

# MATERIAL CHANGE REPORT

## FORM 51-102F3

### Section 7.1 of National Instrument 51-102

#### Item 1 — Name and Address of Company

Frontenac Mortgage Investment Corporation (the “**Company**”)  
14216 Road #38, P.O. Box 208  
Sharbot Lake, Ontario K0H 2P0

#### Item 2 — Date of Material Changes

April 30, 2024 and May 3, 2024.

#### Item 3 — News Release

News releases were disseminated by the Company on April 30, 2024 and May 3, 2024 through Cision (Newswire), copies of which have been filed under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

#### Item 4 — Summary of Material Changes

On April 30, 2024 the Company announced that it had filed audited annual financial statements and related management’s discussion and analysis (“**MD&A**”) for the year ended December 31, 2023 (the “**2023 Audited Annual Financial Statements**”). The 2023 Audited Annual Financial Statements include amended and restated audited annual financial statements for the year ended December 31, 2022 (the “**2022 Restated Audited Annual Financial Statements**”).

On May 3, 2024 the Company announced that it had filed amended and restated interim unaudited financial statements for the quarters ended March 31, 2023, June 30, 2023 and September 30, 2023 and MD&A thereof (together with the 2022 Restated Audited Annual Financial Statements, the “**Restatement**”). The Restatement is being filed with the agreement of the Ontario Securities Commission (the “**OSC**”) following a review by the OSC and relates to the measurement of mortgage impairment provisions in accordance with International Financial Reporting Standards (“**IFRS**”) for a loan package (the “**Loans**”) that had been made to a borrower in relation to a large residential development property (the “**Property**”) and has been impaired.

#### Item 5 — Full Description of Material Changes

##### 5.1 *Full Description of Material Changes*

On April 30, 2024 the Company announced that it had filed the 2023 Audited Annual Financial Statements, which include the 2022 Restated Audited Annual Financial Statements.

On May 3, 2024 the Company announced that it had filed amended and restated interim unaudited financial statements for the quarters ended March 31, 2023, June 30, 2023 and September 30, 2023 and MD&A thereof. The Restatement is being filed with the agreement of the OSC following a review by the OSC and relates to the measurement of mortgage impairment provisions in accordance with IFRS for the Loans that had been made to a borrower in relation to the Property and has been impaired.

The Restatement corrects an error in the application of IFRS to the expected credit losses of the Loans (the “**Error**”). In general terms, it involves reducing the estimated proceeds from a sale of the Property, increasing the estimated expenses and liabilities associated with selling the Property pursuant to the Company’s mortgage rights and increasing the estimated time that it would take to sell the Property under the Company’s mortgage rights. The effect of the Restatement will be an increase in the provision for mortgage impairment losses, and a reduction in assets, net income and carrying value per share for the year ended December 31, 2022. As a result of the Restatement, the carrying value per share for the year-

ended December 31, 2022 is \$29.44 compared to a carrying value per share of \$30 as originally reported as at December 31, 2022.

Purchasers who overpaid for shares of the Company in 2023 as a result of the Error will be reimbursed in respect of the full amount of their overpayment. Additionally, the applicable management fee and administration fee paid to W.A. Robinson Asset Management Ltd., as manager, and Pillar Financial Services, as administrator will be adjusted to reflect the impact of the Restatement on the Company's assets under management.

The amended and restated financial statements as well as the Company's 2023 Audited Annual Financial Statements are available under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **Resumption of Distributions, Redemptions and Sales**

As disclosed in the Company's Press Release of March 25, 2024, the Company approved and declared a special dividend of \$0.8247974 per share, payable on March 28, 2024 to shareholders of record as of March 26, 2024. This special dividend represented the Company's approximate net taxable income calculated as of December 31, 2023, less dividends paid in 2023, together with approximate net taxable income for January 31, 2024.

The Company intends to make a further special distribution to shareholders in May 2024 representing its net income for the three months ended April 30, 2024 and expects to provide further details regarding this distribution in a separate press release. The Company expects to continue its regular monthly distributions of net income beginning with the distribution of May 2024 net income.

Subsequent to processing the aforementioned special distribution of income, the Company proposes to resume the processing of redemption requests ("**Redemption Requests**"), beginning with a special redemption on May 31, 2024, at the share value then calculated. As of April 29, 2024, the Company has received requests to redeem \$50.2 million of common shares. The Company will not redeem all requested Redemption Requests on May 31, 2024 but will restrict redemptions on that date to 5% of the aggregate net asset value of the Company's loan portfolio as of May 31, 2024 and will fulfill redemption requests on a pro rata basis, as opposed to a first-come first-serve basis. Shareholders wishing to participate in the special redemption and who have not already submitted a redemption request must provide their redemption requests to the Company by 4:00 p.m. ET on May 24, 2024. Thereafter, the Company will continue to process unfulfilled Redemption Requests, together with subsequently received Redemption Requests, on a quarterly pro rata basis irrespective of the timing of receipt by the Company of the redemption requests prior to the then applicable redemption cut-off date, with the next regular redemption beginning on August 30, 2024 at the share value calculated as of August 30, 2024. It is expected that such redemptions will be subject to the aforementioned quarterly redemption limitation of 5% of the aggregate net asset value of the Company's loan portfolio.

Also subsequent to processing the aforementioned special distributions of income, the Company expects to resume monthly sales of common shares to qualified purchasers in the exempt market, beginning on June 3, 2024. Subscriptions received that have been held in escrow will be processed by the Company upon confirming such subscriptions with qualified investors.

#### *5.2 Disclosure for Restructuring Transactions*

Not applicable.

#### **Item 6 — Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

#### **Item 7 — Omitted Information**

Not applicable.

**Item 8 — Executive Officer**

The following executive officer of the Company is knowledgeable about the material change and this report: Amber Kehoe, Corporate Secretary, may be reached at 1-877-279-3061 Ext. 105.

**Item 9 — Date of Report**

May 7, 2024.