Frontenac Mortgage Investment Corporation
Provides Supplemental Disclosure

Sharbot Lake, June 22, 2023

Frontenac Mortgage Investment Corporation ("**FMIC**") is providing supplementary information, below, in relation to certain matters included in its previously filed financial statements and MD&A.

Recent Redemption History

During 2022 FMIC experienced an increase in redemptions, year over year. For reference purposes, aggregate redemptions for the year ended December 31, 2021 were $11,216,252 and for the year ended December 31, 2022 were $54,441,280. The table below shows the breakdown of redemptions on a quarterly basis.

Most of this increase in redemptions, and the timing of such increases, resulted from the decision by FMIC's manager, W.A. Robinson Asset Management Ltd. (the "Manager") to exit its advisory business by way of direct managed accounts, beginning in the first quarter of 2022. Almost all of the Manager's managed accounts included holdings of common shares of FMIC ("Common Shares'). In late November, 2021 the Manager decided to exit its advisory business and began to develop an orderly plan to do so. Such plan was completed in late January, 2022 and presented to FMIC's board of directors (the "Board") at the annual strategy meeting of the Board held on February 7, 2022. The detailed plan included a forecast that outlined the Manager's best estimate as to the timing and amount of redemptions of Common Shares from the Manager's direct managed accounts, as they migrated to other advisers, for 2022 (see table below) and the resulting effect of such projected redemptions on FMIC's operations. Forecasted 2022 redemptions were prepared by the Manager in the context of unprecedented circumstances, including the fact that 2022 was the first full year of quarterly redemptions which had been implemented during 2021 to provide investors with additional liquidity, the Manager's exit from its advisory business and that the amount and timing of redemptions of Shares in accounts formerly managed by the Manager would not be under the control of the Manager but is rather a decision made by the successor adviser and their client. In February, 2022 the Manager gave notice to its clients for whom the Manager acts in its capacity as portfolio manager and who own Common Shares ("Qualified Investors") that it would be exiting its managed accounts business and that they would need to transition their accounts to other advisers.

The estimated increase in redemptions of Common Shares in 2022 resulting from the Manager's exit from the managed accounts business was not projected in February 2022 to have a material effect on FMIC due to projected Common Share sales increases (see table below) and available cash from FMIC's practice of reserving 5% of its NAV in cash, the fact that FMIC's cash balance at the end of January, 2022 was approximately $30 million (including payout proceeds of approximately $18 million received in January, 2022 from a residential development loan refinancing), plus FMIC's credit line which it uses to smooth out cash flow requirements. FMIC's cash resources come from (1) sales of Common Shares (2) payouts of maturing mortgage loans, and (3) FMIC's line of credit. FMIC's cash requirements are principally used for (1) mortgage loans, (2) FMIC's expenses, and (3) redemptions. Based on FMIC's anticipated cash availability and cash requirements the Manager can adjust, on a monthly basis, one or more of FMIC's (1) cash reserves (2) funded loans, and/or (3) utilization of its line of credit. As part of its cash management function the Manager reviews quarterly redemption requests and determines whether adequate cashflow is available to fund redemption requests.

As indicated in the table below, actual 2022 redemptions of Common Shares held in accounts managed or formerly managed by the Manager in 2022 were approximately $4.5 million, being approximately 54% of total redemptions in the first quarter, approximately $19.2 million, being approximately 91% of total redemptions in the second quarter, approximately $13 million, being approximately 76% in the third quarter, and approximately $2.9 million, being approximately 32% in the fourth quarter. The increase in actual redemptions on a year to date basis, though greater than the aggregate amount forecasted in February, 2022, were funded by FMIC's available cash resources, including from increased Shares sales, mortgage payouts, retained cash and FMIC's line of credit, without materially impacting FMIC's financial performance.

Redemptions - 2022

	Q1	Q2	Q3	Q4	2022 Total
Forecast[1]					
Accounts managed or formerly managed by the Manager[2]	$7,000,000	$14,500,000	$2,500,000	$Nil	$24,000,000
Accounts neither managed nor formerly managed by the Manager	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$10,000,000
Contingency	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$6,000,000
Total	**$11,000,000**	**$18,500,000**	**$6,500,000**	**$4,000,000**	**$40,000,000**
Actual					
Accounts managed or formerly managed by the Manager[2]	$4,502,174	$19,194,076	$13,033,466	$2,899,237	$39,628,953
Accounts neither managed nor formerly managed by the Manager	$3,800,180	$1,816,750	$4,117,224	$6,078,172	$15,812,326[3]
Total	**$8,302,354**	**$21,010,826**	**$17,150,691**	**$8,977,409**	**$54,441,280**

Notes:

1. As presented by the Manager to the Board on February 7, 2022.
2. As at February 7, 2022 approximately $69.4 million, being approximately 32.4%, of outstanding Shares were held in accounts managed by the Manager.
3. Actual 2022 redemptions unrelated to the Manager's exit from its advisory business are within the range of historical norms (2021: $5,625,438, 2020: $15,399,935, 2019: $28,001,271; 2018: $28,636,049; 2017: $9,456,298).

Common Shares are no longer distributed to clients of the Manager who are Qualified Investors. The transition of managed accounts from the Manager to third party advisers, and the redemption of Common Shares in those accounts were in all material respects completed by the end of 2022. FMIC permitted redemptions to exceed 5% of FMIC's Net Asset Value (i.e. the total value of FMIC's assets less the total value of its liabilities, as at a specific date, determined in accordance with IFRS and Part 14 of National Instrument 81-106 – Investment Fund Continuous Disclosure) in both the second and third quarters of 2022 in order to ensure the orderly transition of managed accounts from the Manager without delay, to permit all other redemption requests to be treated on the same basis without any delay, and because FMIC had sufficient cash resources to process such redemptions without materially impacting FMIC's financial performance or viability. These instances of exceeding the 5% redemption limit do not reflect a change in FMIC's redemption policy but rather are special circumstances meant to accommodate the Manager's exit from its advisory business by way of direct managed accounts, a one-time non-recurring event.

During Q1 2023, redemptions were $12.1 million, which was an increase of 35% over Q4 2022 redemptions of $9.0 million. The Manager estimates that approximately 37% of Q1 2023 redemptions were related accounts managed or formerly managed by the Manager in 2022 (32% in Q4 2022). The Manager also estimates that redemptions related to accounts managed by the Manager will continue to decline in future quarters for 2023. The Manager further estimates that redemptions related to accounts neither managed nor formerly managed by the Manager will remain elevated and consistent with amounts seen in Q1 2023 and Q4 2022 because of volatility in both the bond and equity markets and investors re-balancing their portfolios.

FMIC will continue to generally refrain from redeeming Common Shares for which a notice of redemption is received if redemption orders received in respect of any Redemption Date (i.e. any of November 30th, February 28th/29th, May 31st and August 31st of each year or, if any of those dates are not a business day, the first business day immediately preceding such date) exceed 5% of FMIC's Net Asset Value calculated as of the Redemption Date. However, on a go-forward basis, the Board will review and approve all redemptions, whether above or below 5%, and if above 5% the Board may waive the 5% restriction if it deems it appropriate to do so based on input and advice from the Manager.

Common Share Issuances –2022

	Q1	Q2	Q3	Q4	2022 Total
Forecast	$13,500,000	$13,500,000	$13,500,000	$13,500,000	$54,000,000[1]
Actual	$18,322,590	$12,868,800	$12,862,170	$10,389,183	$54,442,743

1. Forecasted 2022 sales increases relative to 2021 reflect previous steps taken by FMIC to implement changes to its marketing program with a view to increasing sales of Common Shares.

Credit Impaired Mortgages

When a loan becomes credit impaired FMIC, through Pillar Financial Services Inc. (the "Administrator") and the Manager, initially undertakes to work with the borrower to develop and implement a plan, appropriate for the particular circumstances of the borrower and the state of the property, to recover the principal and interest outstanding. If such efforts to work with the borrower to recover the principal and interest of a credit impaired loan are unsuccessful the Administrator may instruct legal counsel to enforce FMIC's security by taking legal action against the borrower, which can include, among other things, the appointment of a receiver to sell the property securing the mortgage under power of sale proceedings.

In exceptional circumstances, generally limited to loans to borrowers secured by uncompleted development properties acquired under power of sale proceedings, the Administrator and Manager may deem it appropriate to extend credit to the new development property owner on terms outside of FMICs standard loan practices and policies if the Administrator and Manager determine that such steps might facilitate the completion of development and thereby enhance the probability of full payment of outstanding loans and interest either by improving the borrower's chance of refinancing with a third party and paying out FMIC or, failing that, enhancing the value of the property if FMIC should realize on its mortgage security. Once the loans are issued to the new borrower, these loans would be assessed for expected credit loss in accordance with the Corporation's accounting policies disclosed in the financial statements.

As at March 31, 2023, FMIC had eight credit impaired mortgages totaling $15.5 million (December 31, 2022 – ten mortgages totaling $14.5 million) which were considered by the Manager to be credit impaired with a total provision for impairment losses of $1.8 million (December 31, 2022 – $1.5 million) against those loans. Four of the eight credit impaired loans, having an aggregate value of $13.7 million and a loan loss provision of $1.8 million, relate to a single large residential development project with the same borrower.

With respect to the aforementioned single large residential development project, FMIC originally provided construction financing to the former owner of the development property, and the loan went into default in Q4 2013. A receiver was engaged by the Manager in February 2014 and at the of time receivership, the amount owed to FMIC was $5.2 million. As part of the workout with the receiver, the current borrower acquired the development property from the receiver in Q1 2015 for the purpose of completing the development of the property. Based upon the new owner's commitment to complete the development of the property, the new owner assumed the existing loans and in March 2015 FMIC signed a mortgage commitment letter with the new owner (the current borrower) to provide 2 loans to enable the owner to further develop the property. As at July 31, 2015, the total value of principal, interest and other receivership-related fees owing to FMIC was $8.1 million. Of that total, $0.9 million was written off by the FMIC as being unrecoverable. In December 2015 and November 2016, the Corporation provided the current borrower with an additional 2 loans, being a total of 4 loans advanced to the borrower, in relation to such development property. As outlined in greater detail below, the average interest rate of the 4 loans was 4.3% and the loan-to-value ratio was 36%. In June 2022, a demand letter was issued to the current borrower because the loan agreement had matured, and the borrower had defaulted on the secured loans. FMIC executed a forbearance agreement with the current borrower in August 2022 to enable the current borrower to put up for sale the property as a whole or as individual components and obtain market rates as well as provide the borrower with time to complete the final development stage of one part of the development property. In May 2023 FMIC extended the forbearance agreement for a second time with the borrower to June 30, 2023. The current borrower has complied with and is currently in compliance with forbearance agreement. As at March 31, 2023, the dollar value of the four loans to the owner of the development property, together with accrued interest, was $18.4 million with a loan loss provision of $1.8 million. The Corporation is actively working with the borrower and anticipates recovering these loans, net of the loan loss provision, in late 2023 to early 2024. The four loans relating to this development represent FMIC's last large residential development loans in excess of $10 million for a single project. FMIC has strategically decided to discontinue providing such large residential development loans.

As described above, in certain circumstances in relation to loans for properties under development the Manager and Administrator may depart from FMICs standard loan practices and policies if deemed appropriate and beneficial to do so. For example, in relation to the loans for the single development property described above the Manager and the Administrator deemed it appropriate to depart from FMICs standard loan practices and policies in order to ensure and facilitate the continued development of the property, which represented the best solution to maximize the recovery of the loan and accrued interest. Pursuant to such a workout plan approach two of the four loans relating to the single development property, in the aggregate principal amount of $4.6 million, bear no interest though the average interest rate of the 4 loans is 4.3%, and one of such loans in the amount of $600,000 is unsecured. FMIC's loan package assisted in securing a new owner which has advanced the development of the property, including completion of an apartment building which is now at full occupancy. FMIC has one additional loan of $56,815, unrelated to the aforementioned single development property, that is unsecured and is a residual amount outstanding from a workout plan for a property sold under power of sale in a prior year.

For more information, please contact:

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Forward-Looking Statements

This press release contains certain forward-looking statements and forward-looking information (collectively referred to herein as "**forward-looking statements**") within the meaning of applicable Canadian securities laws, which may include, but are not limited to, information and statements regarding or inferring the future business, operations, financial performance, prospects, and other plans, intentions, expectations, estimates, and beliefs of the Corporation. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "achieve", "could", "believe", "plan", "intend", "objective", "continuous", "ongoing", "estimate", "outlook", "expect", "may", "will", "project", "should" or similar words, including negatives thereof, suggesting future outcomes.

Forward-looking statements involve and are subject to assumptions and known and unknown risks, uncertainties, and other factors beyond FMIC's ability to predict or control which may cause actual events, results, performance, or achievements of FMIC to be materially different from future events, results, performance, and achievements expressed or implied by forward-looking statements herein. Forward-looking statements are not a guarantee of future performance. Although FMIC believes that any forward-looking statements herein are reasonable, in light of the use of assumptions and the significant risks and uncertainties inherent in such statements, there can be no assurance that any such forward-looking statements will prove to be accurate. Actual results may vary, and vary materially, from those expressed or implied by the forward-looking statements herein. Accordingly readers are advised to rely on their own evaluation of the risks and uncertainties inherent in forward-looking statements herein and should not place undue reliance upon such forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Any forward-looking statements herein are made only as of the date hereof, and except as required by applicable laws, FMIC assumes no obligation and disclaims any intention to update or revise any forward-looking statements herein or to update the reasons that actual events or results could or do differ from those projected in any forward-looking statements herein, whether as a result of new information, future events or results, or otherwise.