

Fronsac Announces Filing of Amended and Restated Financial Statements and Update on Its Public Offering of Units

MONTREAL, Feb. 05, 2020 -- (TSX-V: FRO.UN) Fronsac Real Estate Investment Trust (the "REIT" or "Fronsac") announced today that it has filed its amended and restated consolidated financial statements as at and for the year ended December 31, 2018 and 2017 (the "**2018 Amended and Restated Financial Statements**") and corresponding management's discussion and analysis (the "**2018 Amended and Restated MD&A**"), and its amended and restated interim consolidated financial statements for the three and nine-month periods ended September 30, 2019 and 2018 (the "**Q3 2019 Amended and Restated Financial Statements**") and corresponding management's discussion and analysis (the "**Q3 2019 Amended and Restated MD&A**").

Fronsac is shifting an unrealized loss on the mark-to-market of a property from FY 2019 into FY 2018. The net result is no change to the REIT's current value of investment properties or unit holders' equity. In addition, there is no change to REIT's fund from operations (FFO) for either period restated.

Fronsac's complete 2018 Amended and Restated Financial Statements and 2018 Amended and Restated MD&A, and its complete Q3 2019 Amended and Restated Financial Statements and Q3 2019 Amended and Restated MD&A are available on the REIT's website and under Fronsac's profile on SEDAR at www.sedar.com.

Fronsac also announced today that its previously-announced public offering of units of the REIT (the "**Offering**") is expected to close on or about February 13, 2020. The REIT expects to raise the maximum gross proceeds of \$18.0 million. Closing of the Offering is subject to customary conditions, including the entering into of a definitive agency agreement and receipt of all regulatory approvals, including the approval of the TSX Venture Exchange.

2018 Amended and Restated Financial Statements

The REIT has restated its properties under development as at and for the year ended December 31, 2018 and recorded an additional unrealized loss of \$990,811 that was recorded to the "Change in fair value of investment properties" line of the amended and restated consolidated statements of income.

This restatement is the result of a change made to properties under development that was recorded at cost as opposed to fair value.

Following the restatement, the line "Change in fair value of investment properties" of the amended and restated income statement is shown at (\$4,862,229), the "Unitholders' equity" and the "Investment properties" amounts shown in the amended and restated consolidated statements of financial position decreased to \$41,302,149 and \$92,629,541, respectively. This change also affected the amended and restated changes in equity statement.

For the year ended December 31, 2018, the basic and diluted net loss per unit attributable to unitholders has changed from (\$0.0099) to (\$0.0207). For the year ended December 31, 2018, the recurring FFO per unit remains unchanged at \$0.0366. The table below illustrates the reconciliation of FFO to net income of the REIT for such period.

Q3 2019 Amended and Restated Financial Statements

The REIT has restated its properties under development as at and for the year ended December 31, 2018 and recorded an additional unrealized loss of \$990,811 to its income.

This restatement is the result of a change made to properties under development that was recorded at cost as opposed to fair value.

Following the restatement, opening retained earnings of the amended and restated consolidated statement of changes in equity was reduced by \$990,811 and the line "Change in fair value of investment properties" of the amended and restated statements of income was increased by \$990,811.

The 2019 opening balance of "Investment properties" has been reduced by \$990,811, but the line "Change in fair value of investment properties" has been increased by \$990,811, leaving unchanged the ending balance as of September 30, 2019 of this asset.

For the nine-month period ended September 30, 2019, the basic net income per unit attributable to unitholders has changed

from \$0.0374 to \$0.0464. The diluted net income per unit attributable to unitholders has changed from \$0.0365 to \$0.0453. For the nine-month period ended September 30, 2019, the recurring FFO per unit remains unchanged at \$0.0304. The table below illustrates the reconciliation of FFO to net income of the REIT for such period.

The table below illustrates the impact of the restatement for the 2018 Amended and Restated Financial Statements and the Q3 2019 Amended and Restated Financial Statements. Note that the restatements had no impact on cash flows and FFO.

FINANCIAL STATEMENTS RESTATEMENT

| | 2018 | | | Q3 2019 | | |
|---|------------------------------|-------------|-------------|------------------------------|-------------|-------------|
| | as previously reported | restatement | as restated | as previously reported | restatement | as restated |
| CONSOLIDATED STATEMENTS OF INCOME | | | | | | |
| Change in fair value of investment properties | (3,871,418) | (990,811) | (4,862,229) | 1,056,922 | 990,811 | 2,047,733 |
| Net income | (898,320) | (990,811) | (1,889,131) | 4,088,070 | 990,811 | 5,078,881 |
| Net income per unit - basic | (0.0099) | (0.0108) | (0.0207) | 0.0374 | 0.0090 | 0.0464 |
| Net income per unit - diluted | (0.0099) | (0.0108) | (0.0207) | 0.0365 | 0.0088 | 0.0453 |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | | | | | |
|-----------------------|------------|-----------|------------|-------------|---|-------------|
| Investment properties | 93,620,352 | (990,811) | 92,629,541 | 117,593,122 | - | 117,593,122 |
| Unitholders' equity | 42,292,960 | (990,811) | 41,302,149 | 53,031,403 | - | 53,031,403 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | | | | | |
|-------------------------------------|--------------|---|--------------|--------------|---|--------------|
| Operating activities | 3,188,937 | - | 3,188,937 | 2,548,823 | - | 2,548,823 |
| Investing activities | (32,829,359) | - | (32,829,359) | (25,429,340) | - | (25,429,340) |
| Financing activities | 29,535,441 | - | 29,535,441 | 22,972,334 | - | 22,972,334 |
| Increase in cash & cash equivalents | (104,981) | - | (104,981) | 91,817 | - | 91,817 |
| Cash & cash equivalents | | | | | | |
| - Beginning of period | 279,433 | - | 279,433 | 174,452 | - | 174,452 |
| Cash & cash equivalents | | | | | | |
| - End of period | 174,452 | - | 174,452 | 266,269 | - | 266,269 |

RECONCILIATION OF NET INCOME TO FFO

| | 2018 | | | 9-month period ending September 30, 2019 | | |
|--|------------------------------|-------------|-------------|--|-------------|-------------|
| | as previously reported | restatement | as restated | as previously reported | restatement | as restated |
| Net income attributable to unitholders | (898,320) | (990,811) | (1,889,131) | 4,088,070 | 990,811 | 5,078,881 |
| Debt issuance costs | 53,171 | - | 53,171 | 30,660 | - | 30,660 |
| Δ in value of investment properties | 3,871,418 | 990,811 | 4,862,229 | (1,056,922) | (990,811) | (2,047,733) |
| Δ in value of investment properties in joint ventures | 163,104 | - | 163,104 | 156,687 | - | 156,687 |
| Unit based compensation | 79,025 | - | 79,025 | 181,305 | - | 181,305 |
| Δ in liability component of exch. preferred units & debentures | 27,950 | - | 27,950 | - | - | - |
| Δ in liability component of convertible debentures | - | - | - | (983) | - | (983) |
| Δ in fair value of derivative financial instruments | 45,105 | - | 45,105 | (106,530) | - | (106,530) |
| Accretion of lease payments | - | - | - | 29,338 | - | 29,338 |
| Income taxes | 10,097 | - | 10,097 | (1,948) | - | (1,948) |
| FFO(1) - basic | 3,351,550 | - | 3,351,550 | 3,319,677 | - | 3,319,677 |
| FFO per unit - basic | 0.0368 | - | 0.0368 | 0.0304 | - | 0.0304 |

| | | | | | | |
|---|------------|---|------------|-------------|---|-------------|
| Distributions paid on exchange preferred units and convertible debentures (if dilutive) | 15,000 | - | 15,000 | - | - | - |
| Interest paid on convertible debentures (if dilutive) | - | - | - | - | - | - |
| FFO - diluted | 3,366,550 | - | 3,366,550 | 3,319,677 | - | 3,319,677 |
| FFO per unit - diluted | 0.0359 | - | 0.0359 | 0.0304 | - | 0.0304 |
| Recurring FFO - basic | 3,336,550 | - | 3,336,550 | 3,319,677 | - | 3,319,677 |
| Recurring FFO per unit - basic | 0.0366 | - | 0.0366 | 0.0304 | - | 0.0304 |
| Distributions | 1,834,111 | - | 1,834,111 | 1,805,493 | - | 1,805,493 |
| Distributions per unit | 0.0202 | - | 0.0202 | 0.0167 | - | 0.0167 |
| FFO - basic after distributions | 0.0166 | - | 0.0166 | 0.0137 | - | 0.0137 |
| Recurring FFO - basic after distributions | 0.0164 | - | 0.0164 | 0.0137 | - | 0.0137 |
| Distributions as a % of FFO - basic | 55% | - | 55% | 55% | - | 55% |
| Distributions as a % of Recurring FFO - basic | 55% | - | 55% | 55% | - | 55% |
| Weighted avg. units o/s | | | | | | |
| Basic | 91,163,634 | - | 91,163,634 | 109,356,605 | - | 109,356,605 |
| Diluted | 93,668,317 | - | 93,668,317 | 109,356,605 | - | 109,356,605 |

(1) FFO is a Non-IFRS financial measure

About Fronsac – Fronsac Real Estate Investment Trust is an open-end trust that acquires and owns high quality triple net and management-free commercial real estate properties.

Non-IFRS Financial Measures– This press release contains references to certain measures that are not defined under International Financial Reporting Standards (IFRS). These non-IFRS measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by the other issuers. The REIT has presented such non-IFRS measures, including Funds from Operations (FFO), Recurring FFO, and Recurring FFO per Unit (each as defined in the REIT’s 2018 Annual Information Form), as management believes they are relevant measures of the REIT’s underlying operating performance.

Investors are cautioned that non-IFRS measures should not be considered as alternatives to net income, total comprehensive income, cash flows generated from operating activities or comparable metrics determined in accordance with IFRS as indicators of the REIT’s performance, liquidity, cash flow and profitability. For a full description of these measures, please refer to the “Explanation of Non-IFRS Measures” section in the 2018 Amended and Restated MD&A incorporated by reference in the short form prospectus filed in connection with the Offering and available under the REIT’s profile on SEDAR at www.sedar.com.

Forward-Looking Statements – This press release contains forward-looking statements and information as defined by applicable securities laws. Fronsac warns the reader that actual events may differ materially from current expectations due to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated in such statements. Such risks, uncertainties and other factors include the risk that the Offering may not be completed on favorable terms or at all, the risk that Fronsac may not be able to obtain all necessary regulatory and stock exchange approvals, including the approval of the TSX Venture Exchange, the risk that Fronsac may apply the net proceeds of the Offering differently than as stated herein depending on future circumstances, the risks related to economic conditions, the risks associated with the local real estate market and real estate activities generally, the risks related to the dependence on the financial condition of tenants, the changes in interest rates, the availability of financing in the form of debt or equity and the effects related to the adoption of new accounting standards, as well as other risks, uncertainties and factors to be described in the preliminary short form prospectus of Fronsac and described from time to time in the documents filed by Fronsac with the securities commissions and similar regulatory authorities, including Fronsac’s annual information form and management’s discussions and analysis. Fronsac does not intend or undertake to update or modify its forward-looking statements even if future events occur or for any other reason, unless required by law or any regulatory authority.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts any responsibility for the adequacy or accuracy of this release.

For further information please contact Jason Parravano at (450) 536-5328.