

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended December 31st, 2018

**THE DELMA
GROUP INC.**



CSE: DLMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") of the Delma Group Inc. together with its subsidiaries (together referred to as "Delma" or the "Company") should be read in conjunction with the audited consolidated financial statements of the Company for the twelve-month period ended December 31, 2018 ("Financial Statements"). The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless expressly stated otherwise, all financial information is presented in Canadian dollars.

All statements, other than statements of historical fact, in this MD&A are forward-looking statements. These statements represent the Company's intentions, plans, expectations and beliefs as of the date hereof, and are subject to risks, uncertainties and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. Readers should not place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

The information in this MD&A is current to June 26, 2019, unless otherwise noted. And has been approved by the Board of Directors, on the recommendation of the Audit Committee, on the same day.

BASIS OF PRESENTATION

The Delma Group Inc. operates in the development, acquisition and management of multi-purpose real estate, including office space, retail space, residential and industrial buildings as well as land for future development.

The Company started trading on the Canadian Securities Exchange ("CSE") under DLMA.CN on March 23, 2018. The Delma Group Inc. is the resulting issuer of a reverse takeover completed on March 23, 2018 between Aydon Income Properties Inc. and Delma Properties Canada Limited Partnership, and the concurrent acquisition of The Bromont Group 1 Limited Partnership.

Additional information about Delma, including our quarterly reports, is available on our website at www.delma.ca and on SEDAR at www.sedar.com

The principal address and records office of the Company is located at 160-640 Orly Avenue, Dorval, QC, H9P 1E9.

MESSAGE TO SHAREHOLDERS

During 2018, the Company had to face unforeseen challenges in the integration of the different acquisitions performed at the time of the reverse takeover, which resulted into short-term liquidity challenges, changes in management, and revised valuation of certain portfolio properties. These challenges had an impact on the net asset value of the investment properties and, by causal effect, on its stock price.

Delma's Management prioritized these different issues and by year-end each concern had been addressed individually. The Company has identified the appropriate means to stabilize its financial situation and the resulting capital structure is expected to be in place by the end of the third quarter of 2019, allowing Management to focus on operations, including the optimization and development of existing portfolio properties.

The Company also refocused its activities mainly in Canada. This decision resulted in concentrating the prospective acquisition efforts of value-add portfolios mainly in the provinces of Quebec and Ontario. The targeted portfolios should combine development assets with revenue generating properties in order to bring together current stabilized revenues and short to medium term growth potential.

Delma's current portfolio is already comprised of revenue generating properties and properties held for development and optimization ready for development in the short term. The financial measures put in place at the end of the year 2018 and early 2019 are expected to accelerate the development and the optimization of these properties. The management expects that the benefits of such measures will have an impact on its operations by the third quarter of 2019.

Management believes that combining stabilized revenues and returns to investors as well as higher yields from its development activities provides an important element of differentiation for Delma when compared to other existing public real estate investment vehicles. The stabilized revenue generating properties ensure liquidities for operations of the Company as well as capital to invest in additional properties and to, eventually, allow distribution of dividends to shareholders. In fact, Management's objective is to be able to proceed with dividend distributions starting in 2021.

Fortunately, Delma can rely on the experience and knowledge of its management team that has been operating in all the cycles of real estate for more than twenty-five years, handling successfully various challenges in the past including the major 1990's down cycle and important turbulences in some real estate sectors at the end of the 2000s.

The Company's prospects for the coming years is clearly positive, encouraging and promising.

2018 HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

Properties Acquired

In 2018, Delma executed on its growth strategy by adding more than one million square feet (“sf”) of gross leasable area (“GLA”) comprised of 218,779 sf of immediate operating properties and 11,719,280 sf of land and properties to be optimized or developed.

On March 23, 2018, the Company, while initiating being traded on the CSE, acquired almost 18 million sf of land strategically located near highways in Bromont, out of which some 4.5 million sf for retail development and 6.0 million of residential sf of land to be sold. The project, called Pure Bromont, considers the creation of commercial, recreo-touristical and residential areas.

The initial acquisition has been shortly followed by 4 additional transactions.

The following table outlines asset transactions completed in 2018 and segregates values between producing, optimization and development assets to help the reader better discriminate between investment properties, these categories are fully described on page 10

| Property | Type | Producing (GLA) | Occ. (%) | Optimization (GLA) | Development (GLA) |
|---|----------------|--------------------|-------------|-----------------------|---------------------------|
| Transaction: Bromont acquisition March 2018 \$43,258,000 | | | | | |
| Bromont | Retail | | n.a. | | 870,000 |
| Bromont (land) | Residential | | n.a. | | 10,500,000 ⁽¹⁾ |
| Transaction: Dorval acquisition April 2018 \$10,400,000 | | | | | |
| Dorval | Office | 54,699 | 70 | | |
| Dorval | Residential | | n.a. | | 91,800 |
| Transaction: Lupa acquisition April 2018 \$6,065,000 | | | | | |
| St-Laurent 1 | Office | 7,800 | 74 | 32,200 | |
| Le Breton | Industrial | 41,200 | 93 | | |
| St-Jean-Baptiste | Industrial | 12,980 | 100 | | |
| Transaction: GHP acquisition April 2018 \$33,017,000 | | | | | |
| Cité-des-Jeunes | Retail, Res. | | n.a. | | 16,000 ⁽²⁾ |
| Chemin Oka | Retail | 2,400 | 100 | | |
| Lévis (land) | Retail, Ind. | | n.a. | | 146,200 ⁽³⁾ |
| Knowlton | Retail | | n.a. | | 26,500 ⁽⁴⁾ |
| Lépine | Retail, Office | 21,827 | 83 | | |
| Lépine | Retail, Office | | n.a. | 26,580 | |

| Property | Type | Producing (GLA) | Occ. (%) | Optimization (GLA) | Development (GLA) |
|--|--------------|-----------------|----------|--------------------|-----------------------|
| Desjardins | Residential | 14,006 | 100 | | |
| Blainville | Retail | | n.a. | | 10,000 ⁽⁵⁾ |
| Transaction: Lupa II acquisition April 2018 \$6,595,000 | | | | | |
| Orly | Industrial | 48,915 | 100 | | |
| St-Laurent 2 | Retail, Res. | 9,900 | 75 | | |
| Place Verner | Industrial | 5,052 | 100 | | |

(1) Total area considers 18 million sf of which 7.5 million sf have been reserved for environmental biodiversity and approximately 10.5 million sf are developable land, including some 6 million sf for residential usage that will be sold to specialized developers.

(2) Considers also 48 residential units representing some 38 400 sf.

(3) Total GLA includes some 58,700 sf of industrial and 87 500 sf of commercial.

(4) This value does not consider an additional 100,000 of land to be potentially sold for residential usage.

(5) This value does not consider an additional 150,000 sf of land to be sold.

Executive Changes

On November 28, 2018, the Company announced the appointment of Henri Petit as Chief Executive Office and Hubert Marleau as Chairman of the Board of Directors following the resignation of Hasan Al-Shawa for personal and family reasons; Mr. Al-Shawa has agreed to remain an independent director. Mr. Petit brings more than 20 years of experience in real estate development and management operations while Mr. Marleau, with over 30 years of experience in the corporate and financial community, will provide guidance and transparency as Chairman.

The Company also announced, on December 14, 2018, the resignation, for personal reasons, of Mr. Hazem Al-Shawa as director of the Company and as director and officer of any of its subsidiaries.

Reverse Takeover and CSE Listing

On March 23, 2018, the Company announced completion of a reverse takeover and the creation of Delma. The reverse takeover considered the merge of four Canadian real estate companies, namely Delma Resorts & Hotels, Delma Properties Canada LP, SEC Bromont 1 and Aydon Income Properties Inc. With the completion of the merger, the Company started being listed on the CSE under the symbol DLMA.

Financial Results

| <i>(In \$, Except Number of Shares)</i> | 2018 | 2017 | 2016 |
|--|---------------------|-------------|-------------|
| Revenues | 1,515,096 | 130,000 | 120,976 |
| Net Operating Income | 726,190 | 130,000 | 120,976 |
| Increase (decrease) in fair value of investment properties | (12,395,200) | - | 9,212,100 |
| Financing fees | 1,477,053 | - | - |
| Listing fees | 1,454,518 | - | - |
| Net loss and comprehensive gain (loss) | (19,116,179) | (413,695) | 9,320,708 |
| Basic and diluted net loss per share | (1.78) | (0.10) | 3.15 |
| Total assets | 108,655,486 | 17,852,665 | 16,301,760 |
| Total non-current liabilities | 70,462,143 | 913,000 | 293,000 |
| Weighted average number of shares | 10,711,346 | 4,263,606 | 2,961,281 |

During the year ended December 31, 2018, Delma achieved the following:

- Completion of The Delma Group reverse takeover and CSE listing transactions.
- Acquisition of a diversified portfolio comprised of industrial and retail properties.
- Planning and structuring of numerous development projects owned by Delma, such as the Dorval Avenue property.
- Reorganization of the Company at the end of the year following a change in the management team, aiming at concentrating the Company's activities in Canada, mainly in Ontario and Quebec.

Revenue from rental income grew \$1,385,096 over 2017 as a result of portfolio growth during the year. The rental income shown in the financial statements represents only a portion of the current rental income since the income producing properties have been acquired in the third quarter of 2018.

Administrative expenses reached \$3,641,121 during 2018, an increase of \$3,576,927 as compared to 2017 and were mainly driven by an increase in consulting fees of \$1,641,979, non-recurring fees of \$1,160,939 consisting of professional fees incurred in relation to the reverse takeover and the related CSE listing, as well as cancellation fees related to a potential development project that was not pursued and the impairment of a debenture. These extraordinary fees are non-recurring.

Financing costs were \$1,477,053 in 2018 (\$nil in 2017) as a consequence of

various acquisitions made throughout the year.

For the year ended December 31, 2018, the Corporation reported a loss of \$19,116,179. Net loss in 2018 was significantly impacted by non-cash fair value adjustments of \$12,395,200 on investment properties due to a lack of maintenance or advancement in the development of the properties composing the Hospitality Division; these assets are now showed as assets held for sale in the financial statements as at December 31, 2018. The net loss in 2018 was also impacted by non-cash items such as listing fees of \$1,454,518 and amortization of trademarks and domain names of \$450,000 recognized during the year as compared to \$448,001 during 2017.

The consolidated financial statements have been prepared on the assumptions that the Company is a going concern, meaning it will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at December 31, 2018, the Company has not yet generated positive cash flows from its operations and has a negative working capital of \$56,846,007. The Company's ability to continue as a going concern is dependent upon its ability to raise sufficient equity financings, refinance its long-term debt and other current liabilities, issue new debt or secure related party advances to complete the identification, acquisition and development of suitable properties in accordance with its business plan and ultimately achieve profitable operations. These factors indicate the existence of material uncertainties that may cast a significant doubt regarding the Company's ability to continue as a going concern.

The consolidated financial statements do not reflect the adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company's going concern assumption not be appropriate. While Management has been successful in obtaining sufficient funding for its operating and capital requirements in the past, there is no assurance that additional funding will be available to the Company, when required, or on terms which are acceptable to Management including any financing currently being negotiated.

Subsequent to year-end, the Company entered into active negotiations to obtain financings to be used for short-term and long-term needs. Such negotiations were ongoing at the time this MD&A was approved.

Management is currently implementing several initiatives to improve its cost structure, drive increased revenues and improve operating profitability. Management continued to execute on its proactive growing strategy to both select properties with high potential and retain existing or attract new tenants. As at December 31, 2018, occupancy rate average 87,4% of total GLA. New leasing has been steady across the portfolio commencing after the acquisitions in 2018 and early 2019.

Delma issued 6,586,820 shares during 2018 to complete the reverse takeover, the Lupa (“Lupa”) and Lupa II (“Lupa II”) acquisitions and the Gestion H. Petit Inc. (“GHP”) acquisition.

OUR BUSINESS

Delma aims to become a Canadian leader in mixed-use real estate ownership, development and management. The Company’s primary focus is on small to medium size portfolios of mixed-use properties in Canada, mainly in the provinces of Quebec and Ontario. Delma’s operational strategy is to identify orphan pools of real estate assets, structure and close high yielding acquisitions, optimize revenue-generating properties, and monetize development properties. We have an established network to source investment and development opportunities, on and off market, and we aim to implement financial structures engineered to ensure long-term profitability and market downturn resilience.

We capitalize on the many advantages the mixed-use segment offers including the creation of synergies between the different real estate asset types, value creation opportunities at all stages of the value chain, and a diversification effect that reduces portfolio volatility and increases resilience to economic downturns. The diversification in all segments offers attractive opportunities throughout real estate cycles.

Our main objective is to ensure sustained and recurring returns to shareholders while applying exemplary governance and ethic practices.

INVESTMENT FOCUS

We follow a value-based approach to investing and allocating capital. We believe our disciplined action, global reach and our expertise in recapitalizations and operational turnarounds enable us to identify a wide range of potential opportunities. The Company has positioned itself to be efficient with different acquisition and development models, including acquisitions of portfolios of revenue generating assets, optimization of revenue generating assets that need to be repositioned or redeveloped, and development projects from land up. The real estate market in Canada, especially in Ontario and Quebec, offers segment specific opportunities that fit particularly well with Delma’s business model of short-term value creation and long-term revenue generation.

- **Retail Segment:** The retail market is evolving drastically bringing opportunities that include the redevelopment or repurposing of urban malls into higher density sites with mixed-use properties combining retail with higher-density residential, services, green space and experiential attractions. Delma specifically targets these retail properties with the objective to complete redevelopment within a short time frame to increase asset value and revenue generation potential for long-term holding while

focussing on proximity services and retail properties with value-add potential.

- *Industrial Segment:* There is an increase for industrial space driven by online retail distribution and return centers and other niche segments. Significant rental increases are expected with demand exceeding supply for the next years. Delma is targeting specific geographical areas that offer important logistical advantages to long-term tenants and develop properties in functions of firm long-term leasing arrangements.
- *Office Segment:* The leasing activity in the office buildings sector is fuelled by changing tenants' expectations driven by the tech industry and demand for unique technology-enabled space with amenities in the buildings and its close vicinity. Delma developed a tenant-oriented acquisition and redevelopment strategy that enables the Company to lock long term tenants based on addressing their specific needs.
- *Multi-Suite Residential Segment:* Tight supply, rising interest rates and tougher stress tests on residential mortgages have had an impact on affordability in certain markets but the province of Quebec still enjoys greater affordability and pricing is expected to remain firm. There are interesting opportunities in this sector in various cities in the province of Quebec such as Montreal, Dorval, Gatineau, some areas of Quebec City and in Ontario such as Ottawa, Niagara Falls, London and in secondary line cities of larger cities like Toronto where Delma is actively involved.

The Company acquires and develops its assets according to well-defined parameters. Its acquisition and development strategy can be summarized as follows:

- Acquire and develop diversified assets in each of the segments described above, within well defined parameters;
- Focus retail activities on proximity services properties and high rated tenants in specific categories of retail, highway service properties, in large centers as well as in secondary markets;
- Concentrate industrial assets acquisition mainly in peripheries of larger cities such as Montreal, Ottawa, Toronto and Quebec City;
- Target office assets in secondary markets with high potential in optimization;
- Develop multi-suite residential and senior housing as part of the wider mixed-use strategy, where Delma can increase density in portfolio properties or new acquisitions such as urban malls to be redeveloped; and

- Control the development and construction costs by establishing a documented and structured control policy reflected in all construction contracts.

PORTFOLIO COMPOSITION

We are positioned to be agile and opportunistic in different property types including acquisitions of portfolios of revenue generating assets, optimization of revenue generating assets that need to be repositioned or redeveloped, development from land up, creating high value add in these assets. Delma currently has in its portfolio, a good number of land sites ready for development, properties that are in the leasing period after construction, properties that are ready for redevelopment, and properties that are ready to be built. Delma also has very opportunistic transactions in the pipeline for assets in Ontario and in Quebec. To better segregate between the Company's portfolio, assets can be grouped in three specific categories as follows:

- *Producing*: Stabilized income producing properties with high occupancy rates held in the portfolio for long-term revenue generation.
- *Optimization*: Properties with a high potential for short to medium term value creation through segment re-focusing, densification, retrofitting or re-zoning opportunities.
- *Development*: Properties held for development based on modular design and build programs to mitigate risk and capture value increases.

Summary by Operating segment

| Property Type | Fair market value | Percentage |
|---------------|-----------------------|-------------|
| Producing | \$ 29,533,069 | 29.3% |
| Optimization | \$ 8,479,528 | 8.4% |
| Development | \$ 62,719,137 | 62.3% |
| Total | \$ 100,731,734 | 100% |

Portfolio Properties: Revenue generating properties

| Property | Location | Segment | Fair Market Value |
|------------------|--------------------|--------------|----------------------|
| Dorval | Dorval, QC | Office | \$ 8,668,649 |
| Orly | Dorval, QC | Industrial | \$ 5,260,000 |
| Place Verner | Laval, QC | Industrial | \$ 600,000 |
| Boul. St-Laurent | Montreal, QC | Retail, Res. | \$ 767,668 |
| St-Jean-Baptiste | Montreal, QC | Industrial | \$1,800,000 |
| Le Breton 1 | Longueuil, QC | Industrial | \$ 1,290,000 |
| Le Breton 2 | Longueuil, QC | Industrial | \$ 1,574,999 |
| Lépine | Gatineau, QC | Retail | \$ 4,570,000 |
| Desjardins | Montreal, QC | Multi-Res | \$ 4,098,879 |
| Oka | Deux-Montagnes, QC | Retail | \$ 902,874 |
| Total | | | \$ 29,533,069 |

Portfolio Properties: Properties Held for Development

| Property | Location | Segment | Fair Market Value |
|---------------------------|----------------|---------------------|----------------------|
| Bromont - Commercial | Bromont, QC | Retail | \$ 32,693,789 |
| Bromont- Residential Lots | Bromont, QC | Residential | \$ 12,190,522 |
| Knowlton | Lac Brome, QC | Retail | \$ 2,898,577 |
| Parc Industriel Lévis | Levis, QC | Industrial, Retail | \$ 10,264,624 |
| Curé-Labelle | Blainville, QC | Retail | \$1,634,134 |
| Cité-des-Jeunes | St-Lazare, QC | Retail | \$ 1,167,491 |
| Dorval | Dorval, QC | Residential, Retail | \$1,870,000 |
| Total | | | \$ 62,719,137 |

Portfolio properties: Properties Held for optimization

| Property | Location | Segment | Fair Market Value |
|------------------|--------------|----------------|---------------------|
| Boul. St-Laurent | Montreal, QC | Office | \$ 1,400,000 |
| Lépine 2 | Gatineau, QC | Retail, Office | \$ 7,079,528 |
| Total | | | \$ 8,479,528 |

Portfolio Properties: Properties Held for Sale

During the twelve-month period ended December 31, 2018, the Company changed its intent of usage of the following previous investment properties and decided to dispose of them. Accordingly, these properties have been reclassified as properties held for sale. Management has re-evaluated the fair market value of these properties and is in the process of assessing the optimal disposition opportunity for each of these properties.

Following the restructuring of a segment of its portfolio the Company held properties for sale totalling \$ 4,064,331 in aggregate value as at December 31, 2018. Properties for sale were mainly comprised of hospitality properties including Blueberry Lake Resort, 42 North Resort, Lake Alphonse, Panagopoula Resort, and Domaine Balmoral Development Project.

Net Asset Value

The Net Asset Value (“NAV”) is an adjusted asset value reflecting the market values of real estate properties held by Delma. The NAV is measured on a per share basis where the aggregated net value of the portfolio is divided by the Company’s total number of shares outstanding. The Company’s properties are valued regularly at least once a year, depending on the Company’s requirements, and the NAV is measured and reported at the end of the accounting period. Liabilities are valued using the carrying value at the end of the reporting period. As at December 31, 2018, the net asset value was as follows:

| <i>(In \$, Except Number of Shares)</i> | As at December 31, 2018 |
|---|--------------------------------|
| Aggregated Portfolio Value | 104,796,065 |
| Aggregated Portfolio Liabilities | 56,199,503 |
| Other Net Corporate Items | 0 |
| Bank loan and Other Liabilities | 13,887,640 |
| Net Value | 34,708,922 |
| Total Shares Outstanding | 13,335,992 |
| Net Asset Value per Share | 2.60 |

The NAV is not a GAAP or IFRS financial measure and does not have a standardized meaning and therefore may not be comparable with similar measures presented by other issuers. It is intended to provide investors with a synthesized view of the Company’s portfolio value evolution from one reporting period to another.

Growth Vectors and Future Developments

At the end of 2018, Delma was strategically positioned to start and complete profitable development projects in the coming years, including the completion and optimizing of some of its existing properties, and the green field development of owed land, most of which are expected to start before the end of 2019. These developments are expected to increase the net asset value of the Company's portfolio as well as the Company's aggregated current revenues.

The Company intends to put in place a financing package specifically structured to facilitate such developments in order to accelerate the different projects and ensure the best returns possible for the Company and shareholders.

RESULTS FOR THE PERIOD

Quarterly information

The following table provides select information pertaining to the Delma's operations for the periods noted.

| <i>(In \$, Except per Share Data)</i> | Q4-18 | Q3-18 | Q2-18 | Q1-18 | Q4-17 | Q3-17 | Q2-17 | Q1-17 |
|--|--------------|-------------|-------------|-------------|-----------|----------|----------|----------|
| Revenue | 615,363 | 563,497 | 301,236 | 35,000 | 32,500 | 32,500 | 32,500 | 32,500 |
| Operation costs | 421,001 | 343,409 | 24,496 | - | - | - | - | - |
| Net Operating Income | 194,362 | 220,088 | 276,740 | 35,000 | 32,500 | 32,500 | 32,500 | 32,500 |
| Administrative expenses | 1,326,979 | 934,630 | 1,263,012 | 116,500 | 64,194 | - | - | - |
| Fair value adjustment | 12,395,200 | - | - | - | - | - | - | - |
| Financing expenses | 727,893 | 454,153 | 295,007 | - | - | - | - | - |
| Listing fees | (785,069) | - | 2,239,587 | - | - | - | - | - |
| Loss and comprehensive loss for the period | (11,612,118) | (1,285,195) | (1,397,779) | (4,821,087) | (151,570) | (87,375) | (87,375) | (87,375) |
| Basic and diluted loss per share | (0.93) | (0.10) | (0.14) | (0.61) | (0.01) | (0.03) | (0.03) | (0.03) |

Growth in revenue, operating costs, realty tax and net operating income is benefited from Delma's acquisition activities. The Company increased its portfolio by sixteen properties in 2018 representing 218,779 sf of operating properties and 11,719,280 sf of land and properties to be optimized or developed.

Occupancy for the property portfolio increased to 87.4% in Q4-18 as compared to none in Q4-17.

Administrative expenses increased \$1,262,785 in Q4-18 as compared to \$64,194 in Q4-17 mainly due to a non-recurring project cancellation fee of \$700,000 and the increase of consulting fees as a result of the additional

properties owned by Delma.

The Company has selected the fair value method to account for real estate classified as investment property and records properties at their purchase price (less any purchase price adjustments) in the quarter of acquisition. Any changes in the fair value of investment properties are recognized as fair value adjustments in the statement of income and comprehensive income in the quarter in which they occur.

Delma determines the fair value of investment properties by developing a range of acceptable values based on the discounted cash flow method and direct capitalization method, both of which are generally accepted appraisal methodologies. Fair value is based on, among other things, assumptions of future cash flows in respect of current and future leases, capitalization rates, terminal capitalization rates, discount rates, market rents, tenant inducements and leasing cost assumptions and expected lease renewals. Fair values are supported by a combination of internal financial information, market data and external independent valuations.

The net fair value loss was \$12,395,200 for Q4-18 caused by the difference in the evaluation of some assets at the time of the transfer against year-end.

The Company incurred a net loss and comprehensive loss of \$11,612,118 for the three-month period ended December 31, 2018, compared to a net loss and comprehensive loss of \$151,570 for the three-month period ended December 31st, 2017. Some of the more significant items comprising the expenses for the three-month period ended December 31, 2018, compared to the three-month period ended December 31, 2017, are the decrease in the fair value of \$12,395,200, the increase in the financing costs of \$727,893 in acquiring real estate properties during the period, partially offset by the decrease of \$785,069 following re-evaluation of the listing fees.

Liquidity and Capital Resources

As at December 31, 2018, the Company had a cash position of \$ 131,159 compared to \$ 3,028 as at December 31st, 2017, representing an increase of \$ 128,131.

The Company estimates that it will require approximately \$ 1,500,000 to fund general and administrative expenses for the next twelve months. The current cash on hand is not sufficient to meet our cash requirements for the next twelve months. As the Company continues with the process of raising funds for its operations and acquisitions, it expects to receive increasing revenues from its rental properties and management fees. Should these revenues not be sufficient to meet ongoing costs we will require additional financing to fund our administrative expenses and for any proposed acquisitions, if applicable. We have historically satisfied our capital needs primarily by issuing equity securities

and convertible debentures.

The Company's future capital requirements will depend on many factors, including, among others, cash flow from operations and sale of assets held for resale. The Company will need to raise additional funds through debt or equity financing to pursue its plans and objectives. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced, and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available, or that it can be obtained on terms acceptable to the Company and its shareholders. Accordingly, the Company is investigating various business opportunities that ideally will increase the Company's cash flow.

The Company is currently negotiating further funding commitments or arrangements for additional financing at this time and there is no assurance that it will be able to obtain any additional financing on terms acceptable to it. Any additional funds raised will be used for general and administrative expenses, the reimbursement or refinancing of short-term debt, and for the acquisition of properties, as applicable. The quantity of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by the Company's management as opportunities to raise funds arise.

Information on Shares Outstanding

During 2018, the Company modified its authorized share capital as follows:

- Unlimited number of Class A Common Shares, conferring 1 vote per share; and
- Unlimited number of Class B Common Shares conferring 100 votes per share, automatically convertible into Class A Common Shares on January 19, 2023 on a basis of 1 Class A Common Share for 1 Class B Common Share.

The total number of common shares issued and outstanding as at December 31, 2018 was 8,825,101 Class A Common Shares and 4,510,891 Class B Common Shares, for a total of 13,335,992 shares. As at the date of this MD&A there have been an additional 286,454 Class A Common Shares issued, for a total of 13,622,446 shares.

Of the shares issued and outstanding, 1,084,086 Class A Common Shares and 4,259,224 Class B Common Shares were put in escrow and are subject to release in agreement with the provisions provided in the escrow agreement. As at December 31, 2018, 975,677 Class A Common Shares and 4,259,224 Class B Common Shares are held in escrow.

The total number of warrants outstanding as at December 31, 2018 was 13,550 and as at the date of this MD&A there were no warrants outstanding as the previous 13,550 warrants outstanding expired on January 27, 2019.

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company, may from time to time, in its discretion, and in accordance with the CSE requirements, grant to directors, officers, employees and technical consultant to the Company, non-transferable stock options to purchase common stock. There were no stock options outstanding as at December 31, 2018 and as at the date of this MD&A there have been no new additional options granted.

Variations in common shares for the year

| | Period ended December 31, 2018 | | Period ended December 31, 2017 | |
|--|-----------------------------------|---------------------|-----------------------------------|------------|
| | Number of shares | \$ | Number of shares | \$ |
| Balance, beginning of year | 134,599 | 14,298,608 | 127,834 | 12,657,090 |
| Conversion into Class A Common Shares | (134,599) | (16,939,665) | - | - |
| Shares issuance | - | - | (6,775) | 63.45% |
| Balance, end of year | - | (2,641,057) | 134,599 | 12,657,090 |

Variations in Class A and Class B common shares for the year

| | Class A Shares | | Class B Shares | |
|--|---------------------|-------------------|---------------------|------------------|
| | Number of shares | \$ | Number of shares | \$ |
| Conversion of Common Shares | 134,599 | 14,298,608 | - | - |
| Reverse Takeover | 1,963,247 | 173,957 | 3,510,891 | 278,081 |
| Purchase of non- controlling interest | 232,851 | 2,641,057 | - | - |
| Acquisition of the Bromont Group | 3,083,334 | 18,115,219 | 1,000,000 | 5,875,205 |
| Acquisition of Lupa | 633,890 | 2,206,666 | - | - |
| Acquisition of GHP | 2,468,698 | 11,898,923 | - | - |
| Acquisition of Lupa II | 266,299 | 1,569,788 | - | - |
| Debt Settlement | 8,334 | 50,004 | - | - |
| Consulting Services paid in shares | 33,669 | 202,014 | - | - |
| Balance, end of year | 8,825,101 | 51,156,236 | 4,510,891 | 6,153,286 |

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value, subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognized when contractual rights to the cash flows from the financial asset expires, or when the financial asset and subsequently all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

The Company's financial instruments consist of cash, receivables, assets held for sale, debenture receivable, refundable deposits, advances to companies under common control, trade and other payables, other current liabilities and long-term debt

Risks and Uncertainties

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Strategic and operational risks are risks that arise if the Company fails to raise sufficient equity and/or debt financing in order to purchase a sufficient number of properties to achieve the critical sized portfolio of assets required to sustain its financing and operational costs. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions.

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is subject to normal industry credit risks. Therefore, the Company believes that there is minimal exposure to credit risk.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Management will also consider different alternatives to secure adequate debt or equity financing to meet the Company's short term and long-term cash requirements.

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

Real property ownership and tenant risks All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant space in properties 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.

If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be re-leased on economically favourable terms, the properties may not generate revenues sufficient to meet operating expenses, including debt service payments and capital expenditures.

Upon the expiry of any lease, there can be no assurance 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. Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the properties or revenues to be derived from them. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Company due to internal and external limitations on its ability to charge these new market based rents in the short term.

Fluctuations in capitalization rates As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

Environmental matters Delma is subject to various requirements (including federal, provincial and municipal laws, as applicable,) relating to environmental matters. Such requirements provide that Delma could be, or become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under the properties, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials.

Competition The real estate business is competitive. Numerous developers, managers and owners of properties compete with Delma in seeking tenants. The existence of competing developers, managers and owners and competition for the Delma's tenants could have an impact on Delma's ability to lease space in the properties and on the rents charged.

Delma is subject to competition for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those targeted by Delma. A number of these investors may have greater financial resources than those of Delma or operate without the investment or operating restrictions of Delma. An increase in the availability of the investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Illiquidity of real estate investments 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 limit Delma's ability to promptly adjust its portfolio in response to changing economic or other conditions. If Delma were required to quickly liquidate its properties, the proceeds might be significantly less than the aggregate carrying value of its properties or less than what could be expected to be realized under normal circumstances. In addition, by concentrating on commercial rental properties, Delma is exposed to the adverse effects on that segment of the real estate market.

New Standards adopted as at January 1, 2018

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively with restatement of comparative periods in accordance with the transition periods from IFRS 15. The Company determined that the adoption of IFRS 15 did not have a material impact on its consolidated financial statements.

IFRS 9 - Financial Instruments

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and liabilities and introduces an 'expected credit loss' model for the impairment of financial assets.

The adoption of IFRS 9 resulted in a change of classification of the financial assets to the financial assets at amortized cost category while they were

classified as loans and receivables under the classification prescribed by IAS 39. There was no change in the classification of financial liabilities. The adoption of IFRS 9 didn't have any impact on the carrying values; therefore, comparative figures have not been restated,

Accounting standards issued but not yet applied

At the date of authorization of these consolidated financial statements, certain new standards, and amendments to existing standards, have been published by the IASB that are not yet effective, and have not been adopted early by the Company. Information on those expected to be relevant to the Company's consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 16 - Leases

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months. The Company is currently assessing the application of this new standard and the impact on the consolidated financial statements.

Off-Balance Sheet Arrangements

The Corporation does not currently have any off-balance sheet arrangements.

Related Parties Transactions

During the twelve-month period ended December 31, 2018, the Company entered into transactions with related parties, which include the Company's key personnel and entities that are controlled by officers or directors of the Company. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. All transactions with related parties occurred in the normal course of operations and are measured at their fair value as determined by management. Unless otherwise indicated, the period-end balances are unsecured, non-interest bearing, without specific terms of repayment and have arisen from the provision of services and fees described.

During 2018, the Company incurred \$697,830 as management fees with related parties as compared to \$nil in 2017.

Subsequent Events

On January 15th, 2019, the Company refinanced loans payable of \$556,735 and Convertible debentures of \$670,457 and extended their maturity date to March 2019. The Company is currently in discussion with debenture holders to confirm extension of these debentures. Under the terms of the extension agreement, the holders of the loans and debentures can convert into shares of the Company at a price equal to the lesser of \$3.49 or the net asset value based on the last quarterly financial statements. The Company has not yet determined the accounting impact of these new terms.

Subsequent to year-end, the Company settled some accounts payable by issuing 264,070 class A common shares for a total amount of 915 105\$. This transaction resulted in a gain on settlement of \$143,987 and an increase in share capital of \$771,118.

Additional Information

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. This MD&A should be read in conjunction with other disclosure documents provided by the Company, which can be accessed at www.sedar.com.