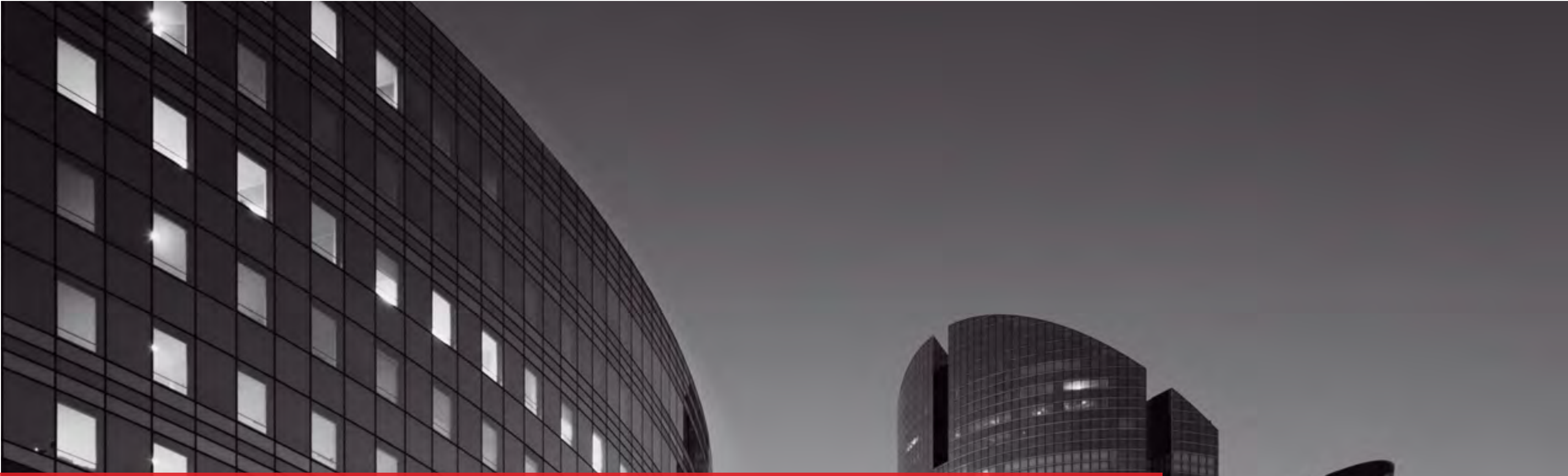

FIRM CAPITAL
MORTGAGE INVESTMENT CORPORATION

CAPITAL PRESERVATION • DISCIPLINED INVESTING

REPORT TO SHAREHOLDERS

FIRST QUARTER
MARCH 31, 2022

FIRM CAPITAL
MORTGAGE INVESTMENT CORPORATION

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A

MANAGEMENT DISCUSSION AND ANALYSIS

FIRST QUARTER
MARCH 31, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

OUR BUSINESS

Firm Capital Mortgage Investment Corporation (the “Corporation”) is a non-bank lender, investing predominantly in short-term residential and commercial real estate mortgage loans and real estate related debt investments. The Corporation operates as a mortgage investment corporation under the Income Tax Act (Canada). Mortgage investment corporations are able to have no income tax payable provided that they satisfy the requirements in subsection 130.1(6) of the Income Tax Act (Canada). The Corporation’s primary investment objective is the preservation of shareholders’ equity, while providing shareholders with a stable stream of dividends from the Corporation’s investments. The Corporation achieves its investment objectives by pursuing a strategy of investing in loans in select niche real estate markets that are under-serviced by larger financial institutions.

The Corporation’s more specific objective is to hold an investment portfolio that:

(i) is widely diversified across many investments;
(ii) is concentrated in first mortgages;
(iii) reduces exposure as a result of participation in various loan syndicates; and
(iv) is primarily short-term in nature.

Firm Capital Corporation (the “Mortgage Banker”) is the Corporation’s mortgage banker and acts as the Corporation’s loan originator, underwriter, servicer, and syndicator. The Corporation’s affairs are administered by FC Treasury Management Inc. (the “Corporation Manager”).

The Corporation has in place a Dividend Reinvestment Plan (“DRIP”) and a Share Purchase Plan (collectively, with the DRIP, the “Plans”) that are available to its shareholders. The Plans allow participants to have their monthly cash dividends reinvested in additional common shares of the Corporation (“Shares”) and grant participants the right to purchase additional Shares. Shareholders who wish to enroll or who would like further information about the Plans should contact Investor Relations at (416) 635-0221.

Additional information on the Corporation, its Plans, and its investment portfolio is available on the Corporation’s web site at www.firmcapital.com. Additional information about the Corporation, including its Annual Information Form (“AIF”), can be found on the SEDAR website at www.sedar.com.

RECENT DEVELOPMENTS AND OUTLOOK

The Corporation’s investment portfolio (the “Investment Portfolio”) has continued to revolve in 2022 with significant investment repayments and new fundings. During the three months ended March 31, 2022, new fundings and discharges of investments were $117 million and $145 million respectively (2021 – $112 million and $124 million).

In 2022, the Corporation expects to revolve the Investment Portfolio with an investment policy of holding a hard line on acceptable exposure levels, borrower quality and warranted interest rate pricing. A significant component of the Corporation's investments has interest rates that are Bank Prime rate based. As such, the recent increases in the Bank Prime rate, and particularly the increase in April 2022, has translated into an increase in the Corporation's average portfolio interest rate.

BASIS OF PRESENTATION

The Corporation has adopted International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board, as its basis of financial reporting. The Corporation’s functional and reporting currency is the Canadian dollar.

The following Management’s Discussion and Analysis (“MD&A”) is dated as of May 10, 2022 and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Corporation and the notes thereto as at, and for the three months ended March 31, 2022, and 2021, as well as the Corporation’s audited consolidated financial statements for the years then ended December 31, 2021 and 2020, and the related Management’s Discussion and Analysis, including the section on “Risks and Uncertainties”, and each of our quarterly reports for 2021 and 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

HIGHLIGHTS

NET INCOME
For the three months ended March 31, 2022 net income increased by 7.6% to $7,861,540 as compared to $7,306,837 reported for the same period in 2021.

EARNINGS PER SHARE
Basic weighted average earnings per share for the three months ended March 31, 2022 was $0.232 (2021 – $0.237).
Diluted weighted average earnings per share for the three months ended March 31, 2022 was $0.230 (2021 – $0.234).

REVENUES
Revenues for the three months ended March 31, 2022 increased by 9.7% to $12,587,793 as compared to $11,478,744 reported for the same period in 2021. The increase is primarily a result of (i) higher interest income due to a larger average Investment Portfolio size (the Investment Portfolio size was on average $86 million higher over a similar period in 2021) and increase in fee income.

INVESTMENT PORTFOLIO
The Corporation's Investment Portfolio decreased by $28 million to $614,532,539 as at March 31, 2022, in comparison to $642,531,533 as at December 31, 2021 (in each case, gross of impairment allowance and fair value adjustment). The allowance for impairment and fair value adjustment as of March 31, 2022 was $5,770,000 (December 31, 2021 allowance for impairment and fair value adjustment – $5,750,000).

RETURN ON EQUITY
The Corporation continues to exceed its yield objective of producing a return on shareholders' equity in excess of 400 basis points over the average one-year Government of Canada Treasury bill yield. Income for the three months ended March 31, 2022, represented a return on total shareholders' equity (based on the month end average total shareholders' equity in the quarter) of 8.06%, representing an annualized return on total shareholders' equity of 610 basis points per annum over the average one-year Government of Canada Treasury bill yield of 1.96%. The above return on total shareholders' equity is a non-IFRS financial measure and does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This non-IFRS measure provides useful information to the Corporation's shareholders as it provides a measure of return generated on the Corporation's equity base.

CAPITAL RAISING ACTIVITIES
In January 2022, the Corporation completed a public offering on a bought deal basis of 5.00% convertible unsecured subordinated debentures with a maturity date of March 31, 2029 for gross proceeds of $43.7 million. The net proceeds from the debenture offering were used to repay bank indebtedness and for general corporate purposes.

REDEMPTION
On March 2, 2022, the Corporation completed the early redemption of its 5.30% convertible unsecured subordinated debentures due May 31, 2022. The redemption was completed with a cash payment of the aggregate principal amount of $9,919,000 and all accrued interest to the time of redemption.

INVESTMENT PORTFOLIO

The Corporation's Investment Portfolio was $608,762,539 as at March 31, 2022 (net of the allowance for impairment of $3,170,000 and fair value loss adjustment of $2,600,000) and was $636,781,533 as at December 31, 2021 (net of the allowance for impairment of $3,150,000 and a $2,600,000 fair value adjustment). On March 31, 2022, the Investment Portfolio comprised of 224 investments (224 as at December 31, 2021). The average gross investment size was approximately $2.7 million, with 17 investments individually exceeding $7.5 million. As at December 31, 2021, 20 of the 224 investments exceeded $7.5 million.

	March 31, 2022				December 31, 2021				
Mortgage Amount	**Number**		**Total Amount (before provision)**	**% of Portfolio**	**Number**		**Total Amount (before provision)**	**% of Portfolio**	***% Change***
$0 - $2,500,000	152	$	147,257,095	24.0%	150	$	139,782,051	21.8%	*5.3%*
$2,500,001 - $5,000,000	40		146,703,145	23.9%	42		150,290,014	23.4%	*(2.4%)*
$5,000,001 - $7,500,000	15		94,673,886	15.4%	12		71,395,108	11.1%	*32.6%*
$7,500,001 +	17		225,898,413	36.8%	20		281,064,360	43.7%	*(19.6%)*
Total Investments	**224**	**$**	**614,532,539**	**100%**	**224**	**$**	**642,531,533**	**100%**	*(4.4%)*
Less: Impairment allowance			(3,170,000)				(3,150,000)		
Less: Fair value adjustment			(2,600,000)				(2,600,000)		
Investment Portfolio		**$**	**608,762,539**			**$**	**636,781,533**		***(4.4%)***

Unadvanced committed funds under the existing Investment Portfolio amounted to $114 million as at March 31, 2022 (December 31, 2021 – $116 million).

The allocation of the Investment Portfolio between the six main investment categories (as well as the weighted average interest rate) is as follows:

	March 31, 2022				December 31, 2021				
Investment Categories	***W.A Interest Rate***		**Outstanding amount**	**% of Portfolio**	***W.A Interest Rate***		**Outstanding amount**	**% of Portfolio**	***% Change***
Conventional First Mortgages	*7.85%*	$	452,577,918	73.6%	*7.67%*	$	471,593,004	73.4%	*(4.0%)*
Conventional Non-First Mortgages	*8.67%*		59,294,548	9.6%	*8.28%*		53,002,813	8.2%	*11.9%*
Related Debt Investments	*8.39%*		91,928,307	15.1%	*8.76%*		81,226,107	12.7%	*13.2%*
Debtor In Possession Loan	*11.87%*		2,591,129	0.4%	*8.46%*		24,260,000	3.8%	*(89.3%)*
Non-Conventional Mortgages	*10.14%*		8,068,922	1.3%	*8.91%*		12,377,894	1.9%	*(34.8%)*
Discounted Debt Investments*	-		71,715	0.0%	-		71,715	0.0%	-
Total Investments	***8.05%***	**$**	**614,532,539**	**100%**	***7.91%***	**$**	**642,531,533**	**100%**	*(4.4%)*
Less: Impairment allowance			(3,170,000)				(3,150,000)		
Less: Fair value adjustment			(2,600,000)				(2,600,000)		
Investment Portfolio		**$**	**608,762,539**			**$**	**636,781,533**		***(4.4%)***

**The yield on Discounted Debt Investments will be determined upon final repayment of the investments.*

The related debt investments category is a basket of investments that are all participating in debt investments to a variety of third-party borrowers. Such debt investments are not secured by mortgage charges, and instead have other forms of security or recourse.

A debtor in possession loan ("DIP Loan"), is a loan obtained by an insolvent debtor while that debtor is restructuring its business under the *Companies' Creditors Arrangement Act* (Canada). A DIP Loan has "super-priority" security on the assets of the debtor company awarded by the court.

The $28 million decrease in the Investment Portfolio (before the allowance for impairment and fair value adjustments) was mainly due to the decrease in the amounts of the conventional first mortgages, non-conventional mortgages and significant decrease in debtor in possession loans, offset by increases in conventional non-first mortgages and related debt investments. During March 31, 2022, new investment funding was $116.7 million (2021 – $112.4 million), while repayments during the period were $144.7 million (2021 – $124.0 million), resulting in a decrease in the Investment Portfolio size.

Conventional first mortgages decreased by 4.0% and represented 73.6% of the Investment Portfolio as at March 31, 2022 (73.4% as at December 31, 2021). Conventional non-first mortgages increased by 11.9% and represented 9.6% of the Investment Portfolio at March 31, 2022 (8.2% as at December 31, 2021). Related debt investments increased by 13.2% and represented 15.1% of the Investment Portfolio as at March 31, 2022 (12.7% as at December 31, 2021). A DIP Loan decreased by 89.3% and represented 0.4% of the Investment Portfolio as at March 31, 2022 (3.8% as at December 31, 2021. Non-conventional mortgages decreased 34.8% and represented 1.3% of the Investment Portfolio as at March 31, 2022 (1.9% as at December 31, 2021). Discounted debt investments remained unchanged and represented a nominal percentage of the Investment Portfolio as at March 31, 2022 (same as at December 31, 2021).

The weighted average face interest rate on the Corporation's Investment Portfolio was 8.05% per annum as at March 31, 2022, compared to 7.91% per annum as at December 31, 2021.

The allowance for impairment and fair value loss adjustment is $5,770,00 as at March 31, 2022 (December 31, 2021, allowance for impairment – $5,750,000), of which $3,170,000 (December 31, 2021 – $3,150,000) represents the total amount of management's estimate of the shortfall between the investment balances and the estimated recoverable amount from the security under the specific loans, and $2,600,000 (December 31, 2021 – $2,600,000) represents the total amount of management's estimate of fair value adjustment on an investment stated at fair value through profit or loss ("FVTPL"). As at March 31, 2022, the Corporation carries a collective allowance balance of $887,000 (December 31, 2021 – $1,105,000).

The allocation of the Investment Portfolio between its 10 different loan categories is as follows:

	March 31, 2022			December 31, 2021			
Property Type	**Number**	**Total Amount (before provision)**	**% of Portfolio**	**Number**	**Total Amount (before provision)**	**% of Portfolio**	***% Change***
Land	59	$ 233,977,498	38.1%	53	$ 191,429,055	29.8%	*22.2%*
Construction Mortgages	56	81,760,524	13.3%	53	97,315,215	15.1%	*(16.0%)*
Related Debt Investments	16	91,928,307	15.0%	17	81,226,107	12.6%	*13.2%*
Single Family	40	54,636,816	8.9%	44	59,173,156	9.2%	*(7.7%)*
Other	11	55,799,226	9.1%	22	67,410,747	10.6%	*(17.2%)*
Multi Family Residential Mortgages	5	24,446,220	4.0%	7	40,115,777	6.2%	*(39.1%)*
Condo/*Including multi unit condo loans*	13	38,754,939	6.3%	13	37,846,030	5.9%	*2.4%*
Retail	17	16,418,842	2.6%	7	28,976,591	4.5%	*(43.3%)*
University		-		1	23,100,000	3.6%	
Industrial	7	16,810,167	2.7%	7	15,938,854	2.5%	*5.5%*
	224	**$ 614,532,539**	**100%**	**224**	**$ 642,531,533**	**100%**	***(4.4%)***

The Corporation continues to focus its lending into core markets that can be monitored closely during evolving economic conditions, with a strong focus in Ontario. The Mortgage Banker does not service or underwrite mortgages on hotels, hospitality properties or long-term care facilities and, as such, the Corporation does not have any investment exposure to these asset types.

As at March 31, 2022, the value of the Mortgage Investment Portfolio that is secured by properties outside of Ontario was 15.1%, compared to 12.4% as at December 31, 2021.

	March 31, 2022				December 31, 2021				
Geographic Segment	**Number**		**Total Amount (before provision)**	**% of Portfolio**	Number		**Total Amount (before provision)**	**% of Portfolio**	***% Change***
Greater Toronto Area	141	$	278,309,886	53.3%	145	$	303,896,050	54.1%	*(8.4%)*
Non-GTA Ontario	47		165,809,989	31.7%	44		188,073,209	33.5%	*(11.8%)*
Quebec	12		34,411,049	6.6%	10		23,496,364	4.2%	*46.5%*
Western Canada	3		30,094,373	5.7%	3		32,001,725	5.7%	*(6.0%)*
United States	5		13,978,935	2.7%	5		13,838,077	2.5%	*1.0%*
Mortgage Investment Portfolio	**208**	**$**	**522,604,232**	**100%**	**207**	**$**	**561,305,426**	**100%**	***(6.9%)***
Related Debt Investments	16		91,928,307		17		81,226,107		*13.2%*
	224	**$**	**614,532,539**		**224**	**$**	**642,531,533**		***(4.4%)***

The allocation of the Investment Portfolio between the underlying security types is as follows:

	March 31, 2022				December 31, 2021				
Underlying Security Type	**Number**		**Total Amount (before provision)**	**% of Portfolio**	**Number**		**Total Amount (before provision)**	**% of Portfolio**	***% Change***
Residential	166		422,122,795	68.7%	166	$	422,837,341	65.7%	*(0.2%)*
Commercial	42		100,481,437	16.4%	41		138,468,085	21.6%	*(27.4%)*
Related Debt Investments	16		91,928,307	15.0%	17		81,226,107	12.6%	*13.2%*
	224	**$**	**614,532,539**	**100%**	**224**	**$**	**642,531,533**	**100%**	***(4.4%)***

The residential category includes mortgages on single family dwellings, residential condominiums, residential land, residential construction, and multifamily residential.

The commercial category includes mortgages on retail, industrial, retail or commercial land, offices, and DIP loans.

The Corporation's strategy is to mitigate loan loss risk by focusing on those areas of mortgage lending that have historically withstood market corrections and retained their underlying real estate asset value while limiting its exposure to those real estate asset classes that do not.

The weighted average loan to value ratio on conventional mortgages (being the combined conventional first and conventional non-first mortgages) is under 60% based on the appraisals obtained at the time of funding each mortgage loan. Included in conventional first mortgages are four United States ("US") dollar denominated investments (at amortized cost) of $9,478,935 (US$7,585,577) (December 31, 2021 – four US dollar denominated investment of $9,338,077 (US$7,365,577)).

Included in related debt investments, classified at FVTPL, are three US dollar denominated investments totaling $9,456,374 (US$7,567,521), (December 31, 2021 – three US dollar denominated investments totaling $9,659,447 (US$7,619,062)). These investments are a participation by the Corporation in limited partnerships that have provided equity to real estate entities in the US.

For the three months ended March 31, 2022, income recorded on the US investments (at amortized cost and FVTPL) was $377,581 (US$284,734) (2021 – $437,476 (US$345,685)).

Related debt investments (classified as FVTPL) as at March 31, 2022 also included six Canadian investments (December 31, 2021 – six Canadian investments) totaling $6,934,500 (December 31, 2021 – $6,862,500).

As at March 31, 2022, the Investment Portfolio included one investment totaling $8,619,653 (December 31, 2021 – one investment totaling $8,712,449) for which a specific allowance of $2,283,000 (December 31, 2021 - $2,045,000) was recorded by the Corporation.

As at March 31, 2022, the Investment Portfolio included one investment totaling $5,833,400 (December 31, 2021 – $5,833,861) for which a fair value adjustment of $2,600,000 (December 31, 2021 – $2,600,000) was recorded by the Corporation.

As at March 31, 2022, excluding investments for which there is an allowance or a fair value adjustment recorded against them by the Corporation, the Investment Portfolio had no investments (December 31, 2021 – two investments with a balance totaling $4,019,732) with contractual interest arrears greater than 60 days past due (December 31, 2021 – $404,111).

As at March 31, 2022, the Investment Portfolio included seven investments totaling $19,069,851 (December 31, 2021 – five investments totaling $25,284,527) with maturity dates that are past due and for which no extension or renewal was in place. Three of the seven investments, in the amount of $7,690,198, were paid out after March 31, 2022 (December 31, 2021 – three investments were paid out in the amount of $6,539,732). One of these investments totaling $8,619,653 (December 31, 2021 – one investment totaling $8,712,448) had an allowance recorded against it included in the Corporation's allowance for impairment or a fair value adjustment. The remaining three investments with maturity dates past due, and for which no extension or renewal was in place, amount to $2,760,000 (December 31, 2021 – one investment totaling $10,032,347), and it has been determined none require a specific allowance .

As at March 31, 2022, the Investment Portfolio continued to be heavily concentrated in short-term investments, with approximately 49% maturing on or before December 31, 2022. The short-term nature of the portfolio provides the Corporation with the ability to continually revolve the portfolio and adapt to changes in the real estate market. Renewals are offered to borrowers when deemed appropriate.

The contractual maturity dates of the Investment Portfolio are as follows:

	March 31, 2022		
	Number	**Total Amount (before provision)**	**% of Portfolio**
2022	110	$ 298,654,453	48.6%
2023	95	266,436,199	43.4%
2024	15	26,669,653	4.3%
2025	4	22,772,235	3.7%
	224	**$ 614,532,539**	**100%**

A significant number of the Corporation's investments are shared with other syndicate partners, including several members of the Board of Directors and senior management of the Mortgage Banker and/or officers and directors of the Corporation. The Corporation ranks equally with other members of the syndicate as to receipt of principal, interest, and fees. As at March 31, 2022, 150 of the Corporation's 224 investments (investment amount of $514,858,821) are shared with other participants, and 21 of which (with a total investment amount of $89,736,811) the Corporation is a participant for less than 50% percent of the loan amount.

Certain members of our Board of Directors and senior management and their related entities co-invested approximately $60 million with the Corporation alongside its Investment Portfolio as at March 31, 2022.

The Mortgage Banker services the entire investment in which the Corporation is a participant, on behalf of all participants and except for the case of an investment with a first priority syndicate participant (i.e., loans payable), the Corporation ranks *pari-passu* with other members of the syndicate as to the receipt of principal, interest, and fees. As at March 31, 2022 and 2021, there were no mortgages with first priority participants.

RESULTS OF OPERATIONS

REVENUES

For the three months ended March 31, 2022, revenues increased by 9.7% to $12,587,793 compared to $11,478,744 for the three months ended March 31, 2021.

Revenues for the three months ended March 31, 2022 and 2021 are broken down as follows:

Three Months Ended	**March 31, 2022**		March 31, 2021		**% Change**
Interest	**$ 11,703,212**	**93.0%**	$ 10,835,164	94.4%	**8.0%**
Commitment & Renewal Fees	**882,047**	**7.0%**	639,580	5.6%	**37.9%**
Other Income	**2,534**	**0.0%**	4,000	0.0%	**(36.7%)**
	$ 12,587,793	**100%**	$ 11,478,744	100.0%	**9.7%**

For the three months ended March 31, 2022, interest income was $11,703,212, an increase of 8.0% over the $10,835,164 reported for the comparable period in 2021. The increase is mainly a result of higher interest income due to a larger average Investment Portfolio size over the comparable period in 2021.

For the three months ended March 31, 2022, commitment and renewal fees were $882,047, an increase of 37.9% from $639,580 reported for the comparable period in 2021.

As at March 31, 2022, the Corporation had deferred commitment fee revenue of $1,334,029 (December 31, 2021 – $1,429,532). The Corporation's policy is to recognize commitment fees over the term of the related loan. The unrecognized component of the fees is recorded as deferred revenue on the Corporation's balance sheet. These fees have been received and are not refundable to borrowers.

CORPORATION MANAGER INTEREST ALLOCATION

During the three months ended March 31, 2022, the Corporation Manager received $1,158,511 (March 31,2021 – $968,920), through a joint venture interest arrangement with the Corporation. The increased interest allocation resulted mainly from the higher average size of the Investment Portfolio over the comparable period in 2021 and the payment of amounts due on non performing investments that paid out.

INTEREST EXPENSE

For the three months ended March 31, 2022, interest expense increased by 44% to $3,684,790 as compared to $2,559,207 for the three months ended March 31, 2021. The higher convertible debenture interest expense is a result of larger outstanding convertible unsecured subordinate debentures.

Interest expense is broken down as follows:

Three Months Ended		**March 31, 2022**			March 31, 2021		**% Change**
Bank Interest Expense	**$**	**244,571**	**6.6%**	$	345,899	13.5%	**(29.3%)**
Debenture Interest Expense		**3,440,219**	**93.4%**		2,213,308	86.5%	**55.4%**
	$	**3,684,790**	**100%**	$	2,559,207	100%	**44.0%**

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

For the three months ended March 31, 2022, G&A expenses were $265,153 (March 31,2021 – $283,041).

SHARE BASED COMPENSATION AND INCENTIVE OPTION PLAN

The following is the status of the stock options issued under the Corporation's stock option plan:

	March 31, 2022			**December 31, 2021**		
	Number of options	**Weighted average exercise price**	**Amount***	**Number of options**	**Weighted average exercise price**	**Amount**
Outstanding, beginning of period	1,842,500	11.87	$ 790,412	2,690,000	11.77	$987,067
Exercised (Options issued on Aug 14, 2020)	-	-	-	(355,000)	11.70	(258,537)
Exercised (Options issued on Jun 29, 2017)	-	-	-	(35,000)	13.15	(5,515)
Exercised (Options issued on Nov 11, 2013)	(45,000)	11.78	(4,326)	(557,500)	11.78	(3,605)
Options granted/amortization amount	-	-	4,532	100,000	11.70	71,002
Outstanding, end of period	**1,797,500**	**$ 11.76**	**$ 790,618**	**1,842,500**	**$ 11.87**	**$ 790,412**
Number of options exercisable	**1,622,500**	**$ 11.87**	**-**	**2,515,000**	**$ 11.77**	

**The amount outstanding corresponds to the stock based compensation associated with the issued stock options.*

The following options were issued and outstanding as at March 31, 2022:

Expiry date	Number of options outstanding	Exercise price	Number of options exercisable
November 11, 2023	142,500	$11.78	142,500
November 11, 2023	35,000	12.21	35,000
November 11, 2023	35,000	13.15	35,000
August 14, 2030	1,485,000	11.70	1,310,000
December 6, 2031	100,000	13.97	100,000
	1,797,500	**$11.87**	**1,622,500**

During the quarter ended March 31, 2022, no stock options were granted under the Corporation's stock option plan. For the year ended December 31, 2021, the board of directors of the Corporation granted options to an officer of the Corporation to purchase up to 100,000 Shares at price of $13.97 per Share with the expiry date of December 6, 2031. All 100,000 of these options vested immediately. The fair value of the options granted was estimated at $52,621 using the Black-Scholes options pricing model at the time of grant.

The total number of stock options outstanding as at March 31, 2022 is 1,797,500 (December 31, 2021 – 1,842,500), of which 1,622,500 stock options are vested and exercisable (December 31, 2021 – 1,667,500). During the three months ended March 31, 2022, 45,000 options were exercised under the stock option plan (December 31, 2021 – 947,500 options were exercised).

THE PROVISION /(RECOVERY) FOR IMPAIRMENT ON INVESTMENT PORTFOLIO AND INTEREST RECEIVABLE

The recovery for impairment for the three months ended March 31, 2022, was $386,734 (provision for 2021 – $356,734). This recovery was based on $585,267 from the full payout of a non performing loan in the first quarter of 2022, offset by a provision against a non performing loan of $178,533 and an increase on allowance for impairment on investments of $20,000.

NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income for the three months ended March 31, 2022, was $7,861,540 (March 31,2021 – $7,306,837), which represents an increase of 7.6% over the comparable prior year quarter. Income for the three months ended March 31, 2022 represented an annualized return on total shareholders' equity (based on the month end average total shareholders' equity in the quarter) of 8.06%. This return on total shareholders' equity represents 610 basis points per annum over the average one-year Government of Canada Treasury bill yield of 1.96% and is well in excess of the Corporation's stated target yield objective of 400 basis points per annum over the average one-year Government of Canada Treasury bill yield. The above return on total shareholders' equity is a non-IFRS financial measure and does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This non-IFRS measure provides useful information to the Corporation's shareholders as it provides a measure of return generated on the Corporation's equity base.

EARNINGS PER SHARE

Basic weighted average earnings per share for the three months ended March 31, 2022 was $0.232 (March 31,2021 – $0.237).

Diluted weighted average earnings per share for the three months ended March 31, 2022 was $0.230 (March 31,2021 – $0.234). For the three months ended March 31, 2022, $11,146,000 of our convertible debentures were converted into 798,974 Shares (December 31, 2021 – $2,201,000 were converted to 157,490 Shares) and 45,000 stock options were exercised under our stock option plan for Shares (December 31, 2021 – 947,500 options were exercised for Shares), increasing the weighted average number of shares outstanding for the period.

QUARTERLY FINANCIAL INFORMATION

($ in millions except per unit amounts)	Mar. 31 2022	Dec. 31 2021	Sep. 30 2021	Jun. 30 2021	Mar. 31 2021	Dec. 31 2020	Sep. 30 2020	Jun. 30 2020
Operating revenue	$12.59	$13.05	$11.92	$11.46	$11.48	$11.72	$10.69	$11.21
Interest expense	3.68	3.24	2.72	2.58	2.56	2.69	2.43	2.70
Corporation manager spread interest allocation	1.16	1.21	0.99	0.98	0.97	1.00	0.93	0.98
General & administrative expenses	0.27	0.38	0.29	0.19	0.28	0.31	0.28	0.28
Share based compensation	0.01	0.07	-	-	-	-	0.90	-
Fair value adjustment on investment portfolio	-	0.80	0.32	1.48				
Impairment loss on investment portfolio	(0.39)	(0.39)	0.03	(1.15)	0.36	0.40	0.22	0.38
Income	**$7.86**	**$7.74**	**$ 7.52**	**$7.38**	**$7.31**	**$7.32**	**$5.93**	**$6.87**
Earnings per share								
	$0.232	**$0.234**	**$0.241**	**$0.238**	**$0.237**	**$0.249**	**$0.207**	**$0.239**
	$0.230	**$0.223**	**$0.238**	**$0.234**	**$0.234**	**$0.247**	**$0.207**	**$0.237**
Dividends per share	**$0.234**	**$0.246**	**$0.234**	**$0.234**	**$0.234**	**$0.242**	**$0.234**	**$0.234**

DIVIDENDS

For the three months ended March 31, 2022, the Corporation declared dividends on the Shares totaling $7,940,890 (March 31, 2021 –$7,222,663) and the number of Shares outstanding at March 31, 2022 was 34,482,286, compared to 30,891,265 at March 31, 2021.

Three Months Ended		March 31, 2022		March 31, 2021	Change
Cash Flow from Operating Activities (Net of cash interest paid)	$	9,016,287	$	9,102,786	(1%)
Net income and comprehensive income		7,861,540		7,306,837	8%
Declared Dividends		7,940,890		7,222,663	10%
Excess Cash Flow from Operating Activities Over Declared Dividends		1,075,397		1,880,123	
Surplus (Deficit) of Net Income Over Declared Dividends		(79,350)		84,174	

CHANGES IN FINANCIAL POSITION

AMOUNTS RECEIVABLE & PREPAID EXPENSES

The amounts receivable and prepaid expenses of $4,784,479 as at March 31, 2022 are comprised of interest receivable (net of impairment allowance) of $4,112,747, prepaid expenses of $229,861, and fees receivable of $441,871 compared to $4,876,253 as at December 31, 2021.

MARKETABLE SECURITIES

The Corporation holds publicly traded units of a Canadian real estate investment trust. The units were mostly acquired through the exercise of warrants that were granted by the issuer as part of a loan facility in which the Corporation was a participant. The units generate distributions that are consistent with the Corporation's overall yield objective. The $56,940 (investment cost $50,966) balance reported on the Corporation's balance sheet as at March 31, 2022 represents the fair value of the marketable securities (December 31, 2021 – $ 54,407, investment cost $50,966).

CREDIT FACILITY AND BANK INDEBTEDNESS

As at March 31, 2022, the credit facility drawn amount was $18,935,311 and cash balance was $5,748,308 (December 31, 2021, the credit facility drawn amount was $53,997,526 and bank indebtedness was $20,550,644).

CONVERTIBLE DEBENTURES

As at March 31, 2022, the Corporation had seven series of convertible debentures outstanding, as outlined below:

Ticker Symbol	Coupon	Issue Date	Maturity Date		Current Principal	Strike Price Per Share		Carrying Value
FC.DB.F	5.50%	Dec. 22, 2015	Dec. 31, 2022		19,342,000	14.00		19,190,379
FC.DB.G	5.20%	Dec. 21, 2016	Dec. 31, 2023		22,500,000	15.25		22,120,722
FC.DB.H	5.30%	Jun. 27, 2017	Aug. 31, 2024		26,500,000	15.25		25,972,525
FC.DB.I	5.40%	Jun. 21, 2018	Jun. 30, 2025		25,000,000	15.00		24,280,326
FC.DB.J	5.50%	Nov. 23, 2018	Jan. 31, 2026		24,983,000	14.60		23,905,817
FC.DB.K	5.00%	Sep. 3, 2021	Sep. 30, 2028		46,000,000	17.75		41,755,028
FC.DB.L	5.00%	Jan. 31, 2022	Mar. 31, 2029		43,700,000	17.00		38,697,846
Total / Average	**5.21%**			**$**	**208,025,000**		**$**	**195,922,643**

As at March 31, 2022, the principal balance for the outstanding convertible debentures was $208,025,000 (December 31, 2021 – $185,390,000). The aggregate convertible debenture carrying value as at March 31, 2022 was $195,922,643 (December 31, 2021 – $177,807,478). The weighted average effective interest rate of the convertible debentures as at March 31, 2022 was 5.21% (December 31, 2020 – 5.28%).

During the three months ended March 31, 2022, $11,080,000 of the convertible debenture series FC.DB.E 5.3% were converted into 794,260 Shares at price of $13.95 and $66,000 of the convertible debenture series FC.DB.F 5.5% were converted into 4,714 Shares at price of $14.00.

On March 4, 2022, the Corporation completed the redemption of its 5.30% convertible unsecured subordinated debentures, which were scheduled to mature on May 31, 2022, for payment in cash in the aggregate principal amount of $9,919,000 and all accrued interest to the time of redemption.

On January 27, 2022, the Corporation completed a public offering of 5.00% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $40,000,000. On February 2, 2022, the over-allotment option for this offering was exercised whereby additional 5.00% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $3,700,000 were issued. Issuance costs of this offering were, in aggregate, $2,073,690. The debentures mature on March 31, 2029 and interest is paid semi-annually on the last day of March and September of each year. The debentures are convertible at the option of the holder at any time prior to the maturity date at a conversion price of $17.00 per Share. The debentures may not be redeemed by the Corporation prior to March 31, 2025. On or after March 31, 2025, but prior to March 31, 2027, the debentures are redeemable at a price equal to the principal, plus accrued and unpaid interest, at the Corporation's option on not more than 60 days' and not less than 30 days' notice, provided that the weighted average trading price of the Shares on the Toronto Stock Exchange(“TSX”) for the 20 consecutive trading days ending 5 trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2027 and prior to the maturity date, the debentures are redeemable at a price equal to the principal amount plus accrued and unpaid interest, at the Corporation's option on not more than 60 days' and not less than 30 days' prior notice. On redemption or at maturity, the Corporation may, at its option, on not more than 60 days' and not less than 40 days' prior notice, elect to satisfy its obligation to pay all or a portion of the principal of the debenture by issuing that number of Shares of the Corporation obtained by dividing the principal amount being repaid by 95% of the weighted average trading price of the Shares for the 20 consecutive trading days ending on the fifth day preceding the redemption or maturity date.

The convertible debentures were allocated into liability and equity components on the date of issuance as follows:

Liability	**$**	**40,700,000**
Equity		**3,000,000**
Principal	**$**	**43,700,000**

OTHER LIABILITIES

Other liabilities for the Corporation include the following:

Additional Liabilities		March 31, 2022		December 31, 2021	Change
Accounts Payable and Accrued Liabilities	$	2,811,815	$	2,229,194	26%
Deferred Revenue		1,334,029		1,429,532	(7%)
Shareholders' Dividend Payable		2,689,618		3,024,980	(11%)
Total	**$**	**6,835,462**	**$**	**6,683,706**	**2%**

Accounts payable and accrued liabilities increased to $2,811,815 as at March 31, 2022, compared to $2,229,194 as at December 31, 2021. Accounts payable and accrued liabilities include interest payable of $1,887,682 (December 31, 2021 – $1,321,346) and accrued liabilities of $924,133 (December 31, 2021 – $907,848).

Deferred revenue is comprised of commitment fees generated on the Corporation's mortgage investments. As at March 31, 2022, the deferred commitment revenue was $1,334,029 (December 31, 2020 – $1,429,532). The Corporation's policy is to recognize deferred commitment fees over the term of the related loans.

SHAREHOLDERS' EQUITY

Shareholders' equity at March 31, 2022 totaled $397,658,850 compared to $382,672,839 as at December 31, 2021. The Corporation had 34,482,286 Shares issued and outstanding as at March 31, 2022, compared to 33,610,885 Shares as at December 31, 2021. The increase is attributable to 27,426 Shares issued under the DRIP (2021 – 196,129 Shares), which amounted to additional shareholders' equity of $384,728 (2021 – $2,808,307), the exercise of stock options for 45,000 Shares (2021 – 947,500 Shares), which amounted to additional shareholders' equity of $534,427 (2021 – $11,448,757), and the conversion of convertible debentures into 798,974 Shares, which increased shareholders' equity by $11,146,000 (2021 – conversion of convertible debentures into 157,490 Shares increased shareholders' equity by $2,201,000).

ALLOWANCE FOR IMPAIRMENT

The Investment Portfolio consists primarily of the Corporation's participation in mortgage loans and real estate related debt investments. Such investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the investments are measured at amortized cost using the effective interest method, less any allowance for impairment. The Corporation assesses individually significant investments at each reporting date to determine whether there is objective evidence of impairment. The allowance for impairment in respect of each investment measured at amortized cost is calculated as the difference between its carrying amount and the amount of the future cash flows estimated to be recoverable on the loan security. Estimates and assumptions are made as to the gross sale proceeds that would be generated on the forced sale of the real property securing the related mortgage loan and reflect estimates of the current local market conditions. Estimates are made as to the costs of enforcing under the mortgage loan and of realizing on the real property. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the allowance for impairment. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Changes in the allowance for impairment are recognized in the statement of income and reflected in the allowance for impairment against the investments. Interest on the impaired assets continues to be recognized to the extent it is deemed to be collectible.

The allowance for credit losses is as follows:

Investment Categories	March 31, 2022 Adjustments	March 31, 2022 Total Amount (before provision)	December 31, 2021 Adjustments	December 31, 2021 Total Amount (before provision)
Conventional First Mortgages	$ 2,283,000	$ 452,577,918	$ 2,045,000	$ 471,593,004
Conventional Non-First Mortgages	-	59,294,548	-	53,002,813
Related Debt Investments	-	91,928,307	-	81,226,107
Discounted Debt Investments	-	71,715	-	71,715
Debtor In Possession Loan	-	2,591,129	-	24,260,000
Non-Conventional Mortgages	-	8,068,922	-	12,377,894
Total Specific Provision / Amount	**$ 2,283,000**	**$ 614,532,539**	**$ 2,045,000**	**$ 642,531,533**
IFRS 9 Collective Provision	887,000		1,105,000	
Total Allowance	**$ 3,170,000**		**$ 3,150,000**	
Fair Value Adjustment	2,600,000		2,600,000	
Total Provision and Fair Value Adjustment	**$ 5,770,000**		**$ 5,750,000**	

The following table presents the changes to the allowance for credit losses on loans as at March 31, 2022:

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2022	$777,000	$11,000	$2,362,000	$3,150,000
New Financial assets originated	103,000	-	-	103,000
Financial assets that have been derecognised	(50,000)	(2000)	-	(52,000)
Transfer to (from):				
Stage 1	(4,000)	-	-	(4,000)
Stage 2	-	1000	-	1000
Stage 3	-	-	(228,000)	(228,000)
Net remeasurements	(41,000)	1,000	240,000	200,000
Balance at March 31, 2022	**785,000**	**11,000**	**2,374,000**	**3,170,000**

The loans comprising the Investment Portfolio are stated at amortized cost or FVTPL. As of March 31, 2022, the allowance for impairment and fair value adjustment was $5,770,000 (December 31, 2021, allowance for impairment – $5,750,000) of which $3,170,000 (December 31, 2021 – $3,150,000) represents the total amount of management's estimate of the shortfall between the investment balances and the estimated recoverable amount from the security under the specific loans in an amount of $2,283,000 and $2,600,000 (December 31, 2021 – $2,045,000 and $2,600,000) represents the total amount of management's estimate of fair value adjustment on an investment stated at FVTPL.

The Corporation also assessed collectively for impairment to identify potential future losses, by grouping the Investment Portfolio with similar risk characteristics to determine whether a collective allowance should be recorded due to loss events for which there is objective evidence but whose effects are not yet evident. Based on the amounts determined by this analysis, the Corporation used judgement to determine the amounts calculated. As at March 31, 2022, the Corporation carries a collective impairment allowance of $887,000 (December 31, 2021 – $1,105,000). The Corporation has an allowance against its interest receivable in the amount of $178,533 as at March 31, 2022 (December 31, 2021 – $1,308,832) related to loans in default. As at March 31, 2022, the Investment Portfolio includes one investment totaling $8,619,653 (December 31, 2021 – one investment totaling $8,712,449) for which a specific allowance of $2,283,000 (December 31, 2021 – $2,045,00) was recorded in the Corporation's allowance for impairment.

As at March 31, 2022, the Investment Portfolio includes one investment totaling $5,833,400 (December 31, 2021 – $5,833,860) for which a fair value loss adjustment of $2,600,000 was recorded (December 31,2021 – $2,600,000).

The following table presents the staging of gross investments at amortized cost as at March 31, 2022:

Gross Investments at amortized cost				
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Conventional first mortgages	$ 429,768,374	$ 6,326,891	$ 16,482,653	$ 452,577,918
Conventional non-first mortgages	55,705,546	3,589,002	-	59,294,548
Related debt investments	75,537,433	-	-	75,537,433
Debtor in possession loan	2,591,129	-	-	2,591,129
Discounted debt investments	71,715	-	-	71,715
Non-conventional mortgages	8,068,922	-	-	8,068,922
Total gross investments at amortized cost	**576,743,120**	**9,915,893**	**16,482,653**	**598,141,666**
By geography:				
Canada	$ 562,264,184	$ 9,915,893	$ 16,482,653	$ 588,662,731
United States	9,478,935	-	-	9,478,935
Total gross investments at amortized cost	**$ 571,743,120**	**$ 9,915,893**	**$ 16,482,653**	**$ 598,141,666**

The following table presents the staging of gross investments at amortized cost as at December 31, 2021:

Gross investments at amortized cost				
	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 442,690,794	$ 6,132,415	$ 22,769,796	$ 471,593,005
Conventional non-first mortgages	50,002,813	3,000,000	-	53,002,813
Related debt investments	61,386,792	3,317,367	-	64,704,159
Debtor in possession loan	24,260,000	-	-	24,260,000
Discounted debt investments	71,715	-	-	71,715
Non-conventional mortgages	11,948,144	429,750	-	12,377,894
Total gross investments at amortized cost	590,360,258	12,879,532	22,769,796	626,009,586
By geography:				
Canada	$ 581,022,181	$ 12,879,532	$ 22,769,796	$ 616,671,509
United States	9,338,077	-	-	9,338,077
Total gross investments at amortized cost	$ 590,360,258	$ 12,879,532	$ 22,769,796	$ 626,009,586

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties and are measured at fair value.

The Corporation Manager (a company related to certain officers and/or directors of the Corporation) receives an allocation of interest, calculated at 0.75% per annum of the Corporation's daily outstanding performing investment balances. For the three months ended March 31, 2022, this amount was $1,158,811 (2021 – $968,920). Included in accounts payable and accrued liabilities at March 31, 2022 are amounts payable to the Corporation Manager of $406,104 (December 31, 2021 – $486,188).

The Mortgage Banker (a company related to officers and/or directors of the Corporation) receives certain fees from borrowers as follows: loan servicing fees equal to 0.10% per annum on the principal amount of each of the Corporation's investments; 75% of all of the commitment and renewal fees generated from the Corporation's investments; and 25% of all of the special profit income generated from the non-conventional investments after the Corporation has yielded a 10% per annum return on its investments. Interest and fee income of the Corporation is net of the loan servicing fees paid to the Mortgage Banker of approximately $154,000 for the quarter ended March 31, 2022 (2021 – $129,000). The Mortgage Banker also retains all overnight float interest and incidental fees and charges payable by borrowers on the Corporation's investments.

The Corporation's Joint Venture Agreement and Mortgage Banking Agreement contain, respectively, allowances for the payment of termination fees to the Corporation Manager and Mortgage Banker in the event that the respective agreements are either terminated or not renewed.

A significant number of the Corporation's investments are shared with other investors of the Mortgage Banker, which may include members of management of the Mortgage Banker and/or officers or directors of the Corporation. The Corporation ranks equally with other members of the syndicate as to receipt of principal and income.

KEY MANAGEMENT COMPENSATION

Aggregate compensation paid to key management personnel (including payments to related parties for recovery of costs), consisted of short-term employee compensation of $1,055,835 for the three months ended March 31, 2022 (2021 – $930,649) all of which was paid by the Corporation Manager and not by the Corporation.

For the three months ended March 31, 2022, total director's fees paid were $80,250 (2021 – $80,250). Certain key management personnel are also directors of the Corporation and received compensation from the Corporation Manager. The directors and officers of the Corporation held 739,728 Shares as at March 31, 2022 (December 31, 2021 – 694,728 Shares).

During the three months ended March 31, 2022, no options were issued under our stock option plan (2021 – nil options were issued to the officers of the Corporation).

Related party transactions are further discussed and detailed in the Corporation's AIF and in note 12 of the accompanying unaudited interim condensed consolidated financial statements of the Corporation for the three months ended March 31, 2022.

INCOME TAXES

The Corporation qualifies as a mortgage investment corporation within the meaning of the *Income Tax Act* (Canada). As such, the Corporation is entitled to deduct from its taxable income dividends paid to shareholders during the year or within the first 90 days of the following taxation year. In order to maintain its status as a mortgage investment corporation, the Corporation must continually meet all criteria enumerated in the relevant section of the *Income Tax Act* (Canada) throughout a taxation year. The Corporation intends to maintain its status as a mortgage investment corporation and intends to distribute sufficient dividends in the year and in future years to ensure that the Corporation has no tax payable under the *Income Tax Act* (Canada). Accordingly, for financial statement reporting purposes, the tax deductibility of the Corporation's dividends results in the Corporation being effectively exempt from taxation and no allowance for current or deferred income taxes is required.

CRITICAL ACCOUNTING ESTIMATES

The determination of the impairment allowance for the Investment Portfolio is a critical accounting estimate.

The Investment Portfolio is classified as loans and receivables. Such investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage loans are measured at amortized cost using the effective interest method, less any impairment losses. The investments are assessed at each reporting date to determine an impairment allowance. Losses are recognized in the statement of income and reflected in the allowance account against the mortgage investments. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of income. Management is required to consider the estimated future cash flow recovery from the collateral securing the mortgage investments. The estimation of cash flow recovery is performed on an individual mortgage basis and is based on assumptions pertinent to each mortgage investment. Each mortgage analysis often has unique factors that are considered in determining the cash flow and realizable value of the underlying security. The estimates are based on historical experience and other assumptions that management believes are responsible and appropriate in the circumstances. Actual results may differ from these estimates.

CLASSIFICATION & MEASUREMENT OF FINANCIAL ASSETS

Mortgage investments and other loans are classified based on the business model for managing assets and the contractual cash flow characteristics of the asset. The Corporation exercises judgment in determining both the business model for managing the assets and whether cash flows consist solely of principal and interest.

MEASUREMENT OF EXPECTED CREDIT LOSS

The expected credit loss model requires the recognition of credit losses based on 12 months of expected losses for performing loans and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination.

The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due as well as other criteria, such as watch list status and changes in weighted probability of default since origination.

The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, the Corporation must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic inputs, such as real gross domestic product, interest rates and unemployment rates.

FINANCIAL INSTRUMENTS

The fair values of amounts receivable and prepaid expenses, bank indebtedness, accounts payable and accrued liabilities, and shareholder dividends payable approximate their carrying values due to their short-term maturities.

The fair value of the Investment Portfolio approximates its carrying value as the majority of the loans are fully open for repayment at any time without penalty and have floating interest rates. There is no quoted price in an active market for the mortgage and loan investments or mortgage syndication liabilities. Management makes its determinations of fair value based on its assessment of the current lending market for mortgage and loan investments of the same or similar terms. As a result, the fair value of mortgage and loan investments is based on Level 3 on the fair value hierarchy.

The fair values of loans payable, when incurred, approximate their carrying values due to the fact that the majority of the loans are: (i) repayable in full, at any time, upon the repayment of the underlying loan that secures the loan payable, and (ii) have floating interest rates linked to the prime rate.

The fair value of convertible debentures, including their conversion option, has been determined based on the closing price of the debentures of the Corporation on the TSX for the applicable date.

The fair value of marketable securities has been determined based on the closing price of the security of the respective entity listed on the TSX for the applicable date.

The tables in note 15 of the unaudited interim condensed consolidated financial statements of the Corporation for the three months ended March 31, 2022 present the fair values of the Corporation’s financial instruments as at March 31, 2022 and December 31, 2021, respectively.

CONTRACTUAL OBLIGATIONS

Contractual obligations as at March 31, 2022 are due as follows:

	Total	Less than 1 year	1-3 years	4-7 years
Credit facility	**$ 18,935,311**	**$ 18,935,311**	**$ -**	**$ -**
Accounts payable and accrued liabilities	**2,811,815**	**2,811,815**	**-**	**-**
Shareholders' dividends payable	**2,689,618**	**2,689,618**	**-**	**-**
Convertible debentures	**208,025,000**	**19,342,000**	**49,000,000**	**139,683,000**
Subtotal - Liabilities	**232,461,744**	**43,778,744**	**49,000,000**	**139,683,000**
Future advances under portfolio	**114,525,157**	**114,525,157**	**-**	**-**
Liabilities and contractual obligations	**$ 346,986,901**	**$ 158,303,901**	**$ 49,000,000**	**$ 139,683,000**

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used are consistent with those as described in note 3 of the Corporation’s audited condensed consolidated financial statements of the Corporation for the year ended December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

As a result of the Corporation’s intent to qualify as a mortgage investment corporation, the Corporation intends to distribute no less than 100% of the taxable income of the Corporation, determined in accordance with the *Income Tax Act* (Canada), to its shareholders. The result is that growth in the Investment Portfolio can only be achieved through the raising of additional equity, issuing debt, and utilizing available borrowing capacity. As at March 31, 2022, the Corporation had not utilized its full leverage availability, being a maximum of 50% of its first mortgage investments. Unadvanced committed funds under the existing Investment Portfolio amounted to $114 million as at March 31, 2022 (December 31, 2021 – $116 million). These commitments are anticipated to be funded from the Corporation’s credit facility and borrower repayments under the Investment Portfolio.

The Corporation has a revolving line of credit with its principal banker to fund the timing differences between mortgage advances and mortgage repayments. There are limitations in the availability of funds under the revolving line of credit, which is made up of a demand facility of $100 million and a committed facility of $20 million. The Corporation is in compliance with the covenants contained in the credit facility and expects to be in compliance with such covenants going forward. The Corporation's investments are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing investments and funding commitments.

RISKS AND UNCERTAINTIES

The Corporation follows investment guidelines and operating policies, as outlined in the AIF. Our Board of Directors, in its discretion, may amend or approve investments that exceed these guidelines and policies as investments are made. These policies govern such matters as: (i) restricting exposure per mortgage investment; (ii) requirements for director approvals; and (iii) implementation of operational risk management policies.

The Corporation's independent directors take an active role in approving the investments that the Corporation makes. During the three months ended March 31, 2022, 28 investment proposals were sent to the Board of Directors for approval. During the fiscal year ended December 31, 2021,120 investment proposals were sent to the Board of Directors for approval. Under the investment guidelines, investment amounts between $1 million to $2 million require one independent director's approval, and investments with total investment amounts over $2 million require no less than three independent directors' approvals.

The Corporation is faced with the following ongoing risk factors, among others, that would affect shareholders' equity and the Corporation's ability to generate returns. A greater discussion of risk factors that affect the Corporation are included in the AIF under the section "Risk Factors", which section is incorporated herein by reference.

- *The COVID-19 pandemic which resulted in broad challenges globally has contributed to significant volatility in financial markets and continues to adversely impact global activity. Many jurisdictions have, however, re-opened with social distancing and/or other measures implemented to assist in curtailing the spread of COVID-19, and multiple vaccines have been approved for use. Surges in new cases of COVID-19 and mutated strains of the virus can cause additional quarantines and lockdowns, which could delay any economic recovery. The vaccination program globally is ongoing and its effectiveness remains uncertain. These factors could further materially and adversely affect the Corporation's results and financial condition. The enhanced risks due to COVID-19 include but are not limited to: disruption or deferral in borrower payments, decline in the appraised value or salability of properties, a decline of interest rates, a deterioration of the credit worthiness of the borrowers, inability for the borrowers to obtain additional financing and/or the need to extend the maturity date of their borrowings. To help reduce the financial impact on both businesses and consumers, governments initiated a number of financial stimulus programs. Now, since the declaration of COVID-19 pandemic, with vaccinations levels continuing to climb and with infections levels currently declining, government initiatives are now winding down. Although the full extent of the impact of COVID-19 pandemic on the Corporation continues to be uncertain, thus far there have been no material signs of deterioration in the Investment Portfolio or others areas of operation. Borrower repayment performance has remained consistent with pre-COVID-19 performance with no payment deferral arrangements implemented. We will continue to monitor the effects and potential consequences of the COVID-19 pandemic.*
- *Economic conditions, such as inflation, that would result in a significant decline in real estate values and corresponding loan losses.*
- *Under various federal, provincial and municipal laws, an owner or operator of real property could become liable for the cost of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The existence of such liability can have a negative impact on the value of the underlying real property securing a mortgage. The Corporation does not own the real property securing its Investment Portfolio and thus would not attract the environmental liability that an owner would be exposed to. In rare circumstances where a mortgage is in default, the Corporation may take possession of real property and may become liable for environmental issues as a mortgagee in possession. The Corporation obtains phase 1 environmental reports for mortgages where the Mortgage Banker determines that such reports would be prudent given the nature of the underlying property.*
- *The inability to obtain borrowings and leverage, thus reducing yield enhancement.*
- *Dependence on the Corporation Manager and Mortgage Banker. The Corporation's earnings are impacted by the Mortgage Banker's ability to source and generate appropriate investments that provide sufficient yields while maintaining pre-determined risk parameters. The Corporation has also entered into long-term contracts with the Mortgage Banker and the Corporation Manager, as more particularly described in the AIF. The Corporation is exposed to adverse developments in the business and affairs of the Corporation Manager and Mortgage Banker, since the day-to-day activities of the Corporation are run by the Corporation Manager and since all of the Corporation's investments are originated by the Mortgage Banker.*
- *Portfolio face rate fluctuations. The interest rate earned on the Corporation's Investment Portfolio fluctuates given that (i) it continually revolves given that it is short term in nature; and (ii) the portfolio is predominately floating rate interest with floors.*

- *Interest rate risk. The Corporation's operating loan is floating rate and an increase in market interest rates would increase the Corporation's cost of borrowing. Increases in market interest rates could, in general, also negatively impact borrowers ability to service their debt and could impact real estate values.*
- *No guaranteed return. There is no guarantee as to the return that an investment in Shares of the Corporation will earn.*
- *Qualification as a Mortgage Investment Corporation. Although the Corporation intends to qualify at all times as a mortgage investment corporation, no assurance can be provided in this regard. If for any reason the Corporation does not maintain its qualification as a mortgage investment corporation under the Income Tax Act (Canada) (the "Tax Act"), dividends paid by the Corporation on the Shares will cease to be deductible by the Corporation in computing its income and will no longer be deemed by the rules in the Tax Act that apply to mortgage investment corporations to have been received by shareholders as bond interest or a capital gain, as the case may be. In consequence, the rules in the Tax Act regarding the taxation of public corporations and their shareholders should apply, with the result that the combined corporate and shareholder tax may be significantly greater.*
- *Investment Portfolio size. The Investment Portfolio size (and income generated thereon) can fluctuate and will decrease when repayments exceed new advances. Our ability to make investments in accordance with our objectives and investment policies depends upon the availability of suitable investments and the general economy and marketplace. Repayments of investments can be significant given the open prepayment provision associated with most investments.*
- *Limited sources of borrowing. The Canadian financial marketplace is characterized as having a limited number of financial institutions that provide credit to entities such as ours. The limited availability of sources of credit may limit our ability to obtain additional leverage, if required.*
- *Liquidity risk. Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they come due. The Corporation's approach to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient liquidity to meet its liabilities when they come due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's credit worthiness. The Corporation manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. If the Corporation is unable to continue to have access to its loans and mortgages syndications and revolving operating facility, the size of the Corporation's loan and mortgage investments will decrease, and the income historically generated through holding larger investments by utilizing leverage will not be earned.*
- *Demand loan bank indebtedness. A significant component of the Corporation's bank indebtedness is in the form of a demand facility, repayment of which can be demanded by the bank at any time.*
- *Specific investment risk for non-conventional mortgage and second mortgage investments. Non-conventional and second mortgage investments attract higher loan loss risk due to their subordinate ranking to other mortgage charges and sometimes high loan to value ratio. Consequently, this higher risk is compensated for by a higher rate of return. In order to mitigate risk and maintain a well-diversified Investment Portfolio, the operating policies of the Corporation generally limit the amount of Conventional Non-First Mortgage investments to a maximum of 30% of the Corporation's capital, subject to the Board of Directors' approval for any modifications to the operating policies.*
- *Reliance on Borrowers. After the funding of an investment, we rely on borrowers to maintain adequate insurance and proper adherence to environmental regulations during the ongoing management of their properties.*
- *Credit Risk. The Investment Portfolio is exposed to credit risk. Credit risk is the risk that a counterparty to a financial investment will fail to fulfill its obligations or commitment, resulting in a financial loss to the Corporation.*
- *Change in Legislation. There can be no assurance that certain laws applicable to the Corporation, including Canadian federal and provincial tax legislation, commodity and sales tax legislation, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Corporation or fundamentally alter the tax consequences to shareholders acquiring, holding or disposing of Shares.*
- *Litigation risk. We may, from time to time, become involved in legal proceedings in the course of our business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, we might not receive payments of interest or principal on a mortgage that is the subject of litigation, which would affect our cash flows. An unfavourable resolution of any legal proceedings could have a material adverse effect on us, our financial position and results of operations.*
- *Ability to manage growth. We intend to grow our Investment Portfolio. In order to effectively deploy our capital and monitor our loans and investments in the future, we, the Corporation Manager and/or the Mortgage Banker will need to retain additional personnel and may be required to augment, improve or replace existing systems and controls, each of which can divert the attention of management from their other responsibilities and present numerous challenges. As a result, there can be no assurance that we would be able to effectively manage our growth and, if unable to do so, our Investment Portfolio, and the market price of our securities, may be materially adversely affected.*
- *Cyber risk. We collect and store confidential and personal information. Unauthorized access to our computer systems could result in the theft or publication of confidential information or the deletion or modification of records or could*

otherwise cause interruptions in our operations. In addition, despite implementation of security measures, our systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access, cyber-attack and other similar disruptions. Any such system failure, accident or security breach could disrupt our business and make our applications unavailable. If a person penetrates our network security or otherwise misappropriates sensitive data, we could be subject to liability or our business could be interrupted, and any of these developments could have a material adverse effect on our business, results of operations and financial condition.

- *Convertible debentures. Risks relating to the ownership of our outstanding convertible debentures are set out in the section entitled "Risk Factors" contained in each of our (final) prospectuses or prospectus supplements qualifying the distribution of such outstanding convertible debentures, which sections are incorporated herein by reference and available on SEDAR at www.sedar.com.*
- *Currency risk. Currency risk is the risk that the fair value or future cash flows of the Corporation's foreign currency-denominated investments and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates. Consequently, the Corporation is subject to currency fluctuations that may impact its financial position and results of operations. The Corporation manages its currency risk on its investments by borrowing the same amount as the investment in the same currency. As a result, a change in exchange rate of the Canadian dollar against the U.S. dollar will not change the net income and comprehensive income and equity.*
- *Other price risk is the risk that underlying security value for the loans comprising the Corporation's investment portfolio fluctuate as a result of changes in market values. Unexpected volatility in values could occur due to legal, political, regulatory, economic, or other developments, such as public health emergencies, including an epidemic or pandemic, natural disasters, war, and related geopolitical risks, and may cause with respect to certain loan investments, (i) an impairment in the security position and/or (ii) weakening of Borrower and Guarantor's financial position. Neither the duration nor ultimate effect of any such market conditions, nor the degree to which such conditions may worsen can be predicted. The Corporation Manager adheres to specified investment constraints and diversification, thus minimizing exposure to other price risk.*

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures, and controls to ensure that the information used internally by management and disclosed externally is complete, reliable, and timely. In addition, the Corporation's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Corporation and have reviewed and approved this MD&A as well as the unaudited interim condensed consolidated financial statements of the Corporation as at, and for the three months ended, March 31, 2022 and 2021.

CONTROLS AND PROCEDURES

The Corporation maintains appropriate information systems, procedures, and controls to ensure that information disclosed externally is complete, reliable, and timely. The Corporation's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision, of the design and operating effectiveness of the Corporation's disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2021 and March 31, 2022 and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

The Corporation has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS for periods effective January 1, 2010. The Corporation's Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Corporation's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at March 31, 2022. Based on that assessment, it was determined that the Corporation's internal controls over financial reporting were appropriately designed and were operating effectively.

The Corporation did not make any changes to the design of the Corporation's internal controls over the financial reporting period ended March 31, 2022 that would have materially affected, or would be reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

FORWARD LOOKING INFORMATION

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2022 objectives and our strategies to achieve those objectives, as well as statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance, or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described above in this MD&A under Risks and Uncertainties, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include risks associated with the impact of existing or future waves in the COVID-19 pandemic, mortgage lending, competition for mortgage lending, real estate values, interest rate fluctuations, environmental matters, and shareholder liability. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include the assumption that there is not a significant decline in the value of the general real estate market; market interest rates remain relatively stable; the Corporation is generally able to sustain the size of its Investment Portfolio; adequate investment opportunities are presented to the Corporation; adequate bank indebtedness is available to the Corporation; and a non-material impact resulting from any future COVID-19 waves. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, the Corporation undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

FIRM CAPITAL
MORTGAGE INVESTMENT CORPORATION

CAPITAL PRESERVATION • DISCIPLINED INVESTING

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FIRST QUARTER
MARCH 31, 2022

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Balance Sheets

(in Canadian dollars)
(Unaudited)

As at		**March 31, 2022**		December 31, 2021
Assets				
Cash and cash equivalents	**$**	**5,748,308**	$	-
Amounts receivable and prepaid expenses (note 4)		**4,784,479**		4,876,253
Marketable securities (note 5)		**56,940**		54,407
Investment portfolio (note 6)		**608,762,539**		636,781,533
Total assets	**$**	**619,352,266**	$	641,712,193
Liabilities				
Bank indebtedness (note 7)		**-**		20,550,644
Credit facility (note 7)		**18,935,311**		53,997,526
Accounts payable and accrued liabilities		**2,811,815**		2,229,194
Deferred revenue		**1,334,029**		1,429,532
Shareholders' dividends payable		**2,689,618**		3,024,980
Convertible debentures (note 8)		**195,922,643**		177,807,478
Total liabilities	**$**	**221,693,416**	$	259,039,354
Shareholders' Equity				
Common shares (note 9)		**388,871,297**		376,806,142
Equity component of convertible debentures		**7,419,000**		4,551,714
Stock options (note 9)		**790,618**		790,412
Contributed surplus		**2,021,276**		1,888,562
Deficit		**(1,443,341)**		(1,363,991)
Total shareholders' equity	**$**	**397,658,850**	$	382,672,839
Commitments (note 6)				
Contingent liabilities (note 14)				
Total liabilities and shareholders' equity	**$**	**619,352,266**	$	641,712,193

See accompanying notes to interim condensed consolidated financial statements.

On behalf of the Directors:

"Eli Dadouch"	*"Jonathan Mair"*
ELI DADOUCH	JONATHAN MAIR
Director	Director

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Statements of Income and Comprehensive Income

(in Canadian dollars)

		March 31, 2022		March 31, 2021
Revenues				
Interest and fees income	**$**	**12,585,259**	$	11,474,744
Other income		**2,534**		4,000
		12,587,793		11,478,744
Operating expenses				
Corporation manager interest allocation (note 12)		**1,158,511**		968,920
Interest expense (note 13)		**3,684,790**		2,559,207
General and administrative expenses		**265,154**		283,041
Share based compensation (note 9)		**4,532**		4,532
Provision/(recovery) for impairment on investment portfolio and interest receivable (note 4 and 6)		**(386,734)**		356,207
	$	**4,726,253**	$	4,171,907
Net income and comprehensive income for the period	**$**	**7,861,540**	$	7,306,837
Earnings per share (note 10)				
Basic		**$0.232**		$0.237
Diluted		**$0.230**		$0.234

See accompanying notes to interim condensed consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(in Canadian dollars)
(Unaudited)

	Common shares	Equity component of convertible debentures	Stock options	Contributed surplus	Surplus (Deficit)	Shareholders' equity
Balance at January 1, 2022	**$ 376,806,142**	**$ 4,551,714**	**$ 790,412**	**$ 1,888,562**	**$ (1,363,991)**	**$382,672,839**
Proceeds from issuance of shares from dividend reinvestment	**384,728**	**-**	**-**	**-**	**-**	**384,728**
Conversion and redemption of debentures	**11,146,000**	**(132,714)**	**-**	**132,714**	**-**	**11,146,000**
Equity component of debentures issued during the period (note 8)	**-**	**3,000,000**	**-**	**-**	**-**	**3,000,000**
Exercise of stock options (note 9 (b))	**534,427**	**-**	**(4,326)**	**-**	**-**	**530,101**
Amortization of stock options granted (note 9 (b))	**-**	**-**	**4,532**	**-**	**-**	**4,532**
Net income and comprehensive income for the period	**-**	**-**	**-**	**-**	**7,861,540**	**7,861,540**
Dividends to shareholders (note 11)	**-**	**-**	**-**	**-**	**(7,940,890)**	**(7,940,890)**
Balance at March 31, 2022	**$ 388,871,297**	**$ 7,419,000**	**$ 790,618**	**$ 2,021,276**	**$ (1,443,341)**	**$ 397,658,850**
Shares issued and outstanding (note 9)	**34,482,286**					
	-					

	Common shares	Equity component of convertible debentures	Stock options	Contributed surplus	Surplus (Deficit)	Shareholders' equity
Balance at January 1, 2021	$ 339,784,430	$ 2,076,500	$ 987,067	$ 1,863,776	$ (1,363,993)	$ 343,347,780
Offering costs	(53,032)	-	-	-	-	(53,032)
Proceeds from issuance of shares from dividend reinvestment	242,408	-	-	-	-	242,408
Exercise of stock options (note 9 (b))	366,899	-	(15,899)	-	-	351,000
Amortization of stock option granted (note 9 (b))	-	-	4,532		-	4,532
Net income and comprehensive income for the period	-	-	-	-	7,306,837	7,306,837
Dividends to shareholders (note 11)	-	-	-	-	(7,222,663)	(7,222,663)
Balance at March 31, 2021	$ 340,340,705	$ 2,076,500	$ 975,700	$ 1,863,776	$ (1,279,819)	$ 343,976,862
Shares issued and outstanding (note 9)	30,891,265					

See accompanying notes to interim condensed consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Statements of Cash Flows

(in Canadian dollars)
(Unaudited)

		March 31, 2022		March 31, 2021
Cash provided by (used in):				
Operating activities:				
Income and profit for the period	$	**7,861,540**	$	7,306,837
Adjustments for:				
Financing costs (net of implicit interest rate and deferred finance cost amortization)		**3,130,934**		2,245,346
Implicit interest rate in excess of coupon rate - convertible debentures (note 8)		**161,519**		71,400
Deferred finance cost amortization - convertible debentures (note 13)		**392,337**		242,461
Change in Allowance				
Provision /(recovery) for impairment on investment portfolio and interest receivable		**(386,734)**		356,207
Fair value adjustment on investment portfolio (carried at FVTPL)		**-**		(2,600,000)
Amortization of stock option granted (note 9 (b))		**4,532**		4,532
Unrealized (gain)/loss on marketable securities investments (note 5)		**(2,533)**		(9,201)
Accrued interest payable		**(579,525)**		(1,161,473)
Receivables and prepaid expenses		**498,508**		97,879
Accounts payable and accrued liabilities		**582,621**		1,034,406
Deferred revenue		**(95,503)**		14,165
Net cash flow from operating activities	$	**11,567,696**	$	7,602,558
Financing activities:				
Dividend reinvestment in shares		**384,728**		242,408
Exercise of stock options		**530,101**		351,000
Proceeds from convertible debentures issued (note 8)		**43,700,000**		-
Redemption of debenture		**(9,919,000)**		
Debenture offering costs (note 8)		**(2,073,690)**		-
Equity offering costs		**-**		(53,032)
Credit facility (note 7)		**(35,062,215)**		(12,711,464)
Cash interest paid (note 13)		**(2,551,409)**		(1,083,873)
Dividends to shareholders paid during the period (note 11)		**(8,276,252)**		(7,465,656)
Net cash flow from (used in) financing activities	$	**(13,267,737)**	$	(20,720,617)
Investing activities:				
Funding of investment portfolio		**(116,677,410)**		(112,402,767)
Discharging of investment portfolio		**144,676,403**		123,970,334
Net cash flow from (used in) investing activities		**27,998,993**		11,567,567
Net (decrease) increase in cash flow for the period		**26,298,952**		1,049,507
Cash and cash equivalents (Bank indebtedness), beginning of period		**(20,550,644)**		(18,666,939)
Cash and cash equivalents (Bank indebtedness), end of period (note 7)	$	**5,748,308**	$	(17,617,431)
Cash flows from operating activities include:				
Interest received	$	**11,237,138**	$	11,036,029

1. Organization of Corporation

Firm Capital Mortgage Investment Corporation (the "Corporation"), through its mortgage banker, Firm Capital Corporation (the "Mortgage Banker), is a non-bank lender providing primarily residential and commercial short-term bridge and conventional real estate financing, including construction, mezzanine, and equity investments. The Shares of the Corporation are listed on the Toronto Stock Exchange under the symbol "FC". The Corporation is a Canadian mortgage investment corporation, and the registered office of the Corporation is 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5. FC Treasury Management Inc. is the Corporation's manager (the "Corporation Manager"). The Corporation was incorporated pursuant to the laws of Canada on October 22, 2010.

2. Basis of presentation

The unaudited interim condensed consolidated financial statements of the Corporation have been prepared by management in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The preparation of these unaudited interim condensed consolidated financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the notes to the Corporation's audited consolidated financial statements for the year ended December 31, 2021, since they do not contain all disclosures required by IFRS for annual financial statements. These unaudited interim condensed consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

These unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through comprehensive income or available for sale through other comprehensive income, which are measured at fair value. These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors on May 10, 2022.

3. Significant accounting policies

The significant accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those as described in note 3 of the Corporation’s audited consolidated financial statements for the year ended December 31, 2021.

4. Amounts receivable and prepaid expenses

The following is a breakdown of amounts receivable and prepaid expenses as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Interest receivable, net of impairment allowance	**$ 4,112,747**	$ 4,324,345
Prepaid expenses	**229,861**	169,225
Fees receivable	**441,871**	359,905
Special income receivable	**-**	22,778
Amounts receivable and prepaid expenses	**$ 4,784,479**	$ 4,876,253

Interest receivable is net of the impairment allowance of $178,533 (December 31, 2021 - $1,308,832); see note 6.

5. Marketable securities

The Corporation holds units in publicly traded real estate investment trusts, which are classified as fair value through profit or loss ("FVTPL"). The fair value of the units is based on the closing price of the investments, which are actively traded and any adjustments to fair value are reflected in other income. The fair value of the marketable securities at March 31, 2022 is $56,940 (December 31, 2021 - $54,407). For the three months ended March 31, 2022, the Corporation recorded an unrealized gain of $2,533 (2021 - an unrealized gain of $9,201) recorded in other income.

(in Canadian dollars)

6. Investment portfolio

The following is a breakdown of the investment portfolio as at March 31, 2022 and December 31, 2021:

		March 31, 2022			December 31, 2021	
Conventional first mortgages	**$**	**452,577,918**	**74.3%**	$	471,593,004	74.1%
Conventional non-first mortgages		**59,294,548**	**9.7%**		53,002,813	8.3%
Related debt investments		**75,537,433**	**12.4%**		64,704,160	10.2%
Debtor in possession loan		**2,591,129**	**0.4%**		24,260,000	3.8%
Discounted debt investments		**71,715**	**0.0%**		71,715	0.0%
Non-conventional mortgages		**8,068,922**	**1.3%**		12,377,894	1.9%
Total investments (at amortized cost)		**598,141,665**	**98.1%**		626,009,586	98.2%
Allowance for impairment on investments (at amortized cost)		**(3,170,000)**	**(0.5%)**		(3,150,000)	(0.5%)
Total investments (at amortized cost), net	**$**	**594,971,665**		$	622,859,586	
Total investments (at FVTPL)		**13,790,874**	**2.4%**		13,921,947	2.3%
Total investments	**$**	**608,762,539**	**100.0%**	$	636,781,533	100.0%
By geography						
Canada	**$**	**589,827,230**	**96.9%**	$	620,414,009	97.4%
United States		**18,935,309**	**3.1%**		16,367,524	2.6%
Total	**$**	**608,762,539**	**100.0%**	$	636,781,533	100.0%

Included in conventional first mortgages are four United States ("US") dollar denominated investment (at amortized cost) of $9,478,935 (US$7,585,577) (December 31, 2021 – four US dollar denominated investments of $9,338,777 (US$7,365,577)).

Included in related debt investments (classified at FVTPL) are three US dollar denominated investments totaling $9,456,374 (US$7,567,521), (December 31, 2021 – three US dollar denominated investments totaling $9,659,447 (US$7,619,062)). These investments are a participation by the Corporation in limited partnerships that have provided equity to real estate entities in the US. As at the end of March 31, 2022, a fair value loss adjustment on one US dollar denominated investment of $2,600,000 had been recognized (2021- $2,600,000).

For the three months ended March 31, 2022, income recorded on the US investments (at amortized cost and FVTPL) was $377,581 (US$284,734), (2021 - $437,476 (US$345,685)).These amounts are included in interest and fees income.

Related debt investments (classified as FVTPL) as at March 31, 2022 also included six Canadian investments (December 31, 2021 – six Canadian investments) totaling $6,934,500 (December 31, 2021 – $6,862,500).

As at March 31, 2022, and December 31, 2021, there were no mortgages with first priority participants.

Conventional first mortgages are loans secured by a first priority mortgage charge with loan to values not exceeding 75%. Conventional non-first mortgages are loans with mortgage charges not registered in first priority with loan to values not exceeding 75%. Related debt investments are loans that may not necessarily be secured by mortgage charge security. A debtor in possession loan ("DIP Loan"), is a loan obtained by an insolvent debtor while that debtor is restructuring its business under the Companies' Creditor Arrangement Act (Canada). A DIP Loan has top priority on the assets of the debtor company awarded by the court. Discounted debt investments are loans purchased from arms-length third parties at a discount to their face value. Non-conventional mortgages are loans that in some cases have loan to values that exceed or may exceed 75%. Related investments and non-conventional mortgage investments at times are a source of special profit participation earned by the Corporation.

(in Canadian dollars)

The following is a breakdown of the investment portfolio as at March 31, 2022:

	Gross carrying amount	Provision for impairment	Fair value adjustment	Carrying amount
Conventional first mortgages	**$ 452,577,918**	**$ 2,737,000**	**$ -**	**$ 449,840,918**
Conventional non-first mortgages	**59,294,548**	**186,000**	**-**	**59,108,548**
Related debt investments	**91,928,307**	**103,000**	**2,600,000**	**89,225,307**
Debtor in possession loan	**2,591,129**	**1,000**	**-**	**2,590,129**
Discounted debt investments	**71,715**	**-**	**-**	**71,715**
Non-conventional mortgages	**8,068,922**	**143,000**	**-**	**7,925,922**
Total investment portfolio	**$ 614,532,539**	**$ 3,170,000**	**$ 2,600,000**	**$ 608,762,539**

Included in the total provision for impairment of $3,170,000 is a collective allowance of $887,000.

The following is a breakdown of the investment portfolio as at December 31, 2021:

	Gross carrying amount	Provision for impairment	Fair value adjustment	Carrying amount
Conventional first mortgages	$ 471,593,004	$ 2,774,000	$ -	$ 468,819,004
Conventional non-first mortgages	53,002,813	130,000	-	52,872,813
Related debt investments	81,226,107	80,000	2,600,000	78,546,107
Debtor in possession loan	24,260,000	1,000	-	24,259,000
Discounted debt investments	71,715	-	-	71,715
Non-conventional mortgages	12,377,894	165,000	-	12,212,894
Total investment portfolio	$ 642,531,533	$ 3,150,000	$ 2,600,000	$ 636,781,533

Included in the total provision for impairment of $3,150,000 is a collective allowance of $1,105,000.

The following table presents the staging of gross investments at amortized cost as at March 31, 2022:

Gross Investments at amortized cost				
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Conventional first mortgages	**$ 429,768,374**	**$ 6,326,891**	**$ 16,482,653**	**$ 452,577,918**
Conventional non-first mortgages	**55,705,546**	**3,589,002**	**-**	**59,294,548**
Related debt investments	**75,537,433**	**-**	**-**	**75,537,433**
Debtor in possession loan	**2,591,129**	**-**	**-**	**2,591,129**
Discounted debt investments	**71,715**	**-**	**-**	**71,715**
Non-conventional mortgages	**8,068,922**	**-**	**-**	**8,068,922**
Total gross investments at amortized cost	**571,743,120**	**9,915,893**	**16,482,653**	**598,141,666**
By geography:				
Canada	**$ 562,264,184**	**$ 9,915,893**	**$ 16,482,653**	**$ 588,662,730**
United States	**9,478,935**	**-**	**-**	**9,478,935**
Total gross investments at amortized cost	**$ 571,743,120**	**$ 9,915,893**	**$ 16,482,653**	**$ 598,141,666**

(in Canadian dollars)

The following table presents the staging of gross investments at amortized cost as at December 31, 2021:

Gross investments at amortized cost	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 442,690,794	$ 6,132,415	$ 22,769,796	$ 471,593,005
Conventional non-first mortgages	50,002,813	3,000,000	-	53,002,813
Related debt investments	61,386,792	3,317,367	-	64,704,159
Debtor in possession loan	24,260,000	-	-	24,260,000
Discounted debt investments	71,715	-	-	71,715
Non-conventional mortgages	11,948,144	429,750	-	12,377,894
Total gross investments at amortized cost	590,360,258	12,879,532	22,769,796	626,009,586
By geography:				
Canada	$ 581,022,181	$ 12,879,532	$ 22,769,796	$ 616,671,509
United States	9,338,077	-	-	9,338,077
Total gross investments at amortized cost	$ 590,360,258	$ 12,879,532	$ 22,769,796	$ 626,009,586

The following table presents the provision for credit losses on investments as at March 31, 2022:

Provision for impairment of credit losses on loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Conventional first mortgages	**$ 357,000**	**$ 6,000**	**$ 2,374,000**	**$ 2,737,000**
Conventional non-first mortgages	**181,000**	**5,000**	**-**	**186,000**
Related debt investments	**103,000**	**-**	**-**	**103,000**
Debtor in possession loan	**1,000**	**-**	**-**	**1,000**
Discounted debt investments	**-**	**-**	**-**	**-**
Non-conventional mortgages	**143,000**	**-**	**-**	**143,000**
Total	**$ 785,000**	**$ 11,000**	**$ 2,374,000**	**$ 3,170,000**
By geography:				
Canada	**$ 785,000**	**$ 11,000**	**$ 2,374,000**	**$ 3,170,000**
United States	**-**	**-**	**-**	**-**
Total	**$ 785,000**	**$ 11,000**	**$ 2,363,000**	**$ 3,170,000**

The following table presents the provision for credit losses on investments as at December 31, 2021:

Provision for impairment of credit losses on loans	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 407,000	$ 5,000	$ 2,362,000	$ 2,774,000
Conventional non-first mortgages	126,000	4,000	-	130,000
Related debt investments	80,000	-	-	80,000
Debtor in possession loan	1,000	-	-	1,000
Discounted debt investments	-	-	-	-
Non-conventional mortgages	163,000	2,000	-	165,000
Total	$ 777,000	$ 11,000	$ 2,362,000	$ 3,150,000
By geography:				
Canada	$ 740,000	$ 11,000	$ 2,362,000	$ 3,113,000
United States	37,000	-	-	37,000
Total	$ 777,000	$ 11,000	$ 2,362,000	$ 3,150,000

(in Canadian dollars)

The following table presents the changes to the provision for credit losses on investments as at March 31, 2022:

The changes to the provision	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2022	**$ 777,000**	**$ 11,000**	**$ 2,362,000**	**$ 3,150,000**
New fundings	**103,000**	**-**	**-**	**103,000**
Discharges	**(50,000)**	**(2,000)**	**-**	**(52,000)**
Transfer to (from)[1]:				
Stage 1	**(4,000)**	**-**		**(4,000)**
Stage 2	**-**	**1,000**	**-**	**1,000**
Stage 3	**-**	**-**	**(228,000)**	**(228,000)**
Remeasurements[2]	**(41,000)**	**1,000**	**240,000**	**200,000**
Balance at March 31, 2022	**$ 785,000**	**$ 11,000**	**$ 2,374,000**	**$ 3,170,000**

1 Transfers between stages which are presumed to occur before any corresponding remeasurement of the allowance
2 Remeasurement represent the change in the expected credit loss related to changes in model inputs or assumptions, including changes in macroeconomic conditions, balances changes, and changes in measurement following a transfer between stages.

The loans comprising the investment portfolio are stated at amortized cost and FVTPL. As at March 31, 2022, the provision for impairment is $3,170,000 (2021 – $3,150,000) of which $2,283,000 (2021 – $2,045,000) represents the total amount of management's estimate of the shortfall between the investment balances and the estimated recoverable amount from the security under the specific loans in default.

The Corporation also assessed collectively for impairment to identify potential future losses, by grouping the investment portfolio with similar risk characteristics, to determine whether a collective allowance should be recorded due to loss events for which there is objective evidence but whose effects are not yet evident. Based on the amounts determined by the analysis, the Corporation used judgement to determine the amounts calculated. As at March 31, 2022, the Corporation carries a collective allowance of $887,000 (2021 - $1,105,000).

The investment portfolio as at March 31, 2022, included one investment totaling $8,619,653 (December 31, 2021 - one investment totaling $8,712,449) for which a specific allowance of $2,283,000 (December 31, 2021 - $2,045,000) was recorded in the Corporation's provision for impairment (at amortized cost and FVTPL).

The loans comprising the investment portfolio bear interest at the weighted average rate of 8.05% per annum as at March 31, 2022 (December 31, 2021 – 7.91% per annum) and mature between 2022 and 2026.

The unadvanced funds under the existing investment portfolio (which are commitments of the Corporation) amounted to $114,525,157 as at March 31, 2022 (December 31, 2021 - $115,566,269).

The contractual maturity dates of the investment portfolio as at March 31, 2022:

2022	**$ 298,654,453**
2023	**266,436,199**
2024	**26,669,653**
2025	**22,772,235**
	$ 614,532,539

Borrowers who have open loans generally have the option to repay principal at any time prior to the maturity date without penalty, subject to written notice, according to the terms of each mortgage loan.

The Corporation enters into participation agreements with respect to certain mortgage investments from time to time, whereby the other participating investors take the senior position, and the Corporation retains a subordinated position. Under these participation agreements, the Corporation retains a residual portion of the credit and/or default risk as a result of holding the subordinated interest in the mortgage and has therefore not met the de-recognition criteria described in the notes to the annual financial statements.

The portion of such mortgage interests held by the priority participant is included in investment portfolio and recorded as loans payable. Any gross interest and fees earned on the priority participants' interests and the related interest expense is recognized in income and profit.

As at March 31, 2022, the carrying value of the priority participants' interests in the Corporation's investment portfolio and loans payable was $nil (December 31, 2021 - $nil).

As at March 31, 2022, excluding investments for which there is an allowance or investments at FVTPL, the investment portfolio had no investments (December 31, 2021 – two investments totaling $4,019,732) with contractual interest arrears greater than 60 days past due amounting to $nil (December 31, 2021 – $404,111).

The investment portfolio as at March 31, 2022, included seven investments totaling $19,069,851 (December 31, 2021 - five investments totaling $25,284,527) with maturity dates that are past due and for which no extension or renewal was in place. Three of the seven investments were paid out after March 31, 2022 for an amount of $7,690,198 (December 31, 2021 - three investments were paid out in the amount of $6,539,732). One of these investments totaling $8,619,653 (December 31, 2021 - one investments totaling $8,712,448) has an allowance recorded against it included in the Corporation's provision for impairment or a fair value adjustment. The remaining three investments with a maturity date that is past due and for which no extension or renewal was in place amounting to $2,760,000 (December 31, 2021 - one investment totaling $10,032,347) do not require a specific provision.

As at March 31, 2022, 150 of the Corporation's 224 investments (investment amount of $514,858,821) are shared with other participants.

The Mortgage Banker services the entire investment in which the Corporation is a participant, on behalf of all participants and except for the case of an investment with a first priority syndicate participant (i.e., loans payable), the Corporation ranks pari-passu with other members of the syndicate as to receipt of principal, interest and fees. As at March 31, 2022, no investment with first priority syndicate participation was outstanding.

Investments classified at FVTPL:
As at March 31, 2022, there are eight investments totalling $16,390,874 (December 31, 2021 - nine investments totalling $16,521,947) that are carried at FVTPL and a fair value adjustment of $2,600,000 (December 31, 2021- $2,600,000) is recorded against the investment carried at FVTPL.

7. Credit facility and bank indebtedness

The Corporation has revolving credit facilities with its principal banker of which $18,935,311 includes the credit facility and bank indebtedness balance as at March 31, 2022 (December 31, 2021 - $74,548,170). Interest on the credit facility and bank indebtedness is predominantly charged at a rate that varies with bank prime and may have a component with a fixed interest rate established based on a formula linked to bankers' acceptance rates. The credit arrangement comprises a revolving operating facility, a component of which is a demand facility and a component of which had a committed term extended to September 30, 2022 and renewed annually (as further detailed in note 16 (c)). Bank indebtedness is secured by a general security agreement. The credit agreement contains certain financial covenants that must be maintained. As at March 31, 2022 and December 31, 2021, the Corporation was in compliance with all financial covenants.

As at March 31, 2022, the credit facility drawn amount was $18,935,311 and the cash balance was $5,748,308 (December 31, 2021, the credit facility drawn amount was $53,997,526 and the bank indebtedness was $20,550,644).

The draw on the credit facility in the amount of $18,935,311 at March 31, 2022 (December 31, 2021 - $53,997,526), related to both borrowings in Canadian dollars of $0 (December 31, 2021 - $35,000,000) and US dollar borrowings of $15,153,098 (in Canadian dollars $18,935,311), (December 31, 2021 US dollar borrowings $14,984,640 (in Canadian dollars $18,997,526)). The borrowing in US dollars exactly matches the amount of US investments, thereby acting as an economic hedge against currency exposure.

8. Convertible Debentures

	Three Months Ended March 31, 2022	Year Ended December 31, 2021
Carrying value, beginning of the period	**$ 177,807,478**	$ 137,117,831
Issued	**38,626,310**	41,423,613
Conversions of debentures to Shares	**(11,146,000)**	(2,201,000)
Early Repayment	**(9,919,000)**	-
Implicit interest rate in excess of coupon rate	**161,519**	380,610
Deferred finance cost	**392,336**	1,086,424
Carrying value, end of the period	**$ 195,922,643**	$ 177,807,478

(in Canadian dollars)

The continuity of the convertible debentures for the three months ended March 31, 2022:

Debenture	Balance, beginning of period	Issued	Conversions	Implicit interest rate in excess of coupon	Deferred finance cost	Repayments upon Redemption	Balance, end of period	Maturity date
FC.DB.E 5.3%	$ 20,928,744	$ -	$ (11,080,000)	$ -	$ 70,256	$(9,919,000)	$ -	31-May-22
FC.DB.F 5.5%	19,213,499	-	(66,000)	12,586	30,294	-	19,190,379	31-Dec-22
FC.DB.G 5.2%	22,068,597	-	-	11,533	40,592	-	22,120,722	31-Dec-23
FC.DB.H 5.3%	25,919,245	-	-	7,689	45,591	-	25,972,525	31-Aug-24
FC.DB.I 5.4%	24,228,388	-	-	10,347	41,591	-	24,280,326	30-Jun-25
FC.DB.J 5.5%	23,839,643	-	-	25,649	40,525	-	23,905,817	31-Jan-26
FC.DB.K 5.0%	41,609,362	-	-	73,206	72,460	-	41,755,028	30-Sep-28
FC.DB.L 5.0%	-	38,626,310	-	20,509	51,027	-	38,697,846	31-Mar-29
Total	$ 177,807,478	$ 38,626,310	$ (11,146,000)	$ 161,519	$ 392,336	$(9,919,000)	$195,922,643	

As at March 31, 2022, debentures payable bear interest at the weighted average effective rate of 5.21% per annum (December 31, 2021 - 5.28% per annum). Notwithstanding the carrying value of the convertible debentures, the principal balance outstanding to the debenture holders is $208,025,000 as at March 31, 2022 (December 31, 2021 - $185,390,000).

On March 4, 2022, the Corporation completed the redemption of its 5.30% convertible unsecured subordinated debentures, which were scheduled to mature on May 31, 2022, for payment in cash in the aggregate principal amount of $9,919,000 and all accrued interest to the time of redemption.

During the three months ended March 31, 2022, $11,080,000 of the convertible debenture series FC.DB.E 5.3% were converted into 794,260 Shares at price of $13.95 and $66,000 of the convertible debenture series FC.DB.F 5.5% were converted into 4,714 Shares at price of $14.00.

On January 27, 2022, the Corporation completed a public offering of 5.00% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $40,000,000. On February 2, 2022, the over-allotment option for this offering was exercised whereby additional 5.00% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $3,700,000 were issued. Issuance costs of this offering were, in aggregate, $2,073,690. The debentures mature on March 31, 2029 and interest is paid semi-annually on the last day of March and September of each year. The debentures are convertible at the option of the holder at any time prior to the maturity date at a conversion price of $17.00 per Share. The debentures may not be redeemed by the Corporation prior to March 31, 2025. On or after March 31, 2025, but prior to March 31, 2027, the debentures are redeemable at a price equal to the principal, plus accrued and unpaid interest, at the Corporation's option on not more than 60 days' and not less than 30 days' notice, provided that the weighted average trading price of the Shares on the Toronto Stock Exchange("TSX") for the 20 consecutive trading days ending 5 trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2027 and prior to the maturity date, the debentures are redeemable at a price equal to the principal amount plus accrued and unpaid interest, at the Corporation's option on not more than 60 days' and not less than 30 days' prior notice. On redemption or at maturity, the Corporation may, at its option, on not more than 60 days' and not less than 40 days' prior notice, elect to satisfy its obligation to pay all or a portion of the principal of the debenture by issuing that number of Shares of the Corporation obtained by dividing the principal amount being repaid by 95% of the weighted average trading price of the Shares for the 20 consecutive trading days ending on the fifth day preceding the redemption or maturity date.

The convertible debentures were allocated into liability and equity components on the date of issuance as follows:

Liability	**$ 40,700,000**
Equity	**3,000,000**
Principal	**$ 43,700,000**

(in Canadian dollars)

The continuity of the convertible debentures for the year ended December 31, 2021:

Debenture	Balance, beginning of period	Issued	Conversions	Implicit interest rate in excess of coupon	Deferred finance cost amortization	Balance, end of period	Maturity date
FC.DB.E 5.3%	21,867,107	-	(1,112,000)	20,300	153,337	20,928,744	31-May-22
FC.DB.F 5.5%	20,095,314	-	(1,089,000)	52,931	154,254	19,213,499	31-Dec-22
FC.DB.G 5.2%	21,856,890	-	-	47,083	164,624	22,068,597	31-Dec-23
FC.DB.H 5.3%	25,704,610	-	-	29,740	184,895	25,919,245	31-Aug-24
FC.DB.I 5.4%	24,017,456	-	-	42,257	168,675	24,228,388	30-Jun-25
FC.DB.J 5.5%	23,576,454	-		98,837	164,352	23,839,643	31-Jan-26
FC.DB.K 5.0%	-	41,423,613		89,462	96,287	41,609,362	30-Sep-28
Total	$137,117,831	$41,423,613	($2,201,000)	$380,610	$1,086,424	$177,807,478	

During 2021, convertible debentures with a face value of $2,201,000 were converted into 157,490 Shares.

9. Shareholders' equity

The beneficial interest in the Corporation is represented by a single class of Shares that are unlimited in number. Each share carries a single vote at any meeting of shareholders and carries the right to participate pro rata in any dividends.

(a) Shares issued and outstanding:

The following Shares were issued and outstanding as at March 31, 2022:

	# of Shares	**Amount**
Balance, beginning of period	33,610,885	$ 376,806,142
Conversion of convertible debenture to Shares	798,974	11,146,000
Options exercised in the period	45,000	534,427
New shares issued during the period under Dividend Reinvestment Plan	27,426	384,728
Balance, end of period	34,482,285	$ 388,871,297

The following shares were issued and outstanding as at December 31, 2021:

	# of Shares	Amount
Balance, beginning of period	30,843,166	$ 339,784,430
Shares from equity offering	1,466,600	21,779,010
Conversion of convertible debenture to Shares	157,490	2,201,000
Equity offering costs	-	(1,215,362)
Options exercised in the period	947,500	11,448,757
New Shares issued during the year under Dividend Reinvestment Plan	196,129	2,808,307
Balance, end of period	33,610,885	$ 376,806,142

Shares issued during the three months ended March 31, 2022 under the Dividend Reinvestment Plan were 27,426 (2021 - 18,099).

During the three months ended March 31, 2022, $11,146,000 of the debentures were converted into 798,974 Shares (2021 - $nil).

During the three months ended March 31, 2022, 45,000 options were exercised under our stock option plan (2021 - 30,000) options were exercised).

(in Canadian dollars)

(b) Incentive option plan

The following is the status of the stock options issued under the Corporation's stock option plan.

	March 31, 2022			December 31, 2021		
	Number of options	**Weighted average exercise price**	**Amount**[3]	Number of options	Weighted average exercise price	Amount
Outstanding, beginning of period	**1,842,500**	**$ 11.87**	**$ 790,412**	2,690,000	$ 11.77	$ 987,067
Exercised (Options issued on Aug 14, 2020)	**-**	**-**	**-**	(355,000)	11.70	(258,537)
Exercised (Options issued on Jun 29, 2017)	**-**	**-**	**-**	(35,000)	13.15	(5,515)
Exercised (Options issued on Nov 11, 2013)	**(45,000)**	**11.78**	**(4,326)**	(557,500)	11.78	(3,605)
Options granted/amortization amount	**-**	**-**	**4,532**	100,000	11.70	71,002
Outstanding, end of period	**1,797,500**	**$ 11.76**	**$ 790,618**	1,842,500	$ 11.87	$ 790,412
Number of options exercisable	**1,622,500**	**$ 11.87**	**-**	1,667,500	$ 11.87	

[3] The amount outstanding corresponds to the stock based compensation associated with the issued stock options.

The following options were issued and outstanding as at March 31, 2022:

Expiry date	**Number of options outstanding**	**Exercise price**	**Number of options exercisable**
November 11, 2023	142,500	$ 11.78	142,500
November 11, 2023	35,000	12.21	35,000
November 11, 2023	35,000	13.15	35,000
August 14, 2030	1,485,000	11.70	1,310,000
December 6, 2031	100,000	13.97	100,000
Total	1,797,500	$ 11.87	1,622,500

The total number of stock options outstanding as at March 31, 2022 is 1,797,500 (December 31, 2021 – 1,842,500) of which 1,622,500 stock options are vested and exercisable (December 31, 2021 – 1,667,500).

(c) Dividend reinvestment plan and direct share purchase plan

The Corporation has a dividend reinvestment plan and direct Share purchase plan for its shareholders that allows participants to reinvest their monthly cash dividends or purchase additional Shares of the Corporation at a share price equivalent to the weighted average price of

(d) Normal course issuer bid

On March 30, 2020, the Corporation received approval from the Toronto Stock Exchange ("TSX") for its intention to make a normal course issuer bid (the "NCIB") with respect to the Shares. The notice provided that the Corporation may, during the 12-month period commencing April 3, 2020 and ending no later than April 2, 2021, purchase through the facilities of the TSX or alternative Canadian Trading Systems up to 2,800,000 Shares in total, being approximately 10% of the "public float" of Shares as of March 30, 2020. During the term of the NCIB, the Corporation did not purchase and cancel any Shares. The NCIB expired on April 2, 2021.

(in Canadian dollars)

10. Per Share amounts

The following table reconciles the numerators and denominators of the basic and diluted earnings per share for the three months ended March 31, 2022 and 2021:

Basic earnings per share calculation:

	March 31, 2022	March 31, 2021
Numerator for basic earnings per share:		
Net earnings for the period	**$ 7,861,540**	$ 7,306,837
Denominator for basic earnings per share:		
Weighted average Shares	**33,870,362**	30,858,018
Net basic earnings per share	**$ 0.232**	$ 0.237

Diluted earnings per share calculation:

	March 31, 2022	March 31, 2021
Numerator for basic earnings per share:		
Net earnings for the period	**$ 7,861,540**	$ 7,306,837
Interest on convertible debentures	**308,549**	1,805,106
Net diluted earnings for the period	**8,170,089**	9,111,943
Denominator for basic earnings per share:		
Weighted average shares	**33,870,362**	30,858,018
Net shares that would be issued:		
Assuming the proceeds from options are used to repurchase units at the average Share price	**300,912**	116,642
Assuming debentures are converted	**1,381,571**	7,928,871
Diluted weighted average Shares	**35,552,845**	38,903,531
Diluted earnings per Share	**$ 0.230**	$ 0.234

11. Dividends

The Corporation intends to make dividend payments to the shareholders on a monthly basis on or about the 15th day of each following month. The operating policies of the Corporation set out that the Corporation intends to distribute to shareholders within 90 days after the year end at least 100% of the net income of the Corporation determined in accordance with the Income Tax Act (Canada), subject to certain adjustments.

For the three months ended March 31, 2022, the Corporation recorded dividends of $7,940,890 (2021 – $7,222,663) to its shareholders. Dividends were $0.234 per share (2021 – $0.234 per share).

12. Related party transactions and balances

The Corporation's Manager (a company related to certain officers and/or directors of the Corporation) receives an allocation of interest, referred to as the Corporation's joint venture interest arrangement, calculated at 0.75% per annum of the Corporation's daily outstanding performing investment balances. For the three months ended March 31, 2022, this amount was $1,158,811 (2021 – $968,920). Included in accounts payable and accrued liabilities at March 31, 2022 are amounts payable to the Corporation's Manager of $406,104 (December 31, 2021 – $486,188).

The Mortgage Banker (a company related to certain officers and/or directors of the Corporation) receives certain fees from the borrowers as follows: loan servicing fees equal to 0.10% per annum on the principal amount of each of the Corporation's investments; 75% of all of the commitment and renewal fees generated from the Corporation's investments; and 25% of all of the special profit income generated from the non-conventional investments after the Corporation has yielded a 10% per annum return on its investments. Interest and fee income of the Corporation is net of the loan servicing fees paid to the Mortgage Banker of approximately $154,000 for the three months ended March 31, 2022 (2021 - $129,000). The Mortgage Banker also retains all overnight float interest and incidental fees and charges payable by borrowers on the Corporation's investments.

(in Canadian dollars)

The Corporation's Joint Venture Agreement and Mortgage Banking Agreement contain, respectively, provisions for the payment of termination fees to the Corporation Manager and Mortgage Banker in the event that the respective agreements are either terminated or not renewed.

A significant number of the Corporation's investments are shared with other investors of the Mortgage Banker, which may include members of management of the Mortgage Banker and/or Officers or directors of the Corporation. The Corporation ranks equally with other members of the syndicate as to receipt of principal and income.

Key management compensation:

For the three months ended March 31, 2022, the total directors' fee paid were $80,250 (2021 - $80,250).Certain key management personnel are also directors of the Corporation and received compensation from the Corporation's Manager. The Directors and Officers held 739,728 Shares in the Corporation as at March 31, 2022 (December 31, 2021 – 694,728).

For three months ended March 31, 2022, no options were issued under the Corporation’s stock option plan (2021 – nil).

Aggregate compensation paid to key management personnel (including payments to related parties for their recovery of costs), consisted of short-term employee compensation of $1,055,835 for the three months ended March 31, 2022 (2021 - $930,649). All compensation was paid by the Corporation's Manager and not by the Corporation.

13. Interest expense

		March 31, 2022		March 31, 2021
Bank interest expense	**$**	**244,571**	$	345,899
Debenture interest expense		**3,440,219**		2,213,308
Interest expense		**3,684,790**		2,559,207
Deferred finance costs amortization - convertible debentures		**(392,337)**		(242,461)
Implicit interest rate in excess of coupon rate - convertible debentures		**(161,519)**		(71,400)
Changes in accrued interest payable		**(579,525)**		(1,161,473)
Cash interest paid	**$**	**2,551,410**	$	1,083,873

14. Contingent liabilities

The Corporation is involved in certain litigation arising out of the ordinary course of investing in loans. Although such matters cannot be predicted with certainty, management believes the claims are without merit and does not consider the Corporation's exposure to such litigation to have a material impact on these financial statements.

15. Fair value

The fair values of amounts receivable, bank indebtedness, credit facility, accounts payable and accrued liabilities, and shareholders dividends payable approximate their carrying values due to their short-term maturities.

The fair value of the investment portfolio approximates its carrying value as the majority of the loans are repayable in full at any time without penalty and generally have floating interest rates. There is no quoted price in an active market for the mortgage and loan investments or mortgage syndication liabilities. The Corporation makes its determinations of fair value based on its assessment of the current lending market for mortgage and loan investments of same or similar terms. As a result, the fair value of mortgage and loan investments is based on Level 3 of the fair value hierarchy.

(in Canadian dollars)

The following table presents the changes in related debt investments (at FVTPL) as at March 31, 2022

Changes to related debt investments at FVTPL	**2022**	2021
Balance, beginning of period	**$ 13,921,947**	$ 35,642,235
Funding of investments	**72,000**	11,623,706
Repayments of investments	**(242,984)**	(31,612,674)
Unrealized foreign exchange	**39,911**	868,680
Fair value adjustment	**-**	(2,600,000)
Balance, end of period	**$ 13,790,874**	$ 13,921,947

The fair values of loans payable approximate their carrying values due to the fact that the majority of the loans are: (i) repayable in full, at any time, upon the repayment of the underlying loan that secures the loan payable, and (ii) have floating interest rates linked to bank prime.

The fair value of convertible debentures, including their conversion option, has been determined based on the closing price of the debentures of the Corporation on the Toronto Stock Exchange for the respective date.

The fair value of marketable securities has been determined based on the closing price of the security of the respective listed entities on the Toronto Stock Exchange for the respective date.

The tables below present the fair values hierarchy of the Corporation's financial instruments as at March 31, 2022 and December 31, 2021. They do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

March 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Marketable securities	**$ 56,940**	**$ -**	**$ -**	**$ 56,940**
Convertible debentures	**209,014,025**	-	**-**	**209,014,025**

December 31, 2021	Level 1	Level 2	Level 3	Total
Marketable securities	$ 54,407	$ -	$ -	$ 54,407
Convertible debentures	189,384,870	-	-	189,384,870

16. Risk management

The Corporation is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition, and operating results. Many of these risk factors are beyond the Corporation's direct control. The Corporation Manager and Board of Directors play an active role in monitoring the Corporation's key risks and in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

The Corporation's business activities, including its use of financial instruments, exposes the Corporation to various risks, the most significant of which are interest rate risk, credit and operational risks, and liquidity risk.

(a) Interest rate risk
A significant portion of the Corporation's investment portfolio consists of investments in short term mortgage loans that generally are repaid by the borrowers in under twenty-four months. The funds received from such repayments are reinvested at current market interest rates. As such, the weighted average interest rate applicable to the investment portfolio changes with time. This creates an ongoing risk that the weighted average interest rate on the investment portfolio will decrease, which will have a negative impact on the Corporation's interest income and net profit.

(i) Interest income risk

A significant portion of the Corporation's investment portfolio comprise investments in short term mortgage loans that generally are repaid by the borrowers in under twenty-four months. The reinvestment of funds received from such repayments are invested at current market interest rates. As such, the weighted average interest rate applicable to the investment portfolio changes with time. This creates an ongoing risk that the weighted average interest rate on the investment portfolio will decrease, which will have a negative impact on the Corporation's interest income and net profit.

(in Canadian dollars)

(ii) Interest expense risk

The Corporation's floating-rate debt comprises bank indebtedness, and loan on debenture portfolio investment, with each bearing interest based on bank prime and/or based on short term bankers' acceptance interest rates as a benchmark.

As at March 31, 2022, if interest rates at that date had been 100 basis points lower or higher, with all other variables held constant, comprehensive income and equity for the three months would be affected as follows:

Financial assets:	**Carrying Value**	**-1%**	**+1%**
Amounts receivable and prepaid expenses	**$ 4,784,479**	**$ -**	**$ -**
Marketable securities	**56,940**	**-**	**-**
Investment portfolio	**608,762,539**	**(1,210,834)**	**5,341,449**
Financial liabilities:			
Bank indebtedness	**-**	**-**	**-**
Credit facility	**18,935,311**	**189,353**	**(189,353)**
Accounts payable and accrued liabilities	**2,811,815**	**-**	**-**
Shareholders' dividends payable	**2,689,618**	**-**	**-**
Convertible debentures	**195,922,643**	**-**	**-**
Total increase	**$ 833,963,345**	**$ (1,021,481)**	**$ 5,152,096**

(b) Credit and operational risks

Credit risk is the possibility that a borrowers under the mortgages comprising the investment portfolio, may be unable to honour the debt commitment as a result of a negative change in the borrowers' financial position or market conditions that could result in a loss to the Corporation.

Any instability in the real estate sector or an adverse change in economic conditions in Canada could result in declines in the value of real property securing the Corporation's investments. There have been significant increases in real estate values in various sectors of the Canadian market over the past few years. A correction or revaluation of real estate in such sectors will result in a reduction in values of the real estate securing mortgage loans that comprise the Corporation's investment portfolio. This could result in impairments in the mortgage loans or loan losses in the event the real estate security has to be realized upon by the lender. The Corporation's maximum exposure to credit risk is represented by the carrying values of amounts receivable and the investment portfolio.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its financial obligations as they become due.

The Corporation's liquidity requirements relate to its obligations under its bank indebtedness, loans payable, convertible debentures, and its obligations to make future advances under its existing portfolio. Liquidity risk is managed by ensuring that the sum of (i) availability under the Corporation's bank borrowing line, (ii) the sourcing of other borrowing facilities, and (iii) projected repayments under the existing investment portfolio, exceeds projected needs (including funding of further advances under existing and new investments).

As at March 31, 2022, the Corporation had not utilized its full leverage availability, being a guideline of 50% of its first mortgage investments. Unadvanced committed funds under the existing investment portfolio amounted to $114,525,157 as at March 31, 2022 (December 31, 2021 - $115,566,269). These commitments are anticipated to be funded from the Corporation's credit facility and borrower repayments. The Corporation has a demand revolving line of credit of $100 million and a committed revolving line of credit with its principal banker to fund the timing differences between investment advances and investment repayments. The committed line of $20 million is a committed facility with a maturity date extended to September 30, 2022.

(in Canadian dollars)

In the current economic climate and capital market conditions, there are no assurances that the bank borrowing line will be renewed or that it could be replaced with another lender if not renewed. If it is not extended at maturity, repayments under the Corporation's investment portfolio would be utilized to repay the bank indebtedness. There are limitations in the availability of funds under the revolving line of credit. The Corporation's investments are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing investments creates liquidity for ongoing investments and funding commitments. Loans payable, when implemented, relate to borrowings on specific investments within the Corporation's portfolio and only have to be repaid once the specific loan is paid out by the borrower.

If the Corporation is unable to continue to have access to its bank borrowing line and loans payable, the size of the Corporation's investment portfolio will decrease, and the income historically generated through holding a larger portfolio by utilizing leverage will not be earned.

Contractual obligations as at March 31, 2022 are due as follows:

	Total	Less than 1 year	1-3 years	4-7 years
Credit facility	$ 18,935,311	$ 18,935,311	$ -	$ -
Accounts payable and accrued liabilities	2,811,815	2,811,815	-	-
Shareholders' dividends payable	2,689,618	2,689,618	-	-
Convertible debentures	208,025,000	19,342,000	49,000,000	139,683,000
Subtotal - Liabilities	232,461,744	43,778,744	49,000,000	139,683,000
Future advances under portfolio	114,525,157	114,525,157	-	-
Liabilities and contractual obligations	$ 346,986,901	$ 158,303,901	$ 49,000,000	$ 139,683,000

The bank indebtedness and loans payable are liabilities resulting from the funding of the Corporation's investments. Repayment of investments results in a direct and corresponding pay down of the bank indebtedness and/or loans payable. The obligations for future advances under the Corporation's investment portfolio are anticipated to be funded from the Corporation's credit facility and borrower repayments. Upon funding of same, the funded amount forms part of the Corporation's investments.

Interest payments on debentures (assuming the amounts remain unchanged) would be $10,847,375 for less than 1 year, $20,072,488 for 1 to 3 years and $25,702,661 for 4 to 7 years.

(d) Capital risk management

The Corporation defines capital as being the funds raised through the issuance of publicly traded securities of the Corporation. The Corporation's objectives when managing capital/equity are:

- to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and
- to provide an adequate return to shareholders by obtaining an appropriate amount of debt, commensurate with the level of risk.

The Corporation manages the capital/equity structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Corporation may issue new Shares or convertible debentures or repay bank indebtedness (if any) and loans payable.

The Corporation's investment guidelines, which can be varied at the discretion of the Board of Directors, incorporate various guidelines and investment operating policies. The Corporation's guidelines include the following: the Corporation (i) will not invest more than 10% of the amount of its capital in any single conventional first mortgage where the loan to value on such loan is less than 60%, (ii) will not invest more than 8% of the amount of its capital in any single conventional first mortgage where the loan to value on such loan is between 60% and 70%, (iii) will not invest more than 5% of the amount of its capital in any single conventional first mortgage where the loan to value on such loan exceeds 70%, (iv) will not invest more than 2.5% of the amount of its capital in any single non-conventional mortgage or conventional investment that is not a first mortgage, and (v) will only borrow funds in order to acquire or invest in investments in amounts up to 60% of the book value of the Corporation's portfolio of conventional first mortgages. Capital is defined as the sum of shareholders' equity plus the face amount of convertible debentures.

The Corporation is required by its bank lender to maintain various covenants, including minimum equity amount, interest coverage ratios, indebtedness as a percentage of the performing first mortgage portfolio size, and indebtedness to total assets. The Corporation is in compliance with all such bank covenants.

(in Canadian dollars)

(e) Currency risk

Currency risk is the risk that the fair value or future cash flows of the Corporation's foreign currency-denominated investments and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates. Consequently, the Corporation is subject to currency fluctuations that may impact its financial position and results of operations. The Corporation manages its currency risk on its investments by borrowing the same amount as the investment in the same currency. As a result, a 1% change in the exchange rate of the Canadian dollar against the U.S. dollar will not result in a significant change to the net income and comprehensive income and equity.

17. Supplementary information

The following table reconciles the changes in cash flows from financing activities for loans payable and convertible debentures:

	Credit facility	Convertible Debentures
Balance, beginning of period	**$ 53,997,526**	**$ 177,807,478**
Financing cash flow activities:		
Debenture issue	**-**	**38,626,310**
Draw on (repayment of) credit facility	**(35,062,215)**	**-**
Repayment of convertible debentures	**-**	**(21,065,000)**
Total cash flow from financing activities	**18,935,311**	**195,368,788**
Financing non-cash activities:		
Implicit interest rate in excess of coupon rate (note 14)	**-**	**161,519**
Deferred finance cost amortization (note 14)	**-**	**392,337**
Total non-cash flow financing activities	**-**	**553,855**
Balance, end of period	**$ 18,935,311**	**$ 195,922,643**