FRONTENAC MORTGAGE INVESTMENT CORPORATION
INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
FOR THE SIX MONTHS ENDED JUNE 30, 2015

This interim management report of fund performance contains financial highlights but does not contain either complete annual or interim financial statements of the investment fund. You can obtain a copy of the annual or interim financial statements at your request, at no cost, by any of the following methods:

By telephone:	(877) 279-2116
By Internet:	SEDAR at www.sedar.com
By mail:	Frontenac Mortgage Investment Corporation The Simonett Building 14216 Highway #38 Sharbot Lake, Ontario K0H 2P0

Shareholders may also contact us using one of these methods to request a copy of the Corporation's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The discussion contained in this interim Management Report on Fund Performance ("MRFP") is intended to update readers on material developments since the date of the most recent annual MRFP and does not restate all the information contained in the annual MRFP. This interim MRFP should be read in conjunction with the annual MRFP, financial statements, and company prospectus – copies of which are available on SEDAR at www.sedar.com.

Results of Operations

The financial statements of Frontenac Mortgage Investment Corporation are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with National Instrument 81-106 "Investment Funds Continuous Disclosure". All amounts are expressed in Canadian dollars.

Revenues for the Corporation for the six months ended June 30, 2015 increased on a gross basis to $6,533,694 from $6,139,668 from the same period in 2014 while, on a per share basis, revenues decreased to $1.33 from $1.42 per common share. The overall increase in gross revenues is attributable to the increased net asset base available for investment. The overall decrease in revenues per share is attributable to higher levels of impaired mortgages compared to the same period in 2014. When a mortgage becomes impaired, the Corporation ceases to accrue interest revenue on that mortgage.

Total expenses for the Corporation for the six months ended increased to $2,158,896 from $1,892,877 for the same period in 2014. The increase in expenses is attributable to an increase in the net asset base as result of new investment received. Administration and management fees are charged to the Corporation as a percentage of total assets and, accordingly, the dollar amount of those fees increase as the assets of the Corporation increase. Overall, operating expenses per share of the Corporation were relatively unchanged at $0.44 per share for the six months ended June 30, 2015 compared to $0.43 per share for the same period in 2014.

Overall, earnings per share decreased at $0.84 per share for the six months ended June 30, 2015 compared to $0.91 per share for the same period in 2014.

The following table presents the operating results of the Corporation (for the year ended December 31 unless otherwise stated):

	Six months ended June 30, 2015 (Unaudited) $	**2014 $**	**2013 $**	**2012 $**	**2011 $**
Total revenues	6,533,694	13,139,636	10,582,028	7,187,719	3,771,220
- per issued common share	1.33	2.92	2.86	2.69	3.08
Net earnings	4,139,470	8,223,375	6,502,045	4,405,231	2,388,163
- per issued common share	0.84	1.83	1.76	1.65	1.95

Outstanding Share Data and Transactions for the Period

The Corporation is authorized to issue an unlimited number of common shares and, as at June 30, 2015, 5,214,712 common shares (June 30, 2014 – 4,518,028) of the Corporation were issued and outstanding.

The following table presents a comparative summary of share transactions (for the year ended December 31 unless otherwise stated):

	Six months ended June 30, 2015 (Unaudited)	**2014**	**2013**	**2012**	**2011**
Number of shares:	#	#	#	#	#
Balance – beginning of period	4,610,052	4,102,680	3,328,364	1,534,943	1,032,446
Issued on amalgamation (1)				1,538,423	
Issued for cash	517,119	637,215	878,327	616,480	466,586
Issued under dividend re-investment plan	89,322	187,030	157,292	110,843	72,531
Redeemed	(1,781)	(316,873)	(261,303)	(472,325)	(36,440)
Balance – end of period	5,214,712	4,610,052	4,102,680	3,328,364	1,534,943
Dollars:	$	$	$	$	$
Balance – beginning of period	138,301,639	123,080,458	99,850,975	46,048,317	30,973,376
Issued on amalgamation (1)				46,152,700	
Issued for cash	15,513,574	19,116,464	26,349,820	18,494,413	13,997,592
Issued under dividend re-investment plan	2,679,662	5,610,900	4,718,760	3,325,297	2,170,541
Redeemed	(53,425)	(9,506,183)	(7,839,097)	(14,169,752)	(1,093,192)
Balance – end of period	156,441,450	138,301,639	123,080,458	99,850,975	46,048,317

Notes:

(1) On July 1, 2012, the Corporation amalgamated with Mortgage Investment Corporation of Eastern Ontario, a "sister" mortgage investment corporation managed by the same manager and with the same investment objectives and strategy.

Under the terms of the Corporation's prospectus, shareholders may redeem shares in the Corporation only once per year, in November, except in certain exceptional circumstances. During the six month period ended June 30, 2015, 1,781 shares (June 30, 2014 – 6,872) were redeemed.

Recent Developments

Regulatory Environment

During 2014, the Canadian Securities Administrators (CSA) amended the legislation governing non-redeemable investment funds, including the Corporation. The amendments impose specific restrictions on investments in "non-guaranteed mortgages". Non-guaranteed mortgages are mortgage loans that are not fully and unconditionally guaranteed, or insured, either by the Government of Canada or by an authorized corporation, such as Canadian Mortgage and Housing Corporation (CMHC). Historically, the mortgage loans offered by the Corporation do not qualify for CMHC insurance and accordingly, the Corporation's mortgage loans meet the definition of a "non-guaranteed mortgage". Consequently, the Corporation is taking steps to cease being regulated as an investment fund and instead be regulated as a corporate issuer.

The Manager has committed to the Ontario Securities Commission that the transition from an investment fund issuer to a corporate issuer will be completed upon the earlier of (i) the net assets of the Corporation reaching $250 million; and (ii) September 26, 2019 being five (5) years from the date of the Corporation's most recent prospectus, September 26, 2014. As part recent finalization of that agreement to transition, the Manager has accepted certain changes to its stated operating policies, such changes designed to provide comfort to the Commission that the operations and investments of the Corporation during the transition will be consistent with past practices. Specifically, the Manager has accepted that during this transition period: (i) the credit line facilities of the Corporation will not exceed 15% of its net assets, (ii) no more than 25% of the Corporation's mortgage loans will be on commercial properties, and (iii) no more than 10% of the Corporation's mortgage loans will be second mortgages. As the Corporation has historically operated well within these guidelines, the Manager does not foresee any negative impact to its future operations or expected results of the Corporation as a result of these restrictions.

Risks

The overall risks of the Corporation are as described in the Corporation's most recent prospectus. As of the date of this Management Report of Fund Performance, management is not aware of any negative risk factor which has adversely affected the return on investments for the six months ended June 30, 2015. All bad or questionable loans have been accounted for in the financial statements and, except as otherwise discussed or disclosed in this report, no trends are known at this time that will likely either affect the capital base of the Corporation, the ability of the Corporation to find and fund mortgage loans or decrease the Corporation's investment income.

Related Party Transactions

Pillar Financial Services Inc. ("Pillar") is the administrator for the Company and charges an annual fee of 1% of the total asset value calculated on a monthly basis. Its responsibilities include originating loan transactions, underwriting the mortgages, collecting mortgage payments, and the internal audit and accounting for the Company's mortgage portfolio. Total fees charged under this contract for the six month period ended June 30, 2015 were $772,210 (six months ended June 30, 2014 - $672,103)

W.A. Robinson Asset Management Ltd. ("W.A.") is the portfolio manager for the Company and charges an annual fee of 1% of the total asset value calculated on a monthly basis. It provides portfolio management advice and investment counsel to the Company. Total fees charged under this contract for the six month period ended June 30, 2015 were $872,597 (June 30, 2014 - $759,476) including applicable sales taxes.

Pillar Financial Services Inc. and W.A. Robinson Asset Management Ltd. are related to the Corporation in that they share common management.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Corporation and are intended to help you understand the Corporation's financial performance for the past five years. This information is derived from the Corporation's unaudited interim and audited annual financial statements.

The Net Assets of the Corporation per Share (for year ended December 31 unless otherwise stated)**:**

	Six months ended June 30, 2015 (Unaudited) $	**2014 $**	**2013 $**	**2012 $**	**2011 $**
Net assets, beginning of period	30.00	30.00	30.00	30.00	30.00
Increase (decrease) from operations:					
Total revenue	1.33	2.92	2.86	2.69	3.08
Total expenses [excluding distributions]	(0.44)	(0.90)	(0.87)	(0.88)	(1.03)
Realized gains (losses) during period	0.03	(0.06)	(0.06)	(0.25)	(0.22)
Unrealized gains (losses) during period	(0.08)	(0.13)	(0.17)	0.09	0.12
Total increase (decrease) from operations	0.84	1.83	1.76	1.65	1.95
Distributions:					
From net income (excluding dividends)	(0.84)	(1.83)	(1.76)	(1.65)	(1.95)
From dividends					
From capital gains					
Return of capital					
Total Distributions	(0.84)	(1.83)	(1.76)	(1.65)	(1.95)
Net assets, end of period	30.00	30.00	30.00	30.00	30.00

(1) Book value and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(2) The data in this table is based on the information presented in the Corporation's financial statements. For the year ended December 31, 2013 and later years, the financial statements of the Corporation were prepared using International Financial Reporting Standards (IFRS). For earlier years, the financial statements of the Corporation were prepared using Canadian generally accepted accounting principles included in Part V of the CPA Canada Handbook - Pre-Changeover Accounting Standards, including Accounting Guideline 18 Investment Companies.

The Corporation distributes any net income to shareholders monthly in the form of dividends. Unless individual shareholders elect to receive their dividends in cash, these dividends are automatically re-invested into additional shares of the Corporation. During the six months ended June 30, 2015, the Corporation paid cash dividends of $1,459,807.

Ratios and Supplemental Data (for year ended December 31 unless otherwise stated)**:**

	Six months ended June 30, 2015 (Unaudited)	**2014**	**2013**	**2012**	**2011**
Net assets	$156,441,451	$138,301,639	$123,080,458	$99,850,975	$46,048,317
Number of shares outstanding	5,214,712	4,610,052	4,102,680	3,328,364	1,534,943
Management expense ratio (annualized)	2.94%	3.02%	2.89%	2.94%	3.42%
Management expense ratio before waivers or absorptions (annualized)	2.94%	3.02%	2.89%	2.94%	3.42%
Portfolio turnover rate	20.36%	47.29%	48.85%	71.37%	74.63%
Trading expense ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per share	$30.00	$30.00	$30.00	$30.00	$30.00

Notes:

(1) The management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The management expense ratio is calculated by dividing the total expenses for the stated period by Frontenac's daily average net assets during such period.

(2) The Corporation's portfolio turnover rate indicates how actively the Corporation's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Corporation buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving a capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. In the case of the Corporation, because it does not incur any trading expenses, the portfolio turnover rate bears no relationship with the level of trading expenses.

(3) The trading expenses ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

Management fees

W.A. Robinson Asset Management Ltd. (formerly W.A. Robinson & Associates Ltd.) is the portfolio manager for the Company and charges an annual fee of 1% of the total asset value calculated on a monthly basis. It provides portfolio management advice and investment counsel to the Company. Total fees charged under this contract for the six month period ended June 30, 2015 were $872,597 (six months ended June 30, 2014 - $759,476) including applicable sales taxes.

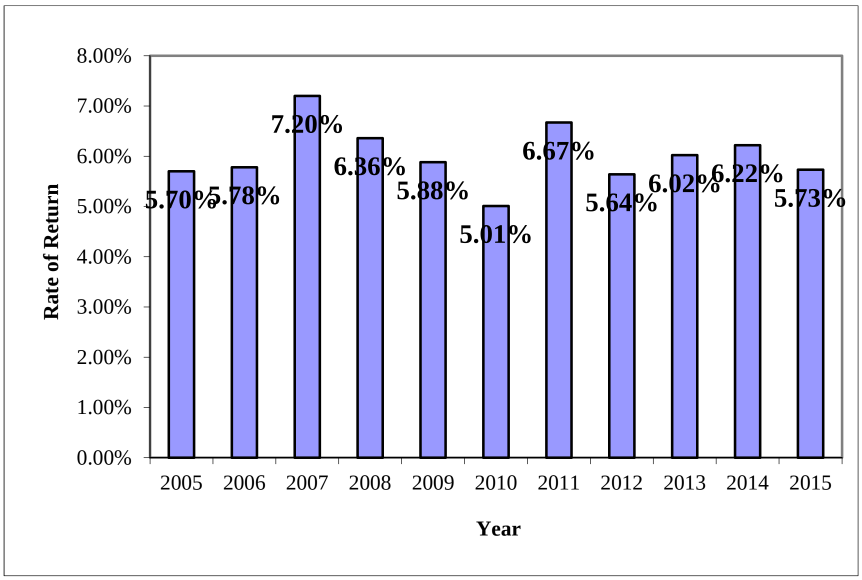
In addition, as detailed under the "Related Parties" section above, for the six months ended June 30, 2015, the Company paid fees totalling $772,210 to Pillar Financial Services Inc. as administrator of the Company (six months ended June 30, 2014 - $672,103).

PAST PERFORMANCE

This section presents information on the Corporation's past performance. Although past performance can help you understand the risks of investing in the Corporation, it is not indicative of future performance. The returns listed in this section include reinvested distributions (which increase returns over time) but do not take into account any income taxes that might reduce returns. The Corporation's returns are reported after accounting for fees and expenses which lower the overall Corporation returns.

Year-by-Year Returns

The following bar chart presents the annualized rate of return on net assets of the Corporation (for the years ended December 31, 2005 up to and including 2014, and for the six month unaudited interim period ended June 30, 2015):



Note: Six month return presented for 2015 has been annualized based on the number of days in the period.

Summary of Investment Portfolio

Asset	Market Value $	% of Net Assets
Mortgage investments	156,248,844	99.88%
Bank credit line	(2,160,000)	(1.38%)
Net accrued receivables/(payables)	2,352,608	1.50%
Total net assets	156,441,452	100.00%

The following represents the Corporation's twenty-five largest holdings as at June 30, 2015:

TOP 25 HOLDINGS	Province	Outstanding Principal	Loan to Value (1)	Term (months)	Interest Rate	Position	% of NAV
Rural Ontario multi-residential development	ON	10,924,299	59%	12	11.50%	1	6.98%
Rural Ontario multi-residential waterfront development	ON	8,114,994	82%	12	12.00%	1	5.19%
Rural Ontario multi-residential development	ON	8,042,704	66%	24	10.50%	1	5.14%
Ottawa area multi-residential construction	ON	6,892,379	81%	13	9.50%	1	4.41%
Rural Ontario multi-residential development	ON	4,299,372	51%	24	9.00%	1	2.75%
GTA area private residential	ON	3,534,273	41%	45	8.50%	1	2.26%
Rural Ontario multi-residential waterfront development	ON	3,141,064	82%	12	6.00%	1	2.01%
Rural Ontario multi-residential waterfront development	ON	2,559,921	13%	37	10.00%	1	1.64%
Rural Ontario multi-residential development	ON	1,991,826	24%	25	12.00%	1	1.27%
Ottawa area multi-residential development	ON	1,831,248	93%	52	4.99%	1	1.17%
Ottawa area residential	ON	1,488,810	74%	13	5.99%	1	0.95%
Rural Ontario multi-residential waterfront development	ON	1,294,770	22%	60	7.00%	1	0.83%
Kingston area commercial building	ON	1,246,354	35%	120	6.99%	1	0.80%
Ontario rural residential & tourist commercial	ON	1,099,532	63%	13	8.99%	1	0.70%
Barrie area commercial offices	ON	1,080,058	28%	27	9.75%	1	0.69%
Barrie area industrial	ON	995,667	61%	24	10.00%	1	0.64%
Ontario area residential duplex construction	ON	950,000	68%	12	12.00%	1	0.61%
Eastern Ontario retirement facility	ON	925,000	64%	25	9.00%	1	0.59%
Ottawa area residential triplex construction	ON	900,742	65%	12	12.00%	1	0.58%
Rural Ontario multi-residential development	ON	898,972	41%	13	9.99%	1	0.57%
Rural Ontario multi-residential construction	ON	863,753	42%	37	9.00%	1	0.55%
Ontario rural tourist commercial	ON	832,646	70%	25	8.99%	1	0.53%
Ottawa area residential construction	ON	784,500	80%	22	7.49%	1	0.50%
Ontario rural tourist commercial	ON	755,989	50%	25	9.25%	1	0.48%
Rural Ontario residential construction	ON	681,850	80%	12	12.00%	1	0.44%

(1) Loan-to-value determined based on appraisal done by arm's length third party at time of funding.

PORTFOLIO ALLOCATIONS (based on outstanding principal balances)

BY TYPE	
Residential	45.8%
Residential construction	14.5%
Residential developments	26.8%
Commercial	7.5%
Vacant land	5.4%
	100.0%

BY REGION	
Ontario	99.9%
Quebec	0.2%
	100.1%

BY INTEREST RATE	
6.49% or lower	5.5%
6.50% to 7.49%	10.1%
7.50% to 8.49%	10.0%
8.50% to 9.49%	20.6%
9.50% to 10.49%	22.6%
10.50% to 11.49%	7.1%
11.50% to 12.49%	24.1%
	100.0%

BY MATURITY	
One year or less	89.0%
1.1 to 2 years	9.4%
2.1 to 3 years	0.7%
3.1 to 5 years	0.1%
more than 5 years	0.8%
	100.0%

BY MORTGAGE POSITION	
First mortgages	99.7%
Other	0.3%
	100.0%

The actual holdings may change following this date due to on-going portfolio transactions in the Corporation.   A quarterly update is available on the Corporation's website at www.fmic.ca or by contacting the Corporate Secretary by telephone toll-free at (877) 279-2116 or by mail at: Frontenac Mortgage Investment Corporation, The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0.