



**FIRM CAPITAL
MORTGAGE INVESTMENT CORPORATION**

CAPITAL PRESERVATION • DISCIPLINED INVESTING

REPORT TO SHAREHOLDERS

FIRST QUARTER
MARCH 31, 2024





**FIRM CAPITAL
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CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A
MANAGEMENT
DISCUSSION
AND ANALYSIS

FIRST QUARTER
MARCH 31, 2024



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-served 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.sedarplus.ca.

RECENT DEVELOPMENTS AND OUTLOOK

The Corporation's investment portfolio (the "Investment Portfolio") for three months ended March 31, 2024, continued to revolve during the three months ended March 31, 2024, in which new fundings and discharges of investments were \$47.7 million and \$32.6 million respectively (three months ended March 31, 2023 – \$41.6 million and \$50.7 million). The Corporation increased its allowance for impairment and fair value loss in the first quarter of 2024 by \$2.5 million to a total of \$25.2 million as at March 31, 2024, while generating earnings per share of \$0.248 during the quarter. For the three months ended March 31, 2024, the Investment Portfolio consisted of 87% of conventional first mortgages of which 65% will mature in 2024. The Corporation continues to participate in new investments on a disciplined basis with conservative underwriting on real estate in large urban centers.

During the balance of 2024, the Corporation expects to continue to revolve the Investment Portfolio selectively, with an investment policy of holding a hard line on acceptable exposure levels, borrower quality and warranted interest rate pricing. There are no assurances on achievable portfolio size as the primary focus is on security. The Mortgage Banker continues to reject a significant number of potential investments that do not meet our investment criteria and risk tolerance.

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 7, 2024 and should be read in conjunction with the unaudited interim consolidated financial statements of the Corporation and the notes thereto as at, and for the three months ended March 31, 2024, and 2023, as well as the Corporation's Management's Discussion and Analysis, including the section on "Risks and Uncertainties", and each of our quarterly reports for 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS

HIGHLIGHTS

NET INCOME

For the three months ended March 31, 2024, net income decreased by 1.6% to \$8,569,784 as compared to \$8,711,896 for the same period in 2023.

EARNINGS PER SHARE

Basic weighted average earnings per share for the three months ended March 31, 2024 was \$0.248 (2023 – \$0.253).

Diluted weighted average earnings per share for the three months ended March 31, 2024 was \$0.247 (2023 – \$0.242)

REVENUES

Revenues for the three months ended March 31, 2024 decreased by 14.4% to \$16,286,016 as compared to \$19,015,889 reported for the same period in 2023. The decrease is primarily a result of lower interest income due to a smaller average portfolio size (on average, \$38 million lower in the first quarter of 2024 than in the first quarter of 2023) and a lower weighted average portfolio interest rate, over the comparable period in 2023 (for the three months ended March 31, 2024 the weighted average interest rate was 10.89% as compared to a weighted average interest rate of 11.15% during the three months ended March 31, 2023).

INVESTMENT PORTFOLIO

The Corporation's Investment Portfolio increased by \$15.1 million to \$613,187,958 as at March 31, 2024, in comparison to \$598,110,536 as at December 31, 2023 (in each case, gross of impairment allowance, fair value adjustment, and unamortized fees). The allowance for impairment and fair value adjustment as of March 31, 2024 was \$25,200,000 (December 31, 2023 allowance for impairment and fair value adjustment – \$22,700,000), comprising (i) \$11,433,500 (December 31, 2023 – \$10,653,000) representing 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, (ii) \$11,749,100 (December 31, 2023 – \$10,380,300) representing the total amount of management's estimate of fair value adjustment on an investment stated at fair value through profit or loss ("FVTPL"), and (iii) a collective allowance balance of \$2,017,400 (December 31, 2023 – \$1,666,700). The unamortized fees as of March 31, 2024 were \$914,649 (December 31, 2023 – \$943,901).

MANAGEMENT'S DISCUSSION AND ANALYSIS

INVESTMENT PORTFOLIO

The Corporation's Investment Portfolio was \$587,064,481 as at March 31, 2024 (net of the allowance for impairment of \$13,450,900, fair value loss adjustment of \$11,749,100, unamortized fees of \$914,649 and marketable securities of \$42,139) and was \$574,454,741 (net of the allowance for impairment of \$12,319,700, fair value loss adjustment of \$10,380,300, unamortized fees of \$943,901 and marketable securities of \$39,072 as at December 31, 2023). On March 31, 2024, the total Investment Portfolio comprised of 246 investments (243 as at December 31, 2023). The average gross investment size was approximately \$2.5 million, with 15 investments individually exceeding \$7.5 million.

Mortgage Amount	March 31, 2024			December 31, 2023			% Change
	Number	Total Amount (before provision)	% of Portfolio	Number	(before provision)	% of Portfolio	
\$0 - \$2,500,000	174	\$ 174,549,159	28.4%	174	\$ 175,897,085	27.7%	(0.8%)
\$2,500,001 - \$5,000,000	41	140,213,290	22.9%	39	135,258,957	23.7%	3.7%
\$5,000,001 - \$7,500,000	16	96,868,917	15.8%	16	97,433,745	21.5%	(0.6%)
\$7,500,001 +	15	201,505,626	32.9%	14	189,469,782	27.1%	6.4%
Total Investments	246	\$ 613,136,991	100%	243	\$ 598,059,570	100%	2.5%
Add: Marketable securities		42,139			39,072		
Less: Impairment allowance		(13,450,900)			(12,319,700)		
Less: Fair value adjustment		(11,749,100)			(10,380,300)		
Less: Unamortized fees		(914,649)			(943,901)		
Investment Portfolio		\$ 587,064,481			\$ 574,454,741		2.2%

Unadvanced committed funds under the existing Investment Portfolio amounted to \$148 million as at March 31, 2024 (December 31, 2023 – \$155 million).

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

Investment Categories	March 31, 2024			December 31, 2023			% Change
	W.A Interest Rate	Outstanding amount	% of Portfolio	W.A Interest Rate	Outstanding amount	% of Portfolio	
Conventional First Mortgages	10.77%	\$ 532,019,877	86.7%	10.88%	\$ 523,562,080	87.5%	1.6%
Conventional Non-First Mortgages	11.62%	44,478,602	7.3%	11.84%	39,550,432	6.6%	12.5%
Related Debt Investments	10.55%	20,355,598	3.3%	10.12%	18,851,599	3.2%	8.0%
Non-Conventional Mortgages	14.37%	9,613,707	1.6%	14.37%	9,614,348	1.6%	(0.0%)
Debtor In Possession Loans	12.00%	6,669,208	1.1%	12.00%	6,481,110	1.1%	2.9%
Total Investments	10.89%	\$ 613,136,991	100%	10.99%	\$ 598,059,570	100%	2.5%
Add: Marketable securities		42,139			39,072		
Less: Impairment allowance		(13,450,900)			(12,319,700)		
Less: Fair value adjustment		(11,749,100)			(10,380,300)		
Less: Unamortized fees		(914,649)			(943,901)		
Investment Portfolio		\$ 587,064,481			\$ 574,454,741		2.2%

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 \$15.1 million increase in the Investment Portfolio (before the allowance for impairment, fair value adjustments and unamortized fees) was mainly due to an increase in the amount of the conventional first mortgages and conventional non-first mortgages. During the first quarter of 2024, new investment funding was \$47.7 million (2023 – \$41.6 million), while repayments during the period were \$32.6 million (2023 – 50.7 million), resulting in an increase in the Investment Portfolio size.

Conventional first mortgages increased by 1.6% and represented 86.7% of the Investment Portfolio as at March 31, 2024 (87.5% as at December 31, 2023). Conventional non-first mortgages increased by 12.5% and represented 7.3% of the Investment Portfolio at March 31, 2024 (6.6% as at December 31, 2023). Related debt investments increased by 8.0% and represented 3.3% of the Investment Portfolio as at March 31, 2024 (3.2% as at December 31, 2023). DIP Loan increased by 2.9% and represented 1.1% of the Investment Portfolio as at March 31, 2024 (1.1% as at December 31,

MANAGEMENT'S DISCUSSION AND ANALYSIS

2023). Non-conventional mortgages represented 1.6% of the Investment Portfolio as at March 31, 2024 (1.6% as at December 31, 2023).

The weighted average face interest rate on the Corporation's Investment Portfolio was 10.89% per annum as at March 31, 2024, compared to 10.99% per annum as at December 31, 2023.

The allowance for impairment and fair value loss adjustment was \$25,200,000 as at March 31, 2024 (December 31, 2023, allowance for impairment and fair value loss adjustment – \$22,700,000), comprised of (i) \$11,433,500 (December 31, 2023 – \$10,653,000) representing 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, (ii) \$11,749,100 (December 31, 2023 – \$10,830,300) representing the total amount of management's estimate of fair value adjustment on an investment and (iii) a collective allowance balance of \$2,017,400 (December 31, 2023 – \$1,666,700).

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

Property Type	March 31, 2024			December 31, 2023			% of Portfolio	% Change
	Number	Total Amount (before provision)	% of Portfolio	Number	Total Amount (before provision)	% of Portfolio		
Construction Mortgages	78	\$ 162,425,408	26.5%	72	\$ 142,640,836	17.7%	13.9%	
Land & Housing Sites	36	151,784,265	24.8%	36	151,442,649	31.0%	0.2%	
Single Family Dwelling and Condo unit(s)	77	141,655,287	23.1%	82	151,209,871	20.8%	(6.3%)	
Retail	10	51,995,412	8.5%	10	51,382,177	7.6%	1.2%	
Multi Family Residential Mortgages	9	39,831,024	6.5%	9	38,034,552	3.6%	4.7%	
Related Debt Investments	9	20,355,598	3.3%	8	18,851,599	9.1%	8.0%	
Land Servicing & Serviced Lots	7	14,195,990	2.3%	8	15,695,990	2.6%	(9.6%)	
Industrial	5	11,693,431	1.9%	5	11,656,431	2.8%	0.3%	
Mixed Use & Other	7	12,447,500	2.0%	6	12,347,500	3.5%	0.8%	
Office & Office Condos (<i>owner occupied</i>)	8	6,753,076	1.1%	7	4,797,964	1.3%	40.7%	
	246	\$ 613,136,991	100%	243	\$ 598,059,570	100%	2.5%	

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, 2024, the value of the Investment Portfolio that is secured by properties outside of Ontario was 12.1%, compared to 13.2% as at December 31, 2023.

Geographic Segment	March 31, 2024			December 31, 2023			% of Portfolio	% Change
	Number	Total Amount	% of Portfolio	Number	Total Amount	% of Portfolio		
Greater Toronto Area	152	\$ 336,135,424	56.7%	155	\$ 327,580,879	56.6%	2.6%	
Non-GTA Ontario	62	185,237,880	31.2%	57	175,206,939	30.2%	5.7%	
Quebec	11	33,008,118	5.6%	13	41,309,698	7.1%	(20.1%)	
Western Canada	8	19,165,629	3.2%	7	17,253,389	3.0%	11.1%	
United States	3	18,206,324	3.1%	3	17,857,066	3.1%	2.0%	
Nova Scotia	1	1,028,018	0.2%	0	-	0.0%	-	
Mortgage Investment Portfolio	237	\$ 592,781,393	100%	235	\$ 579,207,971	100%	2.3%	
Related Debt Investments	9	20,355,598		8	18,851,599		8.0%	
	246	\$ 613,136,991		243	\$ 598,059,570		2.5%	

*The Related Debt Investments at March 31, 2024 includes \$2,045,000 investments at amortized cost and \$18,310,598 investments at FVTPL and then adjusted for a fair value decrease of \$11,749,100.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Underlying Security Type	March 31, 2024			December 31, 2023			% Change
	Number	Total Amount (before provision)	% of Portfolio	Number	Total Amount (before provision)	% of Portfolio	
Residential	205	\$ 484,766,902	79.0%	204	\$ 472,680,304	78.9%	2.6%
Commercial	35	108,014,491	17.6%	31	106,527,667	17.8%	1.4%
Related Debt Investments	9	20,355,598	3.3%	6	18,851,599	3.3%	8.0%
	246	\$ 613,136,991	100%	243	\$ 598,059,570	100%	2.5%

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 two United States ("US") dollar denominated investments (at amortized cost) of \$14,606,324 (US\$10,779,575) (December 31, 2023 – two US dollar denominated investments of \$14,257,066 (US\$10,779,575)).

Included in related debt investments, classified at FVTPL, are two US dollar denominated investments totaling \$11,749,234 (US \$8,671,021), (December 31, 2023 – two US dollar denominated investments totaling \$10,421,233 (US\$7,879,354)). 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, 2024, income recorded on the US investments (at amortized cost and FVTPL) was \$410,857 (US \$302,514), (2023 – \$458,642 (US \$341,123)).

Related debt investments (classified as FVTPL) as at March 31, 2024 also included five Canadian investments (December 31, 2023 – five Canadian investments) totaling \$6,561,366 (December 31, 2023 – \$6,540,366).

As at March 31, 2024, the Investment Portfolio included six investments totaling \$53,709,591 (December 31, 2023 – six investments totaling \$53,709,591) for which a specific allowance of \$11,433,500 (December 31, 2023 – \$10,653,000) was recorded by the Corporation.

As at March 31, 2024, the Investment Portfolio included two investments totaling \$11,749,233 (December 31, 2023 – two investments \$10,421,234) for which a fair value adjustment of \$11,749,100 (December 31, 2023 – \$10,380,300) was recorded by the Corporation.

As at March 31, 2024, excluding investments for which there are allowances or fair value adjustments recorded against them by the Corporation, the Investment Portfolio had four investments totaling \$9,509,432 (December 31, 2023 – one investment with a balance totaling \$5,203,609) with contractual interest arrears greater than 60 days past due amounting to \$656,401 (December 31, 2023 – \$617,675).

The Investment Portfolio as at March 31, 2024 – included nineteen investments totaling \$66,479,809 (December 31, 2023 - fifteen investments totaling \$56,461,478) with maturity dates that are past due and for which no extensions or renewals were in place. Three of these investments was paid out after March 31, 2024 for an amount of \$6,733,692 (December 31, 2023 - one investment was paid out in the amount of \$1,863,750). Two of these investments totaling \$11,810,023 (December 31, 2023 – two investments totaling \$10,572,193) have allowances recorded against them included in the Corporation's allowance for impairment. The remaining fourteen investments with maturity dates that are past due and for which no extensions or renewals were in place amount to \$54,669,786 (December 31, 2023 - twelve investments totaling \$44,025,536) and do not require a specific allowance.

As at March 31, 2024, the Investment Portfolio continued to be heavily concentrated in short-term investments, with approximately 65% maturing on or before December 31, 2024. The short-term nature of the portfolio provides the

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. Of the 246 investments, 72% were underwritten (as part of a renewal process or for new fundings) between 2024 and 2023, while only 28% were underwritten in or prior to 2022.

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

	March 31, 2024		
	No.	Total Amount (before allowance and Fair market adjustment)	% of Portfolio
2024	162	\$ 399,742,328	65.2%
2025	79	203,575,025	33.2%
2026	5	9,819,638	1.6%
Total gross investments	246	\$ 613,136,991	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, 2024, 220 of the Corporation's 246 investments (investment amount of \$498,586,959) are shared with other participants, and 26 of which (with a total investment amount of \$114,550,033) the Corporation is a participant for less than 50% of the loan amount.

Certain members of our Board of Directors and senior management and their related entities co-invested approximately \$35 million with the Corporation alongside its Investment Portfolio as at March 31, 2024.

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, 2024 and 2023, there were no mortgages with first priority participants.

As at March 31, 2024, the Corporation had unamortized commitment fees of \$914,649 (December 31, 2023 – \$943,901) which are netted against the Investment Portfolio. The Corporation's policy is to recognize commitment fees using the effective interest method over the contractual terms of the mortgages.

RESULTS OF OPERATIONS

REVENUES

For the three months ended March 31, 2024, revenues decreased by 14.4% to \$16,286,016 compared to \$19,015,888 for the three months ended March 31, 2023.

Revenues for the three months ended March 31, 2024 and 2023 are broken down as follows:

Three Months Ended	March 31, 2024		March 31, 2023		% Change
Interest	\$ 15,689,426	96.3%	\$ 18,262,159	96.0%	(14.1%)
Commitment & Renewal Fees	529,802	3.3%	701,838	3.7%	(24.5%)
Other Income	66,788	0.4%	51,892	0.3%	28.7%
	\$ 16,286,016	100%	\$ 19,015,889	100.0%	(14.4%)

For the three months ended March 31, 2024, interest income was \$15,689,426, a decrease of 14.1% over the \$18,262,159 reported for the comparable period in 2023. The decrease is mainly a result of a decrease in the average Investment Portfolio size and the weighted average interest rate of the Investment Portfolio over the comparable period in 2023.

For the three months ended March 31, 2024, commitment and renewal fees were \$529,802, a decrease of 24.5% from \$701,838 reported for the comparable period in 2023. For the three months March 31, 2024, other income was \$66,788 (2023 – \$51,892 respectively).

CORPORATION MANAGER INTEREST ALLOCATION

During the three months ending March 31, 2024, the Corporation Manager received \$1,120,372 (2023 – \$1,496,289), through a joint venture interest arrangement with the Corporation. The decrease resulted mainly from the smaller average portfolio size in the first quarter of 2024 as compared to 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTEREST EXPENSE

For the three months ended March 31, 2024, interest expense decreased by 14.1% to \$3,435,047 as compared to \$4,000,343 for the three months ended March 31, 2023. The decrease in interest expense is mainly due to the lower utilization of the Corporation's credit facility and having fewer debentures outstanding during the first quarter of 2024 relative to 2023.

Interest expense is broken down as follows:

Three Months Ended	March 31, 2024			March 31, 2023			% Change
Bank Interest Expense	\$	779,520	22.7%	\$	1,014,957	25.4%	(23.2%)
Debenture Interest Expense		2,655,527	77.3%		2,985,386	74.6%	(11.0%)
	\$	3,435,047	100%	\$	4,000,343	100.0%	(14.1%)

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

For the three months ended March 31, 2024, G&A expenses were \$361,759 (2023 – \$321,426). The increase in G&A expenses is mainly the result of additional accounting and legal fees along with higher listing fees.

INCENTIVE OPTION PLAN

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

	March 31, 2024			December 31, 2023		
	Number of options	Weighted average exercise price	Amount ³	Number of options	Weighted average exercise price	Amount ³
Outstanding, beginning of period	3,245,000	\$ 11.69	\$ 2,535,489	3,427,500	\$ 11.69	\$ 2,453,505
Options granted/amortization amount	-	-	20,552	-	-	82,439
Cancelled	-	-	-	(182,500)	12.13	-
Outstanding, end of period	3,245,000	11.69	\$ 2,556,041	3,245,000	\$ 11.67	\$ 2,535,944
Number of options exercisable	2,725,000	\$ 11.75	-	2,725,000	\$ 11.75	-

¹The 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, 2024:

Expiry date	Number of options outstanding	Exercise price	Number of options exercisable
August 14, 2030	1,515,000	11.70	1,345,000
December 6, 2031	100,000	13.97	100,000
July 6, 2032	1,630,000	11.62	1,280,000
Total	3,245,000	\$11.75	2,725,000

The total number of stock options outstanding as at March 31, 2024 is 3,245,000 (December 31, 2023 – 3,245,000), of which 2,725,000 stock options are vested and exercisable (December 31, 2023 – 2,725,000).

FAIR VALUE ADJUSTMENT ON INVESTMENT PORTFOLIO AND ALLOWANCE FOR IMPAIRMENT ON INVESTMENT PORTFOLIO AND INTEREST RECEIVABLE

The Fair Value Adjustment on the Corporation's Investment Portfolio as at March 31, 2024 was \$11,749,100 (2023 – \$10,380,300). The provision for impairment on Investment Portfolio and interest receivable for the three months ended March 31, 2024 was \$1,409,701 (2023 – provision \$4,464,504). The sum of the fair value adjustment and provision for impairment for the three months ended March 31, 2024, was an expense of \$2,778,501 (2023 – \$4,464,504). As disclosed in our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024, income is gross of the interest receivable impairment allowance for the first quarter of 2024 of \$695,501. The remaining fair value and loan impairment expense is related to an increase in the impairment allowance and fair value adjustment of \$2,083,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income for the three months ended March 31, 2024, was \$8,569,784 (2023 – \$8,711,896), which represents a decrease of 1.6% over the comparable prior year quarter. Income for the three months ended March 31, 2024 represented return on total shareholders' equity (based on the month end average total shareholders' equity in the quarter) of 8.55%. This return on total shareholders' equity represents 380 basis points per annum over the average one-year Government of Canada Treasury bill yield of 4.75%. 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, 2024 was \$0.248 (2023 – \$0.253). Diluted weighted average earnings per share for the three months ended March 31, 2024 was \$0.247 (2023 – \$0.242).

QUARTERLY FINANCIAL INFORMATION

(\$ in millions except per unit amounts)	Mar. 31 2024	Dec. 31 2023	Sep. 30 2023	Jun. 30 2023	Mar. 31 2023	Dec. 31 2022	Sep. 30 2022	Jun. 30 2022	Mar. 31 2022	Dec. 31 2021
Operating revenue	\$ 16.29	\$ 18.11	\$ 17.24	\$ 17.52	\$ 19.02	\$ 17.53	\$ 16.37	\$ 13.90	\$ 12.59	\$ 13.05
Interest expense	3.44	3.88	3.57	4.10	4.00	4.10	3.75	3.64	3.68	3.24
Corporation manager spread interest allocation	1.12	1.16	1.07	1.12	1.50	1.12	1.21	1.17	1.16	1.21
General & administrative expenses	0.36	0.66	0.43	0.46	0.32	0.46	0.53	0.33	0.27	0.38
Share based compensation	0.02	0.02	0.02	0.02	0.02	0.02	1.11	0.01	0.01	0.07
Fair value adjustment on investment portfolio	1.37	(0.08)	3.76	2.00	-	2.10	2.39	-	-	0.80
Impairment loss/(recovery) on investment portfolio	1.41	4.14	(0.20)	1.30	4.47	1.30	(0.80)	0.51	(0.39)	(0.39)
Income	\$ 8.57	\$ 8.33	\$ 8.59	\$ 8.52	\$ 8.71	\$ 8.43	\$ 8.18	\$ 8.24	\$ 7.86	\$ 7.74
Earnings per share										
Basic	\$0.248	\$0.242	\$0.249	\$0.245	\$0.253	\$0.245	\$0.237	\$0.239	\$0.232	\$0.234
Diluted	\$0.247	\$0.241	\$0.247	\$0.243	\$0.242	\$0.243	\$0.234	\$0.237	\$0.230	\$0.223
Dividends per share	\$0.234	\$0.288	\$0.234	\$0.234	\$0.234	\$0.248	\$0.234	\$0.234	\$0.234	\$0.246

DIVIDENDS

For the three months ended March 31, 2024, the Corporation declared dividends on the Shares totaling \$8,070,602 or \$0.234 per Share, versus \$8,069,798 or \$0.234 per Share for the three months ended March 31, 2023. The number of Shares outstanding at March 31, 2024 was 34,489,955, compared to 34,486,550 at March 31, 2023.

	March 31, 2024	March 31, 2023	Change
Cash Flow from Operating Activities (net of cash interest paid)	\$ 10,403,901	\$ 11,993,724	(13%)
Profit	8,569,784	8,711,896	(2%)
Declared Dividends	8,070,602	8,069,798	0%
Excess Cash Flow from Operating Activities Over Declared Dividends	2,333,299	3,923,926	
Declared Dividends in Excess of Profit	499,182	642,098	

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHANGES IN FINANCIAL POSITION

AMOUNTS RECEIVABLE & PREPAID EXPENSES

The amounts receivable and prepaid expenses of \$6,261,494 as at March 31, 2024 (December 31, 2023 – \$5,785,090) are comprised of interest receivable (net of impairment allowance) of \$5,358,837, prepaid expenses of \$498,707, and fees and special income receivable of \$403,950.

CREDIT FACILITY AND BANK INDEBTEDNESS

As at March 31, 2024, the credit facility drawn amount was \$26,355,559 and bank indebtedness was \$3,583,954 (December 31, 2023, the credit facility drawn amount was \$24,678,301 and cash on hand was \$9,367,300).

CONVERTIBLE DEBENTURES

As at March 31, 2024, the Corporation had five series of convertible debentures outstanding, as outlined below:

Ticker				Current	Strike Price	Carrying
Symbol	Coupon	Issue Date	Maturity Date	Principal	Per Share	Value
FC.DB.H	5.30%	Jun. 27, 2017	Aug. 31, 2024	26,500,000	15.25	26,407,834
FC.DB.I	5.40%	Jun. 21, 2018	Jun. 30, 2025	25,000,000	15.00	24,725,671
FC.DB.J	5.50%	Nov. 23, 2018	Jan. 31, 2026	24,983,000	14.60	24,471,585
FC.DB.K	5.00%	Sep. 3, 2021	Sep. 30, 2028	46,000,000	17.75	42,969,791
FC.DB.L	5.00%	Jan. 31, 2022	Mar. 31, 2029	43,700,000	17.00	40,049,502
Total / Average	5.19%			\$ 166,183,000		\$ 158,624,383

As at March 31, 2024, the principal balance for the outstanding convertible debentures was \$166,183,000 (December 31, 2023 – \$166,183,000). The aggregate convertible debenture carrying value as at March 31, 2024 was \$158,624,383 (December 31, 2023 – \$158,122,248). The weighted average effective interest rate of the convertible debentures as at March 31, 2024 was 5.19% (December 31, 2023 – 5.19%).

On December 31, 2023, the Corporation's 5.20% convertible unsecured subordinated debentures due December 31, 2023 (FC.DB.G) matured and was repaid in full. The repayment was completed with a cash payment in the aggregate principal amount of \$22,500,000 and all accrued interest to the time of maturity.

OTHER LIABILITIES

Other liabilities for the Corporation include the following:

Additional Liabilities	March 31, 2024	December 31, 2023	Change
Accounts Payable and Accrued Liabilities	\$ 2,355,208	\$ 3,064,308	(23%)
Shareholders' Dividend Payable	2,690,217	4,552,589	(41%)
Total	\$ 5,045,425	\$ 7,616,897	(34%)

Accounts payable and accrued liabilities decreased by \$2,571,472 to \$5,045,425 as at March 31, 2024, compared to \$7,616,5894 as at December 31, 2023. Accounts payable and accrued liabilities include interest payable of \$891,856 (December 31, 2023 – \$1,604,750) and accrued liabilities of \$1,463,352 (December 31, 2023 – \$1,392,058).

SHAREHOLDERS' EQUITY

Shareholders' equity at March 31, 2024 totaled \$399,961,386 compared to \$399,189,685 as at December 31, 2023. The Corporation had 34,489,955 Shares issued and outstanding as at March 31, 2024, compared to 34,489,308 Shares as at December 31, 2023. The increase is attributable to 647 Shares issued under the DRIP (2023 – 3,568 Shares).

On October 5, 2023, the Corporation received approval from the Toronto Stock Exchange ("TSX") 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 October 11, 2023, and ending no later than October 10, 2024, purchase through the facilities of the TSX or alternative Canadian Trading Systems up to 3,356,287 Shares in total, being approximately 10% of the "public float" of Shares as of October 4, 2023. As of March 31, 2024, the Corporation has not purchased any securities under this NCIB.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2024		December 31, 2023	
	Adjustments	Total Amount (before allowance)	Adjustments	Total Amount (before allowance)
Conventional First Mortgages	\$ 4,120,000	\$ 532,019,877	\$ 3,340,000	\$ 523,562,080
Conventional Non-First Mortgages	2,065,000	44,478,602	2,065,000	39,550,432
Related Debt Investments	-	20,355,598	-	18,851,600
Debtor In Possession Loan	-	6,669,208	-	6,481,110
Non-Conventional Mortgages	5,248,500	9,613,707	5,248,000	9,614,348
Total Specific Allowance / Amount	\$ 11,433,500	\$ 613,136,991	\$ 10,653,000	\$ 589,059,570
IFRS 9 Collective Allowance	2,017,400		1,666,700	
Total Allowance	\$ 13,450,900		\$ 12,319,700	
Fair Value Adjustment	11,749,100		10,380,300	
Total Allowance and Fair Value Adjustment	\$ 25,200,000		\$ 22,700,000	

The following table presents the changes to the allowance for credit losses on loans as at March 31, 2024:

	1	2	3	Total
Balance at January 1, 2024	\$ 1,124,700	\$ 42,000	\$ 11,153,000	\$ 12,319,700
New fundings	59,000	-	-	59,000
Discharges	(62,000)	-	-	(62,000)
Transfer to (from):				
Stage 1	(10,000)	-	10,000	-
Stage 2	-	-	-	-
Stage 3	69,000	102,000	(171,000)	-
Remeasurements	(84,700)	(67,000)	1,285,900	1,134,200
Balance at March 31, 2024	\$ 1,096,000	\$ 77,000	\$12,277,900	\$ 13,450,900

The loans comprising the Investment Portfolio are stated at amortized cost or FVTPL. As of March 31, 2024, the allowance for impairment and fair value adjustment was \$25,200,000 (December 31, 2023, allowance for impairment and fair value adjustment – \$22,70,000) of which \$11,433,500 (December 31, 2023 – \$10,653,000) 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. The total amount of management's estimate of fair value adjustment was \$11,749,100 on investments stated at FVTPL on March 31, 2024 (2023 - \$10,380,300).

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, 2024, the

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporation carries a collective impairment allowance of \$2,017,400 (December 31, 2023 – \$1,666,700). The Corporation has an allowance against its interest receivable in the amount of \$695,501 as at March 31, 2024 (December 31, 2023 – \$2,843,678) related to loans in default.

As at March 31, 2024, the Investment Portfolio included six investments totaling \$53,709,591 (December 31, 2023 – six investments totaling \$53,709,591) for which a specific allowance of \$11,433,500 (December 31, 2023 – \$10,635,500) was recorded in the Corporation's allowance for impairment.

As at March 31, 2024, the Investment Portfolio included two investments totaling \$11,749,233 (December 31, 2023 two investments \$10,421,234) for which a fair value loss adjustment of \$11,749,100 was recorded (December 31, 2023 – \$10,380,300).

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, 2024, this amount was \$1,120,372 (2023 – \$1,496,289). Included in accounts payable and accrued liabilities at March 31, 2024 are amounts payable to the Corporation Manager of \$398,945 (December 31, 2023 – \$384,422).

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 \$149,000 for the year March 31, 2024 (2023 – \$200,000). 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 \$1,008,207 for the three months ended March 31, 2024 (2023 – \$1,132,971, all of which was paid by the Corporation Manager and not by the Corporation).

For the three months ended March 31, 2024, total director's fees paid were \$80,250 (2023 – \$80,250). Certain key management personnel are also directors of the Corporation and receive compensation from the Corporation Manager. The directors and officers of the Corporation held 854,421 Shares as at March 31, 2024 (December 31, 2023 – 853,721 Shares).

Related party transactions are further discussed and detailed in the Corporation's AIF and in note 11 of the accompanying unaudited interim consolidated financial statements of the Corporation for the three months ended March 31, 2024.

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 each 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The tables in note 15 of the unaudited interim consolidated financial statements of the Corporation for the three months ended March 31, 2024, present the fair values of the Corporation's financial instruments as at March 31, 2024.

CONTRACTUAL OBLIGATIONS

Contractual obligations as at March 31, 2024 are due as follows:

	Total	Less than 1 year	1-3 years	4-7 years
Bank indebtedness	\$ 3,583,954	\$ 3,583,954	\$ -	\$ -
Credit facility	26,355,559	26,355,559	-	-
Accounts payable and accrued liabilities	2,355,208	2,355,208	-	-
Shareholders' dividends payable	2,690,217	2,690,217	-	-
Convertible debentures	166,183,000	26,500,000	95,983,000	43,700,000
Subtotal - Liabilities	201,167,938	61,484,938	95,983,000	43,700,000
Future advances under portfolio	148,679,828	148,679,828	-	-
Liabilities and contractual obligations	\$ 349,847,766	\$ 210,164,766	95,983,000	43,700,000

MATERIAL ACCOUNTING POLICIES INFORMATION

The material accounting policies information used are consistent with those as described in note 3 of the Corporation's unaudited interim consolidated financial statements for the three months ended March 31, 2024.

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, 2024, 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 \$148 million as at March 31, 2024 (December 31, 2023 – \$154 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 of \$180 million to fund the timing differences between investment advances and investment repayments. The committed facility has a maturity date of January 17, 2026. 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, 2024, 21 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.

- *Economic conditions such as inflation 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*

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- *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.sedarplus.ca.
- *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.
- *Public Health Crisis.* The Corporation's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond its control.

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 consolidated financial statements as at, and for the three months ended, March 31, 2024.

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 March 31, 2024 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, 2024. Based on that assessment, it was

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2024 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 2024 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 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; and adequate bank indebtedness is available to the Corporation;. 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, 2024



FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Balance Sheets

(in Canadian dollars)

(Unaudited)

As at	March 31, 2024		December 31, 2023
Assets			
Cash and cash equivalents (note 6)	\$	-	\$ 9,367,300
Amounts receivable and prepaid expenses (note 4)		6,261,494	5,785,090
Investment portfolio (note 5)		587,064,481	574,454,741
Total assets	\$	593,325,975	\$ 589,607,131
Liabilities			
Bank indebtedness (note 6)	\$	3,583,954	\$ -
Credit facility (note 6)		26,355,559	24,678,301
Accounts payable and accrued liabilities		2,355,208	3,064,308
Shareholders' dividends payable		2,690,217	4,552,589
Convertible debentures (note 7)		158,624,383	158,122,248
Total liabilities	\$	193,609,321	\$ 190,417,446
Shareholders' Equity			
Common shares (note 8)		388,961,386	388,954,151
Equity component of convertible debentures		6,794,000	6,794,000
Stock options (note 8)		2,556,041	2,535,489
Contributed surplus		2,646,276	2,646,276
Deficit		(1,241,049)	(1,740,231)
Total shareholders' equity	\$	399,716,654	\$ 399,189,685
Commitments (note 5)			
Contingent liabilities (note 13)			
Total liabilities and shareholders' equity	\$	593,325,975	\$ 589,607,131

See accompanying notes to interim condensed consolidated financial statements.

On behalf of the Directors:

/s/ "Eli Dadouch"
ELI DADOUCH
Director

/s/ "Jonathan Mair"
JONATHAN MAIR
Director

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Statements of Income and Comprehensive Income

For the Three Months Ended March 31, 2024 and 2023

(in Canadian dollars)

(Unaudited)

	March 31, 2024	March 31, 2023
Revenues		
Interest and fees income	\$ 16,219,228	\$ 18,963,997
Other income	66,788	51,892
Total Revenues	16,286,016	19,015,889
Operating expenses		
Corporation manager interest allocation (note 11)	1,120,372	1,496,289
Interest expense (note 12)	3,435,047	4,000,343
General and administrative expenses	361,759	321,426
Share based compensation (note 8)	20,553	21,431
Fair value adjustment on investment portfolio (carried at FVTPL) (note 5)	1,368,800	-
Provision for impairment on investment portfolio and interest receivable (note 4 and 5)	1,409,701	4,464,504
Total Operating expenses	7,716,232	10,303,993
Net income and comprehensive income for the period	\$ 8,569,784	\$ 8,711,896
Earnings per share (note 9)		
Basic	\$0.248	\$0.253
Diluted	\$0.247	\$0.242

See accompanying notes to interim condensed consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Three Months Ended March 31, 2024 and 2023

(in Canadian dollars)

(Unaudited)

	Equity component of					Shareholders' equity
	Common shares	convertible debentures	Stock options	Contributed surplus	Deficit	
Balance at January 1, 2024	\$ 388,954,151	\$ 6,794,000	\$ 2,535,489	\$ 2,646,276	\$ (1,740,231)	\$399,189,685
Proceeds from issuance of shares from DRIP	7,235	-	-	-	-	7,235
Amortization of stock options granted (note 8 (b))	-	-	20,552	-	-	20,552
Net income and comprehensive income for the period	-	-	-	-	8,569,784	8,569,784
Dividends to shareholders (note 10)	-	-	-	-	(8,070,602)	(8,070,602)
Balance at March 31, 2024	\$ 388,961,386	\$ 6,794,000	\$ 2,556,041	\$ 2,646,276	\$ (1,241,049)	\$ 399,716,654
Shares issued and outstanding (note 8)	34,489,955					

	Equity component of					Shareholders' equity
	Common shares	convertible debentures	Stock options	Contributed surplus	Deficit	
Balance at January 1, 2023	\$ 388,914,500	\$ 7,110,000	\$ 2,453,050	\$ 2,330,276	\$ (1,761,726)	\$ 399,046,100
Proceeds from issuance of shares from DRIP	9,330	-	-	-	-	9,330
Exercise of stock options (note 8 (b))	-	-	20,329	-	-	20,329
Net income and comprehensive income for the period	-	-	-	-	8,711,896	8,711,896
Dividends to shareholders (note 10)	-	-	-	-	(8,069,798)	(8,069,798)
Balance at March 31, 2023	\$ 388,923,830	\$ 7,110,000	\$ 2,473,379	\$ 2,330,276	\$ (1,119,628)	\$ 399,717,857
Shares issued and outstanding (note 8)	34,486,550					

See accompanying notes to interim condensed consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2024 and 2023

(Unaudited)

(in Canadian dollars)

	March 31, 2024	March 31, 2023
Cash provided by (used in):		
Operating activities:		
Net Income for the period	\$ 8,569,784	\$ 8,711,896
Adjustments for:		
Financing costs (net of implicit interest rate and deferred finance cost amortization) (note 12)	2,932,912	3,460,922
Implicit interest rate in excess of coupon rate - convertible debentures (note 7)	226,391	226,115
Deferred finance cost amortization - convertible debentures (note 7)	275,744	313,306
Provision for impairment on investment portfolio and interest receivable	1,409,701	3,496,000
Fair value adjustment on investment portfolio (carried at FVTPL)	1,368,800	-
Amortization of stock option granted (note 8 (b))	20,552	20,329
Changes in unrealized (gain)/loss on marketable securities investments (note 5)	(3,066)	934
Net change in non-cash operating items:		
Accrued interest payable (note 12)	780,393	514,344
Receivables and prepaid expenses	(754,905)	(106,467)
Accounts payable and accrued liabilities	(709,100)	(668,389)
Net cash flow from operating activities	\$ 14,117,206	\$ 15,968,990
Financing activities:		
Dividend reinvestment in common shares	7,235	9,330
Repayment of credit facility	(830,568)	(52,692,973)
Withdraw from credit facility	2,507,826	47,227,756
Cash interest paid	(3,713,305)	(3,975,266)
Dividends to shareholders paid during the period (note 10)	(9,932,974)	(8,552,536)
Net cash flow used in financing activities	\$ (11,961,786)	\$ (17,983,689)
Investing activities:		
Funding of investment portfolio	(47,667,903)	(41,626,053)
Discharging of investment portfolio	32,561,229	50,662,942
Net cash flow from (used in) investing activities	(15,106,674)	9,036,889
Net (decrease) increase in cash flow for the period	(12,951,255)	7,022,190
Cash and cash equivalents (Bank indebtedness) beginning of period	9,367,300	(15,235,918)
Bank indebtedness end of period (note 6)	\$ (3,583,954)	\$ (8,213,728)
Cash flows from operating activities include:		
Interest received	\$ 15,299,077	\$ 19,417,286

See accompanying notes to interim condensed consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023
(Unaudited)
(in Canadian dollars)

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, 2023, 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 7, 2024.

3. Material accounting policies

The material 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, 2023.

4. Amounts receivable and prepaid expenses

The following is a breakdown of amounts receivable and prepaid expenses as at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Interest receivable, net of impairment allowance	\$ 5,358,837	\$ 5,254,837
Prepaid expenses	498,707	297,212
Fees receivable	361,936	211,334
Special income receivable	42,014	21,707
Amounts receivable and prepaid expenses	\$ 6,261,494	\$ 5,785,090

Interest receivable is net of the impairment allowance of \$695,501 (December 31, 2023 – \$2,843,678).

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION
Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023
(Unaudited)
(in Canadian dollars)

5. Investment portfolio

The following is a breakdown of the investment portfolio as at March 31, 2024 and December 31, 2023:

	March 31, 2024		December 31, 2023	
Conventional first mortgages	\$ 532,019,877	90.6%	\$ 523,562,080	91.1%
Related debt investments	2,045,000	0.3%	1,890,000	0.3%
Conventional non-first mortgages	44,478,602	7.7%	39,550,432	6.9%
Non-conventional mortgages	9,613,707	1.6%	9,614,348	1.7%
Debtor in possession loan	6,669,208	1.1%	6,481,110	1.1%
Total investments (at amortized cost)	594,826,394	101.3%	581,097,970	101.1%
Allowance for impairment on investments (at amortized cost)	(13,450,900)	(2.3%)	(12,319,700)	(2.0%)
Unamortized fees	(914,649)	(0.1%)	(943,901)	(0.2%)
Total investments (at amortized cost), net	\$ 580,460,845	98.9%	\$ 567,834,369	98.9%
Total investments (at FVTPL)	6,603,636	1.1%	6,620,372	1.1%
Total investments	\$ 587,064,481	100.0%	\$ 574,454,741	100.0%
By geography				
Canada	\$ 568,861,157	96.9%	\$ 556,597,675	96.9%
United States	18,203,324	3.1%	17,857,066	3.1%
Total	\$ 586,064,481	100.0%	\$ 574,454,741	100.0%

Included in conventional first mortgages are two United States ("US") dollar denominated investments (at amortized cost) of \$14,606,324 (US\$10,779,575) (December 31, 2023 – two US dollar denominated investment of \$14,257,066 (US\$10,779,575)). As of March 31, 2024, a collective loss allowance of \$22,000 was applied to these conventional first mortgages (December 31, 2023- \$23,000).

Included in related debt investments (classified at FVTPL) are two US dollar denominated investments totaling \$11,749,234 (US\$8,671,021), (December 31, 2023 - two US dollar denominated investments totaling \$10,421,233 (US\$7,879,354)). These investments are a participation by the Corporation in limited partnerships that have provided equity to real estate entities in the US. As at March 31, 2024, a fair value loss adjustment on two US dollar denominated investments of \$11,749,100 has been recognized (2023 – \$10,380,300).

For the three months ended March 31, 2024, income recorded on the US investments (at amortized cost and FVTPL) was \$410,857 (US\$302,514), (2023 – \$458,642 (US\$341,123)). These amounts are included in interest and fees income.

Related debt investments (classified as FVTPL) as at March 31, 2024 also included five Canadian investments (December 31, 2023 – five Canadian investments) totaling \$6,561,366 (December 31, 2023 – \$6,540,366).

As at March 31, 2024, and December 31, 2023, 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% at the time of origination. 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 value ratios 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.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION
Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023
(Unaudited)
(in Canadian dollars)

The following is a breakdown of the investment portfolio as at March 31, 2024:

	Gross carrying amount	Provision for impairment	Fair value adjustment	Carrying amount
Conventional first mortgages	\$ 532,019,877	\$ (5,944,400)	\$ -	\$ 526,075,477
Conventional non-first mortgages	44,478,602	(2,253,000)	-	42,225,602
Related debt investments	20,355,598	(51,000)	(11,749,100)	8,555,498
Debtor in possession loan	6,669,208	(10,000)	-	6,659,208
Non-conventional mortgages	9,613,707	(5,192,500)	-	4,421,207
Marketable securities	50,966	-	(8,828)	42,138
	\$ 613,187,958	\$ (13,450,900)	\$ (11,757,928)	\$ 587,979,130
Unamortized fees				(914,649)
Total investment portfolio				\$ 587,064,481

Included in the provision for impairment of \$13,450,900 is a collective allowance of \$2,017,400.

The following is a breakdown of the investment portfolio as at December 31, 2023:

	Gross carrying amount	Provision for impairment	Fair value adjustment	Carrying amount
Conventional first mortgages	\$ 523,562,080	\$ (4,617,000)	\$ -	\$ 518,945,080
Conventional non-first mortgages	39,550,432	(2,276,700)	-	37,273,732
Related debt investments	18,851,600	(63,000)	(10,380,300)	8,408,300
Debtor in possession loan	6,481,110	(10,000)	-	6,471,110
Non-conventional mortgages	9,614,348	(5,353,000)	-	4,261,348
Marketable securities	50,966	-	(11,894)	39,072
	\$ 598,110,536	\$ (12,319,700)	\$ (10,392,194)	\$ 575,398,642

Unamortized fees (943,901)

Total investment portfolio \$ 574,454,741

Included in the provision for impairment of \$12,319,700 is a collective allowance of \$1,666,700.

The following table presents the staging of gross investments at amortized cost as at March 31, 2024:

Gross Investments at amortized cost				
	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	\$ 414,072,066	\$ 46,029,284	\$ 71,918,527	\$ 532,019,877
Conventional non-first mortgages	38,230,484	3,000,000	3,248,118	44,478,602
Related debt investments	155,000	-	1,890,000	2,045,000
Debtor in possession loan	6,669,208	-	-	6,669,208
Non-conventional mortgages	1,039,325	-	8,574,382	9,613,707
Total gross investments at amortized cost	460,166,083	49,029,284	85,631,027	594,826,394
By geography:				
Canada	\$ 460,166,083	\$ 35,459,535	\$ 84,594,451	\$ 580,220,069
United States		13,569,750	1,036,575	14,606,325
Total gross investments at amortized cost	\$ 460,166,083	\$ 49,029,285	\$ 85,631,026	\$ 594,826,394

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION
Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023
(Unaudited)
(in Canadian dollars)

The following table presents the staging at December 31, 2023:

	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	\$ 433,661,326	\$ 23,785,277	\$ 66,115,477	\$ 523,562,080
Conventional non-first mortgages	33,302,314	3,000,000	3,248,118	39,550,432
Related debt investments	-	1,890,000	-	1,890,000
Discounted debt investments	6,481,110	-	-	6,481,110
Non-conventional mortgages	1,039,966	-	8,574,382	9,614,348
Total gross investments at amortized cost	474,484,716	28,675,277	77,937,977	581,097,970
By geography:				
Canada	\$ 473,472,927	\$ 15,430,000	\$ 77,937,977	\$ 566,840,904
United States	1,011,789	13,245,277	-	14,257,066
Total gross investments at amortized cost	\$ 474,484,716	\$ 28,675,277	\$ 77,937,977	\$ 581,097,970

The following table presents the provision for credit losses on investments as at March 31, 2024:

Provision for impairment of credit losses on loans				
	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	\$ 942,000	\$ 70,000	\$ 4,932,400	\$ 5,944,400
Conventional non-first mortgages	144,000	7,000	2,102,000	2,253,000
Related debt investments	-	-	51,000	51,000
Non-conventional mortgages	-	-	5,192,500	5,192,500
Debtor in possession loan	10,000	-	-	10,000
Total	\$ 1,096,000	\$ 77,000	\$ 12,277,900	\$ 13,450,900
By geography:				
Canada	\$ 1,096,000	\$ 57,000	\$ 12,256,900	\$ 13,409,900
United States	-	20,000	21,000	41,000
Total	\$ 1,096,000	\$ 77,000	\$ 12,277,900	\$ 13,450,900

The following table presents the provision for credit losses on investments as at December 31, 2023:

Provision for impairment of credit losses on loans				
	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	\$ 956,000	\$ 34,000	\$ 3,661,000	\$ 4,651,000
Conventional non-first mortgages	158,700	8,000	2,102,000	2,268,700
Related debt investments	-	-	51,000	51,000
Non-conventional mortgages	-	-	5,339,000	5,339,000
Debtor in possession loan	10,000	-	-	10,000
Total	\$ 1,124,700	\$ 42,000	\$ 11,153,000	\$ 12,319,700
By geography:				
Canada	\$ 1,122,700	\$ 21,000	\$ 11,153,000	\$ 12,296,700
United States	2,000	21,000	-	23,000
Total	\$ 1,124,700	\$ 42,000	\$ 11,153,000	\$ 12,319,700

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION
Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023
(Unaudited)
(in Canadian dollars)

The following table presents the changes to the provision for credit losses on investments as at March 31, 2024:

The changes to the provision	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2024	\$ 1,124,700	\$ 42,000	\$ 11,153,000	\$ 12,319,700
New fundings	59,000	-	-	59,000
Discharges	(62,000)	-	-	(62,000)
Transfer to (from) ¹ :				
Stage 1	(10,000)	-	10,000	-
Stage 2	-	-	-	-
Stage 3	69,000	102,000	(171,000)	-
Remeasurements ²	(84,700)	(67,000)	1,285,900	1,134,200
Balance at March 31, 2024	\$ 1,096,000	\$ 77,000	\$12,277,900	\$ 13,450,900

¹ Transfers between stages which are presumed to occur before any corresponding remeasurement of the allowance.

² Remeasurements 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 following table presents the changes to the provision for credit losses on investments as at December 31, 2023:

The changes to the provision	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2023	\$ 1,358,000	\$ 183,000	\$ 3,919,000	\$ 5,460,000
New fundings	549,000	-	-	549,000
Discharges	(294,000)	(2,000)	(1,617,000)	(1,913,000)
Transfer to (from) ¹ :				
Stage 1	70,000	(20,000)	(50,000)	-
Stage 2	(17,000)	17,000	-	-
Stage 3	(455,000)	(129,000)	584,000	-
Remeasurements ²	(86,300)	(7,000)	8,317,000	8,223,700
Balance at December 31, 2023	\$ 1,124,000	\$ 42,000	\$ 11,153,000	\$ 12,319,700

¹ Transfers between stages which are presumed to occur before any corresponding remeasurement of the allowance.

² Remeasurements 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, 2024, the allowance for impairment is \$13,450,900 (2023 – \$12,319,700) of which \$11,433,500 (2023 – \$10,653,000) 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, 2024, the Corporation carries a collective allowance of \$2,017,400 (2023 – \$1,660,700).

The investment portfolio as at March 31, 2024, included six investments totaling \$53,709,591 (December 31, 2023 – six investments totaling \$53,709,591) which are considered in default and a specific allowance of \$11,433,500 (December 31, 2023 – \$10,653,000) was recorded in the Corporation's allowance for impairment.

The Corporation has determined that the following forward-looking macroeconomic factors are key drivers that contribute to credit losses: unemployment rates, interest rates and Gross Domestic Product. Management considers interest rate assumptions to be a key contributor to the unemployment rates which ultimately have an impact on GDP assumptions that are used in determination of the Corporation's expected credit losses.

The Corporations' probability weighted estimate of expected credit losses used three scenarios (base, benign and adverse) at March 31, 2024 based on forecasts and other information available at that date. When determining the ECL, the Corporation considered forward-looking macroeconomic information. Forward-looking information is incorporated in both the determination of whether there has been significant increase in credit risk since initial recognition of the financial asset and in the measurement of the ECL allowance.

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Elevated global economic uncertainty has resulted in a higher level of uncertainty with respect to management's judgements and estimates which include the forward-looking macroeconomic inputs as well as the expected loss on a default.

The Corporation incorporates forward-looking information into the measurement of ECL and formulates probability weightings to three economic scenarios - base case scenario being the Corporation's view of the most probable outcome, as well as benign and adverse scenarios. The key modelled inputs include economic data and forecasts published by five of the largest Financial Institutions in Canada. The weights assigned to each scenario have been determined based on applying management's judgement and industry knowledge.

The scenario probability weightings applied in the measuring the ECL as at March 31, 2024 and December 31, 2023:

	Benign	Base	Adverse
Marco-economic scenario probability weightings	10%	70%	20%

The Corporation has considered the relationship between multiple macro-economic variables that have included interest rates, unemployment rates, and GDP. Forecasting relationships between key macro-economic indicators and the default rates of the loan portfolio have been developed based on analysing over 6 years of market data and internal data.

For the Adverse and Benign scenarios, the Corporation took the upper and lower limits of the macro economic forward-looking data published by the five largest Financial Institutions.

Impact of each scenario on the collective allowance at March 31, 2024 is as follows:

	Benign	Base	Adverse
Real GDP	2.30%	1.30%	0.00%
Interest Rates	3.50%	4.30%	5.00%
Unemployment rates	5.40%	6.31%	6.70%
Collective Allowance	\$ 1,812,400	\$ 2,051,400	\$ 2,200,400

Impact of each scenario on the collective allowance at December 31, 2023 is as follows:

	Benign	Base	Adverse
Real GDP	2.30%	1.15%	(0.20%)
Interest Rates	3.50%	4.33%	5.00%
Unemployment rates	6.00%	6.38%	6.70%
Collective Allowance	\$ 1,530,000	\$ 1,680,000	\$ 1,807,000

The base scenario forecasted macroeconomic variables from the five largest Financial Institutions in Canada are used.

The Adverse scenario presents an economic downturn with GDP declining, interest rates rising, and with unemployment increasing.

The Benign scenario presents an economic upturn where interest rates decrease, and unemployment decreases leading to increasing GDP.

These assumptions are limited to the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairments are subjective and may not necessarily be comparable to the actual outcomes. As new market and internal data become available, the Corporation monitors the key modeling assumptions and including macro-economic factors expected trends, and the impact these changes will have on the ECL.

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The loans comprising the Investment portfolio bear interest at the weighted average rate of 10.89% per annum as at March 31, 2024 (December 31, 2023 – 10.99% per annum) and mature between 2024 and 2026.

The unadvanced funds under the existing investment portfolio (which are commitments of the Corporation) amounted to \$148,679,828 as at March 31, 2024 (December 31, 2023 – \$154,832,754)

The contractual maturity dates of the investment portfolio as at March 31, 2024:

2024	\$ 399,742,328
2025	203,575,025
2026	9,819,638
Total gross investments	\$ 613,136,991

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 note 3(f) above (Derecognition of financial assets and liabilities).

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, 2024, excluding investments for which there is an allowance or a fair value adjustment recorded against them by the Corporation, the Investment Portfolio had four investments totaling \$9,509,432 (December 31, 2023 – three investments with a balance totaling \$5,203,609) with contractual interest arrears greater than 60 days past due amounting to \$656,401 (December 31, 2023 – \$617,675).

The investment portfolio as at March 31, 2024, included nineteen investments totaling \$66,479,809 (December 31, 2023 - fifteen investments totaling \$56,461,478) with maturity dates that are past due and for which no extensions or renewals were in place. Three of these investments were paid out after March 31, 2024 for an amount of \$6,733,692 (December 31, 2023 - one investment was paid out in the amount of \$1,863,750). Two of these investments totaling \$11,810,023 (December 31, 2023 – two investments totaling \$10,572,193) have allowances recorded against them included in the Corporation's allowance for impairment. The remaining fourteen investments with maturity dates that are past due and for which no extensions or renewals were in place amount to \$54,669,786 (December 31, 2023 - twelve investments totaling \$44,025,536) and do not require a specific allowance.

As at March 31, 2024, 202 of the Corporation's 246 investments (investment amount of \$594,826,394) are shared with other participants (December 31, 2023 – 196 of the Corporations' 243 investments totaling \$598,059,570).

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, 2024 and December 31, 2023, no investment with first priority syndicate participation was outstanding.

Investments classified at FVTPL:

As at March 31, 2024, there are seven investments totalling \$18,310,598 (December 31, 2023 – nine investments totalling \$16,961,599) that are carried at FVTPL and a fair value adjustment of \$11,749,100 (December 31, 2023- \$10,380,300) is recorded against two of the investments carried at FVTPL (note 14).

The Corporation establishes fair value for investments that are classified as FVTPL using an appropriate valuation technique. Fair value was determined by applying an appropriate overall capitalization rate to stabilized net operating income.

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6. Cash, credit facility and bank indebtedness.

The Corporation has revolving syndicate credit facilities with The Toronto – Dominion Bank, as administrative agent, and the lenders party thereto, with \$26,355,559 drawn as at March 31, 2024 (December 31, 2023 – \$24,678,301). In addition, the Corporation also had \$3,583,954 bank indebtedness (December 31, 2023 – \$nil). 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 syndicate credit arrangement comprises a revolving operating facility, a component of which is a demand facility and a component of which has a committed term (as further detailed in note 15 (c)).

Bank indebtedness is secured by a general security agreement. The syndicate credit agreement contains certain financial covenants that must be maintained. As at March 31, 2024 and December 31, 2023, the Corporation was in compliance with all financial covenants.

The draw on the credit facility in the amount of \$26,355,559 at March 31, 2024 (December 31, 2023 - \$24,678,301), related to borrowings in US dollars of \$19,450,597 (in Canadian dollars \$26,355,559), (December 31, 2023 US dollar borrowings \$18,658,931 (in Canadian dollars \$24,678,301)). The borrowing in US dollars exactly matches the amount of US dollar denominated investments, thereby acting as an economic hedge against currency exposure.

7. Convertible Debentures

	Three Months Ended	Year Ended
	March 31, 2024	December 31, 2023
Carrying value, beginning of period	\$ 158,122,248	\$ 178,284,467
Repayment	-	(22,500,000)
Implicit interest rate in excess of coupon rate	226,391	1,067,153
Deferred finance cost	275,744	1,270,628
Carrying value, end of period	\$ 158,624,383	\$ 158,122,248

The continuity of the convertible debentures for the three months ended March 31, 2024 is as follows:

Debenture	Balance, beginning of period	Issued	Implicit interest rate in excess of coupon	Deferred finance cost	Repayments upon Redemption	Balance, end of period	Maturity date
FC.DB.H 5.3%	\$ 26,353,173	-	\$ 8,565	\$ 46,096	-	\$ 26,407,834	31-Aug-24
FC.DB.I 5.4%	24,671,414	-	12,204	42,053	-	24,725,671	30-Jun-25
FC.DB.J 5.5%	24,401,702	-	28,907	40,976	-	24,471,585	31-Jan-26
FC.DB.K 5.0%	42,814,144	-	82,382	73,265	-	42,969,791	30-Sep-28
FC.DB.L 5.0%	39,881,815	-	94,333	73,354	-	40,049,502	31-Mar-29
Total	\$ 158,122,248	\$ -	\$ 226,391	\$ 275,744	\$ -	\$158,624,383	

As at March 31, 2024, debentures payable bear interest at the weighted average effective rate of 5.19% per annum (December 31, 2023 – 5.19% per annum). Notwithstanding the carrying value of the convertible debentures, the principal balance outstanding to the debenture holders is \$166,183,000 as at March 31, 2024 (December 31, 2023 – \$166,183,000).

On December 31, 2023, the Corporation completed the repayment of its 5.20% convertible unsecured subordinated debentures (FC.DB.G). This repayment was completed with a cash payment of the aggregate principal amount of \$22,500,000 and all accrued interest to the time of maturity.

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The continuity of the convertible debentures for the year ended December 31, 2023:

Debenture	Balance, beginning of year	Issued	Implicit interest rate in excess of coupon	Deferred finance cost	Repayments	Balance, end of year	Maturity date
FC.DB.G 5.2%	\$ 22,282,919	-	\$ 52,458	\$ 164,623	(\$22,500,000)	\$ -	31-Dec-23
FC.DB.H 5.3%	26,135,530	-	32,748	184,895	-	26,353,173	31-Aug-24
FC.DB.I 5.4%	24,441,710	-	61,029	168,675	-	24,671,414	30-Jun-25
FC.DB.J 5.5%	24,108,937	-	128,413	164,352	-	24,401,702	31-Jan-26
FC.DB.K 5.0%	42,202,647	-	317,631	293,866	-	42,814,144	30-Sep-28
FC.DB.L 5.0%	39,112,724	-	474,874	294,217	-	39,881,815	31-Mar-29
Total	\$ 178,284,467	\$ -	\$ 1,067,153	\$ 1,270,628	(\$22,500,000)	\$158,122,248	

8. 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, 2024:

	# of shares	Amount
Balance, beginning of period	34,489,308	\$ 388,954,151
New shares issued during the period under Dividend Reinvestment Plan	647	7,235
Balance, end of period	34,489,955	\$ 388,961,386

The following shares were issued and outstanding as at December 31, 2023:

	# of shares	Amount
Balance, beginning of period	34,485,740	\$ 388,914,500
Equity offering costs	-	1,176
New shares issued during the year under Dividend Reinvestment Plan	3,568	38,475
Balance, end of period	34,489,308	\$ 388,954,151

Shares issued during the three months ended March 31, 2024 under the Dividend Reinvestment Plan were 647 (December 31, 2023 – 3,568).

(b) Incentive option plan

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

	March 31, 2024			December 31, 2023		
	Number of options	Weighted average exercise price	Amount ³	Number of options	Weighted average exercise price	Amount ³
Outstanding, beginning of period	3,245,000	\$ 11.69	\$ 2,535,489	3,427,500	\$ 11.69	\$ 2,453,505
Options granted/amortization amount	-	-	20,553	-	-	82,439
Cancelled	-	-	-	(182,500)	12.13	-
Outstanding, end of period	3,245,000	11.69	\$ 2,556,042	3,245,000	\$ 11.67	\$ 2,535,944
Number of options exercisable	2,725,000	\$ 11.75	-	2,725,000	\$ 11.75	-

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

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The following options were issued and outstanding as at March 31, 2024:

Expiry date	Number of options outstanding	Exercise price	Number of options exercisable
August 14, 2030	1,515,000	11.70	1,345,000
December 6, 2031	100,000	13.97	100,000
July 6, 2032	1,630,000	11.62	1,280,000
Total	3,245,000	\$ 11.75	2,725,000

The total number of stock options outstanding as at March 31, 2024 is 3,245,000 (December 31, 2023 – 3,245,000), of which 2,725,000 stock options are vested and exercisable (December 31, 2023 – 2,725,000).

(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 shares for the preceding five-day period.

(d) Normal course issuer bid.

On October 5, 2023, the Corporation received approval from the Toronto Stock Exchange ("TSX") to make a normal course issuer bid (the "NCIB") with respect to the common Shares and debentures. The notice provided that the Corporation may, during the 12-month period commencing October 11, 2023, and ending no later than October 10, 2024, purchase through the facilities of the TSX or alternative Canadian Trading Systems up to 3,356,287 Shares in total, being approximately 10% of the "public float" of Shares as of October 4, 2023. As of March 31, 2024, the Corporation has not purchased any securities under this NCIB.

9. Earnings per share

The following table reconciles the numerators and denominators of the basic and diluted earnings per share for the three months ended March 31, 2024 and 2023:

Basic earnings per share calculation:	Three months ended	Three months ended
	March 2024	March 2023
Numerator for basic earnings per share:		
Net earnings for the period	\$ 8,569,784	\$ 8,711,896
Denominator for basic earnings per share:		
Weighted average shares	34,489,652	34,486,186
Net basic earnings per share	\$ 0.248	\$ 0.253

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Diluted earnings per share calculation:		
	Three months ended	Three months ended
	March 2024	March 2023
Numerator for basic earnings per share:		
Net earnings for the period	\$ 8,569,784	\$ 8,711,896
Interest on convertible debentures	1,210,944	1,552,686
Net diluted earnings for the period	9,780,728	10,264,582
Denominator for basic earnings per share:		
Weighted average shares	34,489,652	34,486,186
Assuming debentures are converted	5,115,536	7,971,8740
Diluted weighted average shares	39,605,188	42,458,060
Diluted earnings per share	\$ 0.247	\$ 0.242

10. 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, 2024, the Corporation recorded dividends of \$8,070,602 (2023 – \$8,069,798) to its shareholders. Dividends were \$0.234 per share (2023 – \$0.234 per share).

11. 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, 2024, this amount was \$1,120,372 (2023 – \$1,496,289). Included in accounts payable and accrued liabilities at March 31, 2024 are amounts payable to the Corporation's Manager of \$398,945 (December 31, 2023 – \$384,422).

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 \$149,000 for the year ended March 31, 2024 (2023 – \$200,000). 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.

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Key management compensation:

For the three months ended March 31, 2024, the total directors' fee expenses were \$80,250 (2023 – \$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 854,421 shares in the Corporation as at March 31, 2024 (December 31, 2023 – 853,721).

Aggregate compensation paid to key management personnel (including payments to related parties for their recovery of costs), consisted of short-term employee compensation of \$1,008,207 (2023 – \$1,132,971) for the three months ended March 31, 2024. All compensation was paid by the Corporation's Manager and not by the Corporation.

12. Interest expense

	March 31, 2024	March 31, 2023
Bank interest expense	\$ 779,520	\$ 1,014,957
Debenture interest expense	2,655,527	2,985,386
Interest expense	3,435,047	4,000,343
Deferred finance costs amortization - convertible debentures	(275,744)	(313,305)
Implicit interest rate in excess of coupon rate - convertible debentures	(226,391)	(226,115)
Changes in accrued interest payable	780,393	514,344
Cash interest paid	\$ 3,713,305	\$ 3,975,267

13. 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.

14. 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. 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.

The following table presents the changes in related debt investments (at FVTPL) for periods ended March 31, 2024 and December 31, 2023:

Changes to related debt investments at FVTPL	March 31, 2024	December 31, 2023
Balance, beginning of period	\$ 6,581,300	\$ 15,592,000
Funding of investments	111,169	635,163
Repayments of investments	-	(3,715,000)
Unrealized foreign exchange	1,237,829	(250,563)
Fair value adjustment	(1,368,800)	(5,680,300)
Balance, end of period	\$ 6,561,498	\$ 6,581,300

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.

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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, 2024 and December 31, 2023 other than our related debt investments as disclosed above. It does 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, 2024	Level 1	Level 2	Level 3	Total
Convertible debentures	\$ 158,130,506	-	-	\$ 158,130,506

December 31, 2023	Level 1	Level 2	Level 3	Total
Convertible debentures	\$ 147,375,411	-	-	\$ 147,375,411

There were no transfers between level 1, level 2 and level 3 during the three months ended March 31, 2024, and year ended December 31, 2023.

15. 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

(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. To help mitigate this risk most of the Corporation's investments have floating interest rate with a fixed floor thereby taking advantage of rising rates but limiting the downside risk of falling rates.

(ii) Interest expense risk

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

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At March 31, 2024, 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 period would be affected as follows:

Financial assets:	Carrying Value	-1%	+1%
Amounts receivable and prepaid expenses	\$ 6,261,494	\$ -	\$ -
Investment portfolio	586,564,481	(2,778,247)	5,888,077
Financial liabilities:			
Bank indebtedness	3,583,954	35,840	(35,840)
Credit facility	26,355,559	263,556	(263,556)
Accounts payable and accrued liabilities	2,355,207	-	-
Shareholders' dividends payable	2,690,217	-	-
Convertible debentures	158,624,383	-	-
Total change	\$ 786,435,295	\$ (2,478,851)	\$ 5,588,681

(b) Credit and operational risks

Credit risk is the possibility that a borrower under one of 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. The Corporation minimizes its credit risk by ensuring that the collateral value of the security fully protects first, second and subsequent mortgage advances and that there is a viable exit strategy for each loan. In addition, the Corporation limits its concentration risk by diversifying its investment portfolio by way of location, property type, loan to value, maximum loan amount on any one property and maximum loan amounts to one borrower.

(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, 2024, 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 \$148,679,828 as at March 31, 2024 (December 31, 2023 – \$154,832,754). These commitments are anticipated to be funded from the Corporation's syndicate credit facility and borrower repayments.

The Corporation has a committed revolving syndicate credit facilities with The Toronto – Dominion Bank, as administrative agent, and the lenders party thereto, of \$180 million to fund the timing differences between investment advances and investment repayments with a maturity date of January 17, 2026.

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 credit facility. 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.

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(Unaudited)
(in Canadian dollars)

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, 2024 are due as follows:

	Total	Less than 1 year	1-3 years	4-7 years
Bank indebtedness	\$ 3,583,954	\$ 3,583,954	\$ -	\$ -
Credit facility	26,355,559	26,355,559	-	-
Accounts payable and accrued liabilities	2,355,207	2,355,207	-	-
Shareholders' dividends payable	2,690,217	2,690,217	-	-
Convertible debentures	166,183,000	26,500,000	95,983,000	43,700,000
Subtotal - Liabilities	201,167,937	61,484,937	95,983,000	43,700,000
Future advances under portfolio	148,679,828	148,679,828	-	-
Liabilities and contractual obligations	\$ 349,847,765	\$ 210,164,765	\$ 95,983,000	\$ 43,700,000

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 \$7,794,273 for less than 1 year, \$10,452,554 for 1 to 3 years and \$7,820,000 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 mortgages 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.

(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.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION
Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023
(Unaudited)
(in Canadian dollars)

16. 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 at January 1, 2024	\$ 24,678,301	\$ 158,122,248
Financing cash flow activities:		
Debenture issue	-	-
Net on credit facility	1,677,258	-
Repayment and conversions of convertible debentures	-	-
Total cash flow from financing activities	26,355,559	158,122,248
Financing non-cash activities:		
Implicit interest rate in excess of coupon rate (note 7)	-	226,391
Deferred finance cost amortization (note 7)	-	275,744
Total non-cash flow financing activities	-	502,135
Balance at March 31, 2024	\$ 26,355,559	\$ 158,624,383