provide adequate facilities, maintenance, services and amenities. Operating costs, including real estate taxes, insurance and maintenance costs, and mortgage payments, if any, do not, in general, decline when circumstances cause a reduction in income from a property. The REIT could sustain a loss as a result of foreclosure on a property, if a property is mortgaged to secure payment of indebtedness and the REIT was unable to meet its payment obligations. In addition, applicable laws, including tax laws, interest rate levels and the availability of financing also affect revenues from properties and real estate values.

Lease renewals, rental increases, lease termination rights and other lease matters

Expiries of leases for the QT Property and other properties that the REIT may acquire will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations.

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous

occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. In addition, certain leases contain a provision which gives tenants the right to terminate their leases upon payment of a penalty.

Investment concentration

The QT Property and Investment Property account for 100% of the REIT's total real property assets. Accordingly, the REIT will initially be susceptible to adverse developments in Germany, the sole market in which it will operate upon completion of the Acquisition, such as new developments, changing demographics and other factors. These factors may differ from those affecting the real estate markets in other regions or countries in Europe. If real estate conditions in Germany decline relative to real estate conditions in other regions or countries in Europe, the REIT's cash flows, operating results and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

The principal business of the REIT will be investing in properties in Europe. Any adverse economic or real estate developments in the areas in which the properties are located initially and in which the REIT's real estate investments reside going forward, or in the future in any of the other markets in which the REIT operates could adversely affect the REIT's rental revenues, which could impair its ability to satisfy its debt service obligations and generate stable positive cash flow from its operations.

Liquidity

Real estate investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. The costs of holding real estate are considerable and during an economic recession, the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions.

Uninsured losses

The REIT will carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, its property, but it would continue to be obligated to repay any recourse mortgage indebtedness on such property. Furthermore there are other risks that are not economically viable to insure at this time. Should an uninsured or under-insured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from its investments or properties, and the REIT would continue to be obliged to repay any recourse indebtedness related to such investments or properties.

Competition

The REIT will compete with various owners, operators and developers in the European real estate industry, including other properties located within proximity to the REIT's properties. Some of these parties own, or may in the future own, properties that compete directly with the REIT's properties, and some of these parties may have greater capital resources than the REIT.

Numerous other developers, managers and owners of properties will compete with the REIT in seeking tenants. Some of the properties owned by the REIT's competitors are better located, of higher quality or less leveraged than the properties owned by the REIT. Some of the REIT's competitors are better capitalized and stronger financially and therefore more able to withstand an economic downturn. If the REIT's competitors build new properties that compete with the REIT's current or

future properties, the REIT may lose potential tenants and it may be pressured to discount its rental rates below those it would otherwise charge in order to retain tenants. As a result, the REIT's rental revenues may decrease in the future, which could impair the REIT's ability to satisfy any debt service obligations and to generate stable positive cash flow from its operations. In addition, increased competition for tenants may require the REIT to make capital improvements to facilities that it would not have otherwise made. Any unbudgeted capital improvements the REIT undertakes could materially and adversely affect the REIT's cash flow, operating results and financial condition and the ability of the REIT to make distributions on the Units.

Environmental matters

Properties owned by the REIT may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances such as polychlorinated biphenyl, dichlordiphenyltrichlorethan, pentachlorophenol or lindane above the allowable or recommended thresholds, or the buildings could bear other environmental risks.

The REIT bears the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances, wartime relics or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any pollution and the related additional measures the REIT would have to undertake could negatively affect it and could involve considerable additional costs that the REIT may have to bear. The REIT is also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials, wartime relics or other residual pollution can negatively affect the value of a property and the ability of the REIT to lease or sell such a property.

As an owner of real estate property and its development, the REIT will be subject to various European federal, provincial, state and municipal laws relating to environmental matters which impose actual and contingent liabilities on the REIT to undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites the REIT currently owns or operates or sites where waste from the REIT's operations has been deposited. The failure to remove or remediate such substances or locations, if any, could adversely affect the REIT's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the REIT. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if the REIT's officers or employees infringe or have infringed environmental protection laws, the REIT could be exposed to civil or criminal damages. The REIT may be required to provide for additional reserves to sufficiently allocate toward its potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on the REIT's cash flows, financial condition and results of operations and its ability to make distributions on the Units.

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 REIT may not be able to renegotiate its mortgage at maturity on terms as favourable as the existing mortgage payable. 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.

Currency exchange rates

Substantially all of the REIT's investments and operations will be conducted in currencies other than Canadian dollars. The REIT will also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through its subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results and ability to pay distributions, which will be denominated and reported in Canadian dollars. The REIT does not currently intend to implement active hedging programs in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to foreign currencies. To the extent that the REIT fails to adequately manage these risks the REIT's financial results may be negatively impacted.

Related Party Transactions

On January 31, 2017, the Company, and certain of its subsidiaries, entered into an asset management agreement (the "Asset Management Agreement") with Maple Knoll Capital Ltd ("Maple Knoll") pursuant to which Maple Knoll acted as the asset manager of the Company and provided the strategic, advisory, asset management, project management, construction management and administrative services necessary to manage the operations of the Company. In connection with the transactions associated with the Arrangement and the REIT becoming the successor entity to the Company, the Asset Management Agreement was amended and restated on May 3, 2017 to include the REIT. The Asset Management Agreement provides for a broad range of asset management services for the following fees:

1. An annual asset management fee in the amount of 0.50% of the historical gross acquisition price of the REIT's properties plus HST/VAT;
2. An acquisition fee in the amount of 1.0% of the total costs associated with any property acquired by the REIT or its subsidiaries payable on completion of each acquisition plus HST/VAT, provided that no such acquisition fee was or will be payable in respect of the QT Property or the acquisition of properties managed by Maple Knoll;
3. A capital expenditure fee equal to 5.0% of all hard construction costs incurred on each capital project with costs in excess of €1,000,000, excluding work done on behalf of tenants or any maintenance expenditures, plus HST/VAT; and
4. A refinancing fee equal to 0.25% of the debt and equity of all refinancing transactions to a maximum of actual expenses incurred by Maple Knoll in supplying services relating to refinancing transactions plus HST/VAT.

Phillip Burns (Chief Executive Officer and a trustee of the REIT) and Ian Dyke (Chief Financial Officer of the REIT) are principals of Maple Knoll.

During the three months ended March 31, 2017, the Company recorded asset management fees to Maple Knoll of \$14,136.

Trustee Loan

To facilitate payment of the deposit on the Acquisition Property, Thomas Schwartz and Phillip Burns, each a promoter and trustee of the REIT, provided to the Company a loan (the "Loan") in the aggregate principal amount of \$2,170,847 (€1,509,000). The Loan was set to mature on March 22, 2020 and was unsecured and repayable at any time by the Company or the REIT, or any successor thereto, with no pre-payment penalties. The Loan was repaid by the REIT on May 11, 2017 as part of the closing and funding procedures associated with the Acquisition Property.

As at March 31, 2017, an outstanding liability of \$2,141,120 was recorded in respect of the Loan.

Off-Balance Sheet Arrangements

As at March 31, 2017, the Company does not have any off-balance sheet arrangements.

Capital Stock as at March 31, 2017

Authorized

Unlimited Common Shares

Issued and outstanding

	Common Shares	Amount \$
Common Shares issued at \$0.05 per Common Share	10,000,000	500,000
Common Shares issued at \$0.10 per Common Share, net of \$520,730 of issuance costs	76,000,000	7,079,270
	<u>86,000,000</u>	<u>7,579,270</u>

On January 31, 2017, in connection with the closing of the Qualifying Transaction, the Company issued an aggregate of 31,000,000 Common Shares to directors and officers of the Company as well as additional accredited investors on a private placement basis at a price of \$0.10 per Common Share for total proceeds of \$3,100,000 (the "QT Private Placement"). Included in this is 3,900,000 common shares were issued to senior executives and trustees of the REIT for gross proceeds of \$390,000.

Common Share issuance costs of \$298,626 were incurred in connection with the QT Private Placement. The proceeds of the QT Private Placement were used to fund a portion of the purchase price for the QT Property.

As at March 31, 2017, the directors and officers of the Company beneficially owned, directly or indirectly, or had control or direction over 41,200,000 Common Shares or approximately 47.9% of the issued and outstanding Common Shares.

Share-based Compensation Plan

The Company adopted a stock option plan (the "Stock Option Plan") on October 4, 2016 which was replaced by the unit option plan of the REIT on substantially similar terms to the Stock Option Plan as part of the Arrangement. Under the terms of the Unit Option Plan, the Board of Trustees of the REIT may from time to time, in its discretion, and in accordance with TSXV regulations, grant trustees, officers, and technical consultants of the REIT, options to purchase Units ("Unit Options"), exercisable for a period of up to 10 years from the date of grant. The total number of Units reserved under option for issuance may not exceed 10% of the Common Shares outstanding. As at March 31, 2017, 8,600,000 stock options had been granted and were outstanding and such stock options were consolidated on the basis of one stock option for every 31.25 stock options and exchanged for Unit Options to acquire 275,000 Units.

Awards of options are fair valued applying the Black-Scholes option valuation method. The average expected volatility rate used in the valuation is estimated based on the historical volatility of comparable companies over a period of time approximating the average expected share option holding period. The average risk-free interest rate used is based on government of Canada bonds with terms consistent with the average expected share option holding period. The average expected share option life is estimated to be one half of the life of the options.

The total fair value as at the grant date is \$216,690, determined using the Black-Scholes option pricing model with the following assumptions.

Exercise price	\$0.11
Expected option life	5 years

Risk-free interest rate 0.72%

Expected volatility 80%

In reflection of the three-year vesting period, an expense of \$74,312 has been recognised during the three-month period ended March 31, 2017, of which the compensation to key management and trustees is \$73,797.

Subsequent Events

On May 11, 2017, the REIT announced that it had completed the acquisition of the Acquisition Property.