FRONSAC | Real Estate Investment Trust

Management Discussion & Analysis

–

Q3 2019
Period ended September 30th, 2019
Form 51-102F1

SUMMARY OF SELECTED FINANCIAL INFORMATION

SUMMARY OF SELECTED ANNUAL INFORMATION

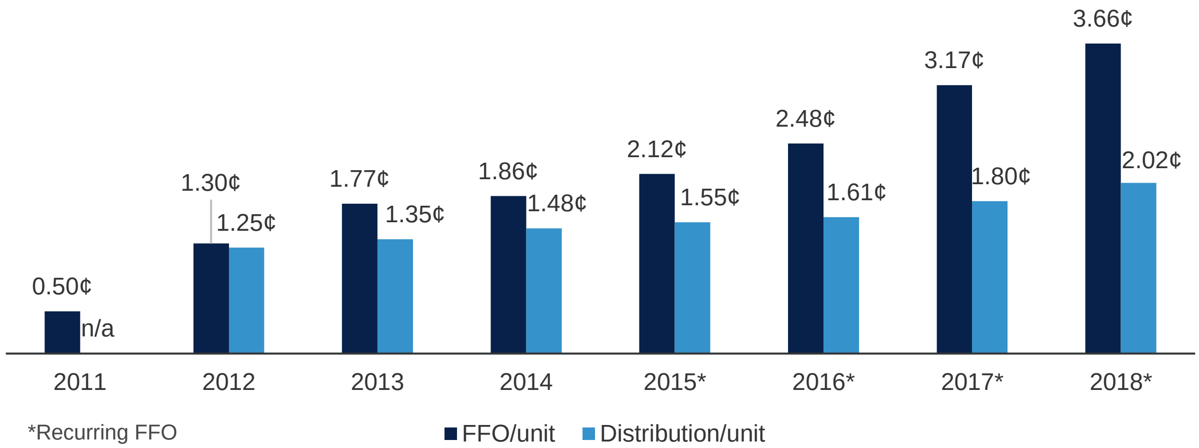
Periods ended September 30	9 months 2019	9 months 2018	Δ	%
Financial info				
Property rental income	6,650,030	4,556,093	2,093,937	46%
Total revenue	6,650,030	4,571,093	2,078,937	45%
NOI (1)	5,142,963	3,623,014	1,519,949	42%
FFO (1)	3,319,677	2,428,136	891,541	37%
Recurring FFO (1)	3,319,677	2,413,136	906,541	38%
AFFO (1)	3,276,191	2,115,047	1,161,144	55%
EBITDA (1)	4,887,851	3,372,480	1,515,371	45%
Investment properties (2)	133,413,308	99,264,996	34,148,312	34%
Total assets	126,614,742	96,863,007	29,751,735	31%
Total mortgage/loans/long term debt (3)	60,553,952	47,168,403	13,385,549	28%
(including revolving line of credit)	68,379,232	47,568,403	20,810,829	44%
Total convertible debentures	2,967,498	1,576,413	1,391,085	88%
Total equity	53,031,403	45,899,465	7,131,938	16%
Weighted average units o/s - basic	109,356,605	87,649,966	21,706,639	25%
Amounts on a per unit basis				
FFO	0.0304	0.0277	0.0027	10%
Recurring FFO	0.0304	0.0275	0.0028	10%
AFFO	0.0300	0.0241	0.0058	24%
Distributions	0.0167	0.0151	0.0015	10%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.9%	3.8%	0.1%	
Debt to gross assets - including converts	56%	51%	5%	
Debt to gross assets - excluding converts (3)	54%	49%	5%	
Interest coverage ratio	2.6	3.2	(0.6)	
Debt service coverage ratio	1.7	1.8	(0.1)	
Distributions as a % of FFO	55%	55%	-	
Distributions as a % of Recurring FFO	55%	55%	-	
Distributions as a % of AFFO	56%	63%	(7%)	
Leasing information				
Occupancy	100%	100%	-	
Mix of tenancy based on net revenue				
National	86%	79%	7%	
Regional	9%	16%	(7%)	
Local	5%	5%	-	
Property type breakdown				
Gas/Convenience stores	15	14	1	
Gas/Convenience stores/Quick Service Rest.	12	10	2	
Quick Service Restaurants	16	12	4	
Auto parts	2	2	-	
Retail	10	5	5	
	55	43	12	
Other				
Average term to maturity - mortgages	4.4	4.7	(0.3)	
Average term to maturity - leases	8.9	9.2	(0.3)	
IFRS capitalization rate	6.35%	6.17%	0.18%	

(1) Non-IFRS financial measures

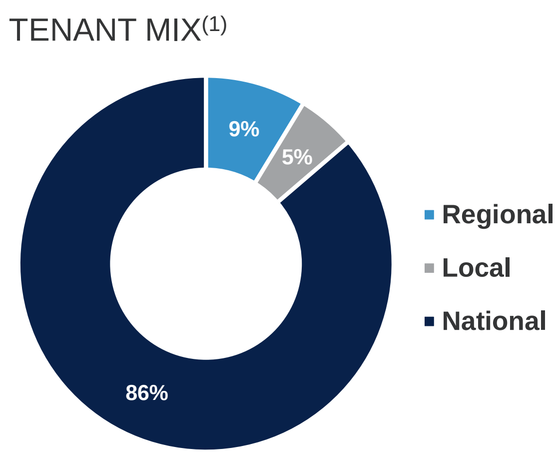
(2) Includes value of investment properties owned through joint ventures

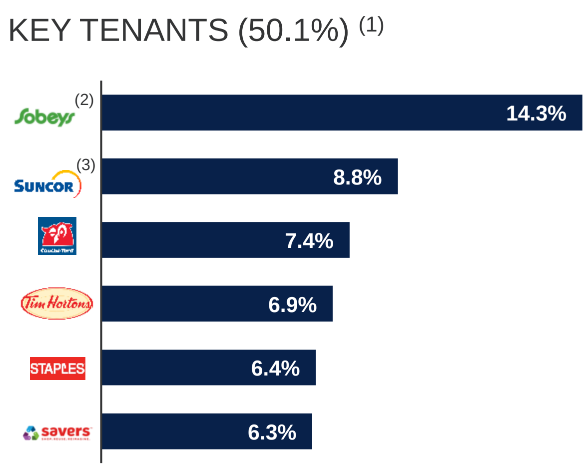
(3) Excludes convertible debentures

HISTORICAL SELECTED FINANCIAL PERFORMANCE



TENANT OVERVIEW – Q3 2019(1)





Notes:
(1) Based on net operating income as defined on page 7
(2) Sobeys operates IGA grocery stores and Shell service-stations
(3) Suncor operates Petro-Canada service-stations

BREAKDOWN OF PROPERTIES & OPERATING SECTORS

#	Address	City	Type	Area (in thousand sq.ft) Land	Building	Ownership
1	40-50 Brunet Street	Mont St-Hilaire	QSR, gas, convenience store	69	5.5	100%
2	230 St-Luc Blvd.	St-Jean-sur-Richelieu	Gas, convenience store	65	8.4	100%
3	196 Hôtel-de-Ville Blvd.	Rivière-du-Loup	Gas, convenience store	36	2.4	100%
4	1349-1351 Road 117	Val-David	QSR, gas, convenience store	14	6.1	100%
5	275 Barkoff Street	Trois-Rivières	Gas, convenience store	65	2.4	65%
6	530 Barkoff Street	Cap-de-la-madeleine	Gas, convenience store	30	2.6	50%
7	340-344 Montée du Comté	Les Coteaux	QSR, gas, convenience store	67	8.1	100%
8	1440-50 St-Laurent East Blvd.	Louiseville	QSR, gas, convenience store	115	6.3	50%
9	1460 St-Laurent East Blvd.	Louiseville	QSR	37	4.8	50%
10	490-494 De L'Atrium Blvd.	Québec City	Gas, convenience store	34	6.6	100%
11	7335 Guillaume Couture Blvd.	Lévis	QSR	30	2.9	100%
12	1319 Brookdale Avenue	Cornwall (Ontario)	QSR	65	3.1	100%
13	4200 Bernard-Pilon Street	St-Mathieu de Beloeil	Gas, convenience store	20	1.2	100%
14	1901 Raymond Blais Street	Sainte-Julie	Gas, convenience store	39	5.2	100%
15	2000 Leonard de Vinci Street	Sainte-Julie	QSR	86	1.3	100%
16	2050 Leonard de Vinci Street	Sainte-Julie	Gas	50	6.0	100%
17	2051 Nobel Street	Sainte-Julie	QSR	27	1.4	100%
18	16920-16930 St-Louis Ave.	St-Hyacinthe	QSR, gas, convenience store	70	6.3	100%
19	3726 Des Forges Blvd.	Trois-Rivières	QSR	19	3.4	100%
20	2871-2885 Des Prairies Street	Trois-Rivières	QSR, gas, convenience store	60	6.7	100%
21	2350 Chemin des Patriotes	Richelieu	QSR, gas, convenience store	48	4.9	100%
22	4932 Des Sources Blvd.	Pierrefonds	QSR	19	2.7	100%
23	314 De Montigny Street	St-Jérôme	QSR	24	2.8	100%
24	288 Valmont Street	Repentigny	Gas, convenience store	22	2.4	100%
25	2439 Ste Sophie Blvd.	Sainte-Sophie	Gas, convenience store	58	4.5	50%
26	2429 Sainte-Sophie Blvd.	Sainte-Sophie	QSR	45	3.7	50%
27	610 Saint-Joseph Blvd.	Gatineau	Auto Parts	12	3.0	100%
28	513 Des Laurentides Blvd.	Laval	Auto Parts	13	3.4	100%
29	123 St-Laurent East Blvd	St-Eustache	Gas, convenience store	18	2.4	100%
30	507 Chemin de la Grande Côte	St-Eustache	Gas, convenience store	22	3.9	100%
31	4 North Street	Waterloo (Quebec)	Gas, convenience store	14	2.9	100%
32	3355 de la Pérade Street	Quebec City	Retail	142	28.9	100%
33	2555 Montmorency Blvd	Quebec City	Retail	110	25.5	100%
34	3592 Laval Street	Lac Mégantic	Gas, convenience store	20	1.8	100%
35	536 Algonquin Blvd.	Timmins (Ontario)	QSR	108	2.7	100%
36	1730 Jules Vernes Ave.	Cap Rouge	QSR	35	4.1	50%
37	235 Montée Paiement	Gatineau	Retail	149	25.7	100%
38	510 Bethany Ave.	Lachute	QSR, gas, convenience store	76	11.1	50%
39	1337 Iberville Blvd.	Repentigny	Retail	57	17.1	100%
40	222 St-Jean-Baptiste Blvd.	Mercier	QSR, gas, convenience store	70	7.7	50%
41	230 St-Jean-Baptiste Boul.	Mercier	QSR	33	4.1	50%
42	101 Hébert Street	Mont-Laurier	Retail	350	37.5	100%
43	290 Mgr. Langlois Blvd.*	Salaberry-de-Valleyfield	QSR, gas, convenience store	107	9.4	50%
44	510 Portland Street	Dartmouth (Nova Scotia)	QSR	32	4.6	100%
45	20 Frontenac Ouest Blvd.	Thetford Mines	QSR	30	2.4	100%
46	975 Wilkinson Ave.	Dartmouth (Nova Scotia)	QSR, gas, convenience store	85	8.0	50%
47	1501 Jacques Bedard Street	Quebec City	Retail	152	24.7	100%
48	852 Laure Boulevard	Sept Iles	QSR	28	3.2	100%
49	87 Starrs Road**	Yarmouth	Gas, convenience store	62	1.8	100%
50	4675 Shawinigan Sud Blvd.*	Shawinigan	QSR, gas, convenience store	101	7.3	25%
51	480 Bethany Ave.	Lachute	Retail	492	75.7	100%
52	484 Bethany Ave.	Lachute	QSR	32	3.0	100%
53	2077 Laurentides Blvd.	Laval	Retail	31	9.5	100%
54	111-117 Desjardins Bvld.	Maniwaki	Retail	45	16.1	100%
55	550 Laflèche Boulevard	Baie Comeau	Retail	102	19.7	100%
56	304 LaSalle Boulevard**	Baie Comeau	QSR	13	3.3	100%
57	35 route 201**	Coteau-du-Lac	QSR, gas, convenience store	8	n/a	50%
	QSR: Quick Service Restaurant			3,763	482	

*Currently under development

**Acquired after September 30, 2019

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 6 months period ended September 30, 2019. It should be read in conjunction with the Consolidated Financial Statements for the period ended September 30, 2019 and the Trust's Consolidated Financial Statements and MD&A for the period ended September 30, 2018. The financial data contained in this MD&A has been prepared in accordance with the International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars. You can find all copies of Fronsac's recent financial reports on Fronsac's website fronsacreit.com and on sedar.com.

Dated November 8, 2019, this MD&A reflects all significant information available as of that date and should be read in conjunction with the Consolidated Financial Statements for the year ended September 30, 2019 and accompanying notes included in this report.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Securities laws encourage companies to present forward-looking information to provide investors with a better understanding of the Trust's future prospects and help them make informed decisions. This MD&A contains forward-looking statements about the Trust's objectives, strategies, financial position, results of operations, cash flows and operations, which are based on management's current expectations, estimates and assumptions about the markets in which it operates.

Statements based on management's current expectations contain known and unknown inherent risks and uncertainties. Forward-looking statements may include verbs such as "believe," "anticipate," "estimate," "expect," "intend" and "assess" or related expressions, used in the affirmative and negative forms. These statements represent the Trust's intentions, plans, expectations or beliefs and are subject to risks, uncertainties and other factors, many of which are beyond the Trust's control. Actual results may vary from expectations. The reader is cautioned not to place undue reliance on any forward-looking statements.

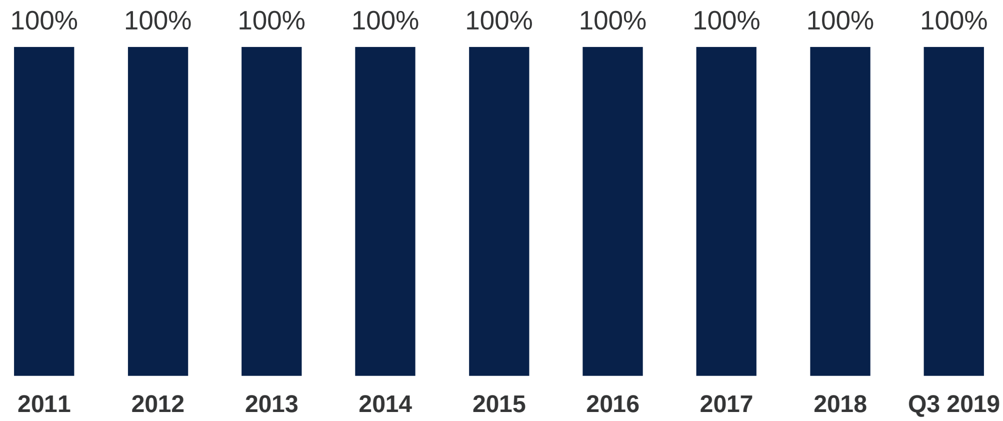
Please note that the forward-looking statements contained in this MD&A describe our expectations as at November 8, 2019.

DESCRIPTION OF THE ISSUER'S BUSINESS

Fronsac is an active Trust operating in the commercial real estate market. The Trust is currently traded on the TSX Venture using the ticker symbol FRO.UN. The Trust owns and rents commercial real estate properties directly and through its wholly owned subsidiaries. Since inception the Trust has made a series of acquisitions and has steadily increased its real estate portfolio.

As at September 30, 2019 the Trust held 55 investment properties, 50 residing in the province of Quebec, 2 in the province of Ontario and 3 in the province of Nova Scotia. The occupancy rate for these properties remained at 100% throughout the quarter. The properties are occupied by 5 distinct groups of tenants composed of: (1) quick service restaurant chains, (2) major oil/gas companies, (3) convenience store chains, (4) auto parts businesses and (5) major retailers.

HISTORICAL OCCUPANCY RATE



These properties are leased to tenants on a management free basis with triple net leases. Under this type of arrangement, the tenant is responsible for paying real estate taxes, insurance and any general maintenance required, in addition to the base rent already stipulated in the lease terms. These types of leases ensure stable recurring cash flows with an opportunity for growth.

MAJOR EVENT OF THE QUARTER

On August 22, 2019, Fronsac announced the acquisition of a property located in Baie Comeau, Qc, in the heart of the town's commercial node. The property is a pharmacy operated under the Pharmaprix banner. Total consideration paid for the property was $5,200,000.

OUTLOOK 2019

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.

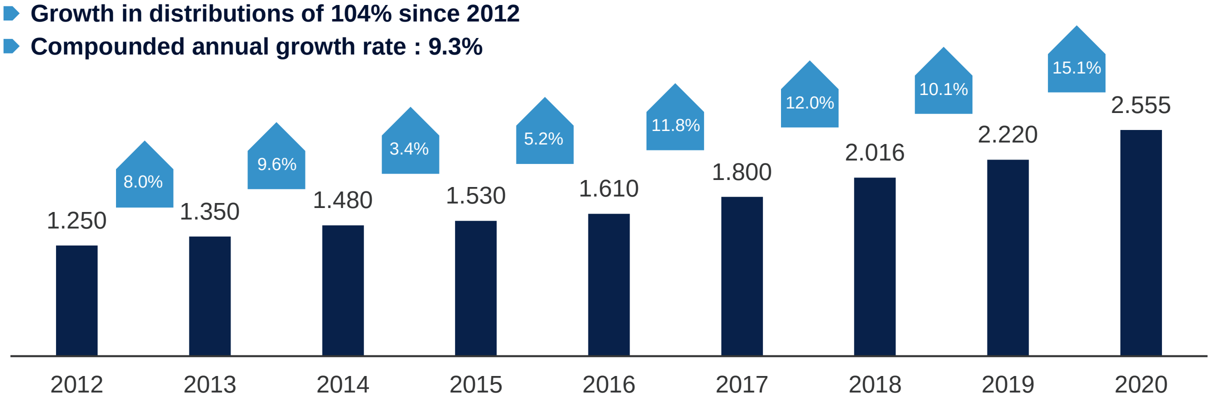
Fronsac is looking for acquisitions that will sustain its growth. The Trust's capital and debt structure puts it in a selective position for other potential acquisitions.

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 104% since 2012**
- **Compounded annual growth rate : 9.3%**



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 8). Fronsac considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an appropriate picture of a Trust's recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS. As well, FFO allows some comparability amongst different real estate entities that have adopted different accounting with respect to investment properties (some entities use the cost model and whereas others use the fair value model to account for investment properties).

FFO per unit is not an IFRS financial measure. Fronsac calculates FFO per unit as FFO divided by the weighted average number of units outstanding.

Recurring Funds From Operations (FFO) is not an IFRS financial measure. Fronsac calculates recurring FFO by subtracting from the base FFO material non-recurring revenues and adding material non-recurring charges.

Recurring FFO per unit is not an IFRS financial measure. Fronsac calculates Recurring FFO per unit as recurring FFO divided by the weighted average number of units outstanding.

Adjusted Funds From Operations (AFFO) is an industry term used to help evaluate dividend or distribution capacity. AFFO as calculated by Fronsac may not be comparable to similar titled measures reported by other entities. AFFO primarily adjusts FFO for other non-cash revenues and expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream. Most of these expenditures would normally be considered investing activities in the statement of cash flows. Capital expenditures, which generate a new investment or revenue stream, such as the development of a new property or redevelopment of an existing property, would not be included in determining AFFO. AFFO excludes the impact of working capital changes as they are viewed as short-term cash requirements or surpluses. In addition, non-recurring costs that impact operating cash flow may be adjusted.

AFFO per unit is not an IFRS financial measure. Fronsac calculates AFFO per unit as AFFO divided by the weighted average number of units outstanding.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not an IFRS financial measure. EBITDA, as calculated by Fronsac, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Trust's ability to service debt. Its calculation is profit before financial expenses, income tax expense, amortization and unrealized changes in fair value of investment properties.

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

ADDITIONAL IFRS FINANCIAL MEASURES USED IN THIS DOCUMENT

Net Property Operating Income (NOI) is an industry term in widespread use. The Trust includes NOI as an additional IFRS measure in its consolidated statement of income and comprehensive income. NOI as calculated by Fronsac may not be comparable to similar titled measures reported by other entities. Fronsac considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations. Its calculation is total revenues less total operating expenses as shown in the consolidated statements of income and comprehensive income (property revenues less total property operating costs, including operating ground rents).

FINANCIAL HIGHLIGHTS

QUARTERLY FINANCIAL INFORMATION

	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Rental income	2,458,451	2,192,484	1,999,095	1,719,184	1,663,373	1,530,968	1,361,751	1,316,577
Net income attributable to unitholders	3,891,506	145,694	50,870	(3,094,491)	544,021	278,795	1,373,354	1,839,189
Net income per unit Basic	0.0333	0.0013	0.0005	(0.0305)	0.0059	0.0033	0.0160	0.0241
FFO [(1)] Basic	1,197,449	1,121,743	1,000,484	923,414	871,219	764,867	792,049	548,042
FFO per unit Basic	0.0102	0.0103	0.0098	0.0091	0.0095	0.0089	0.0092	0.0072
Value of investment properties (000's) [(2)]	133,413	123,750	107,597	108,166	99,265	88,702	77,975	69,589
Total assets (000's)	126,615	117,063	100,749	99,881	96,863	83,966	77,152	70,006
Mortgages, and other debts (000's)	60,554	61,398	54,979	53,365	47,568	44,862	37,809	31,717
Equity (000's)	53,031	49,508	41,842	42,293	45,899	37,537	37,691	36,708
Weighted avg. units o/s Basic (000's)	117,014	109,280	101,606	101,590	91,554	85,671	85,659	76,378

(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	2019	2018	Δ	2019	2018	Δ
Net income attributable to unitholders	3,891,506	544,021	3,347,485	4,088,070	2,196,171	1,891,899
Debenture issuance costs	-	53,171	(53,171)	30,660	53,171	(22,511)
Δ in value of investment properties	(2,689,721)	24,924	(2,714,645)	(1,056,922)	(145,781)	(911,141)
Δ in value of investment properties in joint ventures	79,560	124,712	(45,152)	156,687	156,423	264
Unit based compensation	(275)	17,600	(17,875)	181,305	80,510	100,795
Δ in liability component of convertible debentures	(20,084)	10,130	(30,214)	(983)	10,882	(11,865)
Δ in fair value of derivative financial instruments	(92,875)	94,260	(187,135)	(106,530)	71,720	(178,250)
Accretion of lease payments	29,338	-	29,338	29,338	-	29,338
Income taxes	-	2,401	(2,401)	(1,948)	5,040	(6,988)
FFO[(1)] - basic	1,197,449	871,219	37%	3,319,677	2,428,136	37%
FFO per unit - basic	0.0102	0.0095	8%	0.0304	0.0277	10%
Interest paid on convertible debentures (if dilutive)	-	-	-	-	-	-
FFO - diluted	1,197,449	871,219	37%	3,319,677	2,428,136	37%
FFO per unit - diluted	0.0102	0.0093	10%	0.0304	0.0269	13%
Recurring FFO - basic	1,197,449	871,219	37%	3,319,677	2,413,136	38%
Recurring FFO per unit - basic	0.0102	0.0095	8%	0.0304	0.0275	10%
Distributions	649,344	458,528	190,816	1,805,493	1,322,097	483,396
Distributions per unit	0.0056	0.0050	12%	0.0167	0.0151	10%
FFO - basic after distributions	0.0047	0.0045	0.0002	0.0137	0.0126	0.0011
Recurring FFO - basic after distributions	0.0047	0.0045	0.0002	0.0137	0.0124	0.0013
Distributions as a % of FFO - basic	54%	53%	1%	55%	55%	-
Distributions as a % of Recurring FFO - basic	54%	53%	1%	55%	55%	-
Weighted avg. units o/s Basic	117,014,413	91,554,473	25,459,940	109,356,605	87,649,966	21,706,639
Diluted	117,014,413	94,059,156	22,955,257	109,356,605	90,154,649	19,201,956

(1) FFO is a Non-IFRS financial measure

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

	3 months			9 months		
Periods ended September 30	**2019**	**2018**	**Δ**	**2019**	**2018**	**Δ**
Basic FFO [1]	1,197,449	871,219	326,230	3,319,677	2,428,136	891,541
Amortization of finance charges included in interest expense	-	-	-	-	-	-
Non-cash revenue (straight line rent)	-	-	-	-	-	-
Maintenance/cap-ex on existing properties [2]	(7,574)	(311,820)	304,246	(43,486)	(313,089)	(269,603)
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	-	-	-	-	-
AFFO[1] - basic	1,189,875	559,399	113%	3,276,191	2,115,047	55%
AFFO per unit - basic	0.0102	0.0061	66%	0.0300	0.0241	24%
Interest paid on convertible debentures (if dilutive)	-	-	-	-	-	-
AFFO - diluted	1,189,875	559,399	113%	3,276,191	2,115,047	55%
AFFO per unit - diluted	0.0102	0.0059	71%	0.0300	0.0235	28%
Distributions	0.0056	0.0050	12%	0.0167	0.0151	10%
AFFO -basic after distributions	0.0046	0.0011	0.0035	0.0133	0.0090	0.0043
Distributions as a % of AFFO - basic	55%	82%	(28%)	56%	63%	(7%)
Weighted avg. units o/s						
Basic	117,014,413	91,554,473	25,459,940	109,356,605	87,649,966	21,706,639
Diluted	117,014,413	94,059,156	22,955,257	109,356,605	90,154,649	19,201,956

(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.

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, 2019, Fronsac has increased its cash from operating activities. These were mostly impacted by the growth in rental revenues, which was partially offset by the increase in financial expenses related to mortgages on new acquisitions.

CASH FLOWS

	9 months		
Periods ended September 30	**2019**	**2018**	**Δ**
Operating activities	2,548,823	2,172,836	375,987
Investing activities	(25,429,340)	(25,300,807)	(128,533)
Financing activities	22,972,334	24,207,977	(1,235,643)
Increase in cash & cash equivalents	91,817	1,080,006	(988,189)
Cash & cash equivalents -Beginning of period	174,452	279,433	(104,981)
Cash & cash equivalents - End of period	266,269	1,359,439	(1,093,170)

Funds from investing activities can mainly be attributed to the acquisitions of properties, 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, 2019, please refer to Note 4 "Investment Properties" and Note 5 "Joint Arrangements" in the Financial Statements.

Cash derived from financing activities amounted to $22,972,334 ($24,207,977 for the same period in 2018). These amounts are the result of the money raised through new mortgages used to fund our acquisitions and through the private placements of August 2018 and April 2019.

RESULTS OF OPERATIONS FOR THE QUARTER ENDED SEPTEMBER 30, 2019

For the quarter ended September 30, 2019, the Trust had rental income of $2,458,451 ($1,663,373 in Q3 2018). This increase in rental income is due to the addition of new properties and the increases in rent of certain existing properties. These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

The change in fair value of investment properties is based on the change in capitalization rates applied to each property's adjusted net operating income as well as post-acquisition adjustments (see page 13 for more details). The weighted average capitalization rate of the Trust as at September 30, 2019 was 6.35% compared to 6.17% at the same date last year and 6.38% at December 31, 2018.

RESULTS OF OPERATIONS

Quarters ended September 30	2019	2018	Δ
Rental Income	2,458,451	1,663,373	795,078
Other revenues	-	-	-
Increase/(decrease) in fair values of investment properties	2,689,721	(24,924)	2,714,645
Financial expenses	562,902	574,974	(12,072)
Net income attributable to unitholders	3,891,506	544,021	3,347,485
Net income per unit Basic	0.0333	0.0059	0.0273
FFO - basic[1]	1,197,449	871,219	37%
FFO per unit	0.0102	0.0095	8%
Recurring FFO - basic	1,197,449	871,219	37%
Recurring FFO per unit - basic	0.0102	0.0095	8%
Weighted avg. units o/s Basic	117,014,413	91,554,473	25,459,940
EBITDA [1]	1,873,585	1,271,032	602,553
Interest coverage	2.6	3.0	(0.4)
Debt service coverage	1.7	1.8	(0.1)

[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 $562,902 in Q3 2019 compared to $574,974 for the same period last year. Financial expenses for Q3 2019 are lower than Q3 2018 due to the change in fair value of convertible debentures and warrants. Excluding this impact, financial expenses increased in Q3 2019, mainly because of an increase in interest expense, which is due to the increase in the number of mortgages.

For the quarter ended September 30, 2019, the Trust recorded basic recurring FFO of $1,197,449 in comparison to $871,219 in Q3 2018. Basic recurring FFO per unit increased by 8% from 0.95¢ to 1.02¢ for the same period last year. 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 PERIOD ENDED SEPTEMBER 30, 2019

For the period ended September 30, 2019, the Trust had rental income of $6,650,030 ($4,556,093 for the same period in 2018). This increase in rental income is due to the addition of new properties and the increases in rent of certain existing properties. These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

The change in fair value of investment properties is based on the change in capitalization rates applied to each property's adjusted net operating income as well as post-acquisition adjustments (see page 15 for more details). The weighted average capitalization rate of the Trust as at September 30, 2019 was 6.35% compared to 6.17% at the same date last year and 6.38% at December 31, 2018.

RESULTS OF OPERATIONS

Periods ended September 30	9 months 2019	2018	Δ
Rental income	6,650,030	4,556,093	2,093,937
Other revenues	-	15,000	(15,000)
Increase/(decrease) in fair values of investment properties	1,056,922	145,781	911,141
Financial expenses	1,672,626	1,160,627	511,999
Net income attributable to unitholders	4,088,070	2,196,171	1,891,899
Net income per unit Basic	0.0374	0.0251	0.0123
FFO - basic[(1)]	3,319,677	2,428,136	37%
FFO per unit	0.0304	0.0277	10%
Recurring FFO - basic	3,319,677	2,413,136	38%
Recurring FFO per unit - basic	0.0304	0.0275	10%
Weighted avg. units o/s Basic	109,356,605	87,649,966	21,706,639
EBITDA [(1)]	4,887,851	3,372,480	1,515,371
Interest coverage	2.6	3.2	(0.6)
Debt service coverage	1.7	1.8	(0.1)

(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 $1,672,626 during the period ended September 30, 2019 compared to $1,160,627 for the same period last year. Financial expenses for the period in 2019 are higher than for the period in 2018, mainly because of the increase in interest expense, which is due to the increase in the number of mortgages.

For the period ended September 30, 2019, the Trust recorded basic recurring FFO of $3,319,677 in comparison to $2,413,136 for the same period in 2018. Basic recurring FFO per unit increased by 10% from 2.75¢ to 3.04¢ 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, 2019, the Trust issued units as follows:

On March 19, 2019, Fronsac announced the issuance of 312,000 units of Fronsac REIT at a price of $0.57 per unit, which equates to $177,840 as partial compensation for the services rendered by certain members of management and the board of trustees during the fiscal year ended on December 31st, 2018. The issuance of the units of Fronsac REIT constitutes a portion of salaries as per their employment contract and board compensation package. Out of the 312,000 units, 200,000 were subject to the approval of unitholders at the annual general meeting of May 24, 2019. They were approved on May 24 and issued on June 3, 2019.

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

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

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

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

The securities to be issued and sold under the Offering will be subject to a four-month hold period under Canadian securities laws. In connection with the Offering, Fronsac is paying an aggregate of $89,940 in finder's fee to registered dealers in accordance with applicable laws.

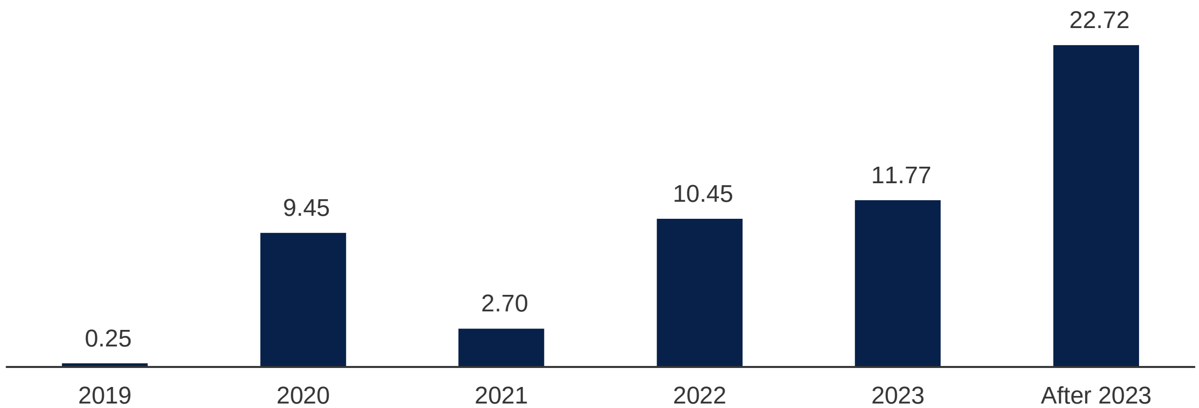
The Debentures will mature on May 16, 2024, bear interest at a rate of 6% per annum, payable in equal semi-annual payments in arrears on August 28 and February 28 in each year, with the first such payment date falling on August 28, 2019, and are convertible to their holders' option into Units at a price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

Warrants
The trust issued 5,102,040 warrants through its May 2017 private placement. Each warrant allows the holder to purchase a unit of Fronsac for the price of $0.61. During the 9-month period ending September 30, 2019, 51,020 warrants were exercised, resulting in the issuance of 51,020 units of Fronsac. The total number of warrants outstanding as of September 30, 2019 is of 5,051,020.

Convertible debentures
The trust has convertible debentures in circulation with a nominal value of $3,386,000. The convertible debentures allow their holders to convert them into units of Fronsac for a price of $0.43 to $0.73. During the 9-month period ended September 30, 2019, $250,000 worth of convertible debentures were converted into units at a price of $0.43, resulting in the issuance of 581,395 Fronsac units. The nominal value of convertible debentures outstanding as of September 30, 2019 is of $3,136,000 and their conversion price is $0.73 per unit.

The total amount of units outstanding at September 30, 2019 was 117,403,566.

MORTGAGE BALANCES DUE AT MATURITY (in $M)



	2019	2020	2021	2022	2023	After 2023
Total due ($):	252,436	9,454,292	2,701,448	10,448,112	11,767,322	22,716,783
Rate:	2.68% - 4.78%	2.68% - 3.15%	2.85% - 3.32%	3.21% - 6.00%	3.41% - 4.20%	4.12% - 4.98%
% of total debt:	0.4%	16.5%	4.7%	18.2%	20.5%	39.6%

Debts are composed of mortgages, loans, convertible debentures and secured credit facilities. As at September 30, 2019, there are 30 mortgages (excluding Fronsac's interest in mortgages held through joint ventures) with Canadian financial institutions with a total carrying value of $60,448,952 ($50,775,481 at December 31, 2018). These mortgages require the Trust to make payments (interest and capital) of $32,770,244 over the next 5 year and $27,678,708 thereafter. The mortgages outstanding currently have an average term to maturity of 4.4 years (4.7 years at December 31, 2018). Convertible debentures in circulation as at September 30, 2019 have a carrying value of $2,967,498 ($1,593,481 at December 31, 2018). The Trust currently has 4 secured lines of credit with authorized limits of $4.5M, $1.5M, $2.9M and $0.4M. These lines of credit have a $7.83M balance as at September 30, 2019 ($2.47M at December 31, 2018).

Management believes that Fronsac's blend of debt and equity in its capital base provides stability and reduces risk, while generating an acceptable return on investment. This compliments the long-term business strategy of the Trust, which is to grow its presence in the commercial real estate market in Canada.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Trust's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgments include the assessment of fair values of properties, the discount rates used in the valuation of the Trust's assets and liabilities, capitalization rates, the relative credit worthiness of the Trust to its counterparties, the ability to use tax losses and other tax measurements, the determination of the accounting basis for investments and joint arrangements, the amount of borrowing costs to capitalize the properties under development and the selection of accounting policies.

One significant judgment and key estimate that affects the reported amounts of assets at the date of the consolidated financial statements and the reported amounts of profit or loss during the period, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued either by the Trust or by external 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 Internationall Accounting Standards Board ("IASB") published a new standard, IFRS 16. The new standard brings most leases on balance sheet for the lessee under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains essentially unchanged and the distinction between operating and finance leases is retained. This standard is effective for periods beginning on after January 1st, 2019.

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

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

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. At September 30, 2019 the Trust held interests in 55 properties in Quebec, Ontario and Nova Scotia, across 5 market segments. The Trust is exposed to credit risk, interest rate risk and liquidity risk. In order to limit the effects of changes in interest rates on its expenses and cash flows, the Trust constantly follows the evolution of the market interest rate risk and consequently determines the composition of its debts.

Credit Risk

Credit risk comes primarily from the potential inability of customers to discharge their rental obligations. Fronsac strives to obtain rent payments on a monthly basis in order to limit this risk while maintaining a limited receivable balance ($303K as at September 30, 2019 compared to $187K as at December 31, 2018). The composition of this balance mostly includes major Canadian oil companies and gas companies with a small credit risk. The remainder of receivables represents amounts owing from Government agencies, which pose a minimum credit risk.

Interest Rate Risk

Interest rate risk affects the Trust through its loans receivable, mortgages, long term debt, convertible debentures and bank loans. These instruments bear fixed interest rates and as such expose the Trust to fair value risk. Lines of credit with a floating interest rate expose the Trust to a cash flow risk. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. The trust has an ongoing requirement to access debt makers and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Each change of 1% of the interest rates would have an impact of $146,972 on the financial expenses of the quarter.

Liquidity risk
Liquidity risk is the risk of being unable to honour financial commitments by the deadlines set out under the terms of such commitments. Senior management manages the Trust's cash resources with respect to financial forecasts and anticipated cash flows.

The Trust has cash availability which allows it to control its current liquidity risks, mainly composed of accounts payable, current portion of mortgages and long-term debt and its bank indebtedness.

Lease roll-over risk
Lease roll-over risk arises from the possibility that Fronsac may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants. Fronsac's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

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

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

Status of the REIT
Fronsac is required to comply with specific restrictions regarding its activities and the investments held by it in order to maintain its real estate investment trust status ("REIT"). Should Fronsac cease to qualify as a REIT, the consequences could be material and adverse. As well, Fronsac conducts its affairs in order to qualify as a REIT under applicable tax statutes so that it retains its status as a flowthrough vehicle for the particular year. Should Fronsac not meet the conditions to qualify as a REIT in a particular year, it may be subject to tax similar to a corporation, which may have an adverse impact on it and its unitholders, on the value of the units and on its ability to undertake financings and acquisitions. This could also materially reduce its distributable cash. Management believes that it complies with the REIT rules.

Access to Capital
The Trust's growth prospects depends on its ability to access capital, mainly debt and equity. Adverse market conditions could lead to a negative capital markets environment in which the Trust might not be able to issue units, debentures or any other financial instruments in order to raise capital. Access to debt, mainly through mortgages, is also crucial for financing purposes, and the unavailibilty of the debt market would make it harder for Fronsac to acquire real estate assets that satisfy its investment criteria.

RELATED PARTY TRANSACTIONS

The loans receivable include an amount of $100,000 (Q4 2018: $50 000) due from an officer of the Trust. Interest income on the loan amounts to $1,185 and $2,691 for the 3 month and the 9 month periods (Q3 2018: $557 and $1,593) for which no amount is receivable as at September 30, 2019 (Q4 2018: $0).

The credit facilities include an amount of $400,000 (Q4 2018: $400,000) obtained from a trustee. Interest on credit facilities includes an amount of $4,638 and $13,762 for the 3 month and the 9-month periods (Q3 2018: $3,861 and 3,861$) paid to that trustee for which no amount is payable (Q4 2018: $0) as at September 30, 2019.

Administrative fees include an amount of $7,500 and $26,000 for the 3 month and the 9 month periods (Q3 2018: $9,000 and $26,000) paid as professional fees to a trustee and to an entity controlled by a trustee.

Issue costs of units for the periods of 3 month and 9 month include an amount of $0 and $2,145 paid to a financial institution in which a trustee is a director (Q4 2018 $0 and $0).

A former trustee who rents investment properties from the Trust has not seeked re-election to the Board of Trustees. Since May 25, 2019, the transactions related to this former trustee are deemed to be at arm's lenght.

The results of the comparative periods of 3 month and 9-month ending September 30, 2018 include the following transactions with this former trustee.

Rental income of Q3 2018 includes an amount of $134,308 and $407,446 from companies controlled by this trustee.

Interest income of Q3 2018 includes an amount of $522 and $1,637 from a person related to this trustee.

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