

FRONSAC | Real Estate
Investment Trust

Management Discussion & Analysis

Q1 2019

Period ended March 31st, 2019

Form 51-102F1

SUMMARY OF SELECTED FINANCIAL INFORMATION

SUMMARY OF SELECTED ANNUAL INFORMATION

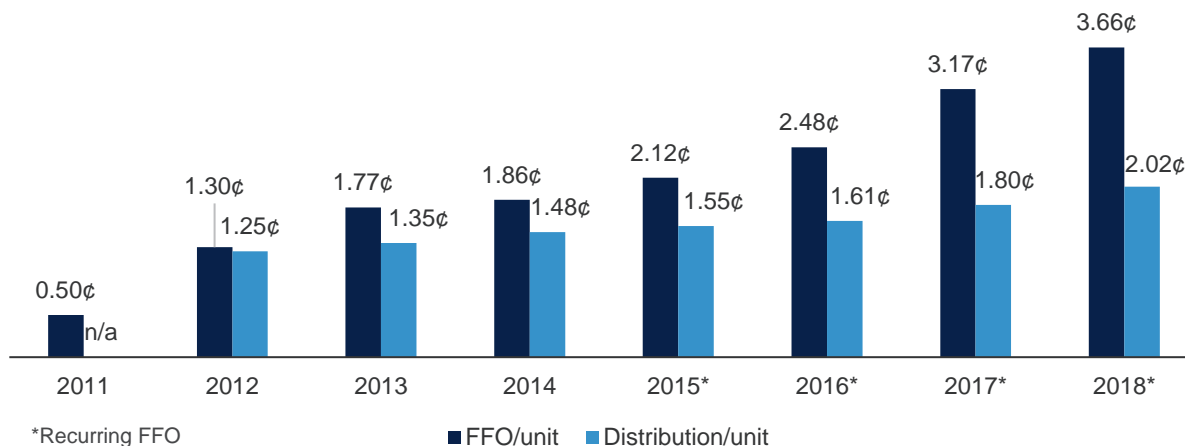
Periods ended March 31	3 months		Δ	%
	2019	2018		
Financial info				
Property rental income	1,999,095	1,361,751	637,344	47%
Total revenue	1,999,095	1,376,751	622,344	45%
NOI ⁽¹⁾	1,556,756	1,088,893	467,863	43%
FFO ⁽¹⁾	1,000,484	792,049	208,435	26%
Recurring FFO ⁽¹⁾	1,000,484	777,049	223,435	29%
AFFO ⁽¹⁾	970,747	790,780	179,967	23%
EBITDA ⁽¹⁾	1,474,163	1,014,097	460,066	45%
Investment properties ⁽²⁾	107,597,405	77,974,669	29,622,736	38%
Total assets	100,749,003	77,151,567	23,597,436	31%
Total mortgage/loans/long term debt ⁽³⁾	54,979,310	38,529,315	16,449,995	43%
Total convertible debentures	1,580,732	254,714	1,326,018	521%
Total equity	41,842,156	37,690,821	4,151,335	11%
Weighted average units o/s - basic	101,606,238	85,659,099	15,947,139	19%
Amounts on a per unit basis				
FFO	0.0098	0.0092	0.0006	7%
Recurring FFO	0.0098	0.0091	0.0007	8%
AFFO	0.0096	0.0092	0.0004	4%
Distributions	0.0056	0.0050	0.0006	12%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.8%	3.6%	0.2%	
Debt to gross assets - including converts	56%	50%	6%	
Debt to gross assets - excluding converts ⁽³⁾	55%	50%	5%	
Interest coverage ratio	2.6	3.6	(1.0)	
Debt service coverage ratio	1.6	1.9	(0.3)	
Distributions as a % of FFO	56%	55%	1%	
Distributions as a % of Recurring FFO	56%	56%	-	
Distributions as a % of AFFO	58%	55%	3%	
Leasing information				
Occupancy	100%	100%	-	
Mix of tenancy based on net revenue				
National	80%	76%	4%	
Regional	12%	19%	(7%)	
Local	8%	5%	3%	
Property type breakdown				
Gas/Convenience store	15	14	1	
Gas/Convenience store/Quick Service Rest.	12	7	5	
Fast food	15	11	4	
Auto parts	2	2	-	
Retail	6	3	3	
	50	37	13	
Other				
Average term to maturity - mortgages	4.6	4.6	-	
Average term to maturity - leases	9.3	8.7	0.6	
IFRS capitalization rate	6.45%	6.11%	0.34%	

⁽¹⁾ Non-IFRS financial measures

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

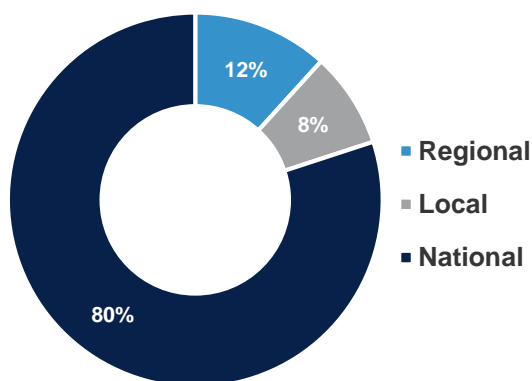
⁽³⁾ Excludes convertible debentures

HISTORICAL SELECTED FINANCIAL PERFORMANCE

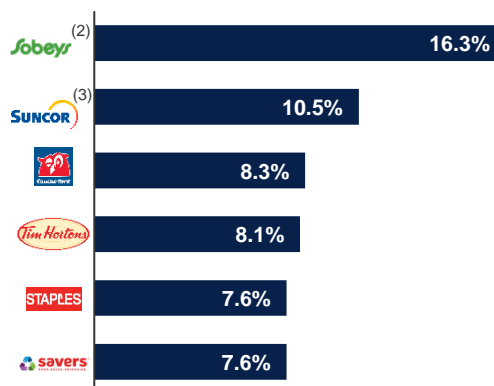


TENANT OVERVIEW – Q1 2019⁽¹⁾

TENANT MIX⁽¹⁾



KEY TENANTS (58.4%) ⁽¹⁾



Notes:

- (1) Based on net operating income
- (2) Sobey's operates IGA grocery stores and Shell service-stations
- (3) Suncor operates Petro-Canada service-stations

BREAKDOWN OF PROPERTIES & OPERATING SECTORS

#	Address	City	Type	Ownership
1	40-50 Brunet Street	Mont St-Hilaire	QSR	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	QSR	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	QSR	100%
8	1440-50 St-Laurent East Blvd.	Louiseville	QSR	50%
9	1460 St-Laurent East Blvd.	Louiseville	QSR	50%
10	490-494 De L'Atrium Blvd.	Québec City	Gas, convenience store	100%
11	7335 Guillaume Couture Blvd.	Lévis	QSR	100%
12	1319 Brookdale Avenue	Cornwall (Ontario)	QSR	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	QSR	100%
16	2050 Leonard de Vinci Street	Sainte-Julie	Gas	100%
17	2051 Nobel Street	Sainte-Julie	QSR	100%
18	16920-16930 St-Louis Ave.	St-Hyacinthe	QSR	100%
19	3726 Des Forges Blvd.	Trois-Rivières	QSR	100%
20	2871-2885 Des Prairies Street	Trois-Rivières	QSR	100%
21	2350 Chemin des Patriotes	Richelieu	QSR	100%
22	4932 Des Sources Blvd.	Pierrefonds	QSR	100%
23	314 De Montigny Street	St-Jérôme	QSR	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	QSR	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 North Street	Waterloo (Quebec)	Gas, convenience store	100%
32	3355 de la Pérade Street	Quebec City	Retail	100%
33	2555 Montmorency Blvd	Quebec City	Retail	100%
34	3592 Laval Street	Lac Mégantic	Gas, convenience store	100%
35	536 Algonquin Blvd.	Timmins (Ontario)	QSR	100%
36	1730 Jules Verne Ave.	Cap Rouge	QSR	50%
37	235 Montée Paiement	Gatineau	Retail	100%
38	510 Bethany Ave.	Lachute	QSR	50%
39	1337 Iberville Blvd.	Repentigny	Retail	100%
40	222 St-Jean-Baptiste Blvd.	Mercier	QSR	50%
41	230 St-Jean-Baptiste Boul.	Mercier	QSR	50%
42	101 Hébert Street	Mont-Laurier	Retail	100%
43	290 Mgr. Langlois Blvd.*	Salaberry-de-Valleyfield	QSR	50%
44	510 Portland Street	Dartmouth (Nova Scotia)	QSR	100%
45	20 Frontenac Ouest Blvd.	Thetford Mines	QSR	100%
46	975 Wilkinson Ave.	Dartmouth (Nouvelle Écosse)	QSR	50%
47	1501 Jacques Bedard Street	Quebec City	Retail	100%
48	852 Laure Boulevard**	Sept Iles	QSR	100%
49	87 Starrs Road**	Yarmouth	QSR	100%
50	4675 Shawinigan Sud Blvd.* **	Shawinigan	QSR	25%
51	480 Bethany Ave.**	Lachute	Retail	100%
52	484 Bethany Ave.**	Lachute	QSR	100%

*Currently under development

** Acquired after March 31, 2019

*** Quick Service Restaurant

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 3 months period ended March 31, 2019. It should be read in conjunction with the Consolidated Financial Statements for the period ended March 31, 2019 and the Trust's Consolidated Financial Statements and MD&A for the period ended March 31, 2018. 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 can find all copies of Fronsac's recent financial reports on Fronsac's website fronsacreit.com and on sedar.com.

Dated May 24, 2019, 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 year ended March 31, 2019 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 May 24, 2019.

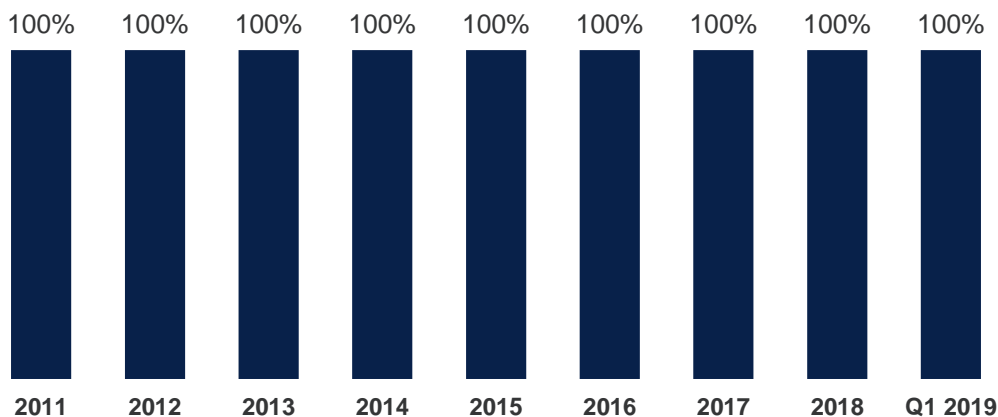
DESCRIPTION OF THE ISSUER’S BUSINESS

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 FRO.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 March 31, 2019 the Trust held 47 investment properties, 43 residing in the province of Quebec, 2 in the province of Ontario and 2 in the province of Nova Scotia. The occupancy rate for these properties remained at 100% throughout the quarter. The properties are occupied by 5 distinct groups of tenants composed of: (1) quick service restaurant chains, (2) major oil/gas companies, (3) convenience store chains, (4) auto parts businesses and (5) major retailers.

HISTORICAL OCCUPANCY RATE



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.

OUTLOOK 2019 & SUBSEQUENT EVENT

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 April 10, 2019, Fronsac announced its intention to undertake a private placement of units of Fronsac ("Units") at a price of \$0.55 per Unit and 6% unsecured convertible debentures (the "Debentures") for aggregate gross proceeds of up to \$10,000,000, including up to \$2,000,000 in principal amount of Debentures (collectively, the "Offering").

The net proceeds of the Offering will be used for acquisitions and for working capital and general trust purposes.

Insiders of Fronsac have indicated their intention to subscribe to Units under the terms of the Offering. Such insiders' participation in the Offering (the "Insider Participation") will be considered to be a "related party transaction" within the meaning of TSX Venture Exchange Policy 5.9 and Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions ("Regulation 61-101"). Pursuant to subsections 5.5(a) and 5.7(1)(a) of Regulation 61-101, Fronsac is exempt from obtaining a formal valuation and minority approval of its unitholders with respect to the Insider Participation as the fair market value of the gross proceeds of the Offering (including the Insider Participation) is below 25% of Fronsac's market capitalization as determined in accordance with Regulation 61-101. The securities to be issued and sold under the Offering will be subject to a four-month hold period under Canadian securities laws. A finder's fee may be payable to registered dealers in accordance with applicable laws.

The Debentures will mature five years from their issuance, bear interest at a rate of 6% per annum, payable in equal semi-annual payments in arrears on August 28 and February 28 in each year, with the first such payment date falling on August 28, 2019, and are convertible to their holders' option into Units at a price of \$0.73 per Unit, representing a conversion rate of 1,369.86 Units for each \$1,000 principal amount of Debentures. The Debentures will be redeemable at the option of Fronsac on or after the third anniversary of their issuance if the closing price of the Units on the TSX Venture Exchange (the "TSX-V") is higher than \$0.73 for a period of forty-five (45) consecutive business days. Closing of the Offering is scheduled to be on or about May 10, 2019 and is subject to certain customary conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the TSX-V.

On April 26, 2019, Fronsac announced three acquisitions, two in the province of Quebec and one in Nova Scotia.

The first acquisition was a restaurant property operated under the Mikes banner. It is located in Sept Iles, Qc, on Laure Boulevard, the main artery of the town and the center of the retail node. Total consideration paid for the property was \$1,450,000 (excluding transaction costs) and was settled in cash.

The second acquisition was a property to be redeveloped in joint venture with Odacite Immobilier Inc. It is currently an Esso service-station with a Subway located on Shawinigan-Sud boulevard in Shawinigan, Qc. The property will be demolished and a new Esso service-station with a McDonald's and Subway restaurants will be built. Construction is set to begin in May 2019 and total costs are expected to be approximately \$2.4M. Fronsac retained a 25% interest in the project.

The third acquisition was a Sobeys service-station in Yarmouth, Nova Scotia, leased under a ground lease agreement. Total consideration paid for the property was \$1,000,000 (excluding transaction costs) and was settled in cash.

On May 16, 2019, Fronsac announced the closing of its previously-announced private placement for aggregate gross proceeds of \$9,910,000 (the "Offering"). Pursuant to the Offering, Fronsac issued

14,869,091 units (“Units”) at a price of \$0.55 per Unit, for gross proceeds to Fronsac of \$8,178,000, and \$1,732,000 in principal amount of 6% unsecured convertible debentures (the “Debentures”).

The net proceeds of the Offering will be used to partially-fund acquisitions, to repay certain indebtedness, which may be subsequently redrawn, and for working capital and general trust purposes.

Insiders of Fronsac have subscribed to an aggregate of 4,185,715 Units under the Offering, for aggregate gross proceeds of \$2,302,143 to Fronsac. Such insiders’ participation in the Offering (the “Insider Participation”) is considered to be a “related party transaction” within the meaning of TSX Venture Exchange Policy 5.9 and *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions* (“Regulation 61-101”). Pursuant to subsections 5.5(a) and 5.7(1)(a) of Regulation 61-101, Fronsac is exempt from obtaining a formal valuation and minority approval of its unitholders with respect to the Insider Participation as the fair market value of the gross proceeds of the Offering (including the Insider Participation) is below 25% of Fronsac’s market capitalization as determined in accordance with Regulation 61-101. Fronsac did not file a material change report 21 days prior to the closing of the Offering as the details of the Insider Participation had not been confirmed at that time. The Offering has been unanimously approved by the board of trustees of Fronsac, except that each trustee who is participating in the Offering has abstained from the approval of his respective portion of the Insider Participation.

The securities to be issued and sold under the Offering will be subject to a four-month hold period under Canadian securities laws. In connection with the Offering, Fronsac is paying an aggregate of \$89,940.00 in finder’s fee to registered dealers in accordance with applicable laws.

The Debentures will mature on May 16, 2024, bear interest at a rate of 6% per annum, payable in equal semi-annual payments in arrears on August 28 and February 28 in each year, with the first such payment date falling on August 28, 2019, and are convertible to their holders’ option into Units at a price of \$0.73 per Unit, representing a conversion rate of 1,369.86 Units for each \$1,000 principal amount of Debentures. The Debentures will be redeemable at the option of Fronsac on or after May 16, 2022 if the closing price of the Units on the TSX Venture Exchange (the “TSX-V”) is higher than \$0.73 for a period of forty-five (45) consecutive business days.

On May 23, 2019, Fronsac announced the acquisition of two properties in Lachute, Qc. The properties are located on Bethany avenue at the center of Lachute’s retail node. The first is a retail store operated under the Walmart banner and the second is a quick service restaurant operated under the Tim Hortons banner and located at the entrance of the Walmart. Total consideration paid for this property was \$9.5M (excluding transaction costs) and the properties will generate a combined net operating income of approximately \$682,000 in year one, representing a 7.2% going in capitalization rate based on the purchase price.

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.

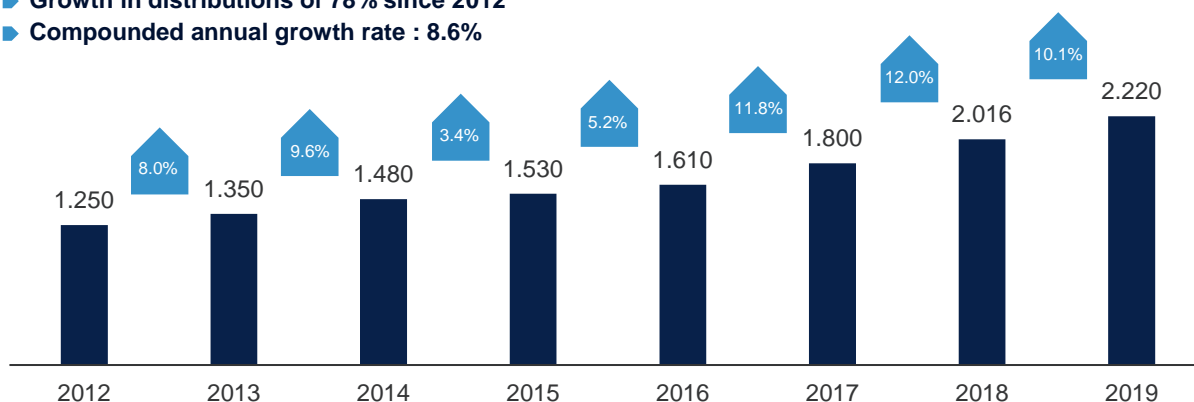
Fronsac does not foresee any major repairs on its commercial properties as their construction is relatively recent and their present condition is excellent.

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.

ANNUAL CASH DISTRIBUTION PER UNIT (¢)

- Growth in distributions of 78% since 2012

- Compounded annual growth rate : 8.6%

**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 10). 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 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. 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

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Rental income	1,999,095	1,719,184	1,663,373	1,530,968	1,361,751	1,316,577	1,096,653	976,412
Net income attributable to unitholders	50,870	(3,094,491)	544,021	278,795	1,373,354	1,839,189	538,675	322,928
Net income per unit Basic	0.0005	(0.0305)	0.0059	0.0033	0.0160	0.0241	0.0078	0.0050
FFO ⁽¹⁾								
Basic	1,000,484	923,414	871,219	764,867	792,049	548,042	581,433	508,628
FFO per unit Basic	0.0098	0.0091	0.0095	0.0089	0.0092	0.0072	0.0084	0.0079
Value of investment properties (000's) ⁽²⁾	107,597	108,166	99,265	88,702	77,975	69,589	59,266	53,417
Total assets (000's)	100,749	99,881	96,863	83,966	77,152	70,006	59,102	53,494
Mortgages, and other debts (000's)	50,549	53,365	47,568	44,862	37,809	31,717	29,732	23,114
Equity (000's)	41,842	42,293	45,899	37,537	37,691	36,708	27,865	27,639
Weighted avg. units o/s Basic (000's)	101,606	101,590	91,554	85,665	85,659	76,378	69,503	64,233

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

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

RECONCILIATION OF NET INCOME TO FFO

Periods ended March 31	3 months		Δ
	2019	2018	
Net income attributable to unitholders	50,870	1,373,354	(1,322,484)
Debt issuance costs	-	-	-
Δ in value of investment properties	842,237	(674,827)	1,517,064
Δ in value of investment properties in joint ventures	76,151	60,489	15,662
Unit based compensation	63,180	41,080	22,100
Δ in liability component of convertible debentures	(12,749)	4,133	(16,882)
Δ in fair value of derivative financial instruments	(19,205)	(12,180)	(7,025)
Income taxes	-	-	-
FFO ⁽¹⁾ - basic	1,000,484	792,049	26%
FFO per unit - basic	0.0098	0.0092	7%
Interest paid on convertible debentures (if dilutive)	-	-	-
FFO - diluted	1,000,484	792,049	26%
FFO per unit - diluted	0.0098	0.0092	7%
Recurring FFO - basic	1,000,484	777,049	29%
Recurring FFO per unit - basic	0.0098	0.0091	8%
Distributions	563,825	431,785	132,040
Distributions per unit	0.0056	0.0050	12%
FFO - basic after distributions	0.0043	0.0042	0.0001
Recurring FFO - basic after distributions	0.0043	0.0040	0.0003
Distributions as a % of FFO - basic	56%	55%	1%
Distributions as a % of Recurring FFO - basic	56%	56%	-
Weighted avg. units o/s			
Basic	101,606,238	85,659,099	15,947,139
Diluted	101,606,238	86,240,494	15,365,744

⁽¹⁾ FFO is a Non-IFRS financial measure**ADJUSTED FUNDS FROM OPERATIONS (AFFO)**

Periods ended March 31	3 months		Δ
	2019	2018	
Basic FFO ⁽¹⁾	1,000,484	792,049	208,435
Amortization of finance charges included in interest expense	-	-	-
Non-cash revenue (straight line rent)	-	-	-
Maintenance/cap-ex on existing properties ⁽²⁾⁽³⁾	(29,737)	(1,269)	(28,468)
Leasing costs on existing properties	-	-	-
Debt extinguishment penalties	-	-	-
AFFO ⁽¹⁾ - basic	970,747	790,780	23%
AFFO per unit - basic	0.0096	0.0092	4%
Interest paid on convertible debentures (if dilutive)	-	-	-
AFFO - diluted	970,747	790,780	23%
AFFO per unit - diluted	0.0096	0.0092	4%
Distributions	0.0056	0.0050	12%
AFFO -basic after distributions	0.0040	0.0042	(0.0002)
Distributions as a % of AFFO - basic	58%	55%	3%
Weighted avg. units o/s			
Basic	101,606,238	85,659,099	15,947,139
Diluted	101,606,238	86,240,494	15,365,744

⁽¹⁾ FFO and AFFO are a Non-IFRS financial measures

CASH FLOW AND LIQUIDITY

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 period ended March 31, 2019, Fronsac 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.

Funds from 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 3-month period ended March 31, 2019, please refer to Note 4 "Investment Properties" and Note 5 "Joint Arrangements" in the Financial Statements.

Cash derived from financing activities amounted to \$1.1M (\$5.7M for the same period in 2018). This amount is the result of the money raised through new mortgages used to fund our acquisitions.

CASH FLOWS

Periods ended March 31	3 months		Δ
	2019	2018	
Operating activities	902,009	773,454	128,555
Investing activities	(1,413,390)	(6,469,756)	5,056,366
Financing activities	1,048,315	5,659,062	(4,610,747)
Increase in cash & cash equivalents	536,934	(37,240)	574,174
Cash & cash equivalents -Beginning of period	174,452	279,433	(104,981)
Cash & cash equivalents - End of period	711,386	242,193	469,193

RESULTS OF OPERATIONS FOR THE QUARTER ENDED MARCH 31, 2019

For the quarter ended March 31, 2019, the Trust had rental income of \$1,999,095 (\$1,361,751 in Q1 2018). 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 14 for more details). The weighted average capitalization rate of the Trust as at March 31, 2019 was 6.45% compared to 6.11% at the same date last year.

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 \$504,905 in Q1 2019 compared to \$255,081 for the same period last year. Financial expenses for Q1 2019 are higher than Q1 2018, mainly due to the increase in interest expense, which is due to the increase in the number of mortgages.

RESULTS OF OPERATIONS

Quarters ended March 31	2019	2018	Δ
Rental Income	1,999,095	1,361,751	637,344
Other revenues	-	15,000	(15,000)
Increase/(decrease) in fair values of investment properties	(842,237)	674,827	(1,517,064)
Financial expenses	504,905	255,081	249,824
Net income attributable to unitholders	50,870	1,373,354	(1,322,484)
Net income per unit			
Basic	0.0005	0.0160	(0.0155)
FFO - basic ⁽¹⁾	1,000,484	792,049	26%
FFO per unit	0.0098	0.0092	7%
Recurring FFO - basic	1,000,484	777,049	29%
Recurring FFO per unit - basic	0.0098	0.0091	8%
Weighted avg. units o/s			
Basic	101,606,238	85,659,099	15,947,139
EBITDA ⁽¹⁾	1,474,163	1,014,097	460,066
Interest coverage	2.6	3.6	(1.0)
Debt service coverage	1.6	1.9	(0.3)

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

For the quarter ended March 31, 2019, the Trust recorded basic recurring FFO of \$1,000,484 in comparison to \$777,049 in Q1 2018. Basic recurring FFO per unit increased by 8% from 0.91¢ to 0.98¢ for the same period. 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 3-month period ended March 31, 2019, the Trust issued units as follows:

On March 19, 2019, Fronsac announced the issuance of 312,000 units of Fronsac REIT at a price of \$0.57 per unit, which equates to \$177,840 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, 2018. The issuance of the units of Fronsac REIT constitutes a portion of salaries as per their employment contract and board compensation package. Out of the 312,000 units, 200,000 are subject to the approval of unitholders at the annual general meeting of May 24, 2019.

The total amount of units outstanding at March 31, 2019 was 101,702,060.

On April 10, 2019, Fronsac announced its intention to undertake a private placement of units of Fronsac ("Units") at a price of \$0.55 per Unit and 6% unsecured convertible debentures (the "Debentures") for aggregate gross proceeds of up to \$10,000,000, including up to \$2,000,000 in principal amount of Debentures (collectively, the "Offering").

The net proceeds of the Offering will be used for acquisitions and for working capital and general trust purposes.

Insiders of Fronsac have indicated their intention to subscribe to Units under the terms of the Offering. Such insiders' participation in the Offering (the "Insider Participation") will be considered to be a "related party transaction" within the meaning of TSX Venture Exchange Policy 5.9 and Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions ("Regulation 61-101"). Pursuant to subsections 5.5(a) and 5.7(1)(a) of Regulation 61-101, Fronsac is exempt from obtaining a formal valuation and minority approval of its unitholders with respect to the Insider Participation as the fair market value of the gross proceeds of the Offering (including the Insider Participation) is below 25% of Fronsac's market capitalization as determined in accordance with Regulation 61-101. The securities to be issued and sold under the Offering will be subject to a four-month hold period under Canadian securities laws. A finder's fee may be payable to registered dealers in accordance with applicable laws.

The Debentures will mature five years from their issuance, bear interest at a rate of 6% per annum, payable in equal semi-annual payments in arrears on August 28 and February 28 in each year, with the first such payment date falling on August 28, 2019, and are convertible to their holders' option into Units at a price of \$0.73 per Unit, representing a conversion rate of 1,369.86 Units for each \$1,000 principal amount of Debentures. The Debentures will be redeemable at the option of Fronsac on or after the third anniversary of their issuance if the closing price of the Units on the TSX Venture Exchange (the "TSX-V") is higher than \$0.73 for a period of forty-five (45) consecutive business days. Closing of the Offering is scheduled to be on or about May 10, 2019 and is subject to certain customary conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the TSX-V.

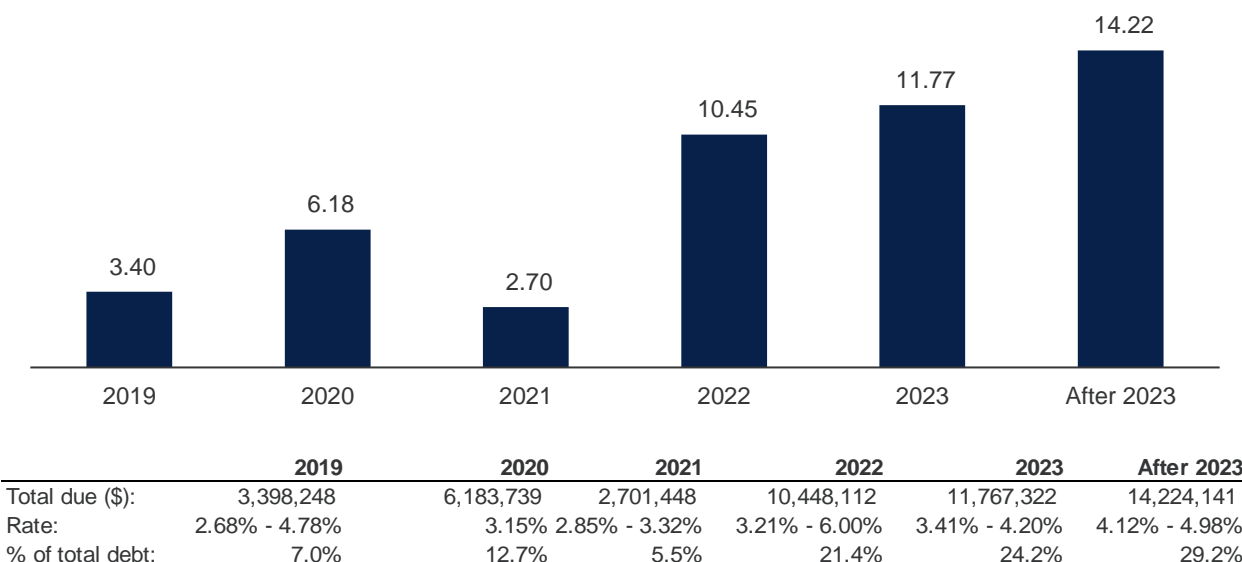
On May 16, 2019, Fronsac announced the closing of its previously-announced private placement for aggregate gross proceeds of \$9,910,000 (the "Offering"). Pursuant to the Offering, Fronsac issued 14,869,091 units ("Units") at a price of \$0.55 per Unit, for gross proceeds to Fronsac of \$8,178,000, and \$1,732,000 in principal amount of 6% unsecured convertible debentures (the "Debentures").

The net proceeds of the Offering will be used to partially-fund acquisitions, to repay certain indebtedness, which may be subsequently redrawn, and for working capital and general trust purposes.

Insiders of Fronsac have subscribed to an aggregate of 4,185,715 Units under the Offering, for aggregate gross proceeds of \$2,302,143 to Fronsac. Such insiders' participation in the Offering (the "Insider Participation") is considered to be a "related party transaction" within the meaning of TSX Venture Exchange Policy 5.9 and *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions* ("Regulation 61-101"). Pursuant to subsections 5.5(a) and 5.7(1)(a) of Regulation 61-101, Fronsac is exempt from obtaining a formal valuation and minority approval of its unitholders with respect to the Insider Participation as the fair market value of the gross proceeds of the Offering (including the Insider Participation) is below 25% of Fronsac's market capitalization as determined in accordance with Regulation 61-101. Fronsac did not file a material change report 21 days prior to the closing of the Offering as the details of the Insider Participation had not been confirmed at that time. The Offering has been unanimously approved by the board of trustees of Fronsac, except that each trustee who is participating in the Offering has abstained from the approval of his respective portion of the Insider Participation.

The securities to be issued and sold under the Offering will be subject to a four-month hold period under Canadian securities laws. In connection with the Offering, Fronsac is paying an aggregate of \$89,940.00 in finder's fee to registered dealers in accordance with applicable laws.

The Debentures will mature on May 16, 2024, bear interest at a rate of 6% per annum, payable in equal semi-annual payments in arrears on August 28 and February 28 in each year, with the first such payment date falling on August 28, 2019, and are convertible to their holders' option into Units at a price of \$0.73 per Unit, representing a conversion rate of 1,369.86 Units for each \$1,000 principal amount of Debentures. The Debentures will be redeemable at the option of Fronsac on or after May 16, 2022 if the closing price of the Units on the TSX Venture Exchange (the "TSX-V") is higher than \$0.73 for a period of forty-five (45) consecutive business days.

MORTGAGE BALANCES DUE AT MATURITY (in \$M)

Debts are composed of mortgages, loans, convertible debentures and secured credit facilities. As at March 31, 2019, there are 26 mortgages (excluding Fronsac's interest in mortgages held through joint ventures) with Canadian financial institutions with a total carrying value of \$50,429,310 (\$50,775,481 at December 31, 2018). These mortgages require the Trust to make payments (interest and capital) of \$32,442,879 over the next 5 year and \$17,986,431 thereafter. The mortgages outstanding currently have an average term to maturity of 4.6 years (4.7 years at December 31, 2018). Convertible debentures in circulation as at March 31, 2019 have a carrying value of \$1,580,732 (\$1,593,481 at December 31, 2018). The Trust currently has 3 secured lines of credit with authorized limits of \$4.5M, \$0.7M and \$0.4M. These lines of credit have a \$4.43M balance as at March 31, 2019 (\$2.47M at December 31, 2018).

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 of properties, 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 valuers. 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

IFRS 16 - Leases ("IFRS 16")

In January 2016, the International Accounting Standards Board ("IASB") published a new standard, IFRS 16. The new standard brings most leases on balance sheet for the lessee under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains essentially unchanged and the distinction between operating and finance leases is retained. This standard is effective for periods beginning after January 1st, 2019.

On January 1st, 2018, the Trust early adopted IFRS 16 retrospectively. Leases where the Trust is acting as a tenant are affected by the adoption of IFRS 16. The leases, where the Trust is acting as a landlord, are not affected and are classified as operating leases. Prior to the year 2018, the Trust had no lease contracts where it was acting as a tenant. The adoption of IFRS 16 has no impact on the opening balances of the consolidated financial statements.

The major elements of this new standard bring the Trust to record an asset for leases where the Trust is acting as a tenant, and where the lease contract gives to the Trust the right to control the use of the object for a period of time in exchange of payments. A liability is recorded for the obligations arising from rental payments.

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 March 31, 2019 the Trust held interests in 47 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. Fronsac strives to obtain rent payments on a monthly basis in order to limit this risk while maintaining a limited receivable balance (\$281K as at March 31, 2019 compared to \$187K as at December 31, 2018). 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 Government agencies, which pose a minimum credit risk.

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 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 \$142K on the financial expenses of the period.

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 Fronsac may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants. Fronsac'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

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

Environmental Risk

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

Status of the REIT

Fronsac 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 Fronsac cease to qualify as a REIT, the consequences could be material and adverse. As well, Fronsac 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 Fronsac 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.

RELATED PARTY TRANSACTIONS

The loans receivable include amounts of \$21,638 (Q4 2018: \$22,683) due from a person related to a trustee and \$50,000 (Q4 2018: \$50 000) due from an officer of the Trust. Interest income on those loans amounts to \$1,064 (Q1 2018: \$1,081) for which an amount of \$155 (Q4 2018: \$164) is included in the receivables as at March 31, 2019.

The credit facilities include an amount of \$400,000 (Q4 2018: \$400,000) obtained from a trustee. Interest on credit facilities includes an amount of \$4,537 (Q1 2018: \$0) paid to that trustee for which no amount is payable (Q4 2018: \$0) as at March 31, 2019.

Administrative fees include an amount of \$9,500 (Q1 2018: \$8,000) paid as professional fees to a trustee and to an entity controlled by a trustee.

On June 29, 2018, the Trust acquired an interest in the limited partnership Odacite Mercier. The Trust paid \$463,275 for its interest to a company in which a trustee has an interest.

The individual referred to below has not sought re-election to the Board of Trustees. Going forward, the transactions mentioned below will be deemed to be at arm's length in the future.

Rental income includes \$126,681 (Q1 2018: \$136,569) from companies controlled by a trustee and individuals related to the trustee for which an amount of \$5,802 (Q4 2018: \$0) is included in receivables as at March 31, 2019.

The Trust rents a portion of its property located in Saint-Hilaire, to a company controlled by the wife of a trustee, for an amount of \$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 rent 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 rents its property located in Saint-Jean-sur-Richelieu, to a company controlled by one trustee, for an amount of \$175,000 annually and for a period of 10 years ending June 30, 2029.

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

The Trust rents a portion of its joint venture property located in Mercier, to a company controlled by a trustee, for an amount of \$92,400 annually and for a period of 15 years ending May 30, 2033. The rent will be increased by 5% after every period of 5 years. The tenant can exercise four (4) renewal options of five (5) years each.