FRONSAC REAL ESTATE INVESTMENT TRUST

MANAGEMENT DISCUSSION & ANALYSIS

FORM 51-102F1

FOR THE QUARTER ENDED SEPTEMBER 30, 2017

SUMMARY OF SELECTED ANNUAL INFORMATION

Periods ended September 30	9 months 2017	2016	Δ	%
Financial info				
Property rental income	3,042,700	1,962,143	1,080,557	55%
Total revenue	3,052,700	2,117,493	935,207	44%
NOI [1]	2,466,520	1,843,029	623,491	34%
FFO [1][4]	1,599,175	817,808	781,367	96%
Recurring FFO [1][4]	1,589,175	902,450	686,725	76%
AFFO [1]	1,484,966	1,023,961	461,005	45%
EBITDA [1]	2,185,929	1,309,322	876,607	67%
Investment properties [2]	59,266,139	43,419,703	15,846,436	36%
Total assets	59,101,842	43,883,680	15,218,162	35%
Total mortgage/loans/long term debt [3]	29,731,526	20,896,070	8,835,456	42%
Total exchangeable preferred units	977,268	935,817	41,451	4%
Total convertible debentures	253,975	252,566	1,409	1%
Total equity	27,864,885	20,981,836	6,883,049	33%
Weighted average units o/s - basic	64,372,724	50,105,285	14,267,439	28%
Amounts on a per unit basis				
FFO	0.0248	0.0163	0.0086	53%
Recurring FFO	0.0247	0.0180	0.0067	37%
AFFO	0.0231	0.0204	0.0026	13%
Distributions	0.0135	0.0120	0.0014	11%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.3%	3.3%	(0.0%)	
Debt to gross assets - including converts	52%	50%	2%	
Debt to gross assets - excluding converts [3]	50%	48%	2%	
Interest coverage ratio	3.3	2.4	0.9	
Debt service coverage ratio	2.0	1.5	0.5	
Distributions as a % of FFO	54%	74%	(19%)	
Distributions as a % of Recurring FFO	55%	67%	(13%)	
Distributions as a % of AFFO	59%	59%	(0%)	
Leasing information				
Occupancy	100%	100%	0%	
Mix of tenancy based on net revenue				
National	74%	79%	(5%)	
Regional	21%	18%	3%	
Local	5%	3%	2%	
Property type breakdown				
Gas/Convenience store	13	8	5	
Gas/Convenience store/Fast food	7	7	-	
Fast food	9	6	3	
Auto parts	2	-	2	
	31	21	10	
Other				
Average term to maturity - mortgages	3.5	4.1	(0.6)	
Average term to maturity - leases	8.3	7.7	0.6	
IFRS capitalization rate	6.03%	6.26%	(0.23%)	

(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 included 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 Q3 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 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%

Note: Properties 32, 33 and 34 were purchased subsequent to the end of the third 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 9 months period ended September 30, 2017. It should be read in conjunction with the Consolidated Financial Statements for the period ended September 30, 2017 and the Trust's Consolidated Financial Statements and MD&A for the period ended September 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 November 7, 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 November 7, 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 September 30, 2017 the Trust held 31 investment properties, 30 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 July 20, 2017, the Trust acquired two (2) real estate investment 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.

On September 15, 2017, the Trust announced an increase to its annual distribution from 1.80¢ per unit to 2.016¢ per unit, an increase of 12%. Furthermore, the Trust announced that as of January 2018, the distributions will be made on a monthly basis rather than quarterly.

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 October 19, 2017, the Trust acquired three (3) properties. The first two properties were acquired under a sale and lease-back agreement with Value Village Canada. They are located in Quebec City, Quebec, and are both operated as retail stores under the Village des Valeurs banner. Total consideration paid for these properties was $6,200,000 (excluding transaction costs) and was settled in cash. The third property acquired is located in Lac Megantic, Quebec. The property is a gas station operated under the Canadian Tire banner and is strategically located at the entrance of Carrefour Lac Megantic, the town's largest shopping mall. Total consideration paid for the property was $1,450,000 (excluding transaction costs) and was settled in cash. The properties were purchased from third parties with no previous ties to Fronsac.

On October 20, 2017, the Trust announced its intention to undertake a prospectus exempt private placement of units raising up to a maximum offering amount of $6,500,000 (the "Offering"). Under the terms of the Offering, Fronsac may sell up to 13,000,000 units (the "Units") at a price of $0.50 per Unit. The net proceeds of the Offering will be used for acquisitions and for working capital and general real estate investment trust purposes.

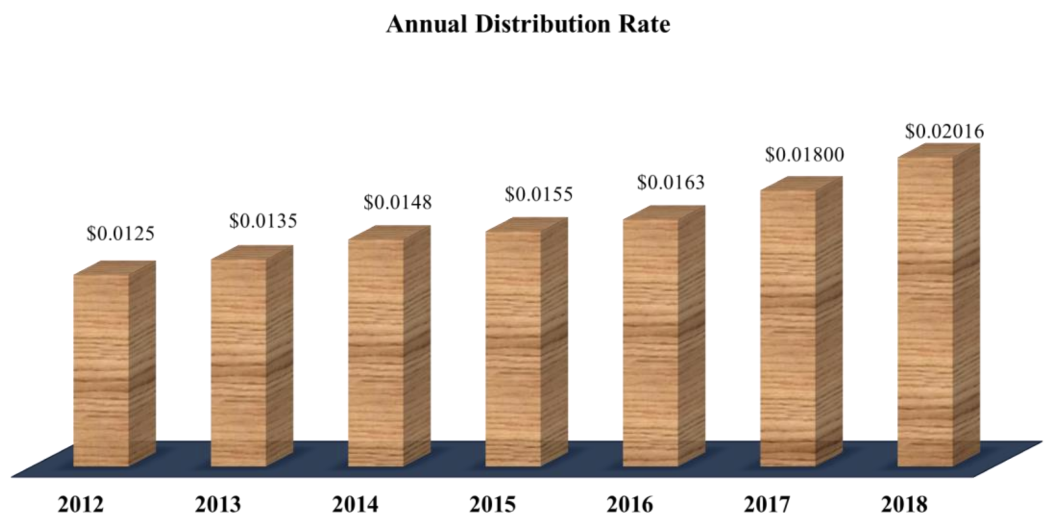
All Units issued under the Offering will be subject to a four-month plus one-day hold period from the closing date, pursuant to securities legislation and to the policies of the TSX Venture Exchange. A finder's fee may be payable to qualified finders in accordance with applicable regulations. The Units have not been nor will they be registered under the United States Securities Act of 1933, as amended, or state securities laws, and may not be offered or sold in the United States or to an account for the benefit of US persons, absent such registration or an exemption from registration. The Offering is expected to close on or about November 17, 2017.

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. 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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Rental income	1,096,653	976,412	969,635	874,879	713,597	646,806	601,740	615,452
Net income attributable								
to unitholders	538,675	322,928	1,840,152	678,913	1,474,531	(485,256)	1,528,631	45,020
Net income per unit								
Basic	0.0078	0.0050	0.0310	0.0115	0.0257	(0.0105)	0.0330	0.0010
FFO [1]								
Basic	581,433	508,628	509,113	394,989	129,594	269,978	418,236	217,419
FFO per unit								
Basic	0.0084	0.0079	0.0086	0.0067	0.0023	0.0058	0.0090	0.0047
Value of investment								
properties (000's) [2]	59,266	53,417	50,873	48,065	43,420	34,174	34,809	33,361
Total assets (000's)	59,102	53,494	50,319	48,355	43,884	34,449	35,320	33,755
Mortgages, and other								
debts (000's)	29,732	23,114	24,991	24,548	20,896	17,593	17,879	16,467
Equity (000's)	27,865	27,639	23,022	21,419	20,982	14,838	15,490	14,141
Weighted avg. units o/s								
Basic (000's)	69,503	64,233	59,269	59,249	57,438	46,419	46,379	46,379

[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			9 months		
Periods ended September 30	**2017**	**2016**	**Δ**	**2017**	**2016**	**Δ**
Net income (loss) attributable						
to unitholders	538,675	1,474,531	(935,856)	2,701,756	2,517,907	183,849
Δ in value of investment properties	37,050	(1,327,506)	1,364,556	(1,386,873)	(1,804,671)	417,798
Δ in value of investment						
properties in joint ventures	-	(27,984)	27,984	(141,641)	(27,984)	(113,657)
Unit based compensation	(200)	-	(200)	67,825	41,075	26,750
Δ in liability component of						
exchangeable preferred units	14,838	13,888	950	36,264	33,474	2,790
Δ in fair value of derivative						
financial instruments	-	(3,100)	3,100	294,614	53,135	241,479
Δ in fair value of other financial						
components	(8,930)	(235)	(8,695)	27,230	4,650	22,580
Income taxes	-	-	-	-	222	(222)
FFO [1] - basic	581,433	129,594	349%	1,599,175	817,808	96%
FFO per unit - basic	0.0084	0.0023	271%	0.0248	0.0163	52%
Distributions paid on exchangeable						
units (if dilutive)	13,896	-	13,896	49,190	44,635	4,555
FFO - diluted	595,329	129,594	359%	1,648,365	862,443	91%
FFO per unit - diluted	0.0082	0.0023	263%	0.0244	0.0162	51%
Recurring FFO - basic	581,433	369,586	57%	1,589,175	902,450	76%
Recurring FFO per unit - basic	0.0084	0.0064	30%	0.0247	0.0180	37%
Distributions	312,765	241,441	71,324	892,377	610,356	282,021
Distributions per unit	0.0045	0.0041	10%	0.0135	0.0120	12%
FFO - basic after distributions	0.0039	(0.0018)	0.0057	0.0113	0.0043	0.0070
Recurring FFO - basic after distributions	0.0039	0.0024	0.0015	0.0112	0.0060	0.0052
Distributions as a % of						
FFO - basic	54%	181%	(127%)	54%	74%	(19%)
Distributions as a % of						
Recurring FFO - basic	54%	63%	(10%)	55%	67%	(12%)
Weighted avg. units o/s						
Basic	69,503,343	57,437,669	12,065,674	64,372,724	50,105,285	14,267,439
Diluted	72,591,543	57,437,669	15,153,874	67,460,924	53,193,485	14,267,439

[1] FFO is a Non-IFRS financial measure

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

	3 months			9 months		
Periods ended September 30	**2017**	**2016**	**Δ**	**2017**	**2016**	**Δ**
Basic FFO [(1)]	581,433	129,594	451,839	1,599,175	817,808	781,367
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	(71,275)	-	71,275	(114,209)	(33,839)	80,370
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	239,992	(239,992)	-	239,992	- 239,992
AFFO[(1)] - basic	510,158	369,586	38%	1,484,966	1,023,961	45%
AFFO per unit - basic	0.0073	0.0064	14%	0.0231	0.0204	13%
Distributions paid on exchangeable units (if dilutive)	13,896	-	13,896	49,190	44,635	4,555
AFFO - diluted	524,054	369,586	42%	1,534,156	1,068,596	44%
AFFO per unit - diluted	0.0072	0.0064	12%	0.0227	0.0201	13%
Distributions	0.0045	0.0041	10%	0.0135	0.0120	12%
AFFO -basic after distributions	0.0028	0.0024	0.0005	0.0096	0.0084	0.0012
Distributions as a % of AFFO - basic	61%	63%	(2%)	59%	59%	(0%)
Weighted avg. units o/s						
Basic	69,503,343	57,437,669	12,065,674	64,372,724	50,105,285	14,267,439
Diluted	72,591,543	57,437,669	15,153,874	67,460,924	53,193,485	14,267,439

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

CASH FLOWS AND LIQUIDITY

For the 9-month period ended September 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 that took place over the course of 2017 as well as an ongoing joint venture development.

Cash derived from financing activities amounted to $8.1M ($8.7M in Q3 2016). This amount is in part the result of the net between the money raised in our last private placement and new mortgages used to fund our acquisitions.

CASH FLOWS

	9 months		
Periods ended September 30	**2017**	**2016**	**Δ**
Operating activities	1,114,478	711,947	402,531
Investing activities	(9,121,989)	(9,382,182)	260,193
Financing activities	8,079,044	8,729,432	(650,388)
Increase in cash & cash equivalents	71,533	59,197	12,336
Cash & cash equivalents -Beginning of period	65,087	47,097	17,990
Cash & cash equivalents - End of period	136,620	106,294	30,326

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

For the quarter ended September 30, 2017, the Trust had rental income of $1,097K ($714K in Q3 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 Q3 2016, were from the acquisitions, which took place in 2016 and 2017.

Losses in 2017 and gains in 2016 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 September 30	2017	2016	Δ
Rental Income	1,096,653	713,597	383,056
Other revenues	-	-	-
Increase/(decrease) in fair values			
values of investment properties	(37,050)	1,327,506	(1,364,556)
Financial expenses	234,059	185,353	48,706
Debt extinguishment penalties	-	239,992	(239,992)
Net income			
attributable to unitholders	538,675	1,474,531	(935,856)
Net income per unit			
Basic	0.0078	0.0257	(0.0179)
FFO - basic(1)	581,433	129,594	349%
FFO per unit	0.0084	0.0023	271%
Recurring FFO - basic	581,433	369,586	57%
Recurring FFO per unit - basic	0.0084	0.0064	30%
Weighted avg. units o/s			
Basic	69,503,343	57,437,669	12,065,674
EBITDA (1)	809,784	304,394	505,390
Interest coverage	3.5	1.7	1.8
Debt service coverage	2.6	1.0	1.6

(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 $234K ($185K in Q3 2016).

For the quarter ended September 30, 2017, the Trust recorded recurring FFO of $581K in comparison to $370K in Q3 2016. Recurring FFO per unit increased by 30% from $0.0064 to $0.0084 for the same period. During Q3 2016, the Trust took advantage of market conditions related to interest rates by extinguishing two (2) mortgages bearing interest rates of 5.09% and 5.24%. In doing so, the Trust incurred penalties and other costs of $240K. These penalties were added to the principal of new mortgages bearing interest at a rate of 3.41%. The penalties were added to the Trust’s FFO to arrive at the Recurring FFO for Q3 2016.

RESULTS OF OPERATIONS FOR THE 9 MONTHS ENDED SEPTEMBER 30TH, 2017

For the 9-month period ended September 30, 2017, the Trust had rental income of $3,043K ($1,962K in Q3 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 the same period in 2016, were from the acquisitions, which took place in 2016 and 2017.

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

	9 months		
Periods ended September 30	**2017**	**2016**	**Δ**
Rental income	3,042,700	1,962,143	1,080,557
Other revenues	10,000	155,350	(145,350)
Increase/(decrease) in fair values			
values of investment properties	1,386,873	1,804,671	(417,798)
Financial expenses	1,012,687	623,848	388,839
Debt extinguishment penalties	-	239,992	(239,992)
Net income			
attributable to unitholders	2,701,756	2,517,907	183,849
Net income per unit			
Basic	0.0420	0.0503	(0.0083)
FFO - basic[1]	1,599,175	817,808	96%
FFO per unit	0.0248	0.0163	52%
Recurring FFO - basic	1,589,175	902,450	76%
Recurring FFO per unit - basic	0.0247	0.0180	37%
Weighted avg. units o/s			
Basic	64,372,724	50,105,285	14,267,439
EBITDA [1]	2,185,929	1,309,322	876,607
Interest coverage	3.3	2.4	0.9
Debt service coverage	2.0	1.5	0.5

[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 $1,013K ($624K in Q3 2016).

For the period ended September 30, 2017, the Trust recorded recurring FFO of $1,589K in comparison to $903K in Q3 2016. Recurring FFO per unit increased by 37% from $0.0180 to $0.0247 for the same period. In the 9-month period ended September 30, 2016 the Trust recorded revenues of $150K related to a one-time payment received from a tenant for the renewal of a lease and recorded $240K in penalties (see above) and other costs related to the extinguishment of two mortgages. In order to arrive to Recurring FFO for the 9-month period ended September 30, 2016, the one-time payment was deducted from the Trust’s FFO and the penalty was added back.

CAPITAL STRUCTURE

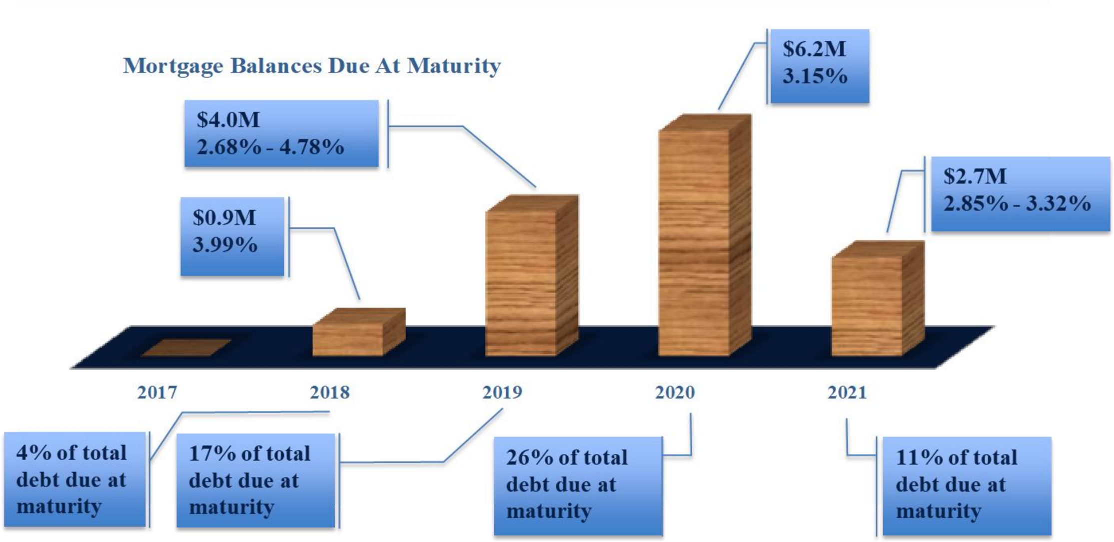
The real estate business requires capital in order to continue to fund acquisitions, which is a key part to growth and success. The Trust is authorized to issue an unlimited number of trust units. During the 9 month period ended September 30, 2017 the Trust issued 50,000 units to certain members of management for services rendered. During the same period, the Trust collected total proceeds of $4,999,999 following the issuance of 10,204,080 placement units. Each unit was accompanied of ½ warrant, each whole warrant entitling the holder to buy one Fronsac unit at $0.61 for up to five years following May 15, 2017. The total amount of units outstanding at September 30, 2017 was 69,503,343.

On July 18, 2017, Fronsac 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.

On October 20, 2017, the Trust announced its intention to undertake a prospectus exempt private placement of units raising up to a maximum offering amount of $6,500,000 (the “Offering”). Under the terms of the Offering, Fronsac may sell up to 13,000,000 units (the “Units”) at a price of $0.50 per Unit. The net proceeds of the Offering will be used for acquisitions and for working capital and general real estate investment trust purposes.

All Units issued under the Offering will be subject to a four-month plus one-day hold period from the closing date, pursuant to securities legislation and to the policies of the TSX Venture Exchange. A finder’s fee may be payable to qualified finders in accordance with applicable regulations. The Units have not been nor will they be registered under the United States Securities Act of 1933, as amended, or state securities laws, and may not be offered or sold in the United States or to an account for the benefit of US persons, absent such registration or an exemption from registration. The Offering is expected to close on or about November 17, 2017.



Note: The amount due at maturity for 2017 is $0. The amount due at maturity for 2022 and thereafter is $10.2M

Debts are composed of mortgages, loans, convertible debentures and secured credit facilities. As at September 30, 2017 there are 18 mortgages with Canadian financial institutions with a total carrying value of $26,373,761 ($21,859,425 in Q4 2016). These mortgages require the Trust to make payments of $16.6M over the next 5 years and $9.8M thereafter. The mortgages outstanding currently have an average term to maturity of 3.5 years (3.8 years in Q4 2016). Convertible debentures in circulation as at September 30, 2017 have a carrying value of $254K ($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 $2.2M balance as at September 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.

IFRS 9 - Financial instruments ("IFRS 9")
In July 2014, the IASB issued its final version of IFRS 9. It will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities and hedge accounting. Financial assets will be classified and measured based on a business model in which they are held and in function of its contractual cash flows characteristics. For financial liabilities the standard modifies the impairment calculation based on an expected credit loss model. Hedge accounting will principaly be aligned with risk management. IFRS 9 will be effective for annual periods beginning on or after January 1st, 2018 and its early adoption is permitted. The Trust is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")
IFRS 15 was published in May 2014. The standard provides precisions on when and how to recognize revenue from contracts. IFRS 15 determines that revenue is recorded at an amount that reflects the expected consideration receivable in exchange for transferring goods and services. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018 and its early adoption is permitted. The Trust is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 16 - Leases ("IFRS 16")
In January 2016, the IASB has 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. IFRS 16 is effective for periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15. The Trust is currently assessing the impact of the new standard on its consolidated financial statements.

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 September 30, 2017 the Trust held interests in 31 properties in Quebec and Ontario, across 4 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 ($119K as at September 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 its mortgages, long term debt, convertible debentures, bank 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 September 30, 2017, the Trust paid $8,700 ($22,200 in Q3 2016) in professional fees to trustees or entities controlled by trustees.

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 $129,341 ($83,276 in Q3 2016) obtained from companies controlled by individuals related to trustees for which no amount is included in the receivable balance as at September 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 $77,569 ($30,248 in Q4 2016) is included in the receivable balance. Interest received on these loans during the quarter amounts to $1,078 ($689 in Q3 2016).