FRONSAC | Real Estate Investment Trust

Management Discussion & Analysis

–

Q4 2017
Period ended December 31st, 2017
Form 51-102F1

SUMMARY OF SELECTED FINANCIAL INFORMATION

SUMMARY OF SELECTED ANNUAL INFORMATION

Periods ended December 31	12 months 2017	2016	Δ	%
Financial info				
Property rental income	4,359,277	2,837,021	1,522,256	54%
Total revenue	4,369,277	2,992,371	1,376,906	46%
NOI [1]	3,487,615	2,580,709	906,906	35%
FFO [1][4]	2,147,217	1,212,796	934,421	77%
Recurring FFO [1][4]	2,137,217	1,297,438	839,779	65%
AFFO [1]	2,014,775	1,371,167	643,608	47%
EBITDA [1]	3,013,742	1,915,937	1,097,805	57%
Investment properties [2]	69,588,555	48,065,082	21,523,473	45%
Total assets	70,006,481	48,355,249	21,651,232	45%
Total mortgage/loans/long term debt [3]	31,716,924	24,547,956	7,168,968	29%
Total exchangeable preferred units	-	945,830	(945,830)	(100%)
Total convertible debentures	250,581	249,149	1,432	1%
Total equity	36,708,396	21,419,308	15,289,088	71%
Weighted average units o/s - basic	67,398,715	52,403,772	14,994,943	29%
Amounts on a per unit basis				
FFO	0.0319	0.0231	0.0088	38%
Recurring FFO	0.0317	0.0248	0.0070	28%
AFFO	0.0299	0.0262	0.0037	14%
Distributions	0.0180	0.0161	0.0018	11%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.5%	3.9%	(0.4%)	
Debt to gross assets - including converts	46%	53%	(7%)	
Debt to gross assets - excluding converts [3]	45%	51%	(6%)	
Interest coverage ratio	3.1	2.6	0.5	
Debt service coverage ratio	1.7	1.5	0.2	
Distributions as a % of FFO	56%	70%	(13%)	
Distributions as a % of Recurring FFO	57%	65%	(8%)	
Distributions as a % of AFFO	60%	62%	(2%)	
Leasing information				
Occupancy	100%	100%	0%	
Mix of tenancy based on net revenue				
National	74%	78%	(4%)	
Regional	21%	19%	2%	
Local	5%	3%	2%	
Property type breakdown				
Gas/Convenience store	14	9	5	
Gas/Convenience store/Fast food	7	7	-	
Fast food	10	8	2	
Auto parts	2	-	2	
Retail	2	-	2	
	35	24	11	
Other				
Average term to maturity - mortgages	4.4	3.8	0.6	
Average term to maturity - leases	8.6	7.4	1.2	
IFRS capitalization rate	6.11%	6.24%	(0.13%)	

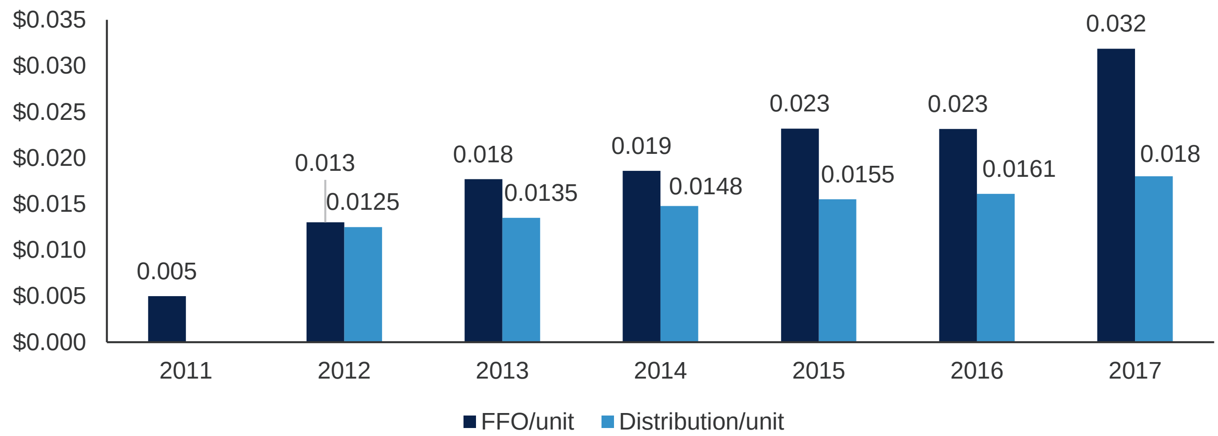
[1] Non-IFRS financial measures

[2] Includes value of investment properties owned through joint ventures

[3] Excludes convertible debentures and exchangeable preferred units

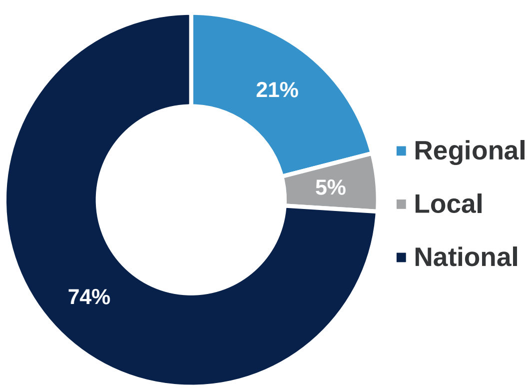
[4] Q1 2016 included revenues of $150K related to a one-time payment received for the renewal of a lease. This amount was subtracted from the Trust's FFO to arrive at the Recurring FFO for 2016

HISTORICAL SELECTED FINANCIAL PERFORMANCE

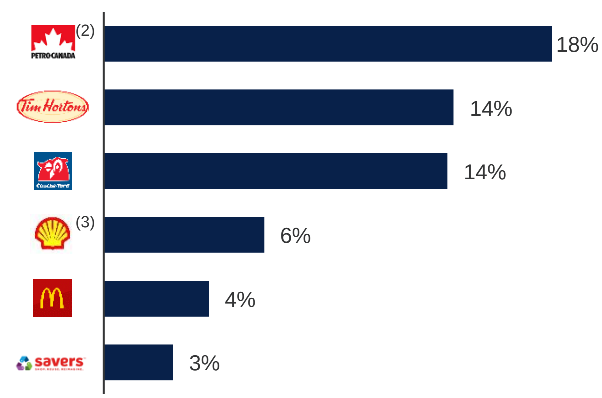


TENANT OVERVIEW

TENANT MIX[(1)]



KEY TENANTS[(1)]



Notes:

(1) Based on net operating income
(2) Petro-Canada is operated by Suncor
(3) Shell is operated by Sobeys

BREAKDOWN OF PROPERTIES & 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	100%
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%
35	536 Algonquin Boul.	Timmins (Ontario)	Fast food	100%
36	1730 Jules Vernes Ave.*	Cap Rouge	Fast food	50%

*Development completed in Q1 2018

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 12 months period ended December 31, 2017. It should be read in conjunction with the Audited Consolidated Financial Statements for the period ended December 31, 2017 and the Trust's Audited Consolidated Financial Statements and MD&A for the period ended December 31, 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 March 23, 2018, this MD&A reflects all significant information available as of that date and should be read in conjunction with the Audited Consolidated Financial Statements for the year ended December 31, 2017 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 March 23, 2018.

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 December 31, 2017 the Trust held 35 investment properties, 33 residing in the province of Quebec and 2 in the province of Ontario. 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) fast food chains, (2) major oil/gas companies, (3) convenience store chains, (4) auto parts businesses and (5) major retailers.

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 YEAR

On March 14, 2017, the Trust acquired a property located in Ste-Sophie, Quebec. The property is located along Boulevard Ste-Sophie and is composed of a recently built Ultramar service station as well as a freestanding Benny & Co restaurant. Total consideration paid was $364,018 for a 50% interest in Odacité Ste-Sophie LP, which holds the interests of said properties. The purchase price was settled for in cash, while taking into consideration already in place financing as well as customary closing adjustments. Fronsac assumed a 50% share of a long-term mortgage related to the properties of $2,150,000 (Fronsac share $1,075,000). In addition Fronsac assumed 50% of accruals related to closing adjustments, which amounted to $7,150.70 (Fronsac share $3,675.85). This is Fronsac's first partnership with Odacité Immobilier, a development company. A 25% interest was purchased from a third party with no previous ties to Fronsac. The other 25% interest was purchased from companies which are either controlled by trustees or individuals related to trustees.

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

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

Fronsac contracted the services of Paradigm Capital Inc. ("Paradigm"), a qualified finder, in the course of the Placement. In accordance with the agreement entered into between Fronsac and Paradigm as well as in accordance with applicable regulations, Paradigm received a finder's fee in the amount of $100,000, plus applicable taxes.

On June 1, 2017, the Trust announced plans to develop a free-standing Benny & Co restaurant in partnership with the development firm Odacité Immobilier in Cap Rouge, Quebec. The land, which was acquired on May 30th, 2017, is strategically located at exit 304 on Highway 40, one of the principal entry points to Cap Rouge. Project costs are expected to total approximately $2,000,000 with plans to deliver to our tenant before year-end.

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 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.

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 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 and was settled in cash. The properties were purchased from third parties with no previous ties to Fronsac.

On November 9, 2017, the Trust acquired one (1) property located in Timmins, Ontario. The property is a fast food restaurant operated under the KFC banner and is located on Algonquin Boulevard, a highly trafficked artery in the city of Timmins. Total consideration paid for the property was $1,150,000 and was settled in cash. The property was purchased from a third party with no previous ties to Fronsac

On November 20, 2017, the Trust announced the closing of a private placement, which was launched on October 20, 2017. The Trust collected total proceeds of $6,500,000 through the issuance of 13,000,000 Placement Units at a price of $0.50 per Placement Unit. The Placement Units are subject to a four-month plus one-day hold period from the Closing Date of the Placement, expiring on March 22, 2018, pursuant to securities legislation and the policies of the TSX Venture Exchange. Insiders of Fronsac participated in the offering and purchased approximately 7.3% of the newly issued units.

Fronsac contracted the services of Paradigm Capital Inc., a qualified finder, in the course of the Placement. In accordance with the agreement entered into between Fronsac and Paradigm as well as in accordance with applicable regulations, Paradigm shall receive a finder's fee in the amount of $40,000, plus applicable taxes.

OUTLOOK 2018 & 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 January 15, 2018, the Trust issued 80,000 units at a price of $0.53/unit for a total of $42,400 as performance bonus to officers according to its contractual obligation in this respect.

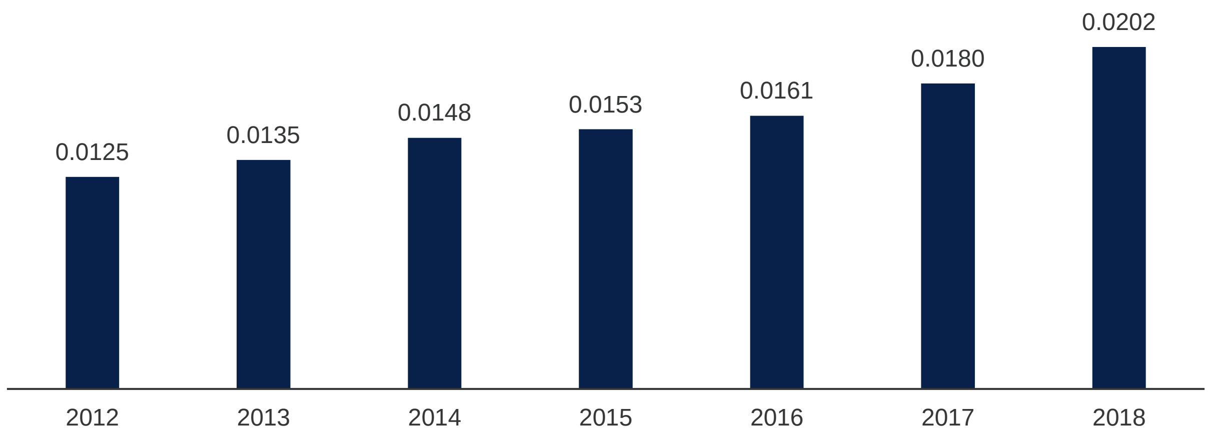
Fronsac is looking for acquisitions that will sustain its growth. The Trust's capital and debt structure puts it in a selective position for other potential acquisitions.

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.

ANNUAL CASH DISTRIBUTION PER UNIT ($)



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, 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.

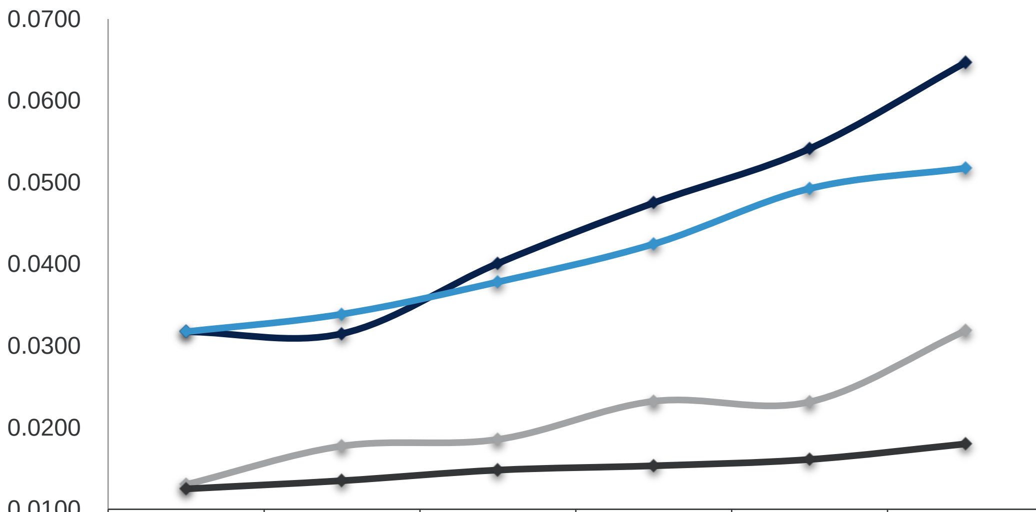
FFO, Recurring FFO, AFFO and EBITDA are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

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

PER UNIT GROWTH



	2012	2013	2014	2015	2016	2017
FFO	0.0130	0.0177	0.0186	0.0232	0.0231	0.0319
Distributions	0.0125	0.0135	0.0148	0.0153	0.0161	0.0180
Property Rental Income	0.0317	0.0315	0.0401	0.0475	0.0541	0.0647
NOI	0.0317	0.0339	0.0378	0.0425	0.0492	0.0517

QUARTERLY FINANCIAL INFORMATION

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Rental income	1,316,577	1,096,653	976,412	969,635	874,879	713,597	646,806	601,740
Net income attributable to unitholders	1,839,189	538,675	322,928	1,840,152	678,913	1,474,531	(485,256)	1,528,631
Net income per unit								
Basic	0.0241	0.0078	0.0050	0.0310	0.0115	0.0257	(0.0105)	0.0330
FFO [1]								
Basic	548,042	581,433	508,628	509,113	394,989	129,594	269,978	418,236
FFO per unit								
Basic	0.0072	0.0084	0.0079	0.0086	0.0067	0.0023	0.0058	0.0090
Value of investment properties (000's) [2]	69,589	59,266	53,417	50,873	48,065	43,420	34,174	34,809
Total assets (000's)	70,006	59,102	53,494	50,319	48,355	43,884	34,449	35,320
Mortgages, and other debts (000's)	31,717	29,732	23,114	24,991	24,548	20,896	17,593	17,879
Equity (000's)	36,708	27,865	27,639	23,022	21,419	20,982	14,838	15,490
Weighted avg. units o/s Basic (000's)	76,378	69,503	64,233	59,269	59,249	57,438	46,419	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			12 months		
Periods ended December 31	**2017**	**2016**	**Δ**	**2017**	**2016**	**Δ**
Net income (loss) attributable to unitholders	1,839,189	678,913	1,160,276	4,540,944	3,196,819	1,344,125
Δ in value of investment properties	(787,749)	(283,708)	(504,041)	(2,174,622)	(2,088,379)	(86,243)
Δ in value of investment properties in joint ventures	(7,260)	(19,771)	12,511	(148,900)	(47,755)	(101,145)
Unit based compensation	2,920	(200)	3,120	70,745	40,875	29,870
Δ in liability component of exchangeable preferred units	7,568	6,596	972	43,832	40,070	3,762
Δ in fair value of derivative financial instruments	(524,994)	(4,620)	(520,374)	(230,380)	48,515	(278,895)
Δ in fair value of other financial components	13,750	(1,045)	14,795	40,980	3,605	37,375
Income taxes	4,618	18,824	(14,206)	4,618	19,046	(14,428)
FFO[1] - basic	548,042	394,989	39%	2,147,217	1,212,796	77%
FFO per unit - basic	0.0072	0.0067	8%	0.0319	0.0231	38%
Distributions paid on exchangeable units (if dilutive)	-	12,585	(12,585)	15,000	49,720	(34,720)
FFO - diluted	548,042	407,574	34%	2,162,217	1,262,516	71%
FFO per unit - diluted	0.0072	0.0065	10%	0.0318	0.0228	40%
Recurring FFO - basic	548,042	394,989	39%	2,137,217	1,297,438	65%
Recurring FFO per unit - basic	0.0072	0.0067	8%	0.0317	0.0248	28%
Distributions	385,162	241,441	143,721	1,277,539	851,796	425,742
Distributions per unit	0.0045	0.0041	10%	0.0180	0.0161	12%
FFO - basic after distributions	0.0027	0.0026	0.0001	0.0139	0.0070	0.0068
Recurring FFO - basic after distributior	0.0027	0.0026	0.0001	0.0137	0.0087	0.0051
Distributions as a % of FFO - basic	63%	61%	2%	56%	70%	(13%)
Distributions as a % of Recurring FFO - basic	63%	61%	2%	57%	65%	(8%)
Weighted avg. units o/s						
Basic	76,378,013	59,249,263	17,128,750	67,398,715	52,403,772	14,994,943
Diluted	76,378,013	62,337,463	14,040,550	67,980,110	55,491,972	12,488,138

(1) FFO is a Non-IFRS financial measure

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

	3 months			12 months		
Periods ended December 31	**2017**	**2016**	**Δ**	**2017**	**2016**	**Δ**
Basic FFO [1]	548,042	394,989	153,053	2,147,217	1,212,796	934,421
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	(18,233)	(47,782)	(29,549)	(132,442)	(81,621)	50,821
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	-	-	-	239,992	(239,992)
AFFO[1] - basic	529,809	347,207	53%	2,014,775	1,371,167	47%
AFFO per unit - basic	0.0069	0.0059	18%	0.0299	0.0262	14%
Distributions paid on exchangeable units (if dilutive)	-	12,585	(12,585)	15,000	49,720	(34,720)
AFFO - diluted	529,809	359,792	47%	2,029,775	1,420,887	43%
AFFO per unit - diluted	0.0069	0.0058	20%	0.0299	0.0256	17%
Distributions	0.0045	0.0041	10%	0.0180	0.0161	12%
AFFO -basic after distributions	0.0024	0.0018	0.0007	0.0119	0.0101	0.0018
Distributions as a % of AFFO - basic	65%	70%	(5%)	60%	62%	(2%)
Weighted avg. units o/s						
Basic	76,378,013	59,249,263	17,128,750	67,398,715	52,403,772	14,994,943
Diluted	76,378,013	62,337,463	14,040,550	67,980,110	55,491,972	12,488,138

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

CASH FLOW AND LIQUIDITY

For the 12-month period ended December 31, 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 $17.1M ($12.1M in 2016). This amount is in part the result of the sum of the money raised through equity raises and new mortgages used to fund our acquisitions.

CASH FLOWS

	12 months		
Periods ended December 31	**2017**	**2016**	**Δ**
Operating activities	2,060,148	1,419,438	640,710
Investing activities	(18,984,984)	(13,541,326)	(5,443,658)
Financing activities	17,139,182	12,139,878	4,999,304
Increase in cash & cash equivalents	214,346	17,990	196,356
Cash & cash equivalents -Beginning of period	65,087	47,097	17,990
Cash & cash equivalents - End of period	279,433	65,087	214,346

RESULTS OF OPERATIONS FOR THE QUARTER ENDED DECEMBER 31, 2017

For the quarter ended December 31, 2017, the Trust had rental income of $1,317K ($875K in Q4 2016). 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.

Gains in 2017 and 2016 include fluctuations as a result of the variation in the fair value of investment properties (see page 14 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 December 31	2017	2016	Δ
Rental Income	1,316,577	874,879	441,698
Other revenues	-	-	-
Increase/(decrease) in fair values values of investment properties	787,749	283,708	504,041
Financial expenses	(220,985)	212,358	(433,343)
Debt extinguishment penalties	-	-	-
Net income attributable to unitholders	1,839,189	678,913	1,160,276
Net income per unit Basic	0.0241	0.0115	0.0126
FFO - basic[1]	548,042	394,989	39%
FFO per unit	0.0072	0.0067	8%
Recurring FFO - basic	548,042	394,989	39%
Recurring FFO per unit - basic	0.0072	0.0067	8%
Weighted avg. units o/s Basic	76,378,013	59,249,263	17,128,750
EBITDA [1]	827,813	606,616	221,197
Interest coverage	2.8	2.9	(0.1)
Debt service coverage	1.6	1.6	0.0

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

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages and bank loans, which were a gain of

$221K compared to a charge of $212K in 2016. The reason for this is due to the derecognition of the liability component of the exchangeable preferred units for an amount of $525K.

For the quarter ended December 31, 2017, the Trust recorded recurring FFO of $548K in comparison to $395K in Q4 2016. Recurring FFO per unit increased by 8% from 0.67¢ to 0.72¢ for the same period.

RESULTS OF OPERATIONS FOR THE 12 MONTHS ENDED DECEMBER 31, 2017

For the 12-month period ended December 31, 2017, the Trust had rental income of $4,359K ($2,837K in 2016). 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.

Gains include fluctuations as a result of the variation in the fair value of investment properties (see page 14 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

	12 months		
Periods ended December 31	**2017**	**2016**	**Δ**
Rental income	4,359,277	2,837,021	1,522,256
Other revenues	10,000	155,350	(145,350)
Increase/(decrease) in fair values values of investment properties	2,174,622	2,088,379	86,243
Financial expenses	791,702	836,206	(44,504)
Debt extinguishment penalties	-	239,992	(239,992)
Net income attributable to unitholders	4,540,944	3,196,819	1,344,125
Net income per unit Basic	0.0674	0.0610	0.0064
FFO - basic[1]	2,147,217	1,212,796	77%
FFO per unit	0.0319	0.0231	38%
Recurring FFO - basic	2,137,217	1,297,438	65%
Recurring FFO per unit - basic	0.0317	0.0248	28%
Weighted avg. units o/s Basic	67,398,715	52,403,772	14,994,943
EBITDA [1]	3,013,742	1,915,937	1,097,805
Interest coverage	3.1	2.6	0.5
Debt service coverage	1.7	1.5	0.2

[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 $792K ($836K in 2016). The amount in 2017 was impacted by the derecognition of the liability component of the exchangeable preferred units for an amount of $525K.

For the period ended December 31, 2017, the Trust recorded recurring FFO of $2,137K in comparison to $1,297K in 2016. Recurring FFO per unit increased by 28% from 2.48¢ to 3.17¢ for the same period. In the 12-month period ended December 31, 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 12-month period ended December 31, 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 12 month period ended December 31, 2017 the Trust issued a total of 26,342,280 units as follows:

On February 24, 2017, the Trust issued 50,000 units to a member of management for services rendered.

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

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.

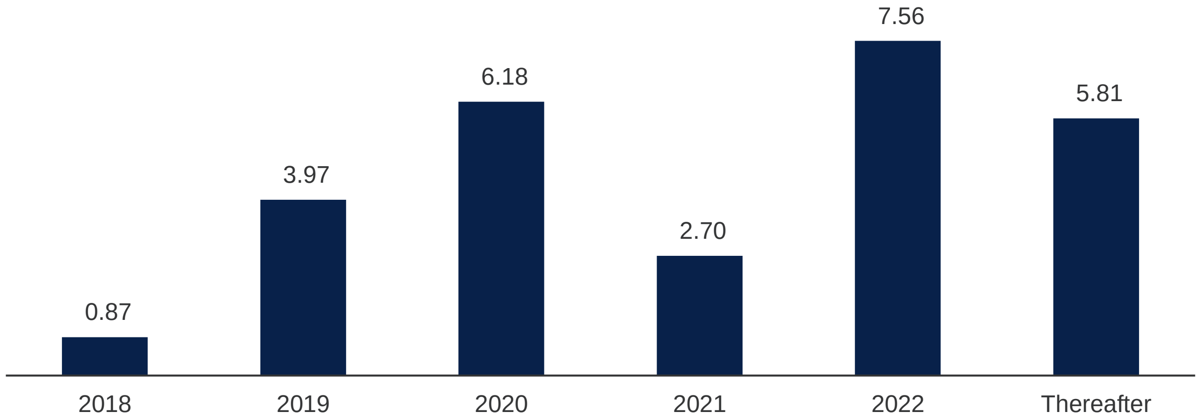
On November 20, 2017, the Trust announced the closing of a private placement, which was launched on October 20, 2017. The Trust collected total proceeds of $6,500,000 through the issuance of 13,000,000 Placement Units at a price of $0.50 per Placement Unit. The Placement Units were subject to a four-month plus one-day hold period from the Closing Date of the Placement, expiring on March 22, 2018, pursuant to securities legislation and the policies of the TSX Venture Exchange. Insiders of Fronsac participated in the offering and purchased approximately 7.3% of the newly issued units.

On December 4, 2017, the Trust issued 3,088,200 units in exchange for 1,603,200 class “B” preferred shares in Fronsac Barkoff LP and 1,485,000 class “B” preferred shares in Fronsac CDM LP. This exchange was part of a deal related to the acquisition of two properties located in Trois-Rivières completed in 2013. For more information regarding the nature of this transaction, please refer to the press release “*Fronsac announces the signing of protocols for the acquisition of interests in two real estate properties in Trois-Rivières and the appointment of a CFO*” as published on February 4, 2013 and available on SEDAR and on Fronsac’s website.

The total amount of units outstanding at December 31, 2017 was 85,591,543.

CAPITAL STRUCTURE (CONTINUED)

MORTGAGE BALANCES DUE AT MATURITY (in $M)



	2018	2019	2020	2021	2022	Thereafter
Total due ($):	867,755	3,971,579	6,183,739	2,701,448	7,557,362	5,806,803
Rate:	3.99%	2.68% - 4.78%	3.15%	2.85% - 3.32%	3.21% - 3.85%	3.41% - 4.47%
% of total debt:	3.2%	14.7%	22.8%	10.0%	27.9%	21.4%

Debts are composed of mortgages, loans, convertible debentures and secured credit facilities. As at December 31, 2017 there are 21 mortgages (excluding Fronsac's interest in mortgages held through joint ventures) with Canadian financial institutions with a total carrying value of $31,581,924 ($21,859,425 at December 31, 2016). These mortgages require the Trust to make payments of $24.1M over the next 5 years and $7.5M thereafter. The mortgages outstanding currently have an average term to maturity of 4.4 years (3.8 years at December 31, 2016). Convertible debentures in circulation as at December 31, 2017 have a carrying value of $251K ($249K at December 31, 2016). The Trust currently has 2 secured lines of credit with authorized limitsfa of $4.5M and $0.7M. These lines of credit have a $0 balance as at December 31, 2017 ($2.5M at December 31, 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 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 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 has determined that this new standard will not have a material impact 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 has determined that this new standard will not have a material impact 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 leses 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.

IAS 40 - Investment property ("IAS 40")

In December 2016, the IASB issued an amendment to IAS 40 clarifying certain requirements on assets transfer. The amendment requires that an asset be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or cease to meet, the definition of investment property and that there is evidence of the change in use. These amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is also permitted. The Trust has determined that this new standard will not have a material impact 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 December 31, 2017 the Trust held interests in 35 properties in Quebec and Ontario, 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 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 ($183K as at December 31, 2017 compared to $92K as at December 31, 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 Government agencies, which pose a minimum credit 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.

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.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Trust paid $43,800 (2016: $87,600) in professional fees to trustees and to entities controlled by a trustee.

During the year, the Trust also paid $0 (2016: $12,696) for legal fees to a person related to a trustee. As at December 31, 2017, there is no amount payable (2016: $0).

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 4th year with the consumer price index. The tenant can exercise four (4) renewal options of five (5) years each.

Property rental revenue includes $541,888 (2016: $332,194) obtained from companies controlled by trustees and individuals related to trustees for which an amount of $468 (2016: $0) is included in the receivables as at December 31, 2017.

The Trust loaned money to a person related to a trustee and to an officer for which an amount of $76,635 ($30,248 in Q4 2016) is included in the receivable balance. Interest income on those loans amounts to $3,696 (2016: $2,788) for which an amount of $190 (2016: $220) is included in the receivables of December 31, 2017.

In the acquisition of the limited partnership Odacité Ste-Sophie, the Trust paid $182,009 to companies related to trustees.

The loans receivable also include an amount of $1,070,000 (2016: $0) that represents advances to a joint venture. Interest income on those advances amounts to $6,135 (2016: $0) for which an amount of $6,135 (2016: 0$) is included in the receivables as at December 31, 2017.