FRONSAC Real Estate Investment Trust

Management Discussion & Analysis

–

Q3 2018
Period ended September 30th, 2018
Form 51-102F1

SUMMARY OF SELECTED FINANCIAL INFORMATION

SUMMARY OF SELECTED ANNUAL INFORMATION

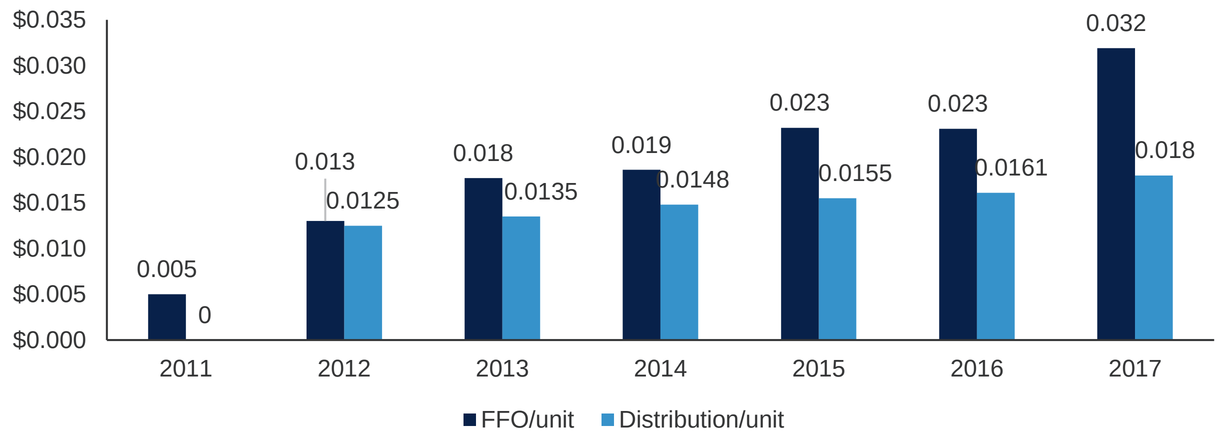
Periods ended September 30	9 months 2018	9 months 2017	Δ	%
Financial info				
Property rental income	4,556,093	3,042,700	1,513,393	50%
Total revenue	4,571,093	3,052,700	1,518,393	50%
NOI [1]	3,623,014	2,466,520	1,156,494	47%
FFO [1]	2,428,136	1,599,175	828,961	52%
Recurring FFO [1]	2,413,136	1,589,175	823,961	52%
AFFO [1]	2,115,047	1,484,966	630,081	42%
EBITDA [1]	3,372,480	2,185,929	1,186,551	54%
Investment properties [2]	99,264,996	59,266,139	39,998,857	67%
Total assets	96,863,007	59,101,842	37,761,165	64%
Total mortgage/loans/long term debt [3]	47,568,403	29,731,526	17,836,877	60%
Total exchangeable preferred units	-	977,268	(977,268)	(100%)
Total convertible debentures	1,576,413	253,975	1,322,438	521%
Total equity	45,899,465	27,864,885	18,034,580	65%
Weighted average units o/s - basic	87,649,966	64,372,724	23,277,242	36%
Amounts on a per unit basis				
FFO	0.0277	0.0248	0.0029	12%
Recurring FFO	0.0275	0.0247	0.0028	11%
AFFO	0.0241	0.0231	0.0011	4%
Distributions	0.0151	0.0135	0.0016	12%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.8%	3.3%	0.5%	
Debt to gross assets - including converts	51%	52%	(1%)	
Debt to gross assets - excluding converts [3]	49%	50%	(1%)	
Interest coverage ratio	3.2	3.3	(0.1)	
Debt service coverage ratio	1.8	2.0	(0.2)	
Distributions as a % of FFO	55%	54%	1%	
Distributions as a % of Recurring FFO	55%	55%	0%	
Distributions as a % of AFFO	63%	59%	4%	
Leasing information				
Occupancy	100%	100%	0%	
Mix of tenancy based on net revenue				
National	79%	74%	5%	
Regional	16%	21%	(5%)	
Local	5%	5%	0%	
Property type breakdown				
Gas/Convenience store	14	13	1	
Gas/Convenience store/Fast food	10	7	3	
Fast food	12	9	3	
Auto parts	2	2	-	
Retail	5	-	5	
	43	31	12	
Other				
Average term to maturity - mortgages	4.7	3.5	1.2	
Average term to maturity - leases	9.2	8.3	0.9	
IFRS capitalization rate	6.17%	6.03%	0.14%	

[1] Non-IFRS financial measures

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

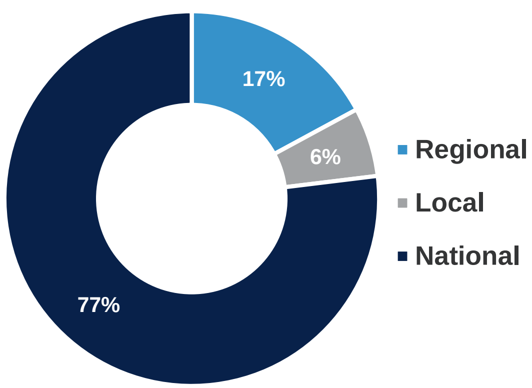
[3] Excludes convertible debentures and exchangeable preferred units

HISTORICAL SELECTED FINANCIAL PERFORMANCE

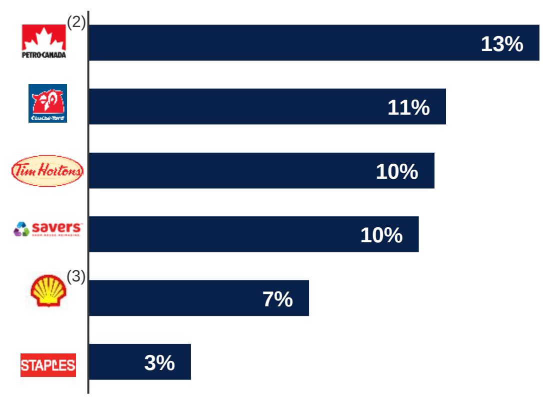


TENANT OVERVIEW – Q3 2018(1)

TENANT MIX(1)



KEY TENANTS (54%) (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 Guillaume Couture 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 Blvd.	Timmins (Ontario)	Fast food	100%
36	1730 Jules Vernes Ave.	Cap Rouge	Fast food	50%
37	235 Montée Paiement	Gatineau	Retail	100%
38	510 Bethany Ave.*	Lachute	Fast food, gas, convenience store	50%
39	1337 Iberville Blvd.	Repentigny	Retail	100%
40	222 St-Jean-Baptiste Blvd.	Mercier	Fast food, gas, convenience store	50%
41	230 St-Jean-Baptiste Boul.	Mercier	Fast food	50%
42	101 Hébert Street	Mont-Laurier	Retail	100%
43	290 Mgr. Langlois Blvd.	Salaberry-de-Valleyfield	Fast food, gas, convenience store	50%
44	510 Portland Street**	Dartmouth (Nova Scotia)	Fast food	100%

*Currently under development

** Acquired after October 31st, 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 9 months period ended September 30, 2018. It should be read in conjunction with the Consolidated Financial Statements for the period ended September 30, 2018 and the Trust's Consolidated Financial Statements and MD&A for the period ended September 30, 2017. 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 November 9, 2018, 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 quarter ended September 30, 2018 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.

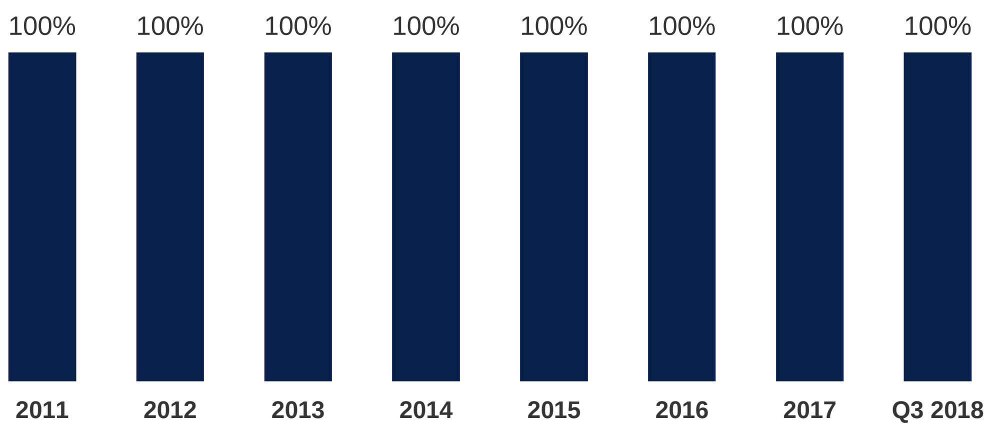
Please note that the forward-looking statements contained in this MD&A describe our expectations as at November 9, 2018.

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 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 September 30, 2018 the Trust held 43 investment properties, 41 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.

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.

MAJOR EVENTS OF THE QUARTER

On July 18, 2018, Fronsac announced that it has received approval from the TSX Venture Exchange (“TSX”) for the annual renewal of its normal course issuer bid (“NCIB”). Under 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 4,283,577 units, which represents approximately 5% of the units in circulation at this date. As of July 18, 2018, the Trust had 85,671,543 units issued and outstanding. Over the course of any 30 day period the Trust will not purchase more than 1,713,430 units in total, which represents 2% of the units issued and outstanding as at July 18, 2018. The Trust has not purchased any units for cancellation since July 18, 2018.

On August 2, 2018, Fronsac announced that, effective the start of trading on Tuesday, August 7, 2018, Fronsac's ticker symbol on the TSX Venture Exchange (“TSX.V”) would change from its original “GAZ.UN” symbol to “FRO.UN” (TSX.V: FRO.UN).

On August 8, 2018, Fronsac announced its intention to undertake a prospectus-exempted private placement raising up to a maximum offering amount of $10,000,000 (the “Offering”). The Offering was comprised of units (the “Units”) of Fronsac and of non-secured convertible debentures (the “Convertible Debentures”). The demand of the investors determined in which proportion those securities would ultimately be sold, but the amount of Convertible Debentures sold could not exceed $3,000,000.

The Units were offered at a price of $0.54 each. The Convertible Debentures were set to mature 5 years after their issuance, bear an annual interest rate of 6 % payable semi-annually, and be convertible into Units at a conversion price of $0.73 per unit. Fronsac has the right to redeem the Convertible Debentures three (3) years after their issuance should the closing price of the Units on the TSX Venture Exchange be higher than $0.73 for a period of forty-five (45) consecutive working days.

On August 28, 2018, Fronsac announced the closing (the “Closing Date”) of the previously announced Offering for total proceeds of $9,999,999.18. Fronsac issued 15,918,517 Units for proceeds of $8,595,999.18 and Convertible Debentures for proceeds of $1,404,000, the entire Offering being pursuant to exemptions under Regulation 45-106 respecting prospectus exemptions.

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 shall receive a finder’s fee in the amount of $250,000.00, plus applicable taxes.

On September 10, 2018, Fronsac announced the acquisition of a property in Mont Laurier, Quebec. The property is a grocery store operated under the IGA banner. Total consideration paid for the property was $8,880,000, representing a 6.75% capitalization rate, and was settled in cash.

In addition, Fronsac also announces the acquisition of a parcel of land in Salaberry-de-Valleyfield, Quebec, with the intention to develop a freestanding Benny & Co restaurant as well as a service station with a quick service restaurant. This development is being done in partnership with the development firm Immeubles Novard Inc. (“Novard”). This is Fronsac’s first joint venture development with Novard. The land is strategically located along Monseigneur Langlois boulevard, a highly trafficked artery in Valleyfield. Fronsac will retain a 50% share in the joint venture. Project costs are expected to total approximately $4,800,000 with construction set to begin in Spring 2019.

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 October 31, 2018, Fronsac announced the acquisition of a property located in Dartmouth, Nova Scotia. The property is a fast food restaurant operated under the Pizza Hut banner and is located on Portland Street, a highly trafficked artery at the exit of highway 111. This represent Fronsac's first acquisition in the province. Total consideration paid for the property was $1,550,000 and was settled in cash.

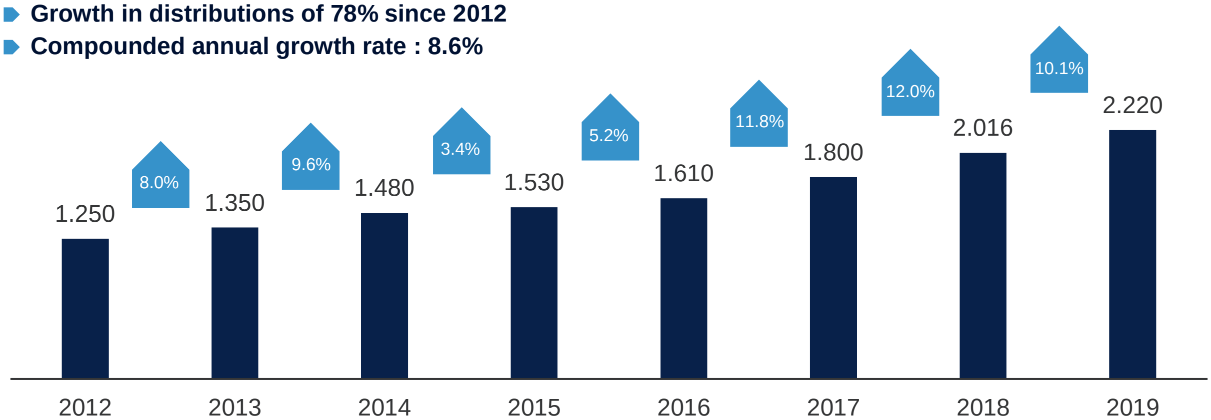
Fronsac is looking for acquisitions that will sustain its growth. The Trust's capital and debt structure puts it in a selective position for other potential acquisitions.

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 9). 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

	2018			2017				2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Rental income	1,663,373	1,530,968	1,361,751	1,316,577	1,096,653	976,412	969,635	874,879	713,597
Net income attributable to unitholders	544,021	278,795	1,373,354	1,839,189	538,675	322,928	1,840,152	678,913	1,474,531
Net income per unit Basic	0.0059	0.0033	0.0160	0.0241	0.0078	0.0050	0.0310	0.0115	0.0257
FFO [(1)] Basic	871,219	764,867	792,049	548,042	581,433	508,628	509,113	394,989	129,594
FFO per unit Basic	0.0095	0.0089	0.0092	0.0072	0.0084	0.0079	0.0086	0.0067	0.0023
Value of investment properties (000's) [(2)]	99,265	88,702	77,975	69,589	59,266	53,417	50,873	48,065	43,420
Total assets (000's)	96,863	83,966	77,152	70,006	59,102	53,494	50,319	48,355	43,884
Mortgages, and other debts (000's)	47,568	44,862	37,809	31,717	29,732	23,114	24,991	24,548	20,896
Equity (000's)	45,899	37,537	37,691	36,708	27,865	27,639	23,022	21,419	20,982
Weighted avg. units o/s Basic (000's)	91,554	85,665	85,659	76,378	69,503	64,233	59,269	59,249	57,438

[(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	**2018**	**2017**	**Δ**	**2018**	**2017**	**Δ**
Net income attributable to unitholders	544,021	538,675	5,346	2,196,171	2,701,756	(505,585)
Debenture issuance costs	53,171	-	53,171	53,171	-	53,171
Δ in value of investment properties	24,924	37,050	(12,126)	(145,781)	(1,386,873)	1,241,092
Δ in value of investment properties in joint ventures	124,712	-	124,712	156,423	(141,641)	298,064
Unit based compensation	17,600	(200)	17,800	80,510	67,825	12,685
Δ in liability component of exch. preferred units & debentures	10,130	14,838	(4,708)	10,882	36,264	(25,382)
Δ in fair value of derivative financial instruments	94,260	(8,930)	103,190	71,720	321,844	(250,124)
Income taxes	2,401	-	2,401	5,040	-	5,040
FFO[(1)] - basic	871,219	581,433	50%	2,428,136	1,599,175	52%
FFO per unit - basic	0.0095	0.0084	13%	0.0277	0.0248	12%
Distributions paid on exchangeable preferred units and convertible debentures (if dilutive)	-	13,896	(13,896)	-	41,690	(41,690)
FFO - diluted	871,219	595,329	46%	2,428,136	1,640,865	48%
FFO per unit - diluted	0.0093	0.0081	15%	0.0269	0.0241	12%
Recurring FFO - basic	871,219	581,433	50%	2,413,136	1,589,175	52%
Recurring FFO per unit - basic	0.0095	0.0084	13%	0.0275	0.0247	11%
Distributions	458,528	312,765	145,763	1,322,097	892,377	429,720
Distributions per unit	0.0050	0.0045	11%	0.0151	0.0135	12%
FFO - basic after distributions	0.0045	0.0039	0.0006	0.0126	0.0113	0.0012
Recurring FFO - basic after distributions	0.0045	0.0039	0.0006	0.0124	0.0112	0.0012
Distributions as a % of FFO - basic	53%	54%	(1%)	55%	54%	1%
Distributions as a % of Recurring FFO - basic	53%	54%	(1%)	55%	55%	0%
Weighted avg. units o/s Basic	91,554,473	69,503,343	22,051,130	87,649,966	64,372,724	23,277,242
Diluted	94,059,156	73,172,938	20,886,218	90,154,649	68,042,319	22,112,330

[(1)] FFO is a Non-IFRS financial measure

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

Periods ended September 30	3 months 2018	3 months 2017	Δ	9 months 2018	9 months 2017	Δ
Basic FFO [(1)]	871,219	581,433	289,786	2,428,136	1,599,175	828,961
Amortization of finance charges included in interest expense	-	-	-	-	-	-
Non-cash revenue (straight line rent)	-	-	-	-	-	-
Maintenance/cap-ex on existing properties [(2)]	(311,820)	(71,275)	(240,545)	(313,089)	(114,209)	198,880
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	-	-	-	-	-
AFFO[(1)] - basic	559,399	510,158	10%	2,115,047	1,484,966	42%
AFFO per unit - basic	0.0061	0.0073	(17%)	0.0241	0.0231	5%
Distributions paid on exchangeable preferred units and convertible debentures (if dilutive)	-	13,896	(13,896)	-	41,690	(41,690)
AFFO - diluted	559,399	524,054	7%	2,115,047	1,526,656	39%
AFFO per unit - diluted	0.0059	0.0072	(17%)	0.0235	0.0224	5%
Distributions	0.0050	0.0045	12%	0.0151	0.0135	12%
AFFO -basic after distributions	0.0011	0.0028	(0.0018)	0.0090	0.0096	(0.0006)
Distributions as a % of AFFO - basic	82%	61%	21%	63%	59%	4%
Weighted avg. units o/s						
Basic	91,554,473	69,503,343	22,051,130	87,649,966	64,372,724	23,277,242
Diluted	94,059,156	73,172,938	20,886,218	90,154,649	68,042,319	22,112,330

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

(2) The 2018 capital expenditure amount includes a $297,500 tenant allocation considered income generating capital expediture as Fronsac will generate higher revenues because of this investment.

The 2018 capital expenditure on existing properties amount is higher mainly due to a $297,500 tenant inducement allocation to a national tenant. Fronsac considers this as income-producing capital expenditure as the rental rate has been increased following this investment.

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 9-month period ended September 30, 2018, 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 the new mortgages on new acquisitions.

CASH FLOWS

Periods ended September 30	9 months 2018	9 months 2017	Δ
Operating activities	2,130,436	1,114,478	1,015,958
Investing activities	(25,300,807)	(9,121,989)	(16,178,818)
Financing activities	24,250,377	8,079,044	16,171,333
Increase in cash & cash equivalents	1,080,006	71,533	1,008,473
Cash & cash equivalents -Beginning of period	279,433	65,087	214,346
Cash & cash equivalents - End of period	1,359,439	136,620	1,222,819

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 9-month period ended September 30, 2018, please refer to Note 5 "Investment Properties" and Note 6 "Joint Arrangements" in the Financial Statements.

Cash derived from financing activities amounted to $24.3M ($8.1M for the same period in 2017). This is the result of money received through new mortgages and private placement. For the 9-month period ended

September 30, 2018, the cash derived from financing activities included a private placement through which 15,918,517 units were issued as well as unsecured convertible debentures, representing total gross proceeds of $8,595,999.18 and $1,404,000.00, respectively.For the same period last year, the cash derived from financing activities included a private placement through which 10,204,080 units were issued for total gross proceeds of $4,999,999.

RESULTS OF OPERATIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

For the quarter ended September 30, 2018, the Trust had rental income of $1,663K ($1,097K in Q3 2017). 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 September 30, 2018 was 6.17% compared to 6.03% at the same date last year.

RESULTS OF OPERATIONS

Quarters ended September 30	2018	2017	Δ
Rental Income	1,663,373	1,096,653	566,720
Other revenues	-	-	-
Increase/(decrease) in fair values of investment properties	(24,924)	(37,050)	12,126
Financial expenses	574,974	234,059	340,915
Net income attributable to unitholders	544,021	538,675	5,346
Net income per unit Basic	0.0059	0.0078	(0.0018)
FFO - basic[1]	871,219	581,433	50%
FFO per unit	0.0095	0.0084	13%
Recurring FFO - basic	871,219	581,433	50%
Recurring FFO per unit - basic	0.0095	0.0084	13%
Weighted avg. units o/s Basic	91,554,473	69,503,343	22,051,130
EBITDA [1]	1,271,032	809,784	461,248
Interest coverage	3.0	3.5	(0.5)
Debt service coverage	1.8	2.6	(0.8)

[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 amounted to $575K in Q3 2018 compared to $234K for the same period last year. The increase in Financial expenses comes mostly from the increase in interest expense, which is due to the increase in the number of mortgages.

For the quarter ended September 30, 2018, the Trust recorded basic recurring FFO of $871K in comparison to $581K in Q3 2017. Basic recurring FFO per unit increased by 13% from 0.84¢ to 0.95¢ 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.

RESULTS OF OPERATIONS FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2018

For the 9-month period ended September 30, 2018, the Trust had rental income of $4,556K ($3,043K for the same period in 2017). 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 September 30, 2018 was 6.17% compared to 6.03% 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 were $1,161K ($1,013K for the same period in 2017). The increase in Financial expenses comes mostly from the increase in interest expense, which is due to the increase in the number of mortgages.

RESULTS OF OPERATIONS

	9 months		
Periods ended September 30	**2018**	**2017**	**Δ**
Rental income	4,556,093	3,042,700	1,513,393
Other revenues	15,000	10,000	5,000
Increase/(decrease) in fair values of investment properties	145,781	1,386,873	(1,241,092)
Financial expenses	1,160,627	1,012,687	147,940
Net income attributable to unitholders	2,196,171	2,701,756	(505,585)
Net income per unit Basic	0.0251	0.0420	(0.0169)
FFO - basic[1]	2,428,136	1,599,175	52%
FFO per unit	0.0277	0.0248	12%
Recurring FFO - basic	2,413,136	1,589,175	52%
Recurring FFO per unit - basic	0.0275	0.0247	11%
Weighted avg. units o/s Basic	87,649,966	64,372,724	23,277,242
EBITDA [1]	3,372,480	2,185,929	1,186,551
Interest coverage	3.2	3.3	(0.1)
Debt service coverage	1.8	2.0	(0.2)

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

For the period ended September 30, 2018, the Trust recorded basic recurring FFO of $2,413K in comparison to $1,589K for the same period last year. Basic recurring FFO per unit increased by 11% from 2.47¢ to 2.75¢ 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 9-month period ended September 30, 2018, the Trust issued units as follows:

On January 15, 2018, the Tust issued 80,000 units at $0.53 per unit for a total of $42,400 to certain members of management for services rendered.

On July 18, 2018, Fronsac announced that it has received approval from the TSX Venture Exchange ("TSX") for the annual renewal of its normal course issuer bid ("NCIB"). Under 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 4,283,577 units, which represents approximately 5% of the units in circulation at this date. As of July 18, 2018, the Trust had 85,671,543 units issued and outstanding. Over the course of any 30 day period the Trust will not purchase more than 1,713,430 units in total, which represents 2% of the units issued and outstanding as at July 18, 2018. The Trust has not purchased any units for cancellation as of that date.

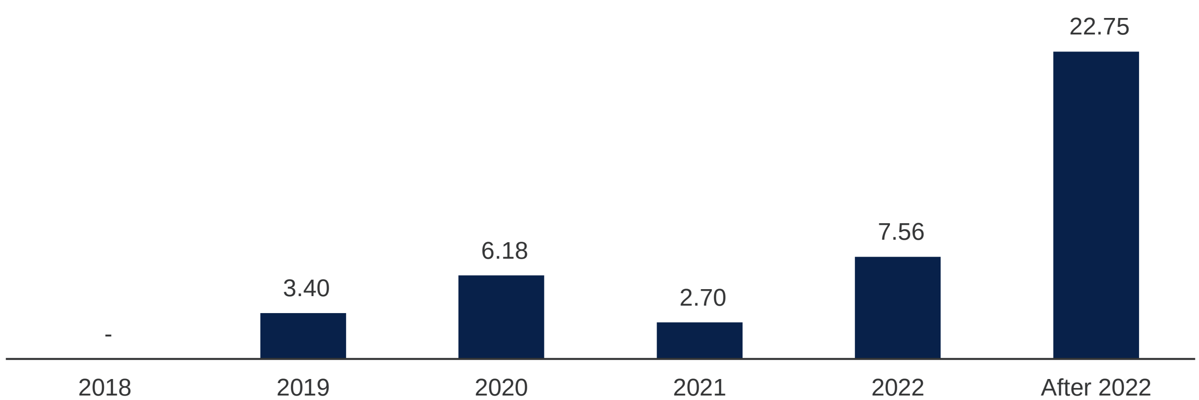
On August 8, 2018, Fronsac announced its intention to undertake a prospectus-exempted private placement raising up to a maximum offering amount of $10,000,000 (the “Offering”). The Offering was comprised of units (the “Units”) of Fronsac and of non-secured convertible debentures (the “Convertible Debentures”). The demand of the investors determined in which proportion those securities would ultimately be sold, but the amount of Convertible Debentures sold could not exceed $3,000,000.

The Units were offered at a price of $0.54 each. The Convertible Debentures were set to mature 5 years after their issuance, bear an annual interest rate of 6% payable semi-annually, and be convertible into Units at a conversion price of $0.73 per unit. Fronsac has the right to redeem the Convertible Debentures three (3) years after their issuance should the closing price of the Units on the TSX Venture Exchange be higher than $0.73 for a period of forty-five (45) consecutive working days.

On August 28, 2018, Fronsac announced the closing (the “Closing Date”) of the previously announced Offering for total proceeds of $9,999,999.18. Fronsac issued 15,918,517 Units for proceeds of $8,595,999.18 and Convertible Debentures for proceeds of $1,404,000, all being pursuant to exemptions under Regulation 45-106 respecting prospectus exemptions.

The total amount of units outstanding at September 30, 2018 was 101,590,060.

MORTGAGE BALANCES DUE AT MATURITY (in $M)



	2018	2019	2020	2021	2022	After 2022
Total due ($):	-	3,398,248	6,183,739	2,701,448	7,557,362	22,749,879
Rate:	3.99%	2.68% - 4.78%	3.15%	2.85% - 3.32%	3.21% - 3.85%	3.41% - 4.47%
% of total debt:	0.0%	8.0%	14.5%	6.3%	17.7%	53.4%

Debts are composed of mortgages, loans, convertible debentures and secured credit facilities. As at September 30, 2018 there are 24 mortgages (excluding Fronsac’s interest in mortgages held through joint ventures) with Canadian financial institutions with a total carrying value of $47.1M ($31.6M at December 31, 2017). These mortgages require the Trust to make payments of $23.5M over the next 5 years, including 2018, and $23.5M thereafter. The mortgages outstanding currently have an average term to maturity of 4.7 years (4.4 years at December 31, 2017). Convertible debentures in circulation as at September 30, 2018 have a carrying value of $1,576K ($251K at December 31, 2017). 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 $0.4M balance as at September 30, 2018 ($0M at December 31, 2017).

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

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 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 September 30, 2018 the Trust held interests in 43 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 ($160K as at September 30, 2018 compared to $183K as at December 31, 2017). 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

Rental income includes $134,308 (Q3 2017: $129,341) from companies controlled by a trustee and individuals related to the trustee for which an amount of $0 (Q4 2017: $468) is included in the receivables as at September 30, 2018.

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 (1) trustee, for an amount of $177,000 annually and for a period of 10 years ending June 30, 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 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 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.

During the period, the Trust paid $9,000 (Q3 2017: $8,700) in professional fees to a trustee and to an entity controlled by a trustee.

The loans receivable include amounts of $23,704 (Q4 2017: $26,635) due from a person related to a trustee and $50,000 (Q4 2017: $50 000) due from an officer of the Trust. Interest income on those loans amounts to $1,079 (Q3 2017: $1,078) for which an amount of $171 (Q4 2017: $190) is included in the receivables as at September 30, 2018.

The credit facilities include an amount of $400,000 (Q4 2017: $0) obtained from a trustee. Interest on bank loans include an amount of $3,861 (Q3 2017: $0) paid to that trustee for which no amount (Q4 2017: $0) is payable as at September 30, 2018.

On March 14, 2017, the Trust acquired an interest in the limited partnership Odacite Ste-Sophie. The Trust paid $182,009 for his interest to a company in which a trustee has an interest.

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.