CANADIANNET
REAL ESTATE INVESTMENT TRUST

Management Discussion & Analysis

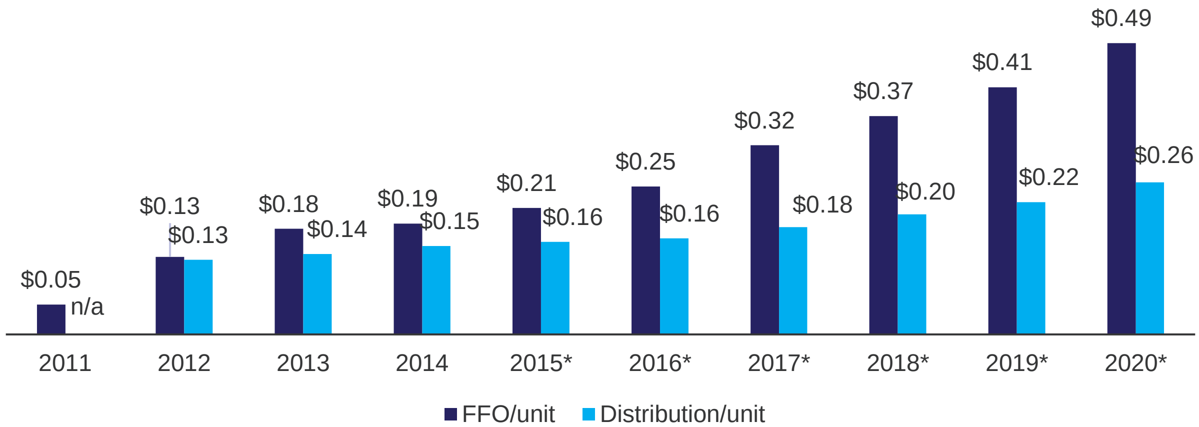
Q2 2021
Period ended June 30th, 2021
Form 51-102F1

SUMMARY OF SELECTED FINANCIAL INFORMATION

	6 months			
Periods ended June 30	**2021**	**2020**	**Δ**	**%**
Financial info				
Property rental income	9,135,359	6,067,000	3,068,359	51%
Total revenue	9,135,359	6,067,000	3,068,359	51%
Net income and comprehensive income	6,444,443	6,633,788	(189,345)	(3%)
NOI (1)	6,691,671	4,649,167	2,042,504	44%
FFO (1)	5,029,936	3,293,605	1,736,331	53%
Recurring FFO (1)(2)	5,057,751	3,293,605	1,764,146	54%
AFFO (1)	4,632,317	3,046,411	1,585,906	52%
EBITDA	9,265,266	7,376,512	1,888,754	26%
Adjusted EBITDA (1)	6,776,356	4,588,405	2,187,951	48%
Investment properties	209,636,216	142,107,148	67,529,068	48%
Adjusted investment properties (3)	249,533,216	168,805,328	80,727,888	48%
Total assets	232,046,925	157,837,222	74,209,703	47%
Total mortgage/loans/long term debt (4)	118,162,042	75,298,413	42,863,629	57%
(including revolving line of credit)	124,632,042	79,228,413	45,403,629	57%
Total convertible debentures	8,314,560	3,041,705	5,272,855	173%
Total equity	94,579,889	72,971,365	21,608,524	30%
Weighted average units o/s - basic	17,442,846	13,996,645	3,446,201	25%
Amounts on a per unit basis				
FFO	0.288	0.235	0.053	23%
Recurring FFO	0.290	0.235	0.055	23%
AFFO	0.266	0.218	0.048	22%
Distributions	0.150	0.128	0.022	17%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.41%	3.72%	(0.31%)	
Debt to gross assets - including converts	57%	52%	5%	
Debt to gross assets - excluding converts	54%	50%	4%	
Interest coverage ratio	3.3x	3.0x	0.3x	
Debt service coverage ratio	1.9x	1.9x	-	
Distributions as a % of FFO per unit	52%	54%	(2%)	
Distributions as a % of Recurring FFO per unit	52%	54%	(2%)	
Distributions as a % of AFFO per unit	56%	59%	(3%)	
Leasing information				
Occupancy	99%	100%	(1%)	
Mix of tenancy based on NOI(5)				
National	89%	83%	6%	
Regional	9%	14%	(5%)	
Local	2%	3%	(1%)	
Breakdown of NOI per property type(5)				
Retail	54%	41%	13%	
National service-station and c-store chains	27%	36%	(9%)	
Quick Service Restaurants	17%	20%	(3%)	
Other	2%	3%	(1%)	
	100%	100%	-	
Other				
Average term to maturity – mortgages (years)	6.5	5.8	0.7	
Average term to maturity – leases (years)	7.9	8.3	(0.4)	
IFRS capitalization rate	6.38%	6.42%	(0.04%)	

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"
(2) Recurring FFO excludes "Other revenues" as presented on the Consolidated Financial Statements
(3) Adjusted Investment Properties includes the Trust’s proportionate share of value of investment properties owned through joint ventures; Refer to Note 4 Properties and Note 5 ([1] value of developed properties, [2] leased properties and [3] properties under development) in Canadian Net’s Consolidated Financial Statements
(4) Excludes convertible debentures
(5) Includes the Trust’s proportionate share of NOI from properties held through joint ventures

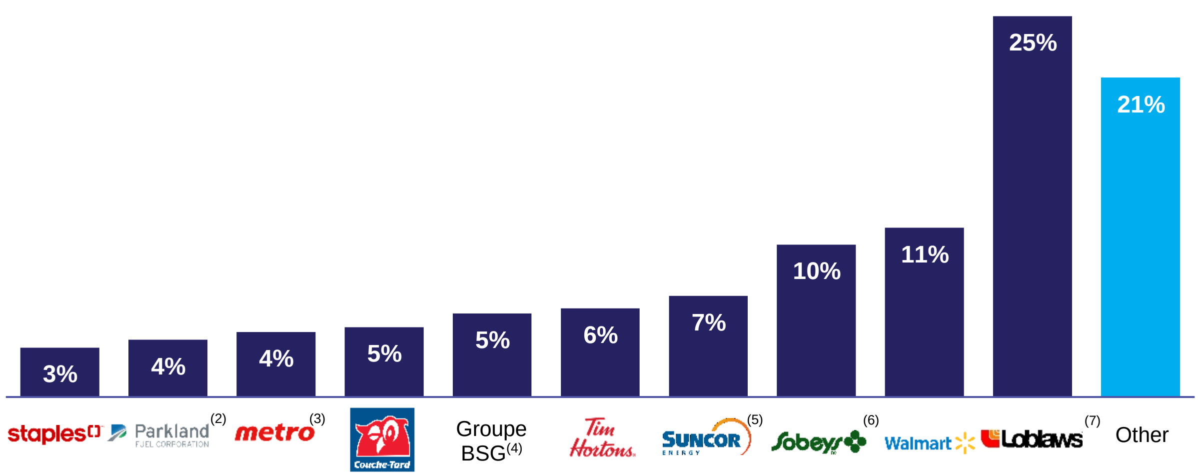
HISTORICAL SELECTED FINANCIAL PERFORMANCE



*Recurring FFO: See appropriate sections for reconciliation to the closest IFRS measure and section "Non-IFRS financial measures"

TENANT OVERVIEW – PERIOD ENDED JUNE 30, 2021

TOP 10 TENANTS (79%)[1]



Notes:

1. (1) Based on Net Operating Income (''NOI''); Includes the Trust's proportionate share of NOI from properties held through joint ventures
2. (2) Parkland Fuel Corporation operates service-stations under the Ultramar and Esso Banners
3. (3) Metro operates grocery stores under the Metro, Super C and Food Basics banners
4. (4) Groupe BSG is a large regional service-station operator operating under various banners
5. (5) Suncor operates Pétro-Canada service-stations
6. (6) Sobeys operates IGA grocery stores, Shell service-stations and Sobeys Fast Fuel service-stations
7. (7) Loblaws operates the Pharmaprix pharmacies and the Provigo, Maxi, Independent's and Atlantic Superstore grocery banners

BREAKDOWN OF PROPERTIES & OPERATING SECTORS

#	Address	City/Province	Type	Land	Building	Ownership
1	40-50 Brunet Street	Mont St-Hilaire, Qc	QSR, gas, c-store	69K sf	5,452 sf	100%
2	230 St-Luc Blvd.	St-Jean-sur-Richelieu, Qc	Gas, c-store	65K sf	8,359 sf	100%
3	196 Hôtel-de-Ville Blvd.	Rivière-du-Loup, Qc	Gas, c-store	14K sf	2,400 sf	100%
4	1349-1351 Road 117	Val-David, Qc	QSR, gas, c-store	36K sf	4,748 sf	100%
5	275 Barkoff Street	Trois-Rivières, Qc	Gas, c-store	60K sf	2,400 sf	65%
6	530 Barkoff Street	Cap-de-la-madeleine, Qc	Gas, c-store	30K sf	2,641 sf	50%
7	340-344 Montée du Comté	Les Coteaux, Qc	QSR, gas, c-store	67K sf	8,071 sf	100%
8	1440-50 St-Laurent East Blvd.	Louiseville, Qc	QSR, gas, c-store	115K sf	6,132 sf	50%
9	1460 St-Laurent East Blvd.	Louiseville, Qc	QSR	37K sf	4,841 sf	50%
10	490-494 De L'Atrium Blvd.	Québec City, Qc	Gas, c-store	34K sf	6,574 sf	100%
11	7335 Guillaume Couture Blvd.	Lévis, Qc	QSR	30K sf	2,860 sf	100%
12	1319 Brookdale Avenue	Cornwall, On	QSR	33K sf	3,127 sf	100%
13	4200 Bernard-Pilon Street	St-Mathieu de Beloeil, Qc	Gas, c-store	20K sf	1,200 sf	100%
14	1901 Raymond Blais Street	Sainte-Julie, Qc	Gas, c-store	27K sf	1,392 sf	100%
15	2000 Leonard de Vinci Street	Sainte-Julie, Qc	QSR	39K sf	4,575 sf	100%
16	2050 Leonard de Vinci Street	Sainte-Julie, Qc	Gas	86K sf	1,255 sf	100%
17	2051 Nobel Street	Sainte-Julie, Qc	QSR	50K sf	5,975 sf	100%
18	16920-16930 St-Louis Ave.	St-Hyacinthe, Qc	QSR, gas, c-store	70K sf	6,290 sf	100%
19	3726 Des Forges Blvd.	Trois-Rivières, Qc	QSR	19K sf	3,360 sf	100%
20	2871-2885 Des Prairies St	Trois-Rivières, Qc	QSR, gas, c-store	60K sf	6,662 sf	100%
21	2350 Chemin des Patriotes	Richelieu, Qc	QSR, gas, c-store	48K sf	4,851 sf	100%
22	4932 Des Sources Blvd.	Pierrefonds, Qc	QSR	23K sf	2,716 sf	100%
23	314 De Montigny Street	St-Jérôme, Qc	QSR	24K sf	2,832 sf	100%
24	288 Valmont Street	Repentigny, Qc	Gas, c-store	22K sf	2,400 sf	100%
25	2439 Ste Sophie Blvd.	Sainte-Sophie, Qc	Gas, c-store	58K sf	4,856 sf	95%
26	2429 Sainte-Sophie Blvd.	Sainte-Sophie , Qc	QSR	45K sf	3,710 sf	95%
27	610 Saint-Joseph Blvd.	Gatineau, Qc	Other	13K sf	3,372 sf	100%
28	513 Des Laurentides Blvd.	Laval, Qc	Other	12K sf	3,019 sf	100%
29	123 St-Laurent East Blvd	St-Eustache, Qc	Gas, c-store	22K sf	3,846 sf	100%
30	4 North Street	Waterloo, Qc	Gas, c-store	14K sf	2,845 sf	100%
31	3355 de la Pérade Street	Quebec City, Qc	Retail	142K sf	28,894 sf	100%
32	2555 Montmorency Blvd	Quebec City, Qc	Retail	110K sf	25,480 sf	100%
33	3592 Laval Street	Lac Mégantic, Qc	Gas, c-store	20K sf	1,777 sf	100%
34	536 Algonquin Blvd.	Timmins, On	QSR	102K sf	2,690 sf	100%
35	1730 Jules Vernes Ave.	Cap Rouge, Qc	QSR	38K sf	4,100 sf	50%
36	235 Montée Paiement	Gatineau, Qc	Retail	149K sf	25,706 sf	100%
37	510 Bethany Ave.	Lachute, Qc	QSR, gas, c-store	113K sf	11,910 sf	50%
38	1337 Iberville Blvd.	Repentigny, Qc	Retail	57K sf	17,050 sf	100%
39	222 St-Jean-Baptiste Blvd.	Mercier, Qc	QSR, gas, c-store	70K sf	9,488 sf	82.5%
40	230 St-Jean-Baptiste Boul.	Mercier, Qc	QSR	33K sf	4,165 sf	82.5%
41	101 Hébert Street	Mont-Laurier, Qc	Retail	350K sf	37,530 sf	100%
42	290 Mgr. Langlois Blvd.	Salaberry-de-Valleyfield, Qc	QSR, gas, c-store	107K sf	10,114 sf	50%
43	510 Portland Street	Dartmouth, NS	QSR	32K sf	4,631 sf	100%
44	20 Frontenac Ouest Blvd.	Thetford Mines, Qc	QSR	30K sf	2,400 sf	100%
45	975 Wilkinson Ave.	Dartmouth, NS	QSR, gas, c-store	85K sf	7,975 sf	50%
46	1501 Jacques Bedard Street	Quebec City, Qc	Retail	152K sf	24,652 sf	100%
47	852 Laure Boulevard	Sept Iles, Qc	QSR	28K sf	3,239 sf	100%
48	87-91 Starrs Road	Yarmouth, NS	Gas, c-store	62K sf	3,335 sf	100%
49	4675 Shawinigan Sud Blvd.	Shawinigan, Qc	QSR, gas, c-store	101K sf	7,126 sf	50%
50	480 Bethany Ave.	Lachute, Qc	Retail	492K sf	75,681 sf	100%
51	484 Bethany Ave.	Lachute, Qc	QSR	32K sf	3,037 sf	100%
52	2077 Laurentides Blvd.	Laval, Qc	Retail	31K sf	9,462 sf	100%
53	111-117 Desjardins Bvld.	Maniwaki, Qc	Retail	45K sf	16,085 sf	100%
54	550 Laflèche Boulevard	Baie Comeau, Qc	Retail	102K sf	19,676 sf	100%
55	304 LaSalle Boulevard	Baie Comeau, Qc	QSR	13K sf	3,300 sf	100%
56	35 route 201	Coteau-du-Lac, Qc	QSR, gas, c-store	31K sf	4,500 sf	50%
57	835 Lucien Chenier	Farnham, Qc	QSR, gas, c-store	89K sf	7,000 sf	100%
58	24 Miikana Way	Kenora, On	Retail	534K sf	80,881 sf	100%
59	1410 Principale Street	St-Etienne-des-Grès, Qc	QSR, gas, c-store	26K sf	4,122 sf	75%
60	2505 Saint-Louis Street	Gatineau, Qc	Retail	88K sf	25,389 sf	100%
61	124 Beech Hill Road	Antigonish, NS	QSR, gas, c-store	176K sf	4,040 sf	50%
62	16670 Des Acadiens Blvd.	Bécancour, Qc	QSR, gas, c-store	14K sf	3,600 sf	75%
63	1875 Sainte-Marguerite Street	Trois-Rivières, Qc	Gas, c-store	19K sf	2,400 sf	75%
64	5100 Wilfrid Hamel Blvd.	Quebec City, Qc	Gas, c-store	26K sf	3,077 sf	50%

65	369 St-Charles Street West	Longueuil, Qc	Gas, c-store	15K sf	2,578 sf	50%
66	1305-1375 Sherbrooke St*	Magog, Qc	QSR, gas, c-store	38K sf	8,900 sf	50%
67	250 Saint-Antoine Nord Street	Lavaltrie, Qc	Retail	87K sf	22,794 sf	100%
68	524-534 Saint-Joseph Blvd.*	Drummondville, Qc	QSR	26K sf	7,684 sf	50%
69	570 Saint-Joseph Blvd.*	Drummondville, Qc	QSR	52K sf	3,855 sf	50%
70	491 Seigneuriale Street	Quebec City, Qc	Retail	103K sf	21,303 sf	100%
71	150 St-Alphonse Blvd.	Roberval, Qc	Retail	207K sf	43,378 sf	100%
72	15 McChesney Ave.	Kirkland Lake, ON	Retail	200K sf	45,157 sf	100%
73	394 Westville Road	New Glasgow, NS	Retail	487K sf	90,800 sf	100%
74	1225 Kings Street	Sydney, NS	Retail	155K sf	47,189 sf	100%
75	478 Ch. Knowlton	Lac Brome, Qc	QSR, gas, c-store	51K sf	4,500 sf	100%
76	14 Sunset Road	Pictou, NS	QSR, gas, c-store	129K sf	5,460 sf	50%
77	Laurier Boulevard*	Terrebonne, Qc	QSR	35K sf	3,885 sf	40%
78	7751-7811 Roi-Rene Blvd.*	Anjou, Qc	QSR	33K sf	5,800 sf	40%
79	10 700 Ch. Cote-de-Liesse	Lachine, Qc	Gas	37K sf	395 sf	100%
80	Rue d'Alma*	Chicoutimi, Qc	QSR	40K sf	3,885 sf	40%
81	135 Barton Street East	Hamilton, ON	Retail	153K sf	37,509 sf	100%
82	95-103 Water Street North	Cambridge, ON	Retail	122K sf	38,500 sf	100%
83	107 Bridge Street	Dunnville, ON	Retail	91K sf	27,651 sf	100%
84	199 Simcoe Avenue	Keswick, ON	Retail	106K sf	27,838 sf	100%
85	1035 Wilfrid-Hamel Blvd.**	Quebec City, Qc	Retail	98K sf	27,400 sf	100%
86	2 Saint-Martin Street**	Bromont, Qc	QSR	6K sf	5,703 sf	100%
			Total:	**7,012K sf**	**1,099,437 sf**	

QSR: Quick Service Restaurant
*Under development
**Acquired after June 30, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Canadian Net Real Estate Investment Trust ("Canadian Net" or the "Trust") is intended to provide readers with an assessment of performance and summarize the results of operations and financial condition for the 6-month period ended June 30, 2021. It should be read in conjunction with the Consolidated Financial Statements for the period ended June 30, 2021 and the Consolidated Financial Statements and MD&A for the period ended June 30, 2020. The financial data contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars. You can find all copies of Canadian Net's recent financial reports on Canadian Net's website cnetreit.com and on sedar.com.

Dated August 20, 2021, this MD&A reflects all significant information available as of that date and should be read in conjunction with the Consolidated Financial Statements for the period ended June 30, 2021 and accompanying notes included in this report.

The audit committee reviewed the contents of this MD&A and the Financial Statements and the Trust's Board of Trustees has approved them.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to present forward-looking information to provide investors with a better understanding of the Trust's future prospects and help them make informed decisions. This MD&A contains forward-looking statements about the Trust's objectives, strategies, financial position, results of operations, cash flows and operations, which are based on management's current expectations, estimates and assumptions about the markets in which it operates.

Statements based on management's current expectations contain known and unknown inherent risks and uncertainties. Forward-looking statements may include verbs such as "believe," "anticipate," "estimate," "expect," "intend" and "assess" or related expressions, used in the affirmative and negative forms. These statements represent the Trust's intentions, plans, expectations or beliefs and are subject to risks, uncertainties and other factors, many of which are beyond the Trust's control. Actual results may vary from expectations. The reader is cautioned not to place undue reliance on any forward-looking statements.

The outbreak of COVID-19 has resulted in the federal and provincial governments enacting numerous measures such as the implementation of a travel ban, self imposed quarantine periods and social distancing. These measures have caused material disruption to businesses and has resulted in an economic slowdown. These measures have also resulted in material disruptions to global equity and capital markets.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and accordingly certain aspects of the Trust's operations could be affected, including rent collection, occupancy rates, demand for retail space, capitalization rates, and the resulting value of the Trust's properties. The full extent and duration of COVID-19 remain uncertain at this time.

Please note that the forward-looking statements contained in this MD&A describe our expectations as at August 20, 2021.

DESCRIPTION OF THE ISSUER'S BUSINESS

Canadian Net is an active Trust operating in the Canadian commercial real estate market. The Trust currently trades on the TSX Venture using the ticker symbol NET.UN. The Trust owns and rents commercial real estate properties directly and through its wholly owned subsidiaries. Since inception the Trust has made a series of acquisitions and has steadily increased its real estate portfolio.

Prior to June 17, 2021, the Trust operated under the name of Fronsac Real Estate Investment Trust and ticker ''FRO.UN''.

While always staying focused on **per unit results, Canadian Net…**

The principal, registered and head office of the Trust is located at 106 Gun Avenue, Pointe Claire, Qc, H9R 3X3.

On November 10, 2020, the Trust completed a consolidation of units on a basis of one (1) post-consolidation unit for every ten (10) pre-consolidation units. All per unit numbers in this MD&A are shown on a post-consilidation basis.

As at June 30, 2021 the Trust held 84 investment properties, 69 residing in the province of Quebec, 8 in the province of Ontario and 7 in the province of Nova Scotia. The properties are occupied by 5 distinct groups of tenants composed of: (1) retailers, (2) quick service restaurant chains, (3) major oil/gas companies, (4) c-store chains, and (5) others.

The quality of the properties in the portfolio allow Canadian Net to maintain a very high occupancy level. As at June 30, 2021, the Trust's occupancy was at 99%.

The Trust management is entirely internalized and no service agreements or asset management agreements are in force between Canadian Net and its officers. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the unitholders.

These properties are leased to tenants on a management free basis with triple net leases. Under this type of arrangement, the tenant is responsible for paying real estate taxes, insurance and any general maintenance required, in addition to the base rent already stipulated in the lease terms. These types of leases ensure stable recurring cash flows with an opportunity for growth.

MAJOR EVENTS OF THE QUARTER

On April 2nd, 2021, the GMB Frondacite Limited Partnership, in which Canadian Net holds a 40% interest, closed on the previously announced land acquisition in Terrebonne, Qc. Total consideration paid for the land was $700,000 (excluding transaction costs) and was settled in cash.

On April 20th, 2021, the FBO Simple Limited Partnership, in which Canadian Net holds a 40% interest, acquired a retail strip located on Roi-René Boulevard in Anjou, Qc. A portion of the property will be demolished, and a Benny&Co. restaurant will be added to the strip. Total costs are expected to be $3,500,000 and construction is set to begin in 2022.

On May 20th, 2021, Canadian Net acquired a land leased to a Petro-Pass cardlock located in the Greater Montreal Area. Total consideration paid was $1,550,000 (excluding transaction costs) and was settled in cash.

On May 31st, 2021, Canadian Net completed to acquisitions of 4 grocery store properties operated under the Food Basics banner located in Hamilton, Cambridge, Dunnville and Keswick, On. Total consideration paid was $15,140,663 (excluding transaction costs) and was settled in cash.

On June 1st, 2021, Mr. Kevin Henley was appointed Chief Investment Officer of the Trust. Mr. Henley was previously Chief Financial Officer of the Trust since November 2017. Mr. Ben Gazith was appointed Chief Financial Officer of the Trust. Since January 2020, Mr. Gazith was Corporate Controller of the Trust.

On June 17th, 2021, Canadian Net (previously Fronsac REIT) announced that on that date, it began operating under the name of Canadian Net Real Estate Investment Trust. The Trust also announced that it would change its trading symbol from FRO.UN to NET.UN. The changes on the TSX Venture Exchange became effective on June 22, 2021.

OUTLOOK 2021 & SUBSEQUENT EVENTS

Canadian Net is constantly looking for acquisitions of commercial real estate properties that have triple net leases and are management free. These types of acquisitions limit the overhead required to run the business and in turn allow management to focus on adding value through strategic acquisitions that are accretive to the Trust's FFO/AFFO per unit.

Canadian Net is looking for acquisitions that will sustain its growth. The Trust's capital and debt structure puts it in a selective position for other potential acquisitions.

On July 2nd, 2021, Canadian Net announced that it had received approval from the TSX Venture Exchange ("TSX") for the annual renewal of its normal course issuer bid ("NCIB").

Under the renewed NCIB, Canadian Net may purchase for cancellation, through the facilities of the TSX Venture Exchange, if in the best interest of the Trust, a maximum of 874,140 units, which represents approximately 5% of the units in circulation. As of July 2nd, 2021, the Trust had 17,482,814 units issued and outstanding. Over the course of any 30-day period the Trust will not purchase more than 349,656 units in total, which represents 2% of the units issued and outstanding as at Jule 2nd, 2021.

Under the previous NCIB expiring on July 31, 2021, the Trust sought and received approval from the TSX to repurchase up to 734,765 units of Canadian Net. The Trust did not purchase any units over the course of this NCIB.

On July 15th, 2021, the Trust announced that it waived conditions on the acquisition of a single tenant grocery store property operated under the IGA banner in Quebec City, Québec, for a purchase price of approximately $6,200,000 (excluding transaction costs).

On July 15th, 2021, the Trust also announced that it had entered into an agreement with a syndicate of underwriters coled by Canaccord Genuity Corp. and Paradigm Capital Inc. (collectively, the "Underwriters") to issue and sell, on a bought deal basis, 2,350,000 units at a price of $7.45 per unit (the "Offering Price") for gross proceeds to the Trust of approximately $17,507,500 (the "Offering").

The Underwriters had also been granted an option (the "Over-Allotment Option"), exercisable in whole or in part, at any time until 30 days after the closing of the Offering, to purchase from the Trust up to 352,500 additional units, representing 15% of the units to be issued and sold pursuant to the Offering, at the Offering Price for additional gross proceeds to the Trust of up to $2,625,125. If the Over-Allotment Option was to be exercised by the Underwriters in full, the aggregate gross proceeds of the Offering (including the Over-Allotment Option) would be $20,133,625.

The Offering was expected to close on or about August 3, 2021 and was subject to certain conditions, including, but not limited to, the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange (the “TSX-V”).

The Trust intended to use the net proceeds from the Offering to fund announced and future acquisitions, planned development projects, to repay certain indebtedness which may be subsequently redrawn, and for general business and working capital purposes.

Certain trustees of the Trust have indicated an interest in purchasing Units as part of the Offering.

On July 22nd, 2021, the Trust closed on the previously announced acquisition of a single tenant grocery store property operated under the IGA banner in Quebec City, Québec, for total consideration (excluding transaction costs) of $6,200,000.

On August 3rd, 2021, Canadian Net announced the closing of its previously announced Offering of an aggregate of 2,702,500 trust units at a price of $7.45 per unit for gross proceeds of approximately $20,133,625 with a syndicate of underwriters led by Canaccord Genuity Corp. and Paradigm Capital Inc., and including CIBC Capital Markets, iA Private Wealth, Laurentian Bank Securities Inc., Desjardins Securities Inc., and Echelon Wealth Partners Inc.

The Offering included units issued upon the full exercise by the Underwriters of the over-allotment option granted to them pursuant to the underwriting agreement dated July 21, 2021 between the Trust and the Underwriters.

The Trust intended to use the net proceeds from the Offering to fund announced and future acquisitions, to fund planned development projects, to repay certain indebtedness which may be subsequently redrawn, and for general business and working capital purposes.

Certain trustees of the Trust acquired an aggregate of 50,750 units under the Offering, for aggregate gross proceeds of $378,087.50. Each of the trustee’s participation in the Offering is considered a related party transaction within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (in Québec, Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions) (“MI 61-101”). The trustees’ participation in the Offering is exempt from minority approval and formal valuation requirements pursuant to the exemptions contained in Sections 5.5(a) and 5.7(1)(a) of MI 61-101, as neither the fair market value of the Units issued under the Offering nor the consideration paid by the trustees for the units exceeded 25% of the Trust’s market capitalization. A material change report in respect of this related party transaction could not be filed earlier than 21 days prior to the closing of the Offering due to the Offering being launched on July 15, 2021 and the terms of the trustees’ participation in the Offering being confirmed shortly before closing. The Offering has been unanimously approved by the board of trustees of Canadian Net, with each of the participating trustees abstaining from voting on their respective participation in the Offering.

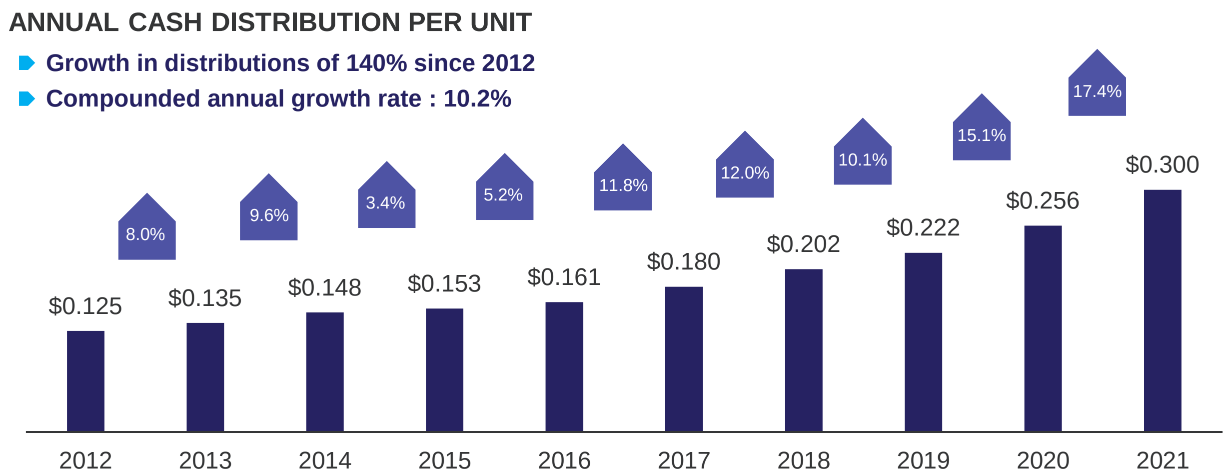
On August 12th, 2021, the Trust acquired a restaurant property operated under the East Side Mario’s banner in Bromont, Qc. Total consideration paid for the property was $2,350,000 (excluding transaction costs) and was settled in cash.

The outbreak of COVID-19 has resulted in the federal and provincial governments enacting numerous measures such as the implementation of a travel ban, selfimposed quarantine periods and social distancing. These measures have caused material disruption to businesses and has resulted in an economic slowdown. These measures have also resulted in material disruptions to global equity and capital markets.

Canadian Net’s portfolio is mostly comprised of retailers who provide essential services, such as grocery stores and pharmacies, service stations and quick service restaurants. As of today, the Trust’s portfolio is comprised of 86 properties with more than 100 tenants. Throughout the COVID-19 crisis, our tenants have remained open to continue to provide these essential services to the communities in which they operate, with some exceptions. Depending on the type of tenant, some have experienced increased traffic, while others have been more susceptible to the governments stay at home initiatives.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and accordingly certain aspects of the Trust’s operations could be affected, including rent collection, occupancy rates, demand for retail space, capitalization rates, and the resulting value of the Trust’s properties. The full extent and duration of COVID-19 remain uncertain at this time.

The Trust believes in a long-term growth strategy through acquiring properties that will increase its funds from operations per unit, distributions per unit and as a result increase total unitholders value.



NON-IFRS FINANCIAL MEASURES

This document contains various non-IFRS financial measures, which are used to explain the financial results of the Trust. The terms explained in this section do not have any standardized IFRS meaning and as such may not be comparable to other issuers.

Funds From Operations (FFO) is not an IFRS financial measure. FFO is an industry term and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Canadian Net may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions (see reconciliation to profit for the period attributable to unitholders on page 12). Canadian Net considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an appropriate picture of a Trust's recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS. As well, FFO allows some comparability amongst different real estate entities that have adopted different accounting with respect to investment properties (some entities use the cost model and whereas others use the fair value model to account for investment properties).

FFO per unit is not an IFRS financial measure. Canadian Net calculates FFO per unit as FFO divided by the weighted average number of units outstanding.

Recurring Funds From Operations (FFO) is not an IFRS financial measure. Canadian Net calculates recurring FFO by subtracting from the base FFO material non-recurring revenues and adding material non-recurring charges.

Recurring FFO per unit is not an IFRS financial measure. Canadian Net calculates Recurring FFO per unit as recurring FFO divided by the weighted average number of units outstanding.

Adjusted Funds From Operations (AFFO) is an industry term used to help evaluate dividend or distribution capacity. AFFO as calculated by Canadian Net may not be comparable to similar titled measures reported by other entities. AFFO primarily adjusts FFO for other non-cash revenues and expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream. Most of these expenditures would normally be considered investing activities in the statement of cash flows. Capital expenditures, which generate a new investment or revenue stream, such as the development of a new property or redevelopment of an existing property, would not be included in determining AFFO. AFFO excludes the impact of working capital changes as they are viewed as short-term cash requirements or surpluses. In addition, non-recurring costs that impact operating cash flow may be adjusted.

AFFO per unit is not an IFRS financial measure. Canadian Net calculates AFFO per unit as AFFO divided by the weighted average number of units outstanding.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not an IFRS financial measure. EBITDA, as calculated by Canadian Net, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Trust's ability to service debt. Its calculation is profit before financial expenses, income tax expense, and amortization.

Adjusted EBITDA is a non-IFRS measure and is used by the Trust to monitor the its ability to satisfy and service its debt and to monitor requirements imposed by the Trust's lenders. Specifically, Adjusted EBITDA is used to monitor the Canadian Net's Interest Coverage Ratio and Debt Service Coverage Ratio. Adjusted EBITDA represents earnings before interest, income taxes and fair value gains (losses) on investment properties, while also excluding non-recurring items.

The Interest Coverage Ratio ("Interest Coverage Ratio") is an non-IFRS measure used by management in determining the Trust's ability to service the interest requirements of its outstanding debt. The Trust calculates its Interest Coverage Ratio by dividing Adjusted EBITDA by the Trust's interest obligations for the period. Management uses this ratio to measure and limit the Trust's leverage.

The Debt Service Coverage Ratio ("Debt Coverage Ratio") is a non-IFRS measure. It is determined by the Trust as Adjusted EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflect principal repayments and interest expensed during the period. Payments related to prepayment penalties or payments upon discharge of a mortgage are excluded from the calculation. The Debt Service Coverage Ratio is a useful measure and is used by the Trust's management to monitor the Trust's ability to meet annual interest and principal payments.

Distributable Income is not an IFRS measure. There is no standardized measure of distributable income Distributable income is presented in this MD&A because Canadian Net believes this non IFRS measure is a relevant measure of its ability to earn and distribute cash returns to unitholders Distributable Income as computed by Canadian Net may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable income as reported by such entities.

The Distributable Income of Canadian Net is calculated based on Canadian Net's income determined in accordance with the provisions of the Income Tax Act (as amended, subject to certain adjustments as set out in Canadian Net's contract of trust, including that capital gains and capital losses be excluded, net recapture income be excluded, no deduction be made for non capital losses, capital cost allowance, terminal losses, amortization of cumulative eligible capital or amortization of costs of issuing units or financing fees related to the instalment loan, and leasehold improvements be amortized. Distributable Income so calculated may reflect any other adjustments determined by the Trustees in their discretion and may be estimated whenever the actual amount has not been fully determined. Such estimates will be adjusted as of the subsequent distribution date when the amount of Distributable Income has been finally determined.

Adjusted Investment Properties is not an IFRS measures. Adjusted Investment Properties is a combination of the Trust's investment properties as shown on its balance sheet as well as its propoertionate share of the value of the properties owned through joint ventures.

FFO, Recurring FFO, AFFO, EBITDA, Adjusted EBITDA, Interest Coverage Ratio, Debt Service Coverage Ratio, Distributable Income and Adjusted Investment Properties are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

ADDITIONAL IFRS FINANCIAL MEASURES USED IN THIS DOCUMENT

Net Property Operating Income (NOI) is an industry term in widespread use. The Trust includes NOI as an additional IFRS measure in its consolidated statement of income and comprehensive income. NOI as calculated by Canadian Net may not be comparable to similar titled measures reported by other entities. Canadian Net considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations. Its calculation is total revenues less total operating expenses as shown in the consolidated statements of income and comprehensive income (property revenues less total property operating costs, including operating ground rents).

FINANCIAL HIGHLIGHTS

	2021		2020				2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Rental income	4,681,568	4,453,791	3,690,482	3,219,366	3,203,394	2,863,606	2,738,295	2,458,451
Net income (loss) to unitholders	6,220,770	223,673	847,652	2,139,737	2,515,312	4,118,476	(997,612)	3,891,506
Net income (loss) per unit Basic	0.356	0.013	0.054	0.145	0.171	0.310	(0.085)	0.333
FFO (1)	2,596,669	2,433,267	1,977,993	1,874,971	1,830,892	1,462,713	1,295,716	1,197,449
FFO per unit	0.149	0.140	0.125	0.127	0.125	0.110	0.110	0.102
Value of adjusted investment properties (000's) (2)	249,533	225,562	221,712	171,615	168,805	160,829	134,376	133,413
Total assets (000's)	232,047	208,549	209,706	159,169	157,837	155,221	129,119	126,615
Mortgages, and other debts (000's)	118,162	106,859	107,652	73,912	75,298	71,064	60,383	60,554
Equity (000's)	94,580	89,408	90,206	74,303	72,971	71,359	51,342	53,031
Weighted avg. units o/s Basic (000's)	17,465	17,421	15,794	14,727	14,697	13,297	11,740	11,701

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Non-IFRS financial measures"

(2) Adjusted Investment Properties includes the Trust's proportionate share of value of investment properties owned through joint ventures; Referto Note 4 (Investment Properties) and Note 5 ([1] value of developed properties, [2] leased properties and [3] properties under development) in Canadian Net's Consolidated Financial Statements

INVESTMENT PROPERTIES

As at June 30	2021	2020	Δ
Investment Properties			
Developed properties	209,636,216	140,242,148	49%
Properties under development	-	-	-
Investment properties held for sale	-	1,865,000	(100%)
	209,636,216	142,107,148	48%
Joint Venture Ownership(1)			
Developed properties	35,023,916	24,076,206	45%
Leased properties	350,000	350,000	-
Properties under development	4,523,084	2,271,974	99%
Adjusted Investment Properties(2)	**249,533,216**	**168,805,328**	**48%**

(1) Represents Canadian Net's proportionate share

(2) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

RECONCILIATION OF NET INCOME TO FFO

	3 months			6 months		
Periods ended June 30	**2021**	**2020**	**Δ**	**2021**	**2020**	**Δ**
Net income (loss) attributable to unitholders	6,220,770	2,515,312	(3,894,803)	6,444,443	6,633,788	(189,345)
Debenture issuance costs	-	-	-	-	-	-
Δ in value of investment properties	(4,658,162)	14,908	(4,673,070)	(3,207,396)	(2,362,973)	(844,423)
Δ in value of investment properties in joint ventures	(447,461)	(20,228)	(427,233)	718,486	(425,134)	1,143,620
Unit based compensation	11,280	(75,550)	86,830	310,451	104,450	206,001
Δ in liability component of convertible debentures	-	56,167	(56,167)	-	18,379	(18,379)
Δ fair value adjustments on derivative financial instruments	1,463,847	(666,305)	2,130,152	750,470	(688,205)	1,438,675
Accretion of lease payments	7,184	6,804	380	14,271	13,516	755
Income taxes	(789)	(216)	(573)	(789)	(216)	(573)
FFO(1)	2,596,669	1,830,892	42%	5,029,936	3,293,605	53%
FFO per unit	0.149	0.125	19%	0.288	0.235	23%
Write off of transaction costs	27,815	-	27,815	27,815	-	27,815
Recurring FFO(1)	2,624,484	1,830,892	43%	5,057,751	3,293,605	54%
Recurring FFO per unit	0.150	0.125	20%	0.290	0.235	23%
Distributions	1,310,183	939,031	371,152	2,617,333	1,814,824	802,509
Distributions per unit	0.075	0.064	17%	0.150	0.128	17%
FFO per unit - after distributions	0.074	0.061	21%	0.138	0.108	28%
Recurring FFO per unit - after distributions	0.075	0.061	23%	0.140	0.108	30%
Distributions per unit as a % of						
FFO per unit	50%	51%	(1%)	52%	54%	(2%)
Recurring FFO per unit	50%	51%	(1%)	52%	54%	(2%)
Weighted avg. units o/s						
Basic	17,465,066	14,696,650	2,768,416	17,442,846	13,996,645	3,446,201

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

	3 months			6 months		
Periods ended June 30	**2021**	**2020**	**Δ**	**2021**	**2020**	**Δ**
FFO (1)	2,596,669	1,830,892	765,777	5,029,936	3,293,605	1,736,331
Amortization of finance charges included in interest expense	-	-	-	-	-	-
Straight-line rent adjustment(2)	(157,021)	(115,717)	(41,304)	(305,311)	(203,951)	(101,360)
Maintenance/cap-ex on existing properties	(43,875)	(18,390)	(25,485)	(92,308)	(43,243)	(49,065)
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	-	-	-	-	-
AFFO(1)	2,395,773	1,696,785	41%	4,632,317	3,046,411	52%
AFFO per unit	0.137	0.115	19%	0.266	0.218	22%
Distributions per unit	0.075	0.064	17%	0.150	0.128	17%
AFFO per unit - after distributions	0.062	0.052	21%	0.116	0.090	29%
Distributions per unit as a % of AFFO per unit	55%	55%	-	56%	59%	(3%)
Weighted avg. units o/s						
Basic	17,465,066	14,696,650	2,768,416	17,442,846	13,996,645	3,446,201

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"
(2) Adjusted for proportionate share of equity accounted investments

CASH FLOW AND LIQUIDITY

	3 months			6 months		
Periods ended June 30	**2021**	**2020**	**Δ**	**2021**	**2020**	**Δ**
Cash flow from:						
Operating activities	2,907,761	1,068,737	1,839,024	4,470,763	2,700,669	1,770,094
Investing activities	(17,633,594)	(6,997,476)	(10,636,118)	(22,067,153)	(25,882,954)	3,815,801
Financing activities	15,638,214	1,438,078	14,200,136	14,573,785	23,202,097	(8,628,312)
Increase in cash & cash Equivalents	912,381	(4,490,661)	5,403,042	(3,022,605)	19,812	(3,042,417)
Cash & cash equivalents - Beginning of period	524,720	4,810,811	(4,286,091)	4,459,706	300,338	4,159,368
Cash & cash equivalents - End of period	1,437,101	320,150	1,116,951	1,437,101	320,150	1,116,951

The Trust's rental income revenues are used to pay down various working capital obligations. These funds are the primary source to fund mortgage/loan and other debt payments, with the residual used to fund distributions to unit holders.

For the 3-month and 6-month periods ended June 30, 2021, Canadian Net has increased its cash from operating activities. These were mostly impacted by the growth in rental revenues, which was partially offset by the increase in financial expenses related to mortgages on new acquisitions.

Cash spent on investing activities can mainly be attributed to the acquisitions of properties and participations in joint ventures that took place over the course of the period. For more details regarding these acquisitions over the 6-month period ended June 30, 2021, please refer to Note 4 "Investment Properties" and Note 5 "Joint Arrangements" in the Financial Statements.

For the 6-month period ended June 30, 2021, cash derived from financing activities amounted to $14,573,785 compared to $23,202,097 for the same period in 2020. These amounts are the result of the money raised through new mortgages used to fund our acquisitions, as well as the offering of units of the Trust for the 6-month period of 2020.

The Trust expects to be able to meet all of its obligations as they become due in the short-term and the long-term. Canadian Net expects to have sufficient liquidity as a result of cash on hand, cash flow from operating activities, operating facilities, the ability to refinance properties when required as well as the ability to raise equity and debentures in the capital markets when deemed necessary.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

	3 months			6 months		
Periods ended June 30	**2021**	**2020**	**Δ**	**2021**	**2020**	**Δ**
Cash flow provided from operating activities	2,907,761	1,068,737	1,839,024	4,470,763	2,700,669	1,770,094
Net change in non-cash asset and liability items	(691,337)	392,167	(1,083,504)	(297,435)	(42,467)	(254,968)
Income taxes	(789)	(216)	(573)	(789)	(216)	(573)
Accretion of lease payments	7,184	6,804	380	14,271	13,516	755
Straight line rent adjustment	157,021	115,717	41,304	305,311	203,951	101,360
Δ in accrued interest	(20,400)	(3,613)	(16,787)	(11,158)	(11,418)	260
Debentures issuance costs	-	-	-	-	-	-
Δ in value of investment properties in joint ventures	(447,461)	(20,228)	(427,233)	718,486	(425,134)	1,143,620
Income from investment in joint ventures(1)	870,397	271,524	598,873	10,667	854,704	(844,037)
Accretion of the non-derivative liability component of convertible debentures	(185,707)	-	(185,707)	(180,180)	-	(180,180)
FFO(2)	2,596,669	1,830,892	42%	5,029,936	3,293,605	53%
Accretion of lease payments	(7,184)	(6,804)	(380)	(14,271)	(13,516)	(755)
Straight line rent adjustment(3)	(157,021)	(115,717)	(41,304)	(305,311)	(203,951)	(101,360)
Distributions from joint ventures	10,500	10,500	-	196,000	21,000	175,000
Periodic mortgage principal repayments	(794,980)	(475,641)	(319,339)	(1,587,490)	(894,540)	(692,950)
Repayment of long-term-debt	(15,000)	(15,000)	-	(15,000)	(15,000)	-
Distributable income	1,632,984	1,228,230	33%	3,303,864	2,187,598	51%
Distributions to unitholders	(1,310,183)	(939,031)	(371,152)	(2,617,333)	(1,814,824)	(802,509)
Cash surplus after distributions	322,801	289,199	33,602	686,531	372,774	313,757

(1) Excludes straight line rent in equity accounted investments

(2) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

(3) Including the proportionate share of equity accounted investments

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Financial position & COVID-19

Canadian Net benefits from a solid financial position. The Trust has sufficient liquidity, including cash on hand and undrawn credit facilities, to meet its current obligations, working capital requirements and distributions. As of June 30, 2021, Canadian Net had approximately $9,000,000 of cash and availability on its credit facilities. After June 30, 2021, the Trust completed a public offering of units and realized gross proceeds of $20,133,625, further strenghtening its balance sheet. For more information, please refer to Note 29 of the Consolidated Financial Statements.

RESULTS OF OPERATIONS

	3 months			6 months		
Periods ended June 30	**2021**	**2020**	**Δ**	**2021**	**2020**	**Δ**
Rental Income	4,681,568	3,203,394	1,478,174	9,135,359	6,067,000	3,068,359
Increase/(decrease) in fair values of investment properties	4,658,162	(14,908)	4,673,070	3,207,396	2,362,973	844,423
Financial expenses	2,537,135	64,573	2,472,562	2,835,883	756,456	2,079,427
Administrative expenses	208,281	202,662	5,619	413,713	372,150	41,563
Unit-based compensation	11,280	(75,550)	86,830	310,451	104,450	206,001
Net income (loss) attributable to unitholders	6,220,770	2,515,312	3,705,458	6,444,443	6,633,788	(189,345)
Net income (loss) per unit						
Basic	0.356	0.171	0.185	0.370	0.474	(0.105)
FFO(1)	2,596,669	1,830,892	42%	5,029,936	3,293,605	53%
FFO per unit	0.149	0.125	19%	0.288	0.235	23%
Recurring FFO(1)	2,624,484	1,830,892	43%	5,057,751	3,293,605	54%
Recurring FFO per unit	0.150	0.125	20%	0.290	0.235	23%
Weighted avg. units o/s						
Basic	17,465,066	14,696,650	2,768,416	17,442,846	13,996,645	3,446,201

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

RECONCILIATION OF NET INCOME TO EBITDA

	3 months			6 months		
Periods ended June 30	**2021**	**2020**	**Δ**	**2021**	**2020**	**Δ**
Net income attributable to unitholders	6,220,770	2,515,312	3,705,458	6,444,443	6,633,788	(189,345)
Financial expenses	2,537,135	64,573	2,472,562	2,835,883	756,456	2,079,427
Accretion of lease payments	(7,184)	(6,804)	(380)	(14,271)	(13,516)	(755)
Income taxes	(789)	(216)	(573)	(789)	(216)	(573)
EBITDA	8,749,932	2,572,865	6,177,067	9,265,266	7,376,512	1,888,754
Δ in value of investment properties	(4,658,162)	14,908	(4,673,070)	(3,207,396)	(2,362,973)	(844,423)
Δ in value of investment properties in joint ventures	(447,461)	(20,228)	(427,233)	718,486	(425,134)	1,143,620
Adjusted EBITDA(1)	3,644,309	2,567,545	42%	6,776,356	4,588,405	48%
Interest expense	952,857	719,653	233,204	2,030,606	1,523,648	506,958
Principal repayments	794,980	475,641	319,339	1,587,490	894,540	692,950
Debt service requirements	1,747,837	1,195,294	46%	3,618,096	2,418,188	50%
Interest coverage	3.8x	3.6x	0.2x	3.3x	3.0x	0.3x
Debt service coverage	2.1x	2.1x	-	1.9x	1.9x	-

(1) See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

RESULTS OF OPERATIONS FOR THE QUARTER ENDED JUNE 30, 2021

For the quarter ended June 30, 2021, the Trust had rental income of $4,681,568 ($3,203,394 in Q2 2020). This increase in rental income is due to the addition of new properties and the increases in rent of certain existing properties. These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

The change in fair value of investment properties is based on the change in capitalization rates applied to each property's adjusted net operating income as well as post-acquisition adjustments (see page 17 for more details). As at June 30, 2021, the Trust has estimated that a 0.25% decrease in the capitalization rate applied to the overall portfolio would increase the fair value of the investment properties by approximately $8,610,723 ($5,795,176 in Q2 2020) while an increase in the capitalization rate would decrease the fair value of the investment properties by aproximately $7,950,079 ($5,356,007 in Q2 2020). The weighted average capitalization rate used in the calculation of the fair value of investment property is 6.38% (6.42% in Q2 2020) while the range of capitalization rates used is 5.25% to 7.00% (5.75% to 7.25% in Q2 2020). The capitalization rates used in the calculation of the change in fair value of investment properties are provided by a third party firm specializing in the appraisal of commercial properties. The adjusted rental income is adjusted to take into consideration provision for vacancies, administrative fees, structural reserves and discounts on variable income.

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages and bank loans, which amounted to $2,537,135 in Q2 2021 compared to $64,573 for the same period last year. For the quarter ended June 30, 2021, the change in fair value of convertible debentures and warrants increased financial expenses by $1,463,847 compared to a decrease of $666,305 in 2020. Excluding this change in fair value, financial expenses for the quarter ended June 30, 2021 were $1,073,288 compared to $730,878 in 2020. This increase in financial expenses is because of an increase in interest expense, which is due to the increase in the number of mortgages.

For the quarter ended June 30, 2021, the Trust recorded recurring FFO of $2,624,484 in comparison to $1,830,892 in Q2 2020. Recurring FFO per unit increased by 20% from $0.125 to $0.150 for the same period last year. The growth in FFO is mainly derived from rental revenues of newly acquired properties net of the increase in financial expenses related to new mortgages on the properties.

RESULTS OF OPERATIONS FOR THE PERIOD ENDED JUNE 30, 2021

For the period ended June 30, 2021, the Trust had rental income of $9,135,359 ($6,067,000 in Q2 2020). This increase in rental income is due to the addition of new properties and the increases in rent of certain existing properties. These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

The change in fair value of investment properties is based on the change in capitalization rates applied to each property's adjusted net operating income as well as post-acquisition adjustments (see page 17 for more details).

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages and bank loans, which amounted to $2,835,883 in Q2 2021 compared to $756,456 for the same period last year. For the period ended June 30, 2021, the change in fair value of convertible debentures and warrants increased financial expenses by $750,470 compared to a decrease of $688,205 in 2020. Excluding this change in fair value, financial expenses for the period ended June 30, 2021 were $2,085,413 compared to $1,444,661 in 2020. This increase in financial expenses is because of an increase in interest expense, which is due to the increase in the number of mortgages.

For the period ended June 30, 2021, the Trust recorded recurring FFO of $5,057,751 in comparison to $3,293,605 in Q2 2020. Recurring FFO per unit increased by 23% from $0.235 to $0.290 for the same period last year. The growth in FFO is mainly derived from rental revenues of newly acquired properties net of the increase in financial expenses related to new mortgages on the properties.

CAPITAL STRUCTURE

The real estate business requires capital in order to continue to fund acquisitions, which is a key part to growth and success. The Trust is authorized to issue an unlimited number of trust units. During the 6-month period ended June 30, 2021, the Trust issued units as follows:

On February 15, 2021, announced the issuance of 43,200 units of Canadian Net REIT at a price of $6.95 per unit, which equates to $300,240 as partial compensation for the services rendered by certain members of management and the board of trustees during the fiscal year ended on December 31st, 2020.

On July 2nd, 2021, Canadian Net announced that it had received approval from the TSX Venture Exchange ("TSX") for the annual renewal of its normal course issuer bid ("NCIB").

Under the renewed NCIB, Canadian Net may purchase for cancellation, through the facilities of the TSX Venture Exchange, if in the best interest of the Trust, a maximum of 874,140 units, which represents approximately 5% of the units in circulation. As of July 2nd, 2021, the Trust had 17,482,814 units issued and outstanding. Over the course of any

30-day period the Trust will not purchase more than 349,656 units in total, which represents 2% of the units issued and outstanding as at Jule 2nd, 2021.

Under the previous NCIB expiring on July 31, 2021, the Trust sought and received approval from the TSX to repurchase up to 734,765 units of Canadian Net. The Trust did not purchase any units over the course of this NCIB.

On July 15th, 2021, the Trust announced that it had entered into an agreement with a syndicate of underwriters coled by Canaccord Genuity Corp. and Paradigm Capital Inc. (collectively, the "Underwriters") to issue and sell, on a bought deal basis, 2,350,000 units at a price of $7.45 per unit (the "Offering Price") for gross proceeds to the Trust of approximately $17,507,500 (the "Offering").

The Underwriters had also been granted an option (the "Over-Allotment Option"), exercisable in whole or in part, at any time until 30 days after the closing of the Offering, to purchase from the Trust up to 352,500 additional units, representing 15% of the units to be issued and sold pursuant to the Offering, at the Offering Price for additional gross proceeds to the Trust of up to $2,625,125. If the Over-Allotment Option was to be exercised by the Underwriters in full, the aggregate gross proceeds of the Offering (including the Over-Allotment Option) would be $20,133,625.

The Offering was expected to close on or about August 3, 2021 and was subject to certain conditions, including, but not limited to, the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange (the "TSX-V").

The Trust intended to use the net proceeds from the Offering to fund announced and future acquisitions, planned development projects, to repay certain indebtedness which may be subsequently redrawn, and for general business and working capital purposes.

Certain trustees of the Trust have indicated an interest in purchasing Units as part of the Offering.

On August 3rd, 2021, Canadian Net announced the closing of its previously announced Offering of an aggregate of 2,702,500 trust units at a price of $7.45 per unit for gross proceeds of approximately $20,133,625 with a syndicate of underwriters led by Canaccord Genuity Corp. and Paradigm Capital Inc., and including CIBC Capital Markets, iA Private Wealth, Laurentian Bank Securities Inc., Desjardins Securities Inc., and Echelon Wealth Partners Inc.

The Offering included units issued upon the full exercise by the Underwriters of the over-allotment option granted to them pursuant to the underwriting agreement dated July 21, 2021 between the Trust and the Underwriters.

The Trust intended to use the net proceeds from the Offering to fund announced and future acquisitions, to fund planned development projects, to repay certain indebtedness which may be subsequently redrawn, and for general business and working capital purposes.

TRUST UNITS

Units issued (redeemed):	# of units	
Units as at January 1, 2020	**11,740,357**	
January 14, 2020 (warrants)	20,408	
February 13, 2020 (public offering)	2,900,000	
February 26, 2020 (warrants)	2,551	
March 9, 2020 (units)	32,200	
April 8, 2020 (NCIB)	(200)	
June 19, 2020 (options)	10,000	
July 21, 2020 (options)	15,000	
August 17, 2020 (option)	20,000	
October 16, 2020 (warrants)	5,102	
November 10, 2020 (adjustment for fractional units after consolidation)	(7)	
November 25, 2020 (public offering)	2,653,846	
Units as at January 1, 2021	**17,399,257**	
February 15, 2021 (Units for services)	43,200	
April 1, 2021 (warrants)	2,551	
April 30, 2021 (warrants)	10,204	
May 17, 2021 (warrants)	22,500	
June 1, 2021 (warrants)	5,102	
Units as at June 30, 2021	**17,482,814**	
Potential dilutive impact of financial instruments as at June 30, 2021		**Exercise price**
Warrants oustanding	436,684	$6.10 per unit
Options oustanding	10,000	$3.80 per unit
Conversion of convertible debentures (in units)	1,167,596	$7.30 to $8.13 per unit

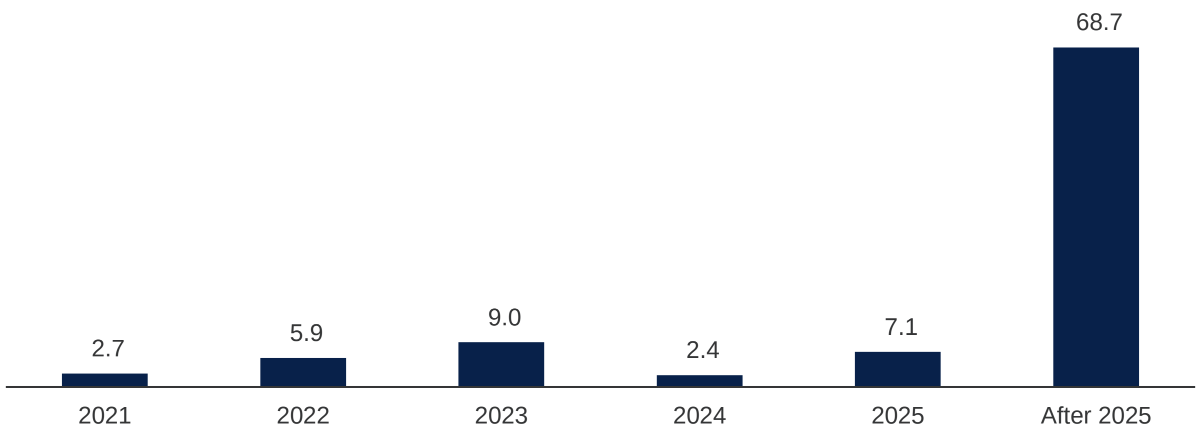
Warrants
The Trust had 477,041 warrants outstanding at the beginning of the period. During the 6-month period ended June 30, 2021, 40,357 warrants were exercised. The total number of warrants outstanding as of June 30, 2021 is of 436,684.

Convertible debentures
The nominal value of convertible debentures outstanding as of June 30, 2021 is of $9,136,000 and their conversion price range from $7.30 to $8.13 per unit. There was no conversion over the 6-month period ended June 30, 2021.

Options
Over the 6-months period ended June 30, 2021, no options were exercised. The total number of options outstanding as of June 30, 2021 is 10,000 with an exercise price of $3.80.

The total amount of units outstanding as at June 30, 2021 was 17,482,814.

MORTGAGE BALANCES DUE AT MATURITY (in $M)



Maturity	2021	2022	2023	2024	2025	After 2025
Total due ($):	2,707,272	5,850,769	9,038,336	2,378,745	7,126,547	68,679,919
Interest rate:	2.85% - 3.32%	3.21% - 3.85%	2.86% - 4.20%	3.64%	2.64% - 4.98%	2.31% - 4.77%
% of total debt:	2.8%	6.1%	9.4%	2.5%	7.4%	71.7%

Debts are composed of mortgages, loans, convertible debentures and secured credit facilities. As at June 30, 2021, there are 33 mortgages (excluding Canadian Net's interest in mortgages held through joint ventures) with Canadian financial institutions with a total carrying value of $118,087,042 ($107,562,001 at December 31, 2020). These mortgages require the Trust to make principal payments of $41,453,024 over the next 5 year and $76,634,018 thereafter. The mortgages outstanding currently have an average term to maturity of 6.5 years (6.1 years at December 31, 2020). Convertible debentures in circulation as at June 30, 2021 have a carrying value of $8,314,560 ($8,134,379 at December 31, 2020). The Trust currently has 3 secured lines of credit with authorized limits of $6,470,000, $6,000,000 and $1,200,000. These lines of credit have a $6,470,000 balance as at June 30, 2021 (Nil at December 31, 2020).

Management believes that Canadian Net's blend of debt and equity in its capital base provides stability and reduces risk, while generating an acceptable return on investment. This compliments the long-term business strategy of the Trust, which is to grow its presence in the commercial real estate market in Canada.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Trust's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgments include assessing the nature of an acquisition and whether it represents a business combination or an acquisition of assets and liabilities, whether a joint arrangement structured through a separate vehicle is a joint operation or a joint venture, the assessment of the fair values of investment properties and the assessment of the unit-based compensation and derivative financial instruments where the fair value cannot be derived from active markets.

One significant judgment and key estimate that affects the reported amounts of assets at the date of the consolidated financial statements and the reported amounts of profit or loss during the period, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued by the Trust. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates. Investment properties are appraised primarily based on adjusted cash flows obtained from existing tenants, since market participants focus more on expected income. The fair value of investment properties indicated in the consolidated financial statements has been calculated internally using the direct capitalization method based on rental income. This fair value has been calculated by using a capitalization rate, provided by qualified independent professional appraisers, and applied on adjusted rental income. Rental income is adjusted to take into consideration provision for vacancies, administrative fees, structural reserves and discounts on variable income. Inputs used in determining the fair value of investment properties have been considered in order to reflect the Trust's best estimates of the impacts related to COVID-19 based on information available to the Trust as of June 30, 2021.

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. As at June 30, 2021 the Trust held interests in 84 properties in Quebec, Ontario and Nova Scotia, across 5 market segments. The Trust is exposed to credit risk, interest rate risk and liquidity risk. In order to limit the effects of changes in interest rates on its expenses and cash flows, the Trust constantly follows the evolution of the market interest rate risk and consequently determines the composition of its debts.

Credit Risk
Credit risk comes primarily from the potential inability of customers to discharge their rental obligations. Canadian Net strives to obtain rent payments on a monthly basis in order to limit this risk while maintaining a limited receivable balance ($933,693 as at June 30, 2021 compared to $688,113 as at December 31, 2020). The composition of this balance mostly includes major Canadian companies with a small credit risk.

The Trust has a portfolio of loans receivable from joint venture partners. This loans are secure by interests in said joint ventures. As at June 30, 2021, loans receivable amount to $4,391,286 (Q4 2020: $4,507,862).

Interest Rate Risk
Interest rate risk affects the Trust through its loans receivable, mortgages, long term debt, convertible debentures and bank loans. These instruments bear fixed and variable interest rates and as such expose the Trust to fair value risk. Lines of credit with a floating interest rate expose the Trust to a cash flow risk. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. The Trust has an ongoing requirement to access debt makers and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Each change of 1% of the interest rates would have an impact of $291,931 on the financial expenses of the quarter.

Liquidity Risk
Liquidity risk is the risk of being unable to honour financial commitments by the deadlines set out under the terms of such commitments. Senior management manages the Trust's cash resources with respect to financial forecasts and anticipated cash flows.

The Trust has cash availability which allows it to control its current liquidity risks, mainly composed of accounts payable, current portion of mortgages and long-term debt and its bank indebtedness.

Lease Roll-over Risk
Lease roll-over risk arises from the possibility that Canadian Net may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants. Canadian Net's principal management of occupancy risk is the

skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk
The Trust's external growth prospects will depend in large part on identifying suitable acquisition opportunities and conducting necessary due diligence. If the Trust is unable to manage its growth and integrate its acquisitions and developments effectively, its business operating results and financial condition could be adversely affected. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Trust's performance.

Environmental Risk
Canadian Net is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such petroleum products. Environmental risk is relevant to Canadian Net's ability to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against Canadian Net. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Canadian Net's portfolio, or of any material pending or threatened actions, investigations or claims against Canadian Net relating to environmental matters. Canadian Net manages environmental exposures in a proactive manner by conducting thorough due diligence before the acquisition of each property and by taking envrionmental insurance coverage on properties that where risk could potentially arise.

Status of the REIT
The Trust is required to comply with specific restrictions regarding its activities and the investments held by it in order to maintain its real estate investment trust status ("REIT"). Should the Trust cease to qualify as a REIT, the consequences could be material and adverse. As well, the Trust conducts its affairs in order to qualify as a REIT under applicable tax statutes so that it retains its status as a flowthrough vehicle for the particular year. Should the Trust not meet the conditions to qualify as a REIT in a particular year, it may be subject to tax similar to a corporation, which may have an adverse impact on it and its unitholders, on the value of the units and on its ability to undertake financings and acquisitions. This could also materially reduce its distributable cash. Management believes that it complies with the REIT rules.

Access to Capital
The Trust's growth prospects depends on its ability to access capital, mainly debt and equity. Adverse market conditions could lead to a negative capital markets environment in which the Trust might not be able to issue units, debentures or any other financial instruments in order to raise capital. Access to debt, mainly through mortgages, is also crucial for financing purposes, and the unavailibilty of the debt market would make it harder for Canadian Net to acquire real estate assets that satisfy its investment criteria.

COVID-19 Risk
A local, regional, national or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy. The COVID-19 could affect the Trust's ability to collect rent in certain instances.

Management continues to assess the impact of COVID-19 and governments' responses to it on the Trust. Portions of the Trust's financial results incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic. Areas of increased estimation uncertainty in the Trust's consolidated financial statements include the fair value of its investment properties and the recoverability of amounts receivable.

RELATED PARTY TRANSACTIONS

The loans receivable include an amount of $200,000 (Q4 2020: $150,000) due from officers of the Trust. Interest income on the loan amounts to $1,596 (Q2 2020: $922) for which no amount is receivable as at June 30, 2021 (Q4 2020: $0).

During the period ended June 30, 2021, $5,000,000 of advances were made by certain trustees in order to facilitate an acquisition. The advances were repaid within the period and $20,000 of financing fees were paid to the same trustees.

During the year ended December 31, 2020, the Trust repaid and cancelled a credit facility it had with a trustee. Since May 2020, this person is no longer a trustee. During the period ended June 30, 2020, no interest expense was paid to this former trustee.

Officers and Trustees Compensation

The Trust paid $80,644 as compensation to officers and trustees during the period ended June 30, 2021 (Q2 2020: $61,709).

There were no professional fees paid to an entity controlled by a trustee during the quarter ended June 30, 2021 (Q2 2020: $6,500).