Note from Frontenac Mortgage Investment Corporation, September 27, 2021: The attached document was intended to be filed on SEDAR on March 30, 2021 however, due to an administrative error, the investment entity review report previously filed on February 25, 2021 was instead inadvertently filed again on March 30, 2021.

MNP

FRONTENAC MORTGAGE INVESTMENT CORPORATION

Investment Entity Review Report
February 28, 2021

Prepared by: **MNP SENCRL, SRL/LLP**
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FRONTENAC MORTGAGE INVESTMENT CORPORATION

INVESTMENT ENTITY REVIEW REPORT

AS AT FEBRUARY 28, 2021

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March 29, 2021

Mr. Kevin Cruickshank, CPA, CA
Chief Financial Officer
W.A. Robinson Asset Management Ltd.
14216 Road 38, P.O. Box 208
Sharbot Lake, Ontario
K0H 2P0

Dear Mr. Cruickshank:

RE: Investment Entity Review Report as at February 28, 2021
Frontenac Mortgage Investment Corporation

You have requested our services, as independent Chartered Professional Accountants experienced in business and securities valuation, for the preparation of an Investment Entity Review Report (hereinafter, the "**Report**") with respect to the fair value of the net assets of Frontenac Mortgage Investment Corporation ("**Frontenac**" or the "**Company**") and the net asset value per share, as at February 28, 2021 (the "**Valuation Date**").

1. PURPOSE OF THE REPORT

We understand that our Report is requested in connection with the requirements of the Ontario Securities Commission for corporate finance issuers under applicable securities laws. In that context, we understand that our Report will form part of the Company's public filings, and we hereby provide our consent to its filing.

Our Report was prepared in conformity with Practice Standards No. 610, 620 and 630 of The Canadian Institute of Chartered Business Valuators ("**CICBV**") for Investment Entity Review Reports.

In the course of our analysis, we reviewed the determination of fair value prepared by the management of Frontenac ("**Management**") for all mortgage investments held by the Company. We also reviewed the assumption that the fair values of all other assets and liabilities was approximately equal to their book values at the Valuation Date.

2. INDEPENDENCE

MNP is not an insider, associate or affiliate of the Company or any of its affiliates, associates or shareholders, to the best of our knowledge. The members of the professional team who were involved in the preparation of this Report have no conflict of interest as regards their independence or objectivity, considering also that MNP is the current auditor of the Company ("**MNP assurance team**").

MNP's professional fees for services rendered in preparing this Report were not contingent, in whole or in part, on the conclusions reached herein.

3. DEFINITION OF FAIR VALUE

For the purposes of this Report, the term "fair value" is defined as:

> "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

This definition is consistent with International Financial Reporting Standards ("**IFRS**") which form the basis for the preparation of the Company's financial statements.

Mortgage investments held by the Company are investments for which a public market does not exist. Therefore, Management established their fair value based on recent arm's length mortgage issuance transactions by the Company.

Due to the inherent uncertainties in the valuation process and the lack of market or observable fair value inputs, the price ultimately received in a sale of the mortgage investments might differ from the fair value determined by Management. Further, a forced liquidation of the mortgage investments may result in realizable values different from Management's estimates of fair value.

4. SCOPE OF REVIEW

For the purposes of our Report, we have considered and relied upon, among others, the information contained in the following documents:

- Monthly internal financial statements as prepared by Management;
- Mortgage portfolio listing as prepared by Management;
- Fair value estimate of mortgage investments as prepared by Management as at February 28, 2021;
- The Company's Mortgage Scoring System;
- Information related to historical variable mortgage rates per Bank of Canada; and
- Mortgage details and other documents setting out the characteristics of the mortgages and their counterparties as at the Valuation Date.

In addition, the MNP assurance team held discussions with Management, in particular Mr. Kevin Cruickshank, CPA, CA, Chief Financial Officer. We also had internal discussions between the MNP valuations and assurance teams regarding the mortgage investments and other assets and liabilities included in the Company's financial statements.

5. RESTRICTIONS AND LIMITATIONS

We have prepared an Investment Entity Review Report with respect to the reasonableness of the fair value of the net assets of the Company, which is not a valuation report under Practice Standard No. 110 of the CICBV. The scope of our review is inherently limited by the nature of our Report and the conclusion expressed may have been different, had you requested a valuation report or a fairness opinion.

This Report is not intended to be used for any purpose other than as outlined above. We do not assume any responsibility or liability for losses sustained by the Company, current or future shareholders, investors, employees or any third parties as a result of the circulation, publication, reproduction or use of this Report contrary to the provisions of this paragraph. In addition, our conclusion should not be considered as a recommendation to invest in/divest from the Company and we do not assume any responsibility or liability for losses sustained by potential investors as a result of the use of this Report. Many other factors must be considered before making an investment which would require that appropriate due diligence procedures be performed, which exceeds the scope of our work and the purpose of this Report.

We reserve the right, but will be under no obligation, to make revisions and/or further support our conclusions contained in this Report and, if we deem it necessary, to revise our conclusions in light of any information, facts, trends or conditions existing at, or prior to, the Valuation Date and which become apparent to us subsequent to the date of this Report. We have no obligation to revise our conclusion in light of any results or events arising subsequent to the Valuation Date.

The preparation of an Investment Entity Review Report is a complex process and selecting portions thereof and of the factors considered by us, without considering all factors and analyses together, could result in a misinterpretation of the comments and analyses concerning value. Any attempt to partially analyze or summarily describe the content of this Report could lead to undue emphasis on any particular factor or analysis.

6. DESCRIPTION OF WORK PERFORMED BY THE COMPANY

Management calculated the fair value of all mortgage investments held by the Company, concluding that the fair value of the mortgage investments was equal, in all material respects, to their book value. The book value of all other assets and liabilities on the balance sheet was deemed to equal fair value. Management calculated the fair value of the net assets of the Company based on its balance sheet as at the Valuation Date.

The net asset value calculation and the fair value of the mortgage investments were prepared by Mr. Kevin Cruickshank, CPA, CA, Chief Financial Officer of the Company.

The Company is a financial-services provider that manages mortgage-based investments sold to individual investors through financial advisors. The underlying securities are mortgages that generally do not meet the underwriting criteria of conventional lenders and/or involve borrowers in rural areas that are not well-serviced by major lenders. The mortgages are sourced from Pillar Financial Services Inc. that lends capital to individuals and businesses through independent mortgage brokers.

Each mortgage investment was classified into one of five types, described as follows:

1. *Impaired Mortgages*. Impaired mortgages are mortgages that are in default by the counterparty, and for which the entirety of the capital and interest is not expected to be recovered by Frontenac. These impaired values were determined on an individual basis and were subject to testing by the MNP assurance team.

2. *Renewed maturity (Matured)*. These mortgages include mortgages that have a maturity date before month-end. However, Frontenac allows counterparties to extend the maturity of their loans if in good standing on a month-to-month basis. Management has estimated a one-year maturity for those investments.

3. *Maturity within 3 months after month end*. These mortgages come to maturity within three months following month-end, and thus their fair value is assumed to be equal to their book value (or amortized cost). These investments were reviewed to ensure that their amortized cost was representative of fair value at the Valuation Date. The principal balance was verified, on a sampling basis, by the MNP assurance team.

4. *Booked within 3 months before month end*. These mortgage loans were issued by the Company within three months immediately preceding the Valuation Date. These loans, serving as the basis for the discount rates used by Management in its Discounted Cash Flow analysis (see below), are deemed to be at fair value unless otherwise noted, and are thus valued at amortized cost at the Valuation Date.

5. *Loans subject to fair value fluctuations*. Where applicable, we assessed the reasonableness of the valuation approach and assumptions used by Management, along with the reasonableness of the valuation of the mortgage investments held by Frontenac.

7. VALUATION METHODOLOGY AND ASSUMPTIONS

7.1 Valuation Approach and Methodology

Management used an Income Approach, applying the Discounted Cash Flow method, to calculate the fair value of the mortgage investments. We considered this methodology to be appropriate. We also reviewed the mathematical accuracy of Management's calculations and did not find any material miscalculations.

Management concludes that the carrying amount (as reported in the financial statements of the Company under the amortized cost method) of the mortgage investments does not differ significantly from their fair value as determined by the Discounted Cash Flow method.

Management also concluded that the fair value of all other assets and liabilities included in the net asset calculation equals their book value. We found this assumption to be reasonable.

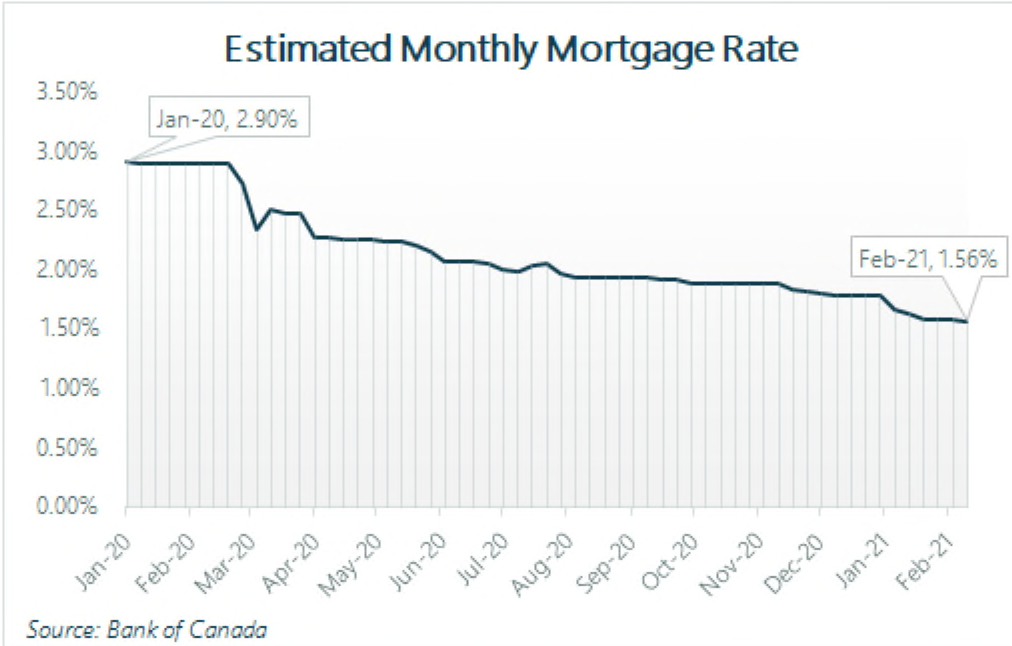
For purposes of validating the calculation of the net asset value per share, we corroborated the number of shares outstanding to the financial statements of the Company as at the Valuation Date.

7.2 Valuation Assumption — Effective Interest Rates

Management established the effective interest rates based on recent arm's length mortgage transactions issued by the Company. However, Management did not corroborate these rates with market data, as the Company operates in a relatively opaque market and does not have access to its competitors' rates. The rates on recent mortgages issued by the Company are considered by Management to be representative of market rates since they are negotiated with third parties and the borrowers have the option of repayment at any time before maturity, should a lower rate be available elsewhere. Additionally, considering the short-term nature of the mortgages, as well as the transactions being performed at arm's length, we can assume that there should not be significant differences between the rates established by Management and the market.

We note that the Bank of Canada decreased its target interest rate by 50 basis points twice in March 2020 as a response to the COVID-19 pandemic, bringing it to ¼% as of March 27, 2020. Consequently, the weekly estimated variable mortgage rate[1] decreased by about 134 basis points from January 1, 2020 to February 28, 2021, as shown in the chart below:

(1) Per Bank of Canada — reflects rates of large Canadian banks on senior secured mortgages.



Such a decrease would theoretically result in a decrease in the discount rates used by Frontenac in the determination of the fair value of the Company's mortgage investments. However, as a secondary and private lender, the Company's mortgage rates are most susceptible to supply and demand for those types of loans, according to Management, which they believe to be relatively unchanged month over month. This is consistent with the fact that Frontenac's rates are often over 650 basis points higher than first-lien mortgages (the "**Credit Spread**"), and therefore the Credit Spread has a greater impact on the Company's mortgage lending rates than the base-rate itself. We also understand that the decrease in the benchmark risk-free interest rate is offset to some degree by a general increase in credit risk due to the pandemic giving rise to reduced incomes and possible job losses for borrowers.

Management's discount rates applied in the fair value measurement of the mortgage investments have remained relatively consistent with the pre-COVID-19 period. We reviewed the reasonableness of these rates based on Frontenac's recent mortgage issuances, specifically:

Residential Mortgages

In November 2020, the rate on residential mortgages was set to 9.50% and then increased by 50 basis points to 10.00% in December 2020, which was consistent with the median of 10.04% on recent mortgages at the time. Since then, the discount rate was maintained at 10.00%. At the Valuation Date, the average of the 15 loans issued in the 3 prior months was 10.22%, which is slightly higher than the current discount rate of 10.00%. However, a detailed analysis of the loans issued indicates that the average was skewed by one outlier at a much higher rate of 12.68%. If we exclude this outlier, the average rate on the loans issued in the 3 months preceding the Valuation Date was 10.04%, and the median was 9.99%, which is in line with the current discount rate of 10.00%. We therefore deem it appropriate for the Company to maintain the discount rate on residential mortgages at 10.00%.

Residential Construction Mortgages

The discount rate on residential construction mortgages was set at 10.02% in October 2020 and then increased by 3 basis points to 10.05% in December 2020, which was maintained in January 2021 and at the Valuation Date. We note that 21 loans were issued in the 3 months preceding the Valuation Date, at an average interest rate of 10.01% and a median of 9.99%.[2] Furthermore, all the loans (14) that were issued in January and February 2021 were issued at 9.99%. While the Company's discount rate of 10.05% is relatively close to the recent issuances, we deem that a discount rate in the range of 9.99% to 10.01% would be more representative of the recent issuances. We therefore recalculated the estimated fair value of the residential construction mortgages[3] using a discount rate range of 9.99% to 10.01%, which did not significantly change the fair value conclusion. We therefore deem it appropriate for the Company to maintain the discount rate on residential construction mortgages at 10.05% at the Valuation Date.

Vacant Land Mortgages

The discount rate on vacant land mortgages was set to 9.75% in October 2020 and then decreased by 5 basis points to 9.70% in December 2020 based on the rates on recently issued mortgages at the time. The discount rate was then further decreased by 20 basis points to 9.50% in January 2021, based on the rates of recently issued mortgages (average of 9.24% in the 3 months prior to January 31, 2021). At the Valuation Date, the discount rate was maintained at 9.50%. The average rate on the 9 loans issued in the 3 months prior to the Valuation Date remains at 9.24%. We note that the rates on vacant land mortgages are usually more volatile than on FMIC's other types of mortgages, since they depend on factors such as the borrower's cash situation.

(2) In fact, of the 21 loans issued in the past 3 months, 20 were issued at 9.99%, and one was issued at 10.50% (in December 2020).

(3) We only recalculated the estimated fair value of the loans subject to discounted cash flow valuation procedures, i.e. excluding those issued within 3 months of period end and those coming due within 3 months of period end.

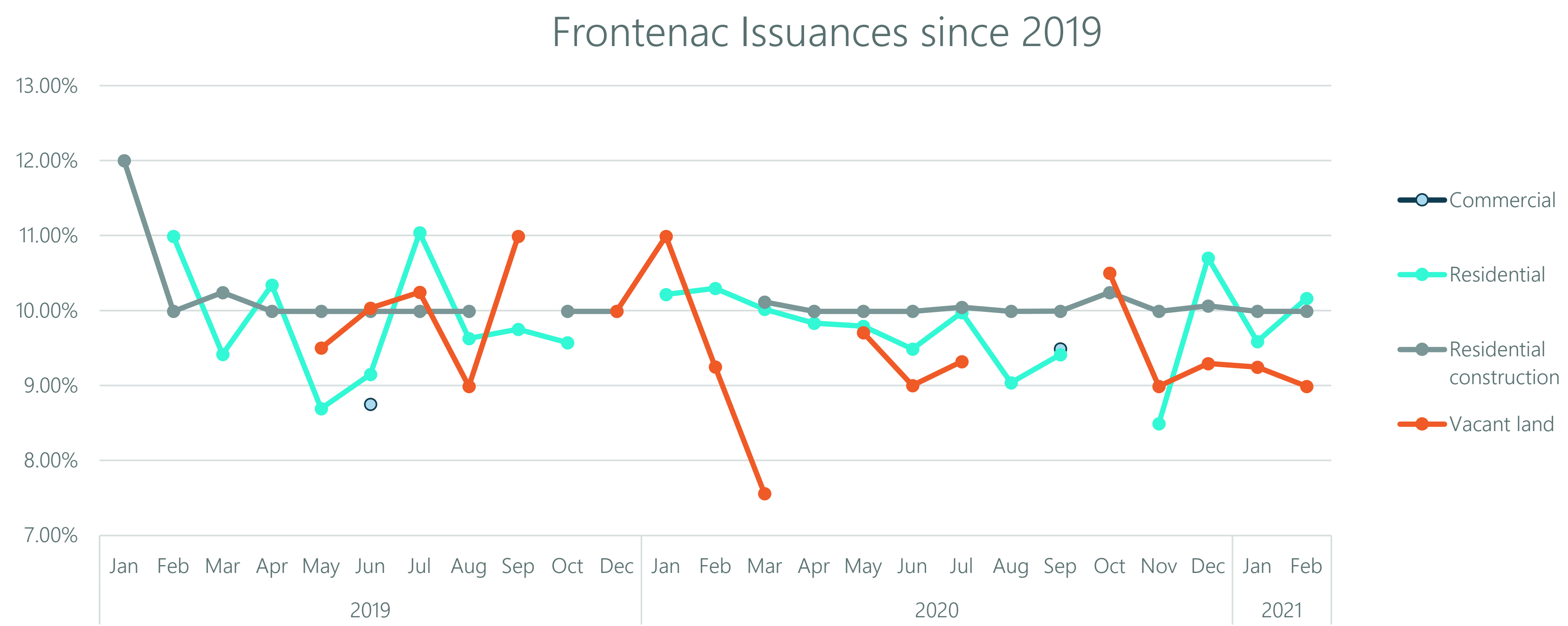
Management therefore decreased the rate in January 2021 to 9.50%, which was between the prior discount rate of 9.70% and the average of recent loans of 9.24% at the time. Given that the average of recent loans at the Valuation Date is still 9.24%, it is consistent for the Company to maintain the discount rate at 9.50%. This approach is consistent with that of prior months for vacant land mortgages. The discount rate of 9.50% on vacant land mortgages at the Valuation Date is therefore deemed appropriate.

Commercial Mortgages

Rates on commercial mortgages are typically determined by using the residential rate plus a spread of 50 to 100 basis points, as it is rare that the Company issues commercial mortgages (the only ones issued since the beginning of 2019 were one in June 2019 and two in September 2020). The Company set the rate to 10.15% in September 2020, based on the recent issuances at the time.[4] No new commercial mortgages were issued since September 2020 but there has been a general increase in the rates on other types of mortgages. The Company therefore increased the rate on commercial mortgages by 35 basis points to 10.50% in December 2020, which was 50 basis points over the December 2020 residential rate. Since no new commercial loans were issued in the 3 months prior to the Valuation Date and since the rate on residential mortgages was maintained at 10.00% in February 2021 (see above), the Company maintained the rate of 10.50% on commercial mortgages at the Valuation Date. This represents a spread of 50 basis points over the residential mortgage rate, which is within the typical range of 50 to 100 basis points. We therefore deem that the discount rate of 10.50% on commercial mortgages at the Valuation Date is appropriate.

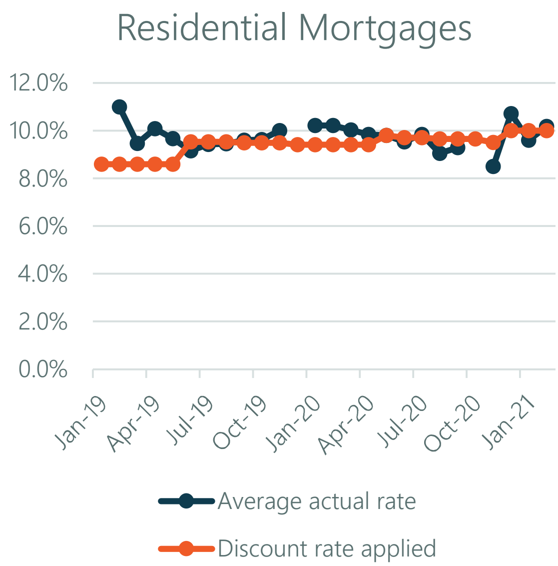
In determining the reasonability of the rates, we have considered the history of issuances since 2019, as depicted in the chart below:

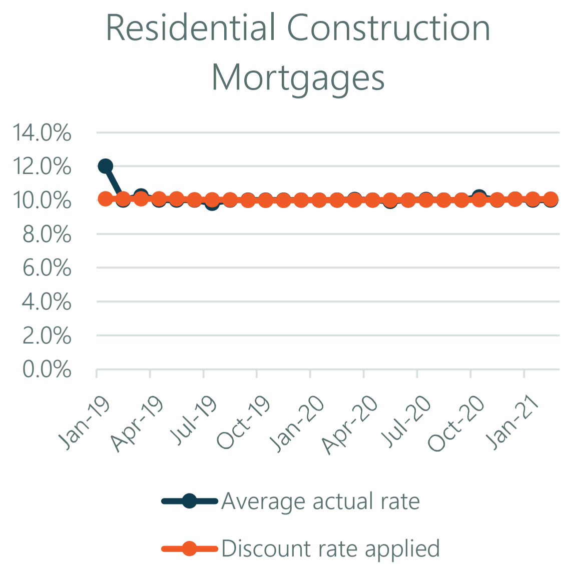
(4) This also represented a spread of 50 basis points over the residential rate of 9.65% at the time.

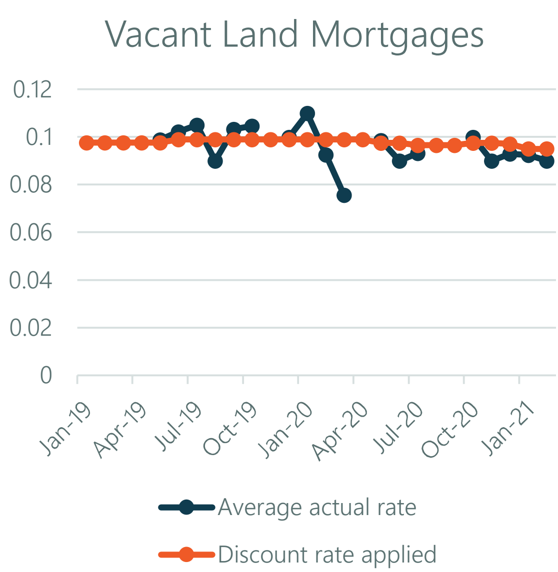


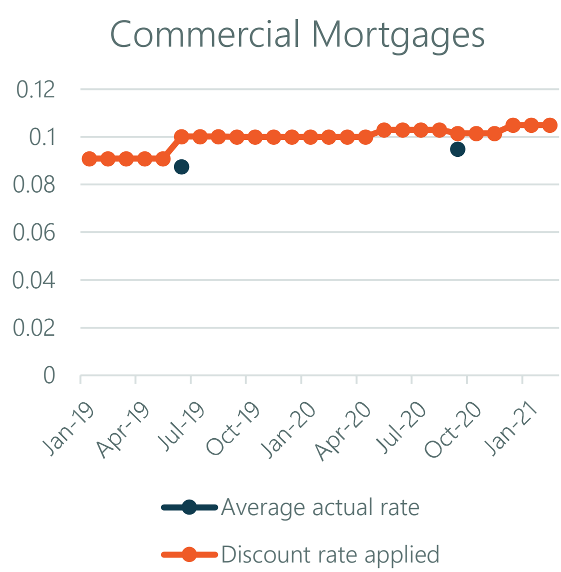
Frontenac Issuances since 2019
13.00%
12.00%
11.00%
10.00%
9.00%
8.00%
7.00%
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
2019
2020
2021
Commercial
Residential
Residential construction
Vacant land

We have also considered the average monthly actual rates with the discount rate applied in the period (we note that monthly reporting only commenced in January 2020 and therefore previous actual rates applied were only measured bi-annually):









To the extent of available information and in light of the above, we have found Management's effective interest rates used in the fair value measurement of the mortgage investments to be reasonable.

8. CONCLUSION — FAIR VALUE OF NET ASSETS

Based on our review of the documents and information provided to us, the explanations received, the analysis performed and subject to the assumptions and restrictions noted in this Report, we conclude that the fair value of the net assets of $175,158,564, as determined by the Management of the Company as at the Valuation Date, is reasonable. We also conclude that the net asset value of $30.00 per share, as calculated by Management, is reasonable.

We trust that our Report will be of assistance.

Yours very truly,

MNP SENCRL, srl/LLP

Catherine Tremblay

Per: Catherine Tremblay, CPA, CA, CBV, ASA, CFF
Partner, Valuation & Litigation Support


MNP