FRONSAC REAL ESTATE INVESTMENT TRUST

MANAGEMENT DISCUSSION & ANALYSIS

FORM 51-102F1

FOR THE QUARTER ENDED JUNE 30, 2017

SUMMARY OF SELECTED ANNUAL INFORMATION

Periods ended June 30	6 months 2017	2016	Δ	%
Financial info				
Property rental income	1,946,047	1,248,546	697,501	56%
Total revenue	1,956,047	1,403,896	552,151	39%
NOI (1)	1,584,028	1,219,775	364,253	30%
FFO (1)(4)	1,017,743	688,215	329,528	48%
Recurring FFO (1)(4)	1,007,743	532,865	474,878	89%
AFFO (1)	974,809	654,376	320,433	49%
EBITDA (1)	1,376,145	1,004,929	371,216	37%
Investment properties (2)	53,416,627	34,173,569	19,243,058	56%
Total assets	53,493,834	34,449,189	19,044,645	55%
Total mortgage/loans/long term debt (3)	23,114,063	17,592,674	5,521,389	31%
Total exchangeable preferred units	966,551	926,027	40,524	4%
Total convertible debentures	249,854	248,468	1,386	1%
Total equity	27,638,975	14,837,658	12,801,317	86%
Weighted average units o/s - basic	61,764,896	46,398,806	15,366,090	33%
Amounts on a per unit basis				
FFO	0.0165	0.0148	0.0017	12%
Recurring FFO	0.0163	0.0115	0.0048	42%
AFFO	0.0158	0.0141	0.0017	12%
Distributions	0.0090	0.0080	0.0010	12%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.2%	3.8%	(0.6%)	
Debt to gross assets - including converts	45%	54%	(9%)	
Debt to gross assets - excluding converts (3)	43%	51%	(8%)	
Interest coverage ratio	3.2	2.8	0.4	
Debt service coverage ratio	1.7	1.7	0.0	
Distributions as a % of FFO	55%	54%	1%	
Distributions as a % of Recurring FFO	55%	69%	(15%)	
Distributions as a % of AFFO	57%	56%	1%	
Leasing information				
Occupancy	100%	100%	0%	
Mix of tenancy based on gross revenue				
National	75%	80%	(5%)	
Regional	21%	18%	3%	
Local	4%	2%	2%	
Property type breakdown				
Gas/Convenience store	10	8	2	
Gas/Convenience store/Fast food	7	5	2	
Fast food	9	5	4	
Auto parts	2	-	2	
	28	18	10	
Other				
Average term to maturity - mortgages	3.5	4.2	(0.7)	
Average term to maturity - leases	7.9	7.8	0.1	
IFRS capitalization rate	6.03%	6.52%	(0.49%)	

(1) Non-IFRS financial measures

(2) Includes value of investment properties owned through joint ventures

(3) Excludes convertible debentures and exchangeable preferred units

(4) Q1 2016 includes revenues of $150K related to a one-time payment received for the renewal of a lease. This amount was subtracted from the Trust's FFO to arrive at the Recurring FFO for Q1 2016

BREAKDOWN OF PROPERTIES AND OPERATING SECTORS

#	Address	City	Type	Ownership
1	40-50 Brunet Street	Mont St-Hilaire	Fast food, gas, convenience store	100%
2	230 St-Luc Blvd.	St-Jean-sur-Richelieu	Gas, convenience store	100%
3	196 Hôtel-de-Ville Blvd.	Rivière-du-Loup	Gas, convenience store	100%
4	1349-1351 Road 117	Val-David	Fast food, gas, convenience store	100%
5	275 Barkoff Street	Trois-Rivières	Gas, convenience store	65%
6	530 Barkoff Street	Cap-de-la-madeleine	Gas, convenience store	50%
7	340-344 Montée du Comté	Les Coteaux	Fast food, gas, convenience store	100%
8	1440-50 St-Laurent East Blvd.	Louiseville	Fast food, gas, convenience store	50%
9	1460 St-Laurent East Blvd.	Louiseville	Fast food	50%
10	490-494 De L'Atrium Blvd.	Québec City	Gas, convenience store	100%
11	7335 De la Rive-Sud Blvd.	Lévis	Fast food	100%
12	1319 Brookdale Avenue	Cornwall (Ontario)	Fast food	100%
13	4200 Bernard-Pilon Street	St-Mathieu de Beloeil	Gas, convenience store	100%
14	1901 Raymond Blais Street	Sainte-Julie	Gas, convenience store	100%
15	2000 Leonard de Vinci Street	Sainte-Julie	Fast food	100%
16	2050 Leonard de Vinci Street	Sainte-Julie	Gas	65%
17	2051 Nobel Street	Sainte-Julie	Fast food	100%
18	16920-16930 St-Louis Ave.	St-Hyacinthe	Fast food, gas, convenience store	100%
19	3726 Des Forges Blvd.	Trois-Rivières	Fast food	100%
20	2871-2885 Des Prairies Street	Trois-Rivières	Fast food, gas, convenience store	100%
21	2350 Chemin des Patriotes	Richelieu	Fast food, gas, convenience store	100%
22	4932 Des Sources Blvd.	Pierrefonds	Fast food	100%
23	314 De Montigny Street	St-Jérôme	Fast food	100%
24	288 Valmont Street	Repentigny	Gas, convenience store	100%
25	2439 Ste Sophie Blvd.	Sainte-Sophie	Gas, convenience store	50%
26	2429 Sainte-Sophie Blvd.	Sainte-Sophie	Fast food	50%
27	610 Saint-Joseph Blvd.	Gatineau	Auto parts	100%
28	513 Des Laurentides Blvd.	Laval	Auto parts	100%
29	123 St-Laurent East Blvd	St-Eustache	Gas, convenience store	100%
30	507 Chemin de la Grande Côte	St-Eustache	Gas, convenience store	100%
31	4 Nord Street	Waterloo	Gas, convenience store	100%

Note: Properties 29, 30 and 31 were purchased subsequent to the second quarter (see p.4 “Outlook 2017 and subsequent events”)

MANAGEMENT'S DISCUSSION & ANALYSIS

SCOPE OF ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Fronsac Real Estate Investment Trust ("Fronsac" or the "Trust") is intended to provide readers with an assessment of performance and summarize the results of operations and financial condition for the period 6 months ended June 30, 2017. It should be read in conjunction with the Consolidated Financial Statements for the period ended June 30, 2017 and the Trust's Consolidated Financial Statements and MD&A for the period ended June 30, 2016. The financial data contained in this MD&A has been prepared in accordance with the International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars. You will find all copies of Fronsac's recent financial reports on Fronsac's website **fronsacreit.com** and on **sedar.com**.

Dated August 24, 2017, this MD&A reflects all significant information available as of that date and should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in this report.

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.

Please note that the forward-looking statements contained in this MD&A describe our expectations as at August 24, 2017.

DESCRIPTION OF THE ISSUER'S BUSINESS

Fronsac is an active Trust operating in the commercial real estate market. The Trust is currently traded on the TSX Venture using the ticker symbol **GAZ.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.

As at June 30, 2017 the Trust held 28 investment properties, 27 residing in the province of Quebec and 1 in the province of Ontario. The occupancy rate for these properties remained at 100% throughout the quarter. The properties are occupied by 4 distinct groups of tenants composed of; (1) Fast food chains, (2) Major oil/gas companies. (3) Convenience store chains and (4) Auto parts businesses.

These fully occupied 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 May 12, 2017, the Trust acquired two (2) properties located in Laval and Gatineau in the province of Quebec. Both properties are operated as auto repair shops under the Speedy Auto Service banner. Total consideration paid for these properties was $1,995,000 and was settled in cash. The properties were purchased from a third party with no previous ties to Fronsac.

On May 18, 2017, the Trust announced the closing of a private placement, which was launched on April 20, 2017. The Trust collected total proceeds of $4,999,999.20 through the issuance of 10,204,080 Placement Units at a price of $0.49 per Placement Unit for total proceeds of $4,999,999.20. Each Placement Unit is comprised of one unit of Fronsac and one-half of one purchase warrant. Each whole Warrant shall entitle the holder to purchase one additional Fronsac Unit at a price of $0.61 for up to five years following May 15, 2017. The Placement Units are subject to a four-month plus one-day hold period from the Closing Date of the Placement, expiring on September 19, 2017, pursuant to securities legislation and the policies of the TSX Venture Exchange. Insiders of Fronsac participated in the offering and purchased approximately 9% of the newly issued units.

The Trust intends to use said proceeds for future acquisitions and working capital purposes.
Fronsac contracted the services of Paradigm Capital Inc., a qualified finder, in the course of the Placement. In accordance with the agreement entered into between Fronsac and Paradigm as well as in accordance with applicable regulations, Paradigm shall receive a finder's fee in the amount of $100,000, plus applicable taxes.

On June 1, 2017, the Trust announced plans to develop a free-standing Benny & Co restaurant in partnership with the development firm Odacité Immobilier in Cap Rouge, Quebec. The land, which was acquired on May 30th, 2017, is strategically located along Jules-Verne Avenue, an exit on Highway 40 and one of the principal entry points to Cap Rouge. The development will be a 50/50 joint venture between Fronsac and Odacité. Project costs are expected to total approximately $2,000,000 with plans to deliver to our tenant before year-end.

OUTLOOK 2017 & SUBSEQUENT EVENTS

Fronsac 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.

On July 20, 2017 the Trust acquired two (2) properties located in St-Eustache, Quebec. Both properties are strategically located on heavily trafficked arteries and are operated as service stations under the Petro-Canada and Esso banners. Total consideration paid for these properties was $3,525,000 and was settled in cash. The properties were purchased from a third party with no previous ties to Fronsac.

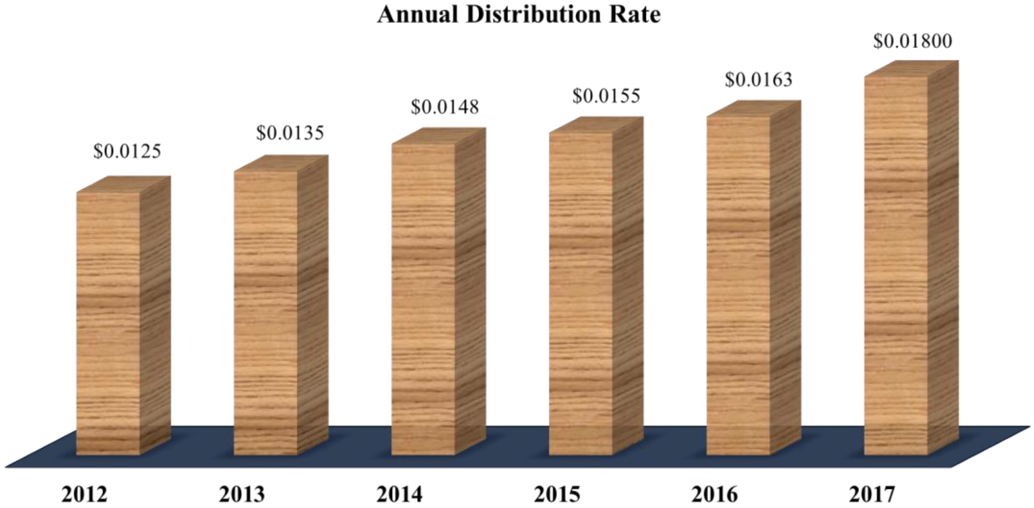
On August 21, 2017 the Trust acquired a property located in Waterloo, Quebec. The property is a service station under the Ultramar banner with a Beau-Soir convenience store. The property is located at the crossing of Du Nord street and Foster street, a highly trafficked artery in the city of Waterloo. It was acquired from a company owned by Odacité, with who Fronsac has a partnership, for a total consideration of $2,000,000 and was settled in cash.

Fronsac 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.

Depending on the magnitude of future acquisitions, the Trust could issue additional units. Fronsac will seek to maintain a debt/equity ratio of 50/50.

Fronsac does not foresee any major repairs on its commercial properties as their construction is relatively recent and their present condition is excellent.

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.



EXPLANATION OF 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 Fronsac 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 7). Fronsac 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. Fronsac 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. Fronsac 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. Fronsac 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 Fronsac 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, 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 and are deemed financing activities. In addition, non-recurring costs that impact operating cash flow may be adjusted.

AFFO per unit is not an IFRS financial measure. Fronsac 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 Fronsac, 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, amortization and unrealized changes in fair value of investment properties.

FFO, Recurring FFO, AFFO and EBITDA 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 Fronsac may not be comparable to similar titled measures reported by other entities. Fronsac 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

QUARTERLY FINANCIAL INFORMATION

	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Rental income	976,412	969,635	874,879	713,597	646,806	601,740	615,452	596,269
Net income attributable								
to unitholders	322,928	1,840,152	678,913	1,474,531	(485,256)	1,528,631	45,020	478,243
Net income per unit								
Basic	0.0050	0.0310	0.0115	0.0257	(0.0105)	0.0330	0.0010	0.0103
FFO [(1)]								
Basic	508,628	509,113	394,989	129,594	269,978	418,236	217,419	295,023
FFO per unit								
Basic	0.0079	0.0086	0.0067	0.0023	0.0058	0.0090	0.0047	0.0064
Value of investment								
properties (000's) [(2)]	53,417	50,873	48,065	43,420	34,174	34,809	33,361	31,824
Total assets (000's)	53,494	50,319	48,355	43,884	34,449	35,320	33,755	32,143
Mortgages, and other								
debts (000's)	23,114	24,991	24,548	20,896	17,593	17,879	16,467	15,975
Equity (000's)	27,639	23,022	21,419	20,982	14,838	15,490	14,141	14,276
Weighted avg. units o/s								
Basic (000's)	64,233	59,269	59,249	57,438	46,419	46,379	46,379	46,323

(1) FFO is a Non-IFRS financial measure.

(2) Includes value of investment properties owned through joint ventures

RECONCILIATION OF NET INCOME TO FFO

	3 months			6 months		
Periods ended June 30	**2017**	**2016**	**Δ**	**2017**	**2016**	**Δ**
Net income (loss) attributable						
to unitholders	322,928	(485,256)	808,184	2,163,081	1,043,376	1,119,705
Δ in value of investment properties	(89,172)	613,020	(702,192)	(1,423,922)	(477,164)	(946,758)
Δ in value of investment						
properties in joint ventures	(110,501)	27,984	(138,485)	(141,641)	-	(141,641)
Unit based compensation	39,550	41,075	(1,525)	68,025	41,075	26,950
Δ in liability component of						
exchangeable preferred units	7,074	6,143	931	21,426	19,586	1,840
Δ in fair value of derivative						
financial instruments	300,794	61,150	239,644	294,614	56,235	238,379
Δ in fair value of other financial						
components	37,955	5,640	32,315	36,160	4,885	31,275
Income taxes	-	222	(222)	-	222	(222)
FFO[(1)] - basic	508,628	269,978	88%	1,017,743	688,215	48%
FFO per unit - basic	0.0079	0.0058	36%	0.0165	0.0148	11%
Distributions paid on exchangeable						
units (if dilutive)	13,897	12,584	1,313	35,294	32,051	3,243
FFO - diluted	522,525	282,562	85%	1,053,037	720,266	46%
FFO per unit - diluted	0.0078	0.0057	36%	0.0162	0.0146	12%
Recurring FFO - basic	498,628	264,628	88%	1,007,743	532,865	89%
Recurring FFO per unit - basic	0.0078	0.0057	36%	0.0163	0.0115	42%
Distributions	312,765	189,197	123,568	579,612	368,915	210,697
Distributions per unit	0.0045	0.0041	10%	0.0090	0.0080	13%
FFO - basic after distributions	0.0034	0.0017	0.0017	0.0075	0.0069	0.0006
Recurring FFO - basic after distribution	0.0033	0.0016	0.0016	0.0073	0.0035	0.0038
Distributions as a % of						
FFO - basic	57%	70%	(13%)	55%	54%	1%
Distributions as a % of						
Recurring FFO - basic	58%	71%	(14%)	55%	69%	(14%)
Weighted avg. units o/s						
Basic	64,233,104	46,418,861	17,814,243	61,764,896	46,398,806	15,366,090
Diluted	67,321,304	49,507,061	17,814,243	64,853,096	49,487,006	15,366,090

(1) FFO is a Non-IFRS financial measure

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

Periods ended June 30	3 months 2017	3 months 2016	Δ	6 months 2017	6 months 2016	Δ
Basic FFO [1]	508,628	269,978	238,650	1,017,743	688,215	329,528
Amortization of finance charges included in interest expense	-	-	-	-	-	-
Debenture issuance cost	-	-	-	-	-	-
NCI interest adjustment	-	-	-	-	-	
Non-cash revenue (straight line rent)	-	-	-	-	-	-
Maintenance/cap-ex on existing properties	(34,089)	-	34,089	(42,934)	(33,839)	9,095
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	-	-	-	-	-
AFFO[1] - basic	474,539	269,978	76%	974,809	654,376	49%
AFFO per unit - basic	0.0074	0.0058	27%	0.0158	0.0141	12%
Distributions paid on exchangeable units (if dilutive)	13,897	12,584	1,313	35,294	32,051	3,243
AFFO - diluted	488,436	282,562	73%	1,010,103	686,427	47%
AFFO per unit - diluted	0.0073	0.0057	27%	0.0156	0.0139	12%
Distributions	0.0045	0.0041	10%	0.0090	0.0080	13%
AFFO -basic after distributions	0.0029	0.0017	0.0011	0.0068	0.0062	0.0006
Distributions as a % of AFFO - basic	61%	70%	(9%)	57%	56%	1%
Weighted avg. units o/s						
Basic	64,233,104	46,418,861	17,814,243	61,764,896	46,398,806	15,366,090
Diluted	67,321,304	49,507,061	17,814,243	64,853,096	49,487,006	15,366,090

[1] FFO and AFFO are a Non-IFRS financial measures

CASH FLOWS AND LIQUIDITY

For the 6-month period ended June 30, 2017, the Trust was able to increase rental income revenues and as such used said funds 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.

Funds from investing activities can mainly be attributed to the acquisitions in Ste-Sophie, the Speedy acquisitions and the commencement of a joint venture development.

CASH FLOWS

Periods ended June 30	6 months 2017	6 months 2016	Δ
Operating activities	773,822	670,442	103,380
Investing activities	(3,384,225)	(1,400,463)	(1,983,762)
Financing activities	2,832,993	756,389	2,076,604
Increase in cash & cash equivalents	222,590	26,368	196,222
Cash & cash equivalents -Beginning of period	65,087	47,097	17,990
Cash & cash equivalents - End of period	287,677	73,465	214,212

Cash derived from financing activities amounted to $2.8M ($0.8M in Q2 2016). The increase is in part the result of the net between the money raised in our last private placement and moneys used to repay our line of credit.

RESULTS OF OPERATIONS FOR THE QUARTER ENDED JUNE 30TH, 2017

For the quarter ended June 30, 2017, the Trust had rental income of $976K ($647K in Q2 2016). These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

New revenues for this quarter, in comparison to Q2 2016, were from the acquisitions, which took place in 2016, as well as the recent acquisitions in Ste-Sophie and the Speedy properties.

Gains include fluctuations as a result of the variation in the fair value of investment properties (see page 12 for details). These variations affect the value of the assets in question, recorded as "Investment properties" on the Statement of Financial Position. Changes in the fair value of the investment properties largely affect the net income of the Trust, as the total asset base is very susceptible to the capitalization rates applied on the adjusted rental incomes derived from these properties.

RESULTS OF OPERATIONS - QUARTER ENDED

Periods ended June 30	2017	2016	Δ
Rental Income	976,412	646,806	329,606
Other revenues	10,000	5,350	4,650
Increase/(decrease) in fair values			
values of investment properties	89,172	(613,020)	702,192
Financial expenses	561,789	257,256	304,533
Debt extinguishment penalties	-	-	-
Net income			
attributable to unitholders	322,928	(485,256)	808,184
Net income per unit			
Basic	0.0050	(0.0105)	0.0155
FFO - basic[(1)]	508,628	269,978	88%
FFO per unit	0.0079	0.0058	36%
Recurring FFO - basic	498,628	264,628	88%
Recurring FFO per unit - basic	0.0078	0.0057	36%
Weighted avg. units o/s			
Basic	64,233,104	46,418,861	17,814,243
EBITDA [(1)]	685,044	413,226	271,818
Interest coverage	3.1	2.2	0.9
Debt service coverage	1.7	1.4	0.3

[(1)] Refer to "Non-IFRS financial measures" & "Additional IFRS financial measures"

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages and bank loans, which were $562K ($257K in Q2 2016).

For the quarter ended June 30, 2017, the Trust recorded recurring FFO of $499K in comparison to $265K in Q2 2016. Recurring FFO per unit increased by 37% from $0.0057 to $0.0078 for the same period.

RESULTS OF OPERATIONS FOR THE 6 MONTHS ENDED JUNE 30TH, 2017

For the 6-month period ended June 30, 2017, the Trust had rental income of $1,946K ($1,249K in Q2 2016). These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

New revenues for this period, in comparison to Q2 2016, were from the acquisitions, which took place in 2016, as well as the acquisitions in Ste-Sophie and the Speedy properties.

Gains include fluctuations as a result of the variation in the fair value of investment properties (see page 12 for details). These variations affect the value of the assets in question, recorded as "Investment properties" on the Statement of Financial Position. Changes in the fair value of the investment properties largely affect the net income of the Trust, as the total asset base is very susceptible to the capitalization rates applied on the adjusted rental incomes derived from these properties.

RESULTS OF OPERATIONS - PERIOD ENDED

	6 months		
Periods ended June 30	**2017**	**2016**	**Δ**
Rental income	1,946,047	1,248,546	697,501
Other revenues	10,000	155,350	(145,350)
Increase/(decrease) in fair values			
values of investment properties	1,423,923	477,164	946,759
Financial expenses	778,627	438,495	340,132
Debt extinguishment penalties	-	-	-
Net income			
attributable to unitholders	2,163,081	1,043,376	1,119,705
Net income per unit			
Basic	0.0350	0.0225	0.0125
FFO - basic[(1)]	1,017,743	688,215	48%
FFO per unit	0.0165	0.0148	11%
Recurring FFO - basic	1,007,743	532,865	89%
Recurring FFO per unit - basic	0.0163	0.0115	42%
Weighted avg. units o/s			
Basic	61,764,896	46,398,806	15,366,090
EBITDA [(1)]	1,376,145	1,004,929	371,216
Interest coverage	3.2	2.8	0.4
Debt service coverage	1.7	1.7	0.0

(1) Refer to "Non-IFRS financial measures" & "Additional IFRS financial measures"

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages and bank loans, which were $779K ($439K in Q2 2016).

For the period ended June 30, 2017, the Trust recorded recurring FFO of $1,008K in comparison to $533K in Q2 2016. Recurring FFO per unit increased by 42% from $0.0115 to $0.0163 for the same period. In the 6-month period ended June 30, 2016 the Trust recorded revenues of $150K related to a one-time payment received from a tenant for the renewal of a lease. This amount was subtracted from the Trust's FFO to arrive at the Recurring FFO for the 6-month period ended June 30, 2016.

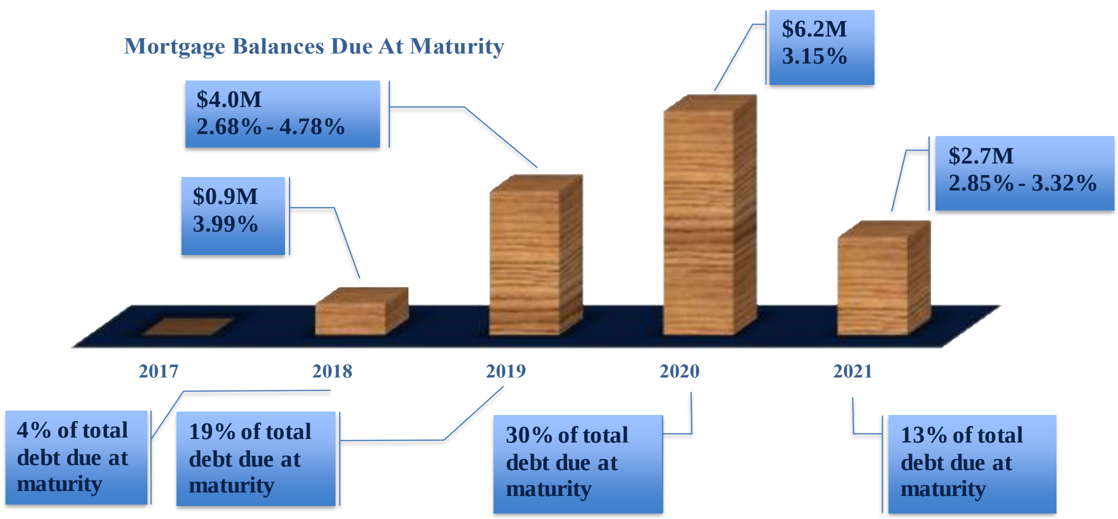
CAPITAL STRUCTURE

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, 2017 the Trust issued 50,000 units to certain members of management for services rendered. The total amount of units outstanding at June 30, 2017 was 69,503,343.

On May 18, 2017 the Trust announced the closing of a private placement, which was launched on April 20, 2017. The Trust collected total proceeds of $4,999,999.20 through the issuance of 10,204,080 Placement Units at a price of $0.49 per Placement Unit for total proceeds of $4,999,999.20. Each Placement Unit is comprised of one unit of Fronsac and one-half of one purchase Warrant. Each whole Warrant shall entitle the holder to purchase one additional Fronsac Unit at a price of $0.61 for up to five years following May 15, 2017.

Fronsac has renewed its Normal Course Issuer Bid (NCIB), which was put in place on August 1, 2016. Under the terms of the renewed NCIB Fronsac may purchase for cancellation, through the facilities of the TSX Venture Exchange, if in the best interest of the Trust, a maximum of 3,475,167 Trust Units. Over the course of any 30-day period the Trust will not purchase more than 1,390,066 units in total, which represents 2% of the units issued and outstanding at that present date.

All purchases and settlements of said securities will be made by the facilities of the TSX Venture in accordance with its rules and regulations. All units redeemed by the Trust pursuant to the NCIB will be cancelled. National Bank Financial is handling the offer on behalf of the Trust. The price paid by the Trust for these units will be the price of the units at the time of acquisition. The renewed normal course issuer bid began on August 1, 2017 and will expire on July 31, 2018. The Trust has not purchased any units for cancellation over the course of the last 12 months.



Debts are composed of mortgages, loans, debentures and secured credit facilities. As at June 30, 2017 there are 15 mortgages with Canadian financial institutions with a total carrying value of $22,896,690 ($21,859,425 in Q4 2016). These mortgages require the Trust to make payments of $16.3M over the next 5 years and $6.6M thereafter. The mortgages outstanding currently have an average term to maturity of 3.5 years (3.8 years in Q4 2016). Debentures in circulation as at June 30, 2017 have a carrying value of $250K ($249K in Q4 2016). The Trust currently has 2 secured lines of credit with authorized limits of $4M and $0.7M. These lines of credit have a $60K balance as at June 30, 2017 ($2.5M in Q4 2016).

Management believes that Fronsac'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 the assessment of fair values, the discount rates used in the valuation of the Trust's assets and liabilities, capitalization rates, the relative credit worthiness of the Trust to its counterparties, the ability to use tax losses and other tax measurements, the determination of the accounting basis for investments and joint arrangements, the amount of borrowing costs to capitalize the properties under development and the selection of accounting policies.

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 either by the Trust or by external valuators. 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. Please consult Note 5 of the consolidated financial statements for more information regarding estimates used to derive this fair value.

FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing the Consolidated Financial Statements. Please see Note 4 to the Consolidated Financial Statements for further details about future accounting policy changes.

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. At June 30, 2017 the Trust held interests in 28 properties in Quebec and Ontario, across 3 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 comes primarily from the potential inability of customers to discharge their rental obligations. Fronsac strives to obtain rent payments on a monthly basis in order to limit this risk while maintaining a limited receivable balance ($79K as at June 30, 2017 compared to $92K in Q4 2016). The composition of this balance mostly includes major Canadian oil companies and gas companies with a small credit risk. The remainder of receivables represents amounts owing from Chartered Financial Banks and Government agencies, which pose a minimum credit risk.

Interest Rate Risk affects the Trust through mortgages, loans and exchangeable preferred units. These instruments bear fixed 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. The Trust has no maturing debt obligations until October of 2018.

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.

RELATED PARTY TRANSACTIONS

During the quarter ended June 30, 2017, the Trust paid $8,700 ($22,200 in Q2 2016) in professional fees to trustees or entities controlled by trustees. During the quarter ended June 30, 2016, the Trust paid $7,006 in professional fees to a person related to a trustee. For the same quarter of 2017, no amounts were paid to that person.

The Trust has signed an agreement, with a company, controlled by the wife of a trustee, to rent a portion of its property located in Saint-Hilaire for $110,000 annually and for a period of 5 years ending January 15, 2019. The rent is adjusted annually with the consumer price index; a minimum adjustment of 2% and a maximum of 5% is part of the rent agreement. The terms of the agreement also include a variable rent of $0.0075 calculated on the numbers of liters of fuel sold annually in excess of 3,500,000 liters. The tenant can exercise two (2) renewal options of five (5) years each. The first renewal option was exercised on January 15, 2014.

The Trust has also signed an agreement, with a company controlled by 2 trustees, to rent a portion of its property located in Saint-Jean-sur-le-Richelieu for $177,000 annually and for a period of 10 years, ending December 31, 2019. The rent is adjusted annually with the consumer price index; a minimum adjustment of 2% and a maximum of 5% is part of the rent agreement. The terms of the agreement also include a variable rent of 10% calculated on the annual sales of the car-wash. The variable rent cannot exceed $5,000. The tenant can exercise three (3) renewal options of five (5) years each.

The Trust has also signed an agreement, with a company controlled by a trustee, to rent a portion of its property located in Richelieu for $110,000 annually and for a period of 10 years, ending August 31, 2026. The rent is adjusted annually as of the 4^{th} year with the consumer price index. The tenant can exercise four (4) renewal options of five (5) years each.

Property rental revenue includes $128,723 ($73,504 in Q2 2016) obtained from companies controlled by individuals related to trustees for which no amount is included in the receivable balance as at June 30, 2017 ($0 in Q4 2016).

The Trust loaned money to a person related to a trustee and to an officer for which an amount of $78,482 ($30,248 in Q4 2016) is included in the receivable balance. Interest received on these loans during the quarter amounts to $879 ($704 in Q2 2016).