FRONSAC REAL ESTATE INVESTMENT TRUST

INTERIM MANAGEMENT'S DISCUSSION & ANALYSIS

FORM 51-102F1

FOR THE PERIOD ENDED MARCH 31, 2012

MANAGEMENT'S DISCUSSION & ANALYSIS

May 25, 2012

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 REIT" or the "Trust") is intended to provide readers with an assessment of performance and summarize the results of operations and financial condition for the period of 3 months ended March 31, 2012. It should be read in conjunction with the Unaudited Interim Consolidated Financial Statements of March 31, 2012 and the Trust's Audited Consolidated Financial Statements and MD&A for the year ended December 31, 2011. 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.

Forward-looking statements and disclaimer

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 May 25, 2012.

Description of the Issuer's business

Fronsac REIT is an active trust operating in the real estate commercial market. The Trust owns and rents real estate commercial properties through its wholly owned subsidiaries, 9167-9688 Quebec Inc. ("9167 Qbc"), 9208-9226 Quebec Inc ("9208 Qbc") and Fronsac Rivière-du-Loup Limited Partnership ("SEC RDL"), where Fronsac REIT is the sole limited partner. The commercial property of 9167 Qbc is located along the highway 20 near Mont St-Hilaire and has three tenants, a McDonald restaurant, a Beau-Soir convenience store and an Ultramar service station. The commercial property of 9208 Qbc is located alongside highway 35 in St-Jean-sur-le-Richelieu. The real estate property is comprised of two buildings. The first building houses a convenience store and a Shell gas station and the second building houses three car wash. Finally the commercial property of SEC RDL, located near highway 20 in Rivière-du-Loup, has a Couche-Tard convenience store and a Petro-Canada gas station.

Fronsac is constantly looking for acquisitions of real estate investments that include a service station with a convenience store and a fast food restaurant.

Highlights of first quarter

In January 2012, the Trust made partial repayments on its mortgages. On a mortgage with a balance of $935,784, the Trust made a reimbursement of $345,000. On another mortgage with a balance of $1,801,470, the Trust made a reimbursement of $1,301,470.

Also in January 2012, the Trust reimbursed $100,000 on a long-term debt maturing in July 2014 and with a balance of $250,000 before reimbursement.

Outlook 2012

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

Depending on the magnitude of potential acquisitions, the Trust could issue additional equity capital. Fronsac REIT will try to maintain a debt/equity ratio of 40/60.

Fronsac REIT does not foresee any major repairs on its commercial properties as their construction is recent and their present condition is excellent.

Business and operations review

Real estate investments

Fronsac REIT is the owner of three (3) commercial properties located in Mont St-Hilaire, St-Jean-sur-le-Richelieu and Rivière-du-Loup. The commercial properties are fully occupied. The leases are "triple net" which means that all expenses including property taxes are payable by the tenants.

The 2011 comparative numbers pertain to the operations conducted under the name of Fronsac Capital Inc. and its subsidiaries.

Results of operations

Income	*theree months ended*	
	March 31, 2012	March 31, 2011
	$	$
Rental revenue	145,878	122,725
Interest on mortgages	16,951	35,297
Interest on long-term debt	9,750	12,250
Interest on convertible units	9,115	0
Net income	94,514	11,272
Net income per unit – basic and diluted	0.005	0.001
Funds from operations	76,986	3,123
Funds from operations per unit – basic and diluted	0.004	0.000
Weighted average units outstanding	20,514,000	13,790,000

Results of operations for the quarter ended March 31, 2012

The net income for the quarter ended March 31, 2012 was $94,514 or $0.005 per unit compared to a net income of $11,272 or $0.001 per unit for the comparative quarter of 2011.

For the quarter, the Trust had rental revenues of $145,878 [2011: $122,725] composed of fixed monthly rents and royalties based on tenants' sales. For the 2012 quarter, Fronsac REIT had the commercial properties of Mont St-Hilaire, St-Jean-sur-le-Richelieu and Rivière-du-Loup in full operations for the three (3) months, whereas in 2011, only the properties of Mont-St-Hilaire and St-Jean-sur-le-Richelieu were in operations for the full quarter.

The main operating expenses were interest on mortgages [$16,951] [2011: $35,297], on long-term debts [$9,750] [2011: $12,250] and on convertible preferred units [$9,115] [2011: $0], and in administrative expenses, professional fees of [$25,315] [2011: $16,870] and registration and listing fees [$4,007] [2011: $6,635].

Interest expense represents the interest paid on mortgages, long-term debts and convertible preferred units. The interest rates range from 4.75% to 10.00%. At the time of acquisition of the property of St-Jean-sur-le-Richelieu, the Trust hedged itself against increases in variable interest rates with an interest rate swap. Consequently on the original $2,100,000 mortgage, the maximum interest rate over the next 5 years is 5.01%. On January 26, 2012, a portion of the swap representing a notional amount of $1,301,470, was cancelled at a price of $61,000, its fair value at the transaction date. For the March 31, 2012 quarter, interest on mortgages were paid on two (2) mortgages with a value of $1,076,675 as of that date, long term debts of $783,000 and convertible preferred units of $328,160. For the quarter ended March 31, 2011, the interest was also paid on two (2) mortgages with a value of $2,880,637 and long term debts of $550,000.

Professional fees include sums paid to the accountant for the recording of transactions, to lawyers for the conformity to the TSX Venture Exchange (the «Exchange») rules and $9,000 [2011: $9,000] paid to a company owned by an officer for the administration of operations of the Trust. Registration and listing fees include disbursements related to being a company listed on the Exchange.

The net income of March 31, 2012 includes total gains of $28,206 [2011: gains of $10,000] for the increase in fair value of the interest rates swap liability, derivative component of the convertible long-term debt and other components measured at fair value at each reporting date.

The Company uses the «funds from operations» measurement to assess the performance of its operations. This measurement, which is a non-IFRS measurement, provides a better evaluation of the performance of the operations and is largely used in the commercial real estate industry.

Funds from operations	*three months ended*	
Reconciliation of income to funds from operations	March 31, 2012	March 31, 2011
	$	$
Net income before taxes	113,314	11,272
Unit-based compensation	(10,394)	0
Interest at effective rate	421	0
Variation of derivative instruments	(20,000)	0
Variation in fair value of other financial components	(906)	0
Unrealized loss (gain) on interest swaps	(7,300)	(10,000)
Amortization intangible assets	1,851	1,851
Funds from operations	76,986	3,123

Details of cash flows obtained during the period are summarized in the following table:

Cash flows	*three months ended*	
	March 31, 2012	March 31, 2011
	$	$
Operating activities	75,700	2,533
Investing activities	0	(8,392)
Financing activities	(1,756,779)	(47,794)
Increase (decrease) in cash and cash equivalents	(1,681,079)	(53,653)
Cash and cash equivalents – beginning of period	1,985,720	886,968
Cash and cash equivalents – end of period	304,641	833,315

Funds used in the financing activities represent reimbursements of mortgages and long term debts detailed previously in the highlights section as well as the cash disbursed to cancel a portion of the interest rate swap. Funds also include an amount of $64,800 obtained following the exercise of options made in December 2011.

Financial Position	**March 31, 2012** $	**December 31, 2011** $
Investment Properties	7,111,919	7,111,919
Cash and Cash Equivalents	304,641	1,985,720
Total Assets	7,611,343	9,335,868
Mortgages	1,076,675	2,737,254
Long-term debt	783,000	883,000
Convertible preferred units	328,160	327,739
Total Liabilities	2,708,177	4,527,216
Equity	4,903,166	4,808,652

Capital structure and liquidity

The real estate business is capital-intensive by nature. The Trust's capital structure is key to financing growth. In the real estate industry, financial leverage is used to enhance rates of return on invested capital. Management believes that Fronsac REIT blend of debt and equity in its capital base provides stability and reduces risks, while generating an acceptable return on investment, taking into account the long-term business strategy of the Trust.

The Trust's debts are composed of two (2) mortgages with financial institutions for a total of $1,076,675 maturing in 2014 and 2019 following a refinancing made in January 2012, three (3) debentures totalling $300,000 maturing in 2012, one (1) note payable of $150,000 maturing in 2014 on which a repayment of $100,000 was made in January 2012, a balance of sale of $333,000 maturing in 2014 and a convetible debt with an original value of $333,000 and shown on the statement of financial position at $328,160. For the debt with the financial institutions, the Trust has decided to reduce the monthly payments of $15,931 in 2011 to approximately $4,400 per month in 2012, as it wants to increase liquidity for investment and financing purposes. For the debentures, the note payable and the balance of sale, reimbursement of the principal is scheduled at maturity date. The convertible debt will eventually be settled through the issuance of trust units.

The Trust has sufficient liquidity which will help it to keep a ratio of debt to aggregate assets between 40% to 55% for future acquisitions. The ratio could be revised, as the Trust anticipates an increase in future interest rates.

Trust units

The Trust is authorized to issue an unlimited number of trust units. During the quarter ended March 31, 2012, the Trust did not issue units. As at March 31, 2012, the total number of units issued and outstanding was 20,514,000 units. During the same quarter, the Trust has granted no unit options and no warrants. As at March 31, 2012, 505,000 unit options and 250,000 warrants were outstanding.

Subsequent Events to March 31, 2012

On May 7, 2012, the Trust announced the signature of an agreement for the acquisition of a property located in St-Hubert (Qc) for a total consideration of $1,950,000. This commercial property combines a Shell gas station, a convenience store operated by Couche-Tard and a car-wash.

This acquisition will be made through the entity named Fronsac St-Hubert Limited Partnership ("LP St-Hubert"), founded on May 3, 2012 and currently wholly-owned by Fronsac REIT. An investor will subscribe to 121,875 units of LP St-Hubert for a total proceed of $121,875 which will give him a 25% ownership. These same units could eventually be converted into units of Fronsac REIT at a minimal price of $0.25 / unit, to a maximum number of 487,500 units.

The total purchase price of $1,950,000 will be paid as follows:

- $487,500 cash. This amount will be obtained from the issuance of units of LP St-Hubert to Fronsac REIT and to the above referred investor;
- $1,462,500 from a bank financing at a rate of 4.95% maturing in 5 years.

Contractual Obligations

Fronsac REIT has negotiated an agreement with a company related to a director for the running of the operations. Under the terms of the agreement, Fronsac REIT is paying $3,000 per month. The agreement ends on August 31, 2012.

Off-Balance Sheet Arrangements

None during the quarter ended March 31, 2012.

Related Party Transactions

During the quarter ended March 31, 2012, the Trust paid $10,000 of professional fees to companies controlled by trustees. Also during the quarter, Fronsac REIT paid $6,400 in lawyer fees to a person related to a trustee.

The Trust also obtained, during the quarter, $67,662 of rental income from companies controlled by a trustee and his wife and for which an account receivable of $323 is recorded in the books of the Trust. Finally the Trust paid during the quarter $4,000 in interest to two trustees for which a debt of $200,000 is shown in the books.

Critical Accounting Estimates

The Trust exercised critical accounting estimates in the determination of the fair value of the investment properties, the interest rate swaps, the fair value of its derivative financial instruments, the unit-based compensation and warrants liability and the computation of deferred tax assets and liabilities.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures is periodically conducted by and under the supervision of our management, including the CEO and CFO. Based on those evaluations, the CEO and CFO has concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

Additonal information

Additional information relating to the Trust can also be found on SEDAR at www.sedar.com.