FRONSAC | Real Estate Investment Trust

Amended and Restated Management Discussion & Analysis

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Q4 2018
Period ended December 31st, 2018
Form 51-102F1

SUMMARY OF SELECTED FINANCIAL INFORMATION

SUMMARY OF SELECTED ANNUAL INFORMATION

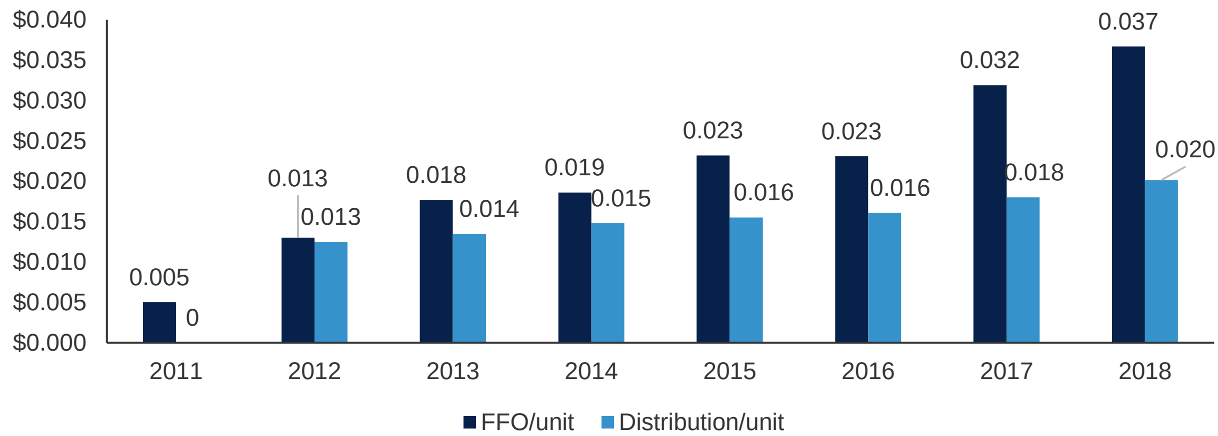
Periods ended December 31	12 months Restated 2018	2017	Δ	%
Financial info				
Property rental income	6,275,277	4,359,277	1,916,000	44%
Total revenue	6,290,277	4,369,277	1,921,000	44%
NOI (1)	5,112,675	3,487,615	1,625,060	47%
FFO (1)	3,351,550	2,147,217	1,204,333	56%
Recurring FFO (1)	3,336,550	2,137,217	1,199,333	56%
AFFO (1)	3,038,111	2,014,775	1,023,336	51%
EBITDA (1)	4,749,213	3,013,742	1,735,471	58%
Investment properties (2)	107,174,824	69,588,555	37,586,269	54%
Total assets	98,890,349	70,006,481	28,883,868	41%
Total mortgage/loans/long term debt (3)	53,365,481	31,716,924	21,648,557	68%
Total convertible debentures	1,593,481	250,581	1,342,900	536%
Total equity	41,302,149	36,708,396	4,593,753	13%
Weighted average units o/s - basic	91,163,634	67,398,715	23,764,919	35%
Amounts on a per unit basis				
FFO	0.0368	0.0319	0.0049	15%
Recurring FFO	0.0366	0.0317	0.0049	15%
AFFO	0.0333	0.0299	0.0034	11%
Distributions	0.0202	0.0180	0.0022	12%
Financial ratios				
Weighted avg. interest rate - fixed loans/mortgages	3.8%	3.5%	0.3%	
Debt to gross assets - including converts	56%	46%	10%	
Debt to gross assets - excluding converts (3)	54%	45%	9%	
Interest coverage ratio	3.1	3.1	-	
Debt service coverage ratio	1.8	1.7	0.1	
Distributions as a % of FFO	55%	56%	(1%)	
Distributions as a % of Recurring FFO	55%	57%	(2%)	
Distributions as a % of AFFO	60%	60%	-	
Leasing information				
Occupancy	100%	100%	-	
Mix of tenancy based on net revenue				
National	79%	74%	5%	
Regional	16%	21%	(5%)	
Local	5%	5%	-	
Property type breakdown				
Gas/Convenience store	14	14	-	
Gas/Convenience store/Fast food	11	7	4	
Fast food	14	10	4	
Auto parts	2	2	-	
Retail	6	2	4	
	47	35	12	
Other				
Average term to maturity - mortgages	4.7 yrs	4.4 yrs	0.3 yr	
Average term to maturity - leases	9.6 yrs	8.6 yrs	1.0 yr	
IFRS capitalization rate	6.48%	6.11%	0.37%	

(1) Non-IFRS financial measures

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

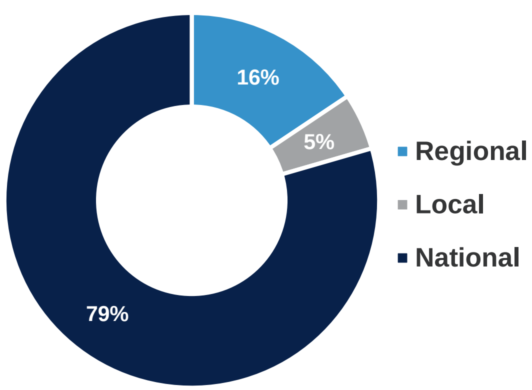
(3) Excludes convertible debentures

HISTORICAL SELECTED FINANCIAL PERFORMANCE

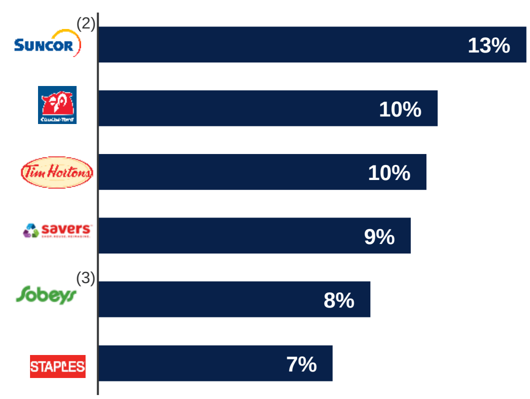


TENANT OVERVIEW – Year 2018[(1)]

TENANT MIX[(1)]



KEY TENANTS (57%) [(1)]



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

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%
45	20 Frontenac Ouest Blvd.	Thetford Mines	Fast food	100%
46	975 Wilkinson Ave.	Dartmouth (Nova Scotia)	Fast food, gas, convenience store	50%
47	1501 Jacques Bedard Street	Quebec City	Retail	100%

*Currently under development

MANAGEMENT'S DISCUSSION & ANALYSIS

SCOPE OF ANALYSIS

This Amended and Restated 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, 2018. It should be read in conjunction with the Amended and Restated Audited Consolidated Financial Statements for the period ended December 31, 2018 ("Restated Financial Statements") and the Trust's Audited Consolidated Financial Statements and Management and Discussion Analysis for the period ended December 31, 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 February 5, 2020, this MD&A reflects all significant information available as of that date and should be read in conjunction with the Restated Financial Statements for the year ended December 31, 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 February 5, 2020.

FINANCIAL STATEMENTS RESTATEMENT

The Restated Financial Statements and notes thereto for the three-month and twelve-month periods ended December 31, 2018 and this MD&A were approved by the Board of Trustees on February 5, 2020.

The Trust has restated its properties under development as at and for the year ended December 31, 2018 and recorded an additional unrealized loss of $990,811 that was recorded to the "Change in fair value of investment properties" line of the amended and restated statement of income

This restatement is the result of a change made to properties under development that was recorded at cost as opposed to fair value.

Following the restatement, the line "Change in fair value of investment properties" of the amended and restated income statement is shown at ($4,862,229), the "Unitholders' equity" and the "Investment properties" amounts shown in the amended and restated consolidated financial position decreased to $41,302,149 and $92,629,541. This change also affected the amended and restated changes in equity statement.

For the year ended December 31, 2018, the basic and diluted net loss per unit attributable to unitholders has changed from ($0.0099) to ($0.0207).

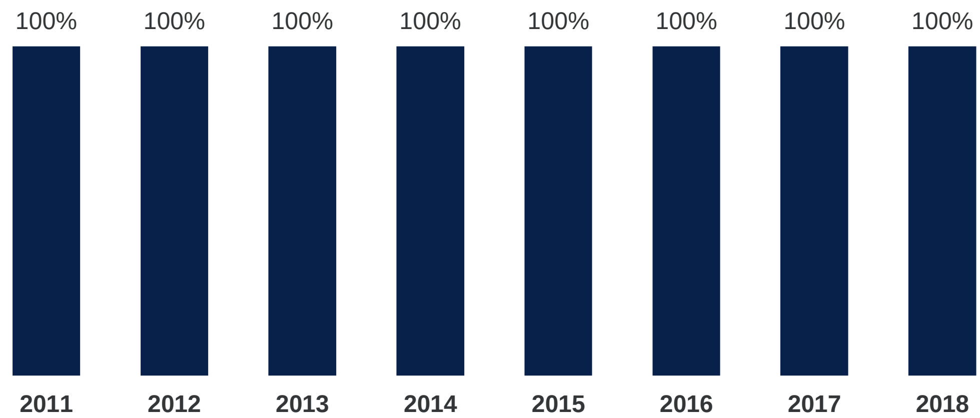
For more information, refer to Note 29 of the Restated Financial Statements.

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 December 31, 2018 the Trust held 47 investment properties, 43 residing in the province of Quebec, 2 in the province of Ontario and 2 in the province of Nova Scotia. The occupancy rate for these properties remained at 100% throughout the quarter. The properties are occupied by 5 distinct groups of tenants composed of: (1) 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 YEAR

On January 15, 2018, Fronsac announced the issuance of 80,000 units of Fronsac REIT at a price of $0.53 per unit, which equates to $42,400 as partial compensation for the services rendered by certain members of management during the fiscal year ended on December 31st, 2017. The issuance of the units of Fronsac REIT constitutes a portion of salaries in the form of a discretionary performance bonus.

On March 29, 2018, Fronsac announced the acquisition of a property located in Gatineau, Qc. The property is a retail store operated by Staples Canada under the Bureau en Gros banner and was acquired under a sale and lease-back agreement with Staples Canada. Total consideration paid for the property was $7,500,000 and was settled in cash, representing a 6.5% capitalization rate on the average net operating income of the property for the next five years. There were no previous ties between Fronsac and Staples Canada prior to the transaction.

On April 25, 2018, Fronsac and its partner Odacité Immobilier announced the launch of a new 12,500 square feet commercial development in the city Lachute, Qc, composed of a stand-alone Benny & Co restaurant, a Beau-Soir convenience store, a Petro-Canada gas station, as well as three quick service restaurants: A&W, Thaï Express and Amir. The project is located on 510 Bethany Avenue at exit 260 of highway 50. Project costs are expected to total approximately $8,000,000. Fronsac will retain a 50% interest in the project.

On June 21, 2018, Fronsac announced the acquisition of a property located on Iberville Boulevard, a highly trafficked artery in the city of Repentigny, Qc. The property is leased to Pharmaprix. It was acquired for a total consideration of $6,250,000 and was settled in cash.

On June 29, 2018, Fronsac announced the acquisition of a 2 newly built properties located in Mercier, Qc, along Boulevard St-Jean Baptiste near Highway 30. The properties are composed of a newly built Petro-Canada service station with a Beau-Soir convenience store, an A&W restaurant, a catering company as well as a freestanding Benny & Co restaurant. Total consideration paid was $926,551 for a 50% interest in Odacité Mercier LP, which holds the interests of the properties. The purchase price was settled in cash, while taking into consideration already in place financing as well as customary closing adjustments. Fronsac assumed a 50% share of the debts related to the properties of $4,658,177 (Fronsac share $2,329,089). In addition, Fronsac assumed 50% of accruals related to closing adjustments, which amounted to $499,912 (Fronsac share $249,956). Fronsac assumed 50% of other assets related to closing adjustments, which amounted to $565,220 (Fronsac share $282,610).

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.

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.

On November 9, 2018, Fronsac announced that starting in January 2019, the annual distribution will go from 2.016¢ to 2.220¢ per unit, representing an increase of 10%. The monthly distributions will be of 0.185¢ per unit. This represents a 78% total growth since Fronsac's first distributions in 2012.

On December 6, 2018, Fronsac announced two acquisitions. The first acquisition consisted of a property located in Thetford Mines, Quebec. It is a fast food restaurant operated under the A&W banner and is located on Frontenac Boulevard, at the center of the town's retail node. Total consideration paid for the property was $1,200,000 and was settled in cash.

The second acquisition consisted of a 50% participation in a recently-developed property located in Dartmouth, Nova Scotia. The property is composed of a Shell gas station, a Sobeys convenience store, a Tim Hortons, an A&W as well as a Nova Scotia Liquor store. Total consideration paid for this 50% participation in the property was $4,250,000 and was settled in cash. The participation was acquired from Somerled Properties, an active real estate developer in the Maritimes, who will retain the other 50% in the property.

On December 20, 2018, Fronsac announced the acquisition of a property located on Jacques Bédard boulevard in Lac St-Charles, Qc, a highly trafficked artery of the town. The property is a grocery store operated under the IGA banner. Total consideration paid for the property was $3,700,000 and was settled in cash.

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

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

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

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

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

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

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

The net proceeds of the Offering 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.

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

On May 31, 2019, Fronsac announced the acquisition of two properties. The first one is a retail store operated under the Dollarama banner and is located on Laurentides Boulevard in Laval, Qc. The second one is leased to Dollarama and Laurentian Bank and is located on Desjardins Boulevard in Maniwaki, Qc. Both properties are located on highly trafficked commercial arteries in their respective towns. Total consideration paid for the two properties was $4,050,000 and was settled in cash.

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.

On January 20, 2020, Fronsac announced, that it has entered into acquisition agreements to purchase three commercial properties in Québec and Ontario, and its intention to undertake a public offering of units of Fronsac at a price of $0.62 per Unit for minimum gross proceeds of approximately $15.0 million and maximum gross proceeds of approximately $18.0 million.

The REIT intends to use the net proceeds of the Offering as follows: (i) the acquisition by the Trust of a 100%-interest in a property located in Kenora, Ontario, and leased to Walmart for an aggregate purchase price of approximately $12.0 million (excluding transaction costs), which is expected to be satisfied by (1) approximately $8.4 million aggregate principal amount of new mortgage financing and (2) a cash payment of $3.6 million, which the Trust anticipates using from the net proceeds of the Offering, (ii) the acquisition by the Trust of a 100%-interest in a property located in Farnham, Québec, and leased to a gas station and restaurant combo operated by Petro-Canada, a convenience store operator and Tim Hortons, for an aggregate purchase price of approximately $4.0 million (excluding transaction costs), which is expected to be satisfied by (1) approximately $2.7 million aggregate principal amount of new mortgage financing and (2) a cash payment of $1.3 million, which the Trust anticipates using from the net proceeds of the Offering, (iii) the acquisition by the Trust of a 75%-interest in a property located in Saint-Étienne-des-Grès, Québec, and leased to a gas station and restaurant combo operated by Parkland, a convenience store operator and Tim Hortons, for an aggregate purchase price of approximately $3.0 million (excluding transaction costs), which is expected to be satisfied by (1) approximately $2.0 million aggregate principal amount of new mortgage financing and (2) a cash payment of $1.0 million, which the Trust anticipates using from the net proceeds of the Offering, (iv) approximately $7.5 million assuming the Minimum Offering is completed and approximately $10.3 million assuming the Maximum Offering is completed to repay a portion of the outstanding indebtedness under certain of Fronsac's credit facilities, which may be subsequently redrawn in connection with the acquisition by the REIT of the Acquisition Properties; (v) approximately $0.3 million for expenses incurred by the REIT in connection with the Offering; and (vi) approximately $0.5 million for real estate transaction costs expected to be incurred in connection with the acquisition of the acquisition Properties, primarily comprised of land transfer and other taxes, insurance, bank underwriting fees, legal fees and third-party consultant fees; and the combined net operating income in respect of the Acquisition Properties is approximately $1.5 million, representing a 7.9% weighted average capitalization rate based on the aggregate purchase price of approximately $19.0 million (excluding transaction costs) in respect of the Acquisition Properties.

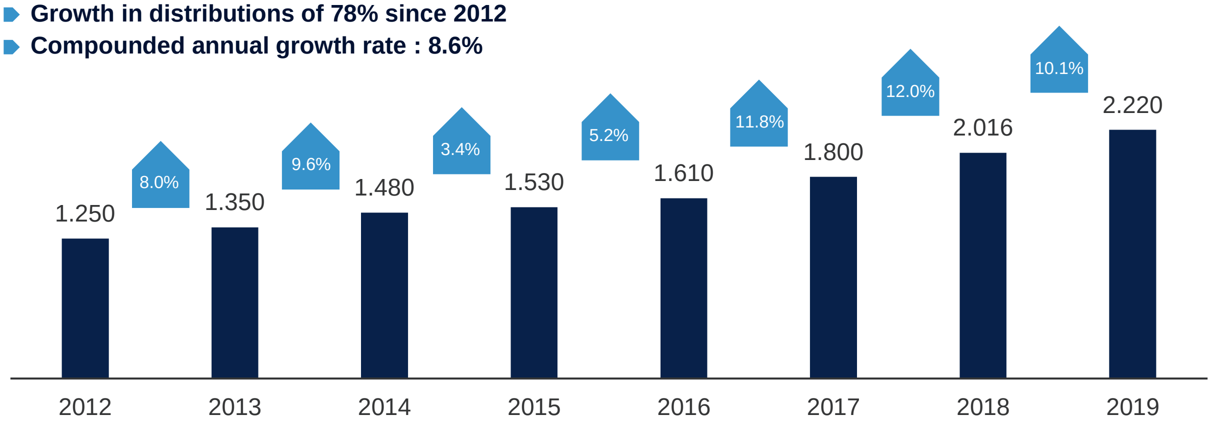
Fronsac is looking for acquisitions that will sustain its growth. The Trust's capital and debt structure puts it in a selective position for other potential acquisitions.

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 14). 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.

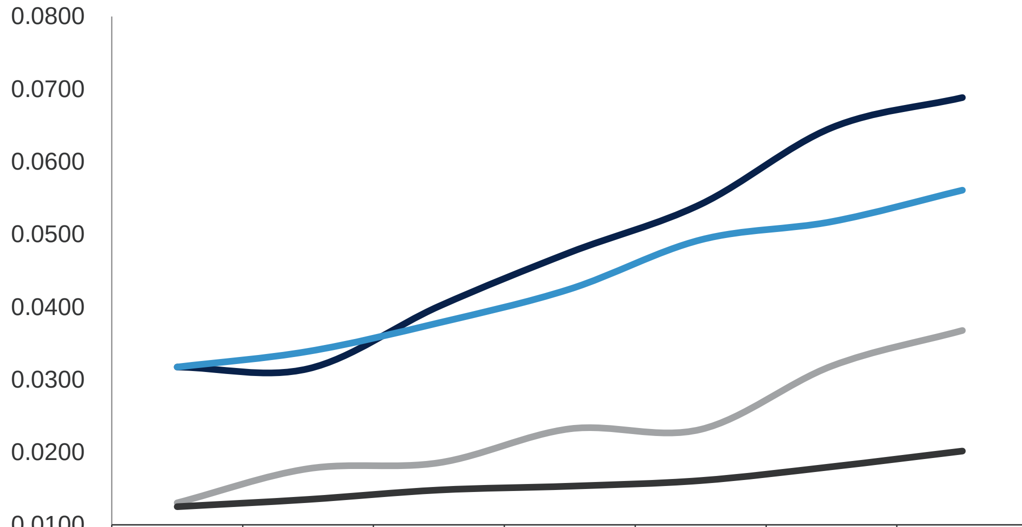
FFO, Recurring FFO, AFFO and EBITDA are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

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

PER UNIT GROWTH



	2012	2013	2014	2015	2016	2017	2018
FFO	0.0130	0.0177	0.0186	0.0232	0.0231	0.0319	0.0368
Distributions	0.0125	0.0135	0.0148	0.0153	0.0161	0.0180	0.0202
Property Rental Income	0.0317	0.0315	0.0401	0.0475	0.0541	0.0647	0.0688
NOI	0.0317	0.0339	0.0378	0.0425	0.0492	0.0517	0.0561

QUARTERLY FINANCIAL INFORMATION

	2018				2017			
	Restated Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Rental income	1,719,184	1,663,373	1,530,968	1,361,751	1,316,577	1,096,653	976,412	969,635
Net income (loss) attributable to unitholders	(4,085,302)	544,021	278,795	1,373,354	1,839,189	538,675	322,928	1,840,152
Net income (loss) per unit								
Basic	(0.0402)	0.0059	0.0033	0.0160	0.0241	0.0078	0.0050	0.0310
FFO [1]								
Basic	923,414	871,219	764,867	792,049	548,042	581,433	508,628	509,113
FFO per unit								
Basic	0.0091	0.0095	0.0089	0.0092	0.0072	0.0084	0.0079	0.0086
Value of investment properties (000's) [2]	107,175	99,265	88,702	77,975	69,589	59,266	53,417	50,873
Total assets (000's)	98,890	96,863	83,966	77,152	70,006	59,102	53,494	50,319
Mortgages, and other debts (000's)	53,365	47,568	44,862	37,809	31,717	29,732	23,114	24,991
Equity (000's)	41,302	45,899	37,537	37,691	36,708	27,865	27,639	23,022
Weighted avg. units o/s								
Basic (000's)	101,590	91,554	85,665	85,659	76,378	69,503	64,233	59,269

[1] FFO is a Non-IFRS financial measure.

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

RECONCILIATION OF NET INCOME TO FFO

Periods ended December 31	3 months Restated 2018	3 months 2017	Δ	12 months Restated 2018	12 months 2017	Δ
Net income (loss) attributable to unitholders	(4,085,302)	1,839,189	(5,924,491)	(1,889,131)	4,540,944	(6,430,075)
Debenture issuance costs	-	-	-	53,171	-	53,171
Δ in value of investment properties	5,008,010	(787,749)	5,795,759	4,862,229	(2,174,622)	7,036,851
Δ in value of investment properties in joint ventures	6,681	(7,260)	13,941	163,104	(148,900)	312,004
Unit based compensation	(1,485)	2,920	(4,405)	79,025	70,745	8,280
Δ in liability component of exch. preferred units & debentures	17,068	7,568	9,500	27,950	43,832	(15,882)
Δ in fair value of derivative financial instruments	(26,615)	(511,244)	484,629	45,105	(189,400)	234,505
Income taxes	5,057	4,618	439	10,097	4,618	5,479
FFO[1] - basic	923,414	548,042	69%	3,351,550	2,147,217	56%
FFO per unit - basic	0.0091	0.0072	26%	0.0368	0.0319	15%
Distributions paid on exchangeable preferred units and convertible debentures (if dilutive)	7,500	-	7,500	15,000	15,000	-
FFO - diluted	930,914	548,042	70%	3,366,550	2,162,217	56%
FFO per unit - diluted	0.0089	0.0072	24%	0.0359	0.0318	13%
Recurring FFO - basic	923,414	548,042	69%	3,336,550	2,137,217	56%
Recurring FFO per unit - basic	0.0091	0.0072	27%	0.0366	0.0317	15%
Distributions	512,014	385,162	126,852	1,834,111	1,277,539	556,572
Distributions per unit	0.0050	0.0045	11%	0.0202	0.0180	12%
FFO - basic after distributions	0.0040	0.0027	0.0014	0.0166	0.0139	0.0027
Recurring FFO - basic after distributions	0.0040	0.0027	0.0014	0.0164	0.0137	0.0027
Distributions as a % of FFO - basic	55%	63%	(8%)	55%	56%	(1%)
Distributions as a % of Recurring FFO - basic	55%	63%	(8%)	55%	57%	(2%)
Weighted avg. units o/s						
Basic	101,590,060	76,378,013	25,212,047	91,163,634	67,398,715	23,764,919
Diluted	104,094,743	76,378,013	27,716,730	93,668,317	67,980,110	25,688,207

(1) FFO is a Non-IFRS financial measure

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

Periods ended December 31	3 months 2018	3 months 2017	Δ	12 months 2018	12 months 2017	Δ
Basic FFO [1]	923,414	548,042	375,372	3,351,550	2,147,217	1,204,333
Amortization of finance charges included in interest expense	-	-	-	-	-	-
Non-cash revenue (straight line rent)	-	-	-	-	-	-
Maintenance/cap-ex on existing properties [2]	-	(18,233)	18,233	(313,439)	(132,442)	180,997
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	-	-	-	-	-
AFFO[1] - basic	923,414	529,809	74%	3,038,111	2,014,775	51%
AFFO per unit - basic	0.0091	0.0069	31%	0.0333	0.0299	11%
Distributions paid on exchangeable preferred units and convertible debentures (if dilutive)	7,500	-	7,500	15,000	15,000	-
AFFO - diluted	930,914	529,809	76%	3,053,111	2,029,775	50%
AFFO per unit - diluted	0.0089	0.0069	29%	0.0326	0.0299	9%
Distributions	0.0050	0.0045	11%	0.0202	0.0180	12%
AFFO -basic after distributions	0.0040	0.0024	0.0016	0.0132	0.0119	0.0013
Distributions as a % of AFFO - basic	55%	65%	(10%)	60%	60%	-
Weighted avg. units o/s						
Basic	101,590,060	76,378,013	25,212,047	91,163,634	67,398,715	23,764,919
Diluted	104,094,743	76,378,013	27,716,730	93,668,317	67,980,110	25,688,207

(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 capital expenditure on a property leased 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.

CASH FLOWS

Periods ended December 31	12 months 2018	2017	Δ
Operating activities	3,188,937	2,060,148	1,128,789
Investing activities	(32,829,359)	(18,984,984)	(13,844,375)
Financing activities	29,535,441	17,139,182	12,396,259
Increase in cash & cash equivalents	(104,981)	214,346	(319,327)
Cash & cash equivalents -Beginning of period	279,433	65,087	214,346
Cash & cash equivalents - End of period	174,452	279,433	(104,981)

For the 12-month period ended December 31, 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.

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 12-month period ended December 31, 2018, please refer to Note 4 “Investment Properties” and Note 5 “Joint Arrangements” in the Financial Statements.

Cash derived from financing activities amounted to $29.5M ($17.1M for the same period in 2017). This is the result of money received through new mortgages and private placements. For the 12-month period ended December 31, 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 two private placements through which 23,204,080 units were issued for total gross proceeds of $11,499,999.20.

RESULTS OF OPERATIONS FOR THE QUARTER ENDED DECEMBER 31, 2018

For the quarter ended December 31, 2018, the Trust had rental income of $1,719K ($1,317K in Q4 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.

RESULTS OF OPERATIONS

Quarters ended December 31	Restated 2018	2017	Δ
Rental Income	1,719,184	1,316,577	402,607
Other revenues	-	-	-
Increase/(decrease) in fair values of investment properties	(5,008,010)	787,749	(5,795,759)
Financial expenses	442,287	(220,985)	663,272
Net income (loss) attributable to unitholders	(4,085,302)	1,839,189	(5,924,491)
Net income (loss) per unit Basic	(0.0402)	0.0241	(0.0643)
FFO - basic (1)	923,414	548,042	68%
FFO per unit	0.0091	0.0072	26%
Recurring FFO - basic	923,414	548,042	68%
Recurring FFO per unit - basic	0.0091	0.0072	26%
Weighted avg. units o/s Basic	101,590,060	76,378,013	25,212,047
EBITDA (1)	1,376,733	827,813	548,920
Interest coverage	2.9	2.8	0.1
Debt service coverage	1.7	1.6	0.1

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

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 19 for more details). The weighted average capitalization rate of the Trust as at December 31, 2018 was 6.48% compared to 6.11% at the same date last year.

The Trust's main operating expenses were financial in nature and were almost entirely made up of interest on mortgages and bank loans, which amounted to $442K in Q4 2018 compared to a gain of $221K for the same period last year. The gain in 2017 is due to the extinguishment of the exchangeable preferred units, which represented a sum of $525K. Excluding this add-back, financial expenses for Q4 2018 are higher than Q4 2017, mainly due to the increase in interest expense, which is due to the increase in the number of mortgages.

For the quarter ended December 31, 2018, the Trust recorded basic recurring FFO of $923K in comparison to $548K in Q4 2017. Basic recurring FFO per unit increased by 26% from 0.72¢ to 0.91¢ 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 12 MONTHS ENDED DECEMBER 31, 2018

For the 12-month period ended December 31, 2018, the Trust had rental income of $6,275K ($4,359K 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 19 for more details). The weighted average capitalization rate of the Trust as at December 31, 2018 was 6.48% compared to 6.11% at the same date last year.

RESULTS OF OPERATIONS

Periods ended December 31	Restated 2018	2017	Δ
Rental income	6,275,277	4,359,277	1,916,000
Other revenues	15,000	10,000	5,000
Increase/(decrease) in fair values of investment properties	(4,862,229)	2,174,622	(7,036,851)
Financial expenses	1,602,914	791,702	811,212
Net income (loss) attributable to unitholders	(1,889,131)	4,540,944	(6,430,075)
Net income per unit Basic	(0.0207)	0.0674	(0.0881)
FFO - basic[1]	3,351,550	2,147,217	56%
FFO per unit	0.0368	0.0319	15%
Recurring FFO - basic	3,336,550	2,137,217	56%
Recurring FFO per unit - basic	0.0366	0.0317	15%
Weighted avg. units o/s Basic	91,163,634	67,398,715	23,764,919
EBITDA [1]	4,749,213	3,013,742	1,735,471
Interest coverage	3.1	3.1	-
Debt service coverage	1.8	1.7	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 were $1,603K ($792K for the same period in 2017). The amount in 2017 was impacted by the extinguishment of the exchangeable preferred units, which represented a sum of $525K. 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 period ended December 31, 2018, the Trust recorded basic recurring FFO of $3,337K in comparison to $2,137K for the same period last year. Basic recurring FFO per unit increased by 15% from 3.17¢ to 3.66¢ 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 12-month period ended December 31, 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.

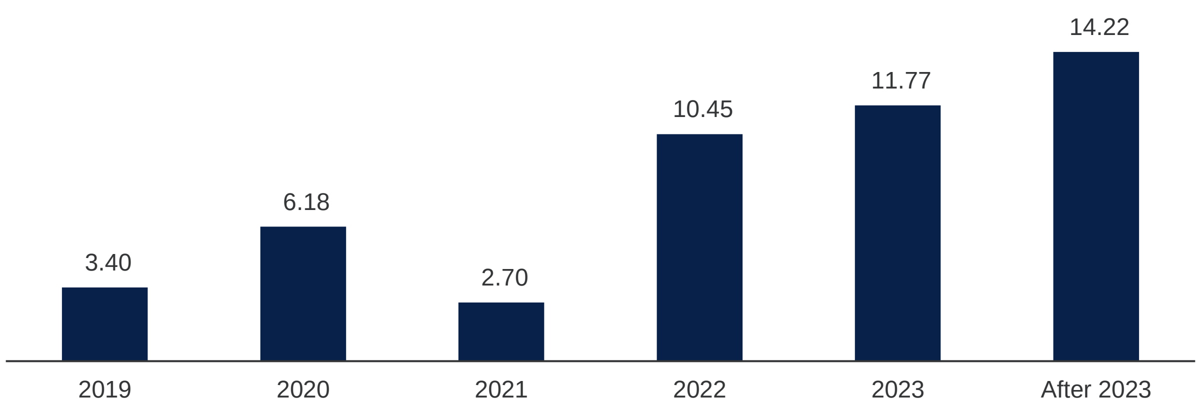
On August 8, 2018, Fronsac announced its intention to undertake a prospectus-exempted private placement raising up to a maximum offering amount of $10,000,000 (the "Offering"). The Offering was comprised of units (the "Units") of Fronsac and of non-secured convertible debentures (the "Convertible Debentures"). 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 December 31, 2018 was 101,590,060.

MORTGAGE BALANCES DUE AT MATURITY (in $M)



	2019	2020	2021	2022	2023	After 2023
Total due ($):	3,398,248	6,183,739	2,701,448	10,448,112	11,767,322	14,224,141
Rate:	2.68% - 4.78%	3.15%	2.85% - 3.32%	3.21% - 6.00%	3.41% - 4.20%	4.12% - 4.98%
% of total debt:	7.0%	12.7%	5.5%	21.4%	24.2%	29.2%

Debts are composed of mortgages, loans, convertible debentures and secured credit facilities. As at December 31, 2018 there are 26 mortgages (excluding Fronsac's interest in mortgages held through joint ventures) with Canadian financial institutions with a total carrying value of $50.8M ($31.6M at December 31, 2017). These mortgages require the Trust to make payments (interest and capital) of $32.8M over the next 5 year and $18.0M 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 December 31, 2018 have a carrying value of $1,594K ($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 $2.47M balance as at December 31, 2018 (nil 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 International Accounting Standards Board ("IASB") published a new standard, IFRS 16. The new standard brings most leases on balance sheet for the lessee under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains essentially unchanged and the distinction between operating and finance leases is retained. This standard is effective for periods beginning 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 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 December 31, 2018 the Trust held interests in 47 properties in Quebec, Ontario and Nova Scotia, across 5 market segments. The Trust is exposed to credit risk, interest rate risk and liquidity risk. In order to limit the effects of changes in interest rates on its expenses and cash flows, the Trust constantly follows the evolution of the market interest rate risk and consequently determines the composition of its debts.

Credit Risk 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 ($187K as at December 31, 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. Each change of 1% of the interest rates would have an impact of $388,265 on the financial expenses of the year.

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 $536,856 (2017: $541,888) from companies controlled by a trustee and individuals related to the trustee for which an amount of $0 (2017: $468) is included in the receivables as at December 31, 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 $175,000 annually and for a period of 10 years ending June 30, 2029.

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

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

Administrative fees include an amount of $35,000 (2017: $43,800) paid as professional fees to a trustee and to an entity controlled by a trustee.

The loans receivable include amounts of $22,683 (2017: $26,635) due from a person related to a trustee and $50,000 (2017: $50 000) due from an officer of the Trust. Interest income on those loans amounts to $4,315 (2017: $3,696) for which an amount of $164 (2017: $190) is included in the receivables as at December 31, 2018.

The credit facilities include an amount of $400,000 (2017: $0) obtained from a trustee. Interest on this facility includes an amount of $8,433 (2017: $0) paid to that trustee for which no amount is payable (2017: $0) as at December 31, 2018.

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.

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.