

# REPORT TO SHAREHOLDERS

SECOND QUARTER JUNE 30, 2025



#### PRESS RELEASE



#### FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

#### TSX Symbol FC

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION ANNOUNCES Q2/2025 RESULTS, AS WELL AS THE DECLARATION OF OCTOBER, AND NOVEMBER MONTHLY CASH DIVIDENDS

August 7, 2025, TORONTO, CANADA – Firm Capital Mortgage Investment Corporation (the "Corporation") (TSX FC, FC.DB.J, FC.DB. K and FC.DB.L) today released its financial statements for the six months ended June 30, 2025.

#### **NET INCOME**

For the three months ended June 30, 2025, net income increased by 13.4% to \$9,674,154 as compared to \$8,533,772 for the same period in 2024. Net income for the six months ended June 30, 2025 increased by 14.9% to \$19,647,419, as compared to \$17,103,556 reported for the same period in 2024.

#### **EARNINGS PER SHARE**

Basic weighted average earnings per share for the three months ended June 30, 2025 was \$0.263, as compared to the \$0.247 per share reported for the three months ended June 30, 2024. Distributions per share to shareholders for the second quarter ended June 30, 2025 totaled \$0.234.

For the six months ended June 30, 2025, the Corporation reported income in excess of distributions by approximately \$2.46 million, or \$0.07 per share.

#### **PORTFOLIO**

The Corporation's investment portfolio decreased by 4.5% to \$624.4 million as at June 30, 2025, in comparison to \$653.8 million as at December 31, 2024 (in each case, gross impairment allowance, fair value adjustment, and unamortized fees). For the six months ended June 30, 2025, new investment funding was \$133.4 million (2024 – \$173.4 million), and repayments were \$162.8 million (2024 – \$111.2 million). On June 30, 2025, the Investment Portfolio was comprised of 257 investments (2024 – 286). The average gross investment size was approximately \$2.4 million, with 18 investments individually exceeding \$7.5 million.

#### ALLOWANCE FOR EXPECTED CREDIT LOSSES AND FAIR VALUE ADJUSTMENTS

The allowance for expected credit losses and fair value adjustment as of June 30, 2025 was \$32.9 million (December 31, 2024 – \$29.6 million), comprising (i) \$26.1 million (December 31, 2024 – \$21.9 million) 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) \$4.5 million (2024 – \$6.0 million) representing the total amount of management's estimate of fair value adjustment on investments stated at fair value through profit or loss; and (iii) a collective allowance balance of \$2.3 million (2024 – \$1.7 million).

#### **INVESTMENT PORTFOLIO DETAILS**

Details on the Corporation's investment portfolio as at June 30, 2025, are as follows:

- The total gross carrying amount of the investment portfolio was \$624,448,317, a decrease of 4.5% from the \$653,767,443 reported at December 31, 2024.
- Conventional first mortgages comprise 93.5% of the total net investment portfolio (92.4% as at December 31, 2024).
- Approximately 50.1% of the total gross carrying amount of the investment portfolio matures by December 31, 2025.
- The average face interest rate on the total gross carrying amount of the investment portfolio is 9.78% per annum, as compared to 10.07% at December 31, 2024.
- Regionally, the gross mortgage investment portfolio is diversified as follows: Ontario (90.7%), Quebec (4.9%), Western Canada (1.6%) and USA (2.8%).
- Of the 257 investments, 239 were underwritten (as part of a renewal process or for new fundings) between 2024 and 2025, representing 92.2% of the investment portfolio, while the remaining 7.8% were underwritten in 2023 or prior.

#### **CASH DIVIDEND DISTRIBUTION**

The Corporation is pleased to announce that its board of directors has declared a monthly cash dividend of \$0.078 per common share (subject to adjustment at the discretion of the board of directors) payable on each dividend payment date set out below to holders of common shares of record at the close of business on each record date set out below:

Record DateDividend Payment DateOctober 31, 2025November 17, 2025November 28, 2025December 15, 2025

#### **DIVIDEND AND SHARE PURCHASE PLAN**

The Corporation has in place a Dividend Reinvestment Plan (DRIP) and Share Purchase Plan that is available to its shareholders. The DRIP allows participants to have their monthly cash dividends reinvested in additional shares. The price paid per share is 97% (if the share price is higher than \$12.50) of the weighted average trading price calculated five trading days immediately preceding each dividend date with no commission cost. Once registered with the Share Purchase Plan, participants have the right to purchase additional shares, totaling no greater than \$12,000 per year and no less than \$250 per month. Shareholders participating pay no commission.

For the three months ended June 30, 2025, dividends declared were \$0.234 per share (2024 – \$0.234 per share) for a total of \$8,596,366 (2024 – \$8,070,758). As at June 30, 2025, \$2,865,470 (2024 – 4,922,410) was accrued and paid after quarter end. The number of common shares outstanding at June 30, 2025 was 36,736,796, as compared to 34,490,679 at June 30, 2024.

#### ABOUT THE CORPORATION

#### Where Mortgage Deals Get Done®

The Corporation, through its mortgage banker, Firm Capital Corporation, is a non-bank lender providing residential and commercial short-term bridge and conventional real estate financing, including construction, mezzanine, and equity investments. The Corporation's investment objective is the preservation of shareholders' equity, while providing shareholders with a stable stream of monthly dividends from investments. The Corporation achieves its

investment objectives through investments in selected niche markets that are under-serviced by large lending institutions. Lending activities to date continue to develop a diversified mortgage portfolio, producing a stable return to shareholders. Full reports of the financial results of the Corporation for the year are outlined in the unaudited consolidated financial statements and the related management discussion and analysis of the Corporation, available on the SEDAR+ website at www.sedarplus.ca. In addition, supplemental information is available on the Corporation's website at www.firmcapital.com.

#### **FORWARD-LOOKING STATEMENTS**

This news release contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our objectives, our strategies to achieve those objectives, our performance, our investment portfolio and our dividends, 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 in our current Annual Information Form under "Risk Factors" (a copy of which can be obtained at www.sedarplus.ca), which could cause our actual results and performance to differ materially from the forward-looking statements contained in this news release.

Those risks and uncertainties include, among others, risks associated with mortgage lending, dependence on the Corporation's manager and mortgage banker, 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, among others, that the Corporation is able to invest in mortgages at rates consistent with rates historically achieved; adequate mortgage investment opportunities are presented to the Corporation; and adequate bank indebtedness and bank loans are available to the Corporation. Although the forward-looking information contained in this news release is based upon what management believes are reasonable assumptions, there can be no assurance that actual results and performance will be consistent with these forward-looking statements.

All forward-looking statements in this news release 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.

For further information, please contact:

Firm Capital Mortgage Investment Corporation Eli Dadouch President & Chief Executive Officer (416) 635-0221



## MD&A

MANAGEMENT DISCUSSION AND ANALYSIS

SECOND QUARTER JUNE 30, 2025



#### **OUR BUSINESS**

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

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

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

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

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

Additional information on the Corporation, its Plans, and its investment portfolio is available on the Corporation's web site at www.firmcapital.com. Additional information about the Corporation, including its Annual Information Form ("AIF"), can be found on the SEDAR+ website at www.sedarplus.ca.

#### RECENT DEVELOPMENTS AND OUTLOOK

The Corporation's investment portfolio (the "Investment Portfolio") for the six months ended June 30, 2025, continued to revolve, with new fundings and discharges of investments being \$133.4 million and \$162.8 million respectively (six months ended June 30, 2024 – \$173.4 million and \$111.2 million, respectively). The Corporation increased its provision for expected credit losses and fair value loss in the second quarter of 2025 by \$1.4 million, to a total of \$32.9 million as at June 30, 2025, while generating earnings per share of \$0.263. Distributions per share to shareholders for the second quarter totaled \$0.234. For the six months ended June 30, 2025 the Investment Portfolio consisted of 93.5% of conventional first mortgages. The Corporation continues to participate in new investments on a disciplined basis with conservative underwriting on real estate in sectors of the market that it considers to be less susceptible to economic and market uncertainty.

During the balance of 2025, the Corporation expects to continue to revolve the Investment Portfolio selectively, focusing on acceptable exposure levels, and borrower quality. There are no assurances regarding the achievable portfolio size, as the primary focus is on security.

#### **BASIS OF PRESENTATION**

The Corporation has adopted IFRS® Accounting 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 August 7, 2025 and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Corporation and the notes thereto as at, and for the six months ended June 30, 2025, and 2024, 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 2024.

#### **HIGHLIGHTS**

#### **NET INCOME**

For the three months ended June 30, 2025, net income increased by 13.4% to \$9,674,154 as compared to \$8,533,772 for the same period in 2024. Net income for the six months ended June 30, 2025 increased by 14.9% to \$19,647,419, as compared to \$17,103,556 reported for the same period in 2024.

#### **EARNINGS PER SHARE**

Basic weighted average earnings per share for the three months ended June 30, 2025 was \$0.263 (2024 – \$0.247). Diluted weighted average earnings per share for the three months ended June 30, 2025 was \$0.262 (2024 – \$0.247).

Basic weighted average earnings per share for the six months ended June 30, 2025 was \$0.535 (2024 – \$0.496). Diluted weighted average earnings per share for the six months ended June 30, 2025 was \$0.533 (2024 – \$0.496).

#### **REVENUES**

For the three months ended June 30, 2025, revenues decreased by 7.9% to \$15,727,116, down from \$17,070,143 during the same period in 2024. Revenues for the six months ended June 30, 2025 decreased by 1.6% to \$32,812,086, as compared to \$33,356,159 reported for the same period in 2024. The decrease is primarily a result of lower interest income due to lower weighted average portfolio size and lower weighted average interest rate, over the comparable period in 2024 (for the six months ended June 30, 2025 the weighted average portfolio size was \$638 million as compared to \$641 million over the comparable period in 2024, with monthly weighted average interest rate in 2025 of 9.93% as compared to 10.77% in 2024).

#### **INVESTMENT PORTFOLIO**

The Corporation's Investment Portfolio decreased by 4.5% to \$624,448,317 as at June 30, 2025, in comparison to \$653,767,443 as at December 31, 2024 (in each case, gross of the allowance for expected credit losses, fair value adjustment, and unamortized fees). The allowance for expected credit losses and fair value adjustment as of June 30, 2025 was \$32,952,427 (December 31, 2024 – \$29,556,213), comprising (i) \$26,112,153 (December 31, 2024 – \$21,826,000) 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) \$4,534,274 (December 31, 2024 – \$5,991,213) representing the total amount of management's estimate of fair value adjustment on investments stated at fair value through profit or loss ("FVTPL"), and (iii) a collective provision for expected credit losses of \$2,306,000 (December 31, 2024 – \$1,739,000). The unamortized fees as of June 30, 2025, were \$1,101,007 (December 31, 2024 – \$1,039,517).

#### **CAPITAL ACTIVITIES**

On May 12, 2025, the Corporation fully repaid its outstanding 5.40% convertible unsecured subordinated debentures (FC.DB.I). The repayment was made through a cash payment of the total principal amount of \$25,000,000, along with all accrued interest up to the maturity date.

On August 8, 2024, the Corporation completed a bought deal public offering with a syndicate of underwriters, selling 1,950,000 Shares at \$11.30 per Share (the "Issue Price"), raising gross proceeds of \$22,035,000. On August 12, 2024, the underwriters exercised their over-allotment option in full, resulting in the issuance of an additional 292,500 Shares at the Issue Price, generating an additional \$3,305,250. Total gross proceeds from the public offering was \$25,340,250.

On August 31, 2024, the Corporation fully repaid its outstanding 5.30% convertible unsecured subordinated debentures (FC.DB.H). The repayment was made through a cash payment of the total principal amount of \$26,500,000, along with all accrued interest up to the maturity date.

#### RESTATEMENT OF COMPARATIVE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

During the year ended December 31, 2024, management determined that cash funding of the investment portfolio and discharging of the investment portfolio, previously categorized under investing activities, was more appropriately categorized as an operating activity and cash interest paid, previously categorized as a financing activity, was also more appropriately categorized as an operating activity in the consolidated statement of cash flows. In order to correct, the interim condensed consolidated statement of cash flows for the three and six months period ended June 30, 2024 has been restated as presented in the table below, with no impact on the net increase in cash flow for the period. This restatement does not affect the interim condensed consolidated statement of income and comprehensive income or earnings per share, the interim condensed consolidated statement of changes in shareholders' equity, or the interim condensed consolidated balance sheet.

	For the three	months ended Jui	ne 30, 2024	For the six	For the six months ended Jur			
-	As previously reported	Restatement	Restated	As previously reported	Restatement	Restated		
Cash provided (used) by operating activities	\$ 15,723,185	\$ (49,615,268)	\$ (33,892,083)	\$ 29,840,391	\$ (68,435,248)	\$ (38,594,857)		
Cash flows from (used in) financing activities	31,952,163	2,477,360	34,429,523	19,990,377	6,190,665	26,181,042		
Cash provided by (used in)	(47,137,909)	47,137,909	-	(62,244,583)	62,244,583	-		

#### **INVESTMENT PORTFOLIO**

The Corporation's Investment Portfolio was \$590,394,883 as at June 30, 2025 (net of the allowance for expected credit losses of \$28,418,153, fair value loss adjustment of \$4,534,274 and unamortized fees of \$1,101,007) and was \$623,171,713 as at December 31, 2024 (net of the allowance for expected credit losses of \$23,565,000, fair value loss adjustment of \$5,991,213 and unamortized fees of \$1,039,517). On June 30, 2025, the total Investment Portfolio comprised of 257 investments (286 as at December 31, 2024). The average gross investment size was approximately \$2.4 million, with 18 investments individually exceeding \$7.5 million.

		June 30, 2025			Decemi	oer 31, 2024		
		<b>Total Amount</b>				<b>Total Amount</b>	Portfoli	%
Investment Amount	Number	(before allowance) % o	f Portfolio	Number	(be	fore allowance)	0	Change
\$0 - \$2,500,000	195	\$ 180,612,566	28.9%	222	\$	205,405,492	31.4%	(12.1%)
\$2,500,001 - \$5,000,000	32	110,283,369	17.7%	32		110,804,438	16.9%	(0.5%)
\$5,000,001 - \$7,500,000	12	69,813,629	11.2%	17		103,209,073	15.8%	(32.4%)
\$7,500,001 +	18	263,738,753	42.2%	15		234,348,440	35.8%	12.5%
Total Investments	257	\$ 624,448,317	100%	286	\$	653,767,443	100%	(4.5%)
Less: Impairment allowance		(28,418,153)				(23,565,000)		
Less: Fair value adjustment		(4,534,274)				(5,991,213)		
Less: Unamortized fees		(1,101,007)				(1,039,517)		
Investment Portfolio		\$ 590,394,883			\$	623,171,713		(5.3%)

Unadvanced committed funds under the existing Investment Portfolio amounted to \$126 million as at June 30, 2025 (December 31, 2024 – \$131 million).

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

		Jι	une	30, 2025			Decen	nber 31, 2024		
Investment Categories	W.A Interest Rate	W.A LTV*		Outstanding amount	% of Portfolio	W.A Interest Rate	W.A LTV*	Outstanding amount	Portfoli o	% Change
Conventional First Mortgages	9.7%	54.6%	\$	551,955,215	93.5%	10.0%	54.5%	\$ 575,610,292	92.4%	(4.1%)
Conventional Non-First Mortgages	10.5%	60.5%		44,869,484	7.6%	10.8%	61.1%	48,168,954	7.7%	(6.8%)
Non-Conventional Mortgages	11.8%	91.0%		11,937,578	2.1%	12.4%	91.0%	12,943,328	2.1%	(7.8%)
Debtor In Possession Loans	11.5%	36.5%		6,669,208	1.1%	11.5%	36.5%	6,669,208	1.1%	-
Related Debt Investments & Marketable securities (at FVTPL)	7.3%	N/A**		4,327,558	0.7%	7.3%	N/A**	4,229,448	0.7%	2.3%
Related Debt Investments (at amortized cost)	10.5%	70.5%		155,000	0.0%	10.5%	70.5%	155,000	0.0%	(0.0%)
Less: Allowance for impairment on investments at amortized cost				(28,418,153)	(4.7%)			(23,565,000)	(3.8%)	20.6%
Less: Unamortized fees				(1,101,007)	(0.2%)			(1,039,517)	(0.2%)	5.9%
Total Investments	9.78%		\$	590,394,883	100%	10.07%		\$ 623,171,713	100%	(5.3%)

<sup>\*</sup>At the time of initial funding

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 5.3% decrease in the total Investment Portfolio was mainly due to a decrease in the amount of the conventional mortgages and non-conventional mortgages. During the six months ended June 30, 2025, new investment funding was \$133.4 million (2024 – \$173.4 million), while repayments during the period were \$162.8 million (2024 – \$111.2 million), resulting in an decrease in the Investment Portfolio size.

Total Conventional first mortgages decreased by 4.1% and represented 93.5% of the Investment Portfolio as at June 30, 2025 (92.4% as at December 31, 2024). Conventional non-first mortgages decreased by 6.8% and represented 7.6% of the Investment Portfolio at June 30, 2025 (7.7% as at December 31, 2024). Non-conventional mortgages represented 2.0% of the total Investment Portfolio as at June 30, 2025 (2.1% as at December 31, 2024). The DIP Loan represented 1.1% of the Investment Portfolio as at June 30, 2025 (1.1% as at December 31, 2024). The Related Debt Investments at FVTPL at June 30, 2025 were \$4,327,558 (December 31,2024 – \$4,229,448) which included: (i) Four Canadian Related debt investments (classified as FVTPL) (December 31, 2024 – five Canadian Related debt investments) totaling \$5,014,019 (December 31, 2024 – \$6,165,237) with a fair value loss of \$735,000, (ii) one US dollar denominated investment (classified at FVTPL) totaling \$3,796,847 (US \$2,783,000) (December 31, 2024 – one US dollar denominated investment totaling \$4,004,459 (US\$2,783,000)) with a fair value loss of \$3,796,847, and (iii) marketable securities totaling \$50,966 (December 31, 2024 – \$50,966) with fair value loss of \$2,427.

<sup>\*\*</sup>These are not debt positions, and as a result LTV is not applicable.

The weighted average face interest rate on the Corporation's Investment Portfolio was 9.78% per annum as at June 30, 2025, compared to 10.07% per annum as at December 31, 2024.

The allowance for expected credit losses and fair value loss adjustment was \$32,952,427 as at June 30, 2025 (December 31, 2024, the allowance for expected credit losses and fair value loss adjustment – \$29,556,213), comprised of: (i) \$26,112,153 (December 31, 2024 – \$21,826,000) 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) \$4,534,274 (December 31, 2024 – \$5,991,213) representing the total amount of management's estimate of fair value adjustment on investments and (iii) a collective provision for expected credit losses balance of \$2,306,000 (December 31, 2024 – \$1,739,000).

The gross carrying amount allocation of the Investment Portfolio between its 11 different loan categories is as follows:

		June 30, 2025			December 31, 2024		
		Total Amount	,		Total Amount	% of	%
Property Type	Number	(before allowance) %	of Portfolio	Number	(before allowance)	Portfolio	Change
Construction Mortgages	81	209,131,506	33.5%	88	213,034,213	32.6%	(1.8%)
Land & Housing Sites	28	121,018,675	19.4%	26	121,764,678	18.6%	(0.6%)
Single Family Dwelling and Condo unit(s)	113	151,120,048	24.2%	129	181,103,384	27.7%	(16.6%)
Retail	5	32,147,491	5.1%	8	32,927,491	5.0%	(2.4%)
Multi Family Residential Mortgages	8	53,421,802	8.6%	8	61,344,698	9.4%	(12.9%)
Related Debt Investments	6	9,016,832	1.4%	7	10,375,661	1.6%	(13.1%)
Land Servicing & Serviced Lots	4	19,322,932	3.1%	5	13,938,764	2.1%	38.6%
Industrial	3	4,438,000	0.7%	5	9,165,098	1.4%	(51.6%)
Mixed Use & Other	6	22,540,000	3.6%	5	8,957,500	1.4%	151.6%
Office & Office Condos (owner occupied)	2	2,240,065	0.4%	4	1,104,990	0.2%	102.7%
Marketable securities	1	50,966		1	50,966	0.0%	
	257	\$ 624,448,317	100%	286	\$ 653,767,443	100%	(4.5%)

The Corporation continues to focus its lending on 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 June 30, 2025, the gross carrying value of the Investment Portfolio that is secured by properties outside of Ontario was 9.3%, compared to 10.0% as at December 31, 2024.

		June 3	0, 2025			December 31, 2024		
Geographic Segment	Number		Total Amount %	of Portfolio	Number	Total Amount	% of	%
Greater Toronto Area	150	\$	366,343,489	59.5%	171	\$ 358,461,300	55.7%	2.2%
Non-GTA Ontario	78		191,590,202	31.2%	90	220,601,745	34.3%	(13.2%)
Quebec	8		30,239,035	4.9%	7	31,467,159	4.9%	(3.9%)
Western Canada	13		9,869,202	1.6%	9	17,471,045	2.7%	(43.5%)
East Canada	0		-	0.0%	1	1,268,835	0.2%	
United States	2		17,389,557	2.8%	1	14,121,698	2.2%	23.1%
Mortgage Investment Portfolio	251	\$	615,431,485	100%	279	\$ 643,391,782	100%	(4.3%)
Related Debt Investments	6		9,016,832		7	10,375,661		(13.1%)
	257	\$	624,448,317		286	\$ 653,767,443		(4.5%)

<sup>\*</sup>The Related Debt Investments at June 30, 2025, include \$155,000 investments at amortized cost and \$8,810,866 investments at FVTPL and then adjusted for a fair value decrease of \$4,531,847

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

		June 3	0, 2025					
			Total Amount			(before	Portfoli	%
Underlying Security Type	Number		(before allowance)	% of Portfolio	Number	allowance)	0	Change
Residential	232		506,940,858	81.2%	255	\$ 557,625,259	85.2%	(9.1%)
Commercial	19		108,490,626	17.4%	24	85,766,523	13.2%	26.5%
Related Debt Investments	6		9,016,833	1.4%	7	10,375,661	1.6%	(13.1%)
	257	\$	624,448,317	100%	286	\$ 653,767,443	100%	(4.5%)

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 (the combined conventional first and conventional non-first mortgages) is under 55% based on the appraisals obtained at the time of funding each mortgage loan.

Included in conventional first mortgages is one United States ("US") dollar denominated investment (at amortized cost) of \$13,389,557 (US\$9,814,232) (December 31, 2024 – one US dollar denominated investment of \$14,121,698 (US\$9,814,232)).

For the three months ended June 30, 2025, income recorded on the US investments (at amortized cost and FVTPL) was \$320,892 (US\$237,846), (2024 – \$395,576 (US\$288,148)). For the six months ended June 30, 2025 income recorded on the US investments (at amortize cost and FVTPL) was \$661,609 (US\$473,993) (June 30, 2024 – \$806,433 (US\$590,662)). These amounts are included in interest and fees income.

As of June 30, 2025, the gross investment portfolio, prior to any allowance, included fifteen loans, totaling \$53,271,336 (December 31, 2024 – fourteen investments totaling \$63,537,972), where the underlying collateral is insufficient to fully recover the outstanding loan amounts. The loss in excess of the collateral value for these loans has been accounted for with individual allowances totaling \$26,112,153 (December 31, 2024 – \$21,826,000).

The investment portfolio as at June 30, 2025, included thirteen investments totaling \$27,062,150 (December 31, 2024 – twenty two investments totaling \$26,985,642) with maturity dates that are past due and for which no extensions or renewals were in place. Five of these investments totaling \$18,583,091 (December 31, 2024 – three investments totaling \$7,994,245) have provision recorded against them included in the Corporation's allowance for credit losses. The remaining eight investments with maturity dates that are past due and for which no extensions or renewals were in place amount to \$8,479,059 (December 31, 2024 – seventeen investments totaling \$16,120,397). These investments do not require individual allowances, as sufficient collateral exists and a collective allowance is already in place.

As at June 30, 2025, the Investment Portfolio continued to be heavily concentrated in short-term investments, with approximately 49.8% maturing on or before December 31, 2025. The short-term nature of the Investment Portfolio provides the Corporation with the ability to continually revolve the portfolio and adapt to changes in the real estate market. Renewals are offered to borrowers when deemed appropriate. Of the 257 investments, 239 were underwritten (as part of a renewal process or for new fundings) between 2024 and 2025, representing 92.2% of the Investment Portfolio, while the remaining 7.8% were underwritten in 2023 or prior.

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

	No.	Total Amount (before allowance and Fair market adjustment)	% of Portfolio
2025	120	\$ 310,702,471	49.8%
2026	129	295,917,023	47.4%
2027	8	17,828,823	2.8%
Total gross carrying amount	257	\$ 624,448,317	100.0%

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 June 30, 2025, 221 of the Corporation's 257 investments (investment amount of \$596,109,445) are shared with other participants, and 26 of which (with a total investment amount of \$113,697,730) 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 \$42 million with the Corporation alongside its Investment Portfolio as at June 30, 2025.

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 June 30, 2025 and 2024, there were no mortgages with first priority participants.

As at June 30, 2025, the Corporation had unamortized fees of \$1,101,007 (December 31, 2024 – \$1,039,517) which are netted against the Investment Portfolio. The Corporation's policy is to recognize unamortized fees using the effective interest method over the contractual terms of mortgages.

#### **RESULTS OF OPERATIONS**

#### **REVENUES**

For the three months ended June 30, 2025, revenues decreased by 7.9% to \$15,727,116 compared to \$17,070,143 for the three months ended June 30, 2024. For the six months ended June 30, 2025, revenues decreased by 1.6% to \$32,812,086 compared to \$33,356,159 for the six months ended June 30, 2024.

Revenues for the three and six months ended June 30, 2025 and 2024 are broken down as follows:

Three Months Ended	June 30, 2025			June 30, 2024			
Interest	\$ 15,199,898	96.6%	\$	16,342,495	95.7%	(7.0%)	
Commitment & Renewal Fees	561,290	3.6%		539,736	3.2%	4.0%	
Other Income	(34,072)	(0.2)%		187,912	1.1%	(118.1%)	
	\$ 15.727.116	100%	\$	17.070.143	100%	7.9%	

Six Months Ended	June 30, 2025			June 30, 2024			
Interest	\$ 31,056,088	94.6%	\$	32,031,921	96.0%	(3.0%)	
Commitment & Renewal Fees	1,112,302	3.4%		1,069,538	3.2%	4.0%	
Other Income	643,696	2.0%		254,700	0.8%	152.7%	
	\$ 32,812,086	100%	\$	33,356,159	100.0%	(1.6%)	

For the three months ended June 30, 2025, interest income decreased by 7.0% to \$15,199,898 compared to \$16,342,495 reported for the comparable period in 2024. For the six months ended June 30, 2025, interest income decreased by 3.0% to \$31,056,088 compared to \$32,031,921 reported for the comparable period in 2024. The decrease in interest income is primarily due to the lower weighted average interest rate, over the comparable period in 2024.

For the three months ended June 30, 2025, commitment and renewal fees were \$561,290, an increase of 4.0% from \$539,736 reported for the comparable period in 2024. For the six months ended June 30, 2025, commitment and renewal fees were \$1,112,302, an increase of 4.0% from \$1,069,538 reported for the comparable period in 2024.

For the three months ended June 30, 2025, other income was a loss of \$34,072 (other income 2024 – \$187,912). For the six months ended June 30, 2025, other income was \$643,696 (2024 – \$254,700). The increase in other income for the six months ended June 30,2025 was largely driven by a one-time special profit of \$620,000 from a single loan.

#### **CORPORATION MANAGER INTEREST ALLOCATION**

During the three months ending June 30, 2025, the Corporation Manager received \$1,136,795 (2024 – \$1,114,956), through an interest arrangement with the Corporation. For the six months ended June 30, 2025, this amount was \$2,324,710 (June 30, 2024 – \$2,235,328). The increase resulted mainly from a larger average portfolio size in the first quarter of 2025 as compared to 2024.

#### INTEREST EXPENSE

Interest expense includes interest on our borrowing facility and outstanding debentures. For the three months ended June 30, 2025, interest expense decreased by 20.1% to \$3,012,1116 as compared to \$3,768,289 for the three months ended June 30, 2024. For the six months ended June 30, 2025, interest expense decreased by 10.8% to \$6,425,440 as compared to \$7,203,336 for the six months ended June 30, 2024. The decrease in interest expense is primarily due to a decrease in outstanding debentures and interest rates during the six months ended June 30, 2025 relative to 2024, offset by an overall increase in utilization of the Corporation's credit facility.

Interest expense is broken down as follows:

Three Months Ended	June 30, 2025		June 30, 2024		% Change
Bank Interest Expense	\$ 931,919	30.9%	\$ 1,109,357	29.4%	(16.0%)
Debenture Interest Expense	2,080,197	69.1%	2,658,932	70.6%	(21.8%)
	\$ 3,012,116	100%	\$ 3,768,289	100.0%	(20.1%)

Six Months Ended	June 30, 2025		June 30, 2024		% Change
Bank Interest Expense Debenture Interest Expense	\$ 2,084,567 4,340,873	32.4% 67.6%	\$ 1,888,877 5,314,459	26.2% 73.8%	10.4% (18.3%)
	\$ 6,425,440	100%	\$ 7,203,336	100.0%	(10.8%)

#### GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

For the three months ended June 30, 2025, G&A expenses were \$366,301 (2024 – \$398,352). For the six months ended June 30, 2025, G&A expenses were \$745,417 (2024 – \$760,111). The decrease in G&A expenses is mainly the result of lower accounting fees.

#### INCENTIVE OPTION PLAN

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

	Six mor	iths	ended Ju	ıne 30	, 2025	Year ended December 31, 2024			
	Number of	eighted verage kercise			Number of	Weighted average exercise			
	options		price		Amount <sup>1</sup>	options	price	Amount <sup>3</sup>	
Outstanding, beginning of period	3,245,000	\$	11.73	\$	2,618,154	3,245,000	\$ 11.73	\$ 2,535,489	
Options granted/amortization amount Cancelled	-		-		40,884 -		-	82,665	
Outstanding, end of period	3,245,000		11.73	\$	2,659,035	3,245,000	\$ 11.73	\$ 2,618,154	
Number of options exercisable	2,725,000	\$	11.75			2,725,000	\$ 11.75		

<sup>&</sup>lt;sup>1</sup>The outstanding amount corresponds to the stock-based compensation associated with the issued stock options.

The following options were issued and outstanding as at June 31, 2025:

	Number of options		
Expiry date	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	\$11.73	2,725,000

The total number of stock options outstanding as at June 30, 2025 is 3,245,000 (December 31, 2024 - 3,245,000), of which 2,725,000 stock options are vested and exercisable (December 31, 2024 - 2,725,000).

## FAIR VALUE ADJUSTMENT ON INVESTMENT PORTFOLIO AND PROVISION FOR EXPECTED CREDIT LOSSES ON INVESTMENT PORTFOLIO AND INTEREST RECEIVABLE

The fair value recovery on the Corporation's Investment Portfolio as at June 30, 2025 was \$1,456,939 (2024 expense – \$1,478,600). The provision for expected credit losses on Investment Portfolio and interest receivable for the six months ended June 30, 2025 was \$5,085,158 (2024 – \$4,534,122). The sum of the fair value recovery and provision for expected credit losses for the six months ended June 30, 2025, was an expense of \$3,628,219 (2024 – \$6,012,722).

#### NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income for the three months ended June 30, 2025, was \$9,674,154 (June 30, 2024 – \$8,533,772), which represents an increase of 13.4% over the comparable prior year quarter. Net income and comprehensive income for the six months ended June 30, 2025, was \$19,647,419 (June 30, 2024 – \$17,103,556), which represents an increase of 14.9% over the comparable prior year period. Income for the three months ended June 30, 2025 represented an annualized return on total shareholders' equity (based on the month end average total shareholders' equity in the quarter) of 9.09%. This return on total shareholders' equity represents 651 basis points per annum over the average one-year Government of Canada Treasury bill yield of 2.58%. 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 June 30, 2025 was \$0.263 (June 30, 2024 – \$0.247). Basic weighted average earnings per share for the six months ended June 30, 2025 was \$0.535 (June 30, 2024 – \$0.496).

Diluted weighted average earnings per share for the three months ended June 30, 2025 was \$0.262 (June 30, 2024 – \$0.247). Diluted weighted average earnings per share for the six months ended June 30, 2025 was \$0.533 (June 30, 2024 – \$0.496).

QUARTERLY FINANCIAL INFORMATION

(\$ in millions except per unit amounts)	Jun. 30 2025	Mar. 31 2025	Dec. 31 2024	Sep. 30 2024	Jun. 30 2024	Mar. 31 2024	Dec. 31 2023	Sep. 30 2023	Jun. 30 2023	N	Mar. 31 2023	De	ec. 31 2022
<u> </u>	2023	2023	2024	2024	2024	2024	2023	2023	2023		2023		2022
Operating revenue	\$ 15.73	\$ 17.08	\$ 16.19	\$ 19.08	\$ 17.07	\$ 16.29	\$ 18.11	\$ 17.24	\$ 17.52	\$	19.02	\$ 1	17.53
Interest expense	3.01	3.41	3.70	3.57	3.77	3.44	3.88	3.57	4.10		4.00		4.10
Corporation manager spread interest allocation	1.14	1.19	1.19	1.19	1.11	1.12	1.16	1.07	1.12		1.50		1.12
General & administrative expenses	0.37	0.38	0.52	0.35	0.40	0.36	0.66	0.43	0.46		0.32		0.46
Share based compensation	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02		0.02		0.02
Fair value adjustment on investment portfolio	(0.21)	(1.25)	0.97	1.20	0.11	1.37	(80.0)	3.76	2.00		-		2.10
Impairment loss/(recovery) on investment portfolio	1.72	3.36	0.95	3.79	3.12	1.41	4.14	(0.20)	1.30		4.47		1.30
Income	\$ 9.68	\$ 9.97	\$ 9.16	\$ 8.96	\$ 8.54	\$ 8.57	\$ 8.33	\$ 8.59	\$ 8.52	\$	8.71	\$	8.43
Earnings per share													
Basic	\$0.263	\$0.271	\$0.249	\$0.250	\$0.247	\$0.248	\$0.242	\$0.249	\$0.245		\$0.253	\$	0.245
Diluted	\$0.262	\$0.268	\$0.248	\$0.249	\$0.247	\$0.247	\$0.241	\$0.247	\$0.243		\$0.242	\$	0.243
Dividends per share	\$0.234	\$0.234	\$0.290	\$0.234	\$0.234	\$0.234	\$0.288	\$0.234	\$0.234		\$0.234	\$	0.248

#### **DIVIDENDS**

For the six months ended June 30, 2025, the Corporation declared and paid dividends on the Shares totaling \$17,192,316 (2024 – \$16,141,360). The number of Shares outstanding at June 30, 2025 was 36,736,796, compared to 34,490,679 at June 30, 2024.

	June 30, 2025	June 30, 2024	Change
Cash Flow from Operating Activities Net income and comprehensive income Declared Dividends	\$ 53,889,243 19,647,419 17,192,316	\$ (38,594,857) <sup>2</sup> 17,103,556 16,141,360	15% 7%
Excess (Deficit) Cash Flow from Operating Activities Over Declared Dividends	36,696,927	(54,736,217)	
Surplus of Net Income Over Declared Dividends	2.455.103	962.196	

<sup>&</sup>lt;sup>2</sup> As disclosed within the restatement of comparative interim condensed consolidated statement of cash flow in the highlights section.

#### **CHANGES IN FINANCIAL POSITION**

#### AMOUNTS RECEIVABLE & PREPAID EXPENSES

The amounts receivable and prepaid expenses of \$7,196,792 as at June 30, 2025 (December 31, 2024 – \$8,052,370) are comprised of interest receivable (net of expected credit losses) of \$6,271,828, prepaid expenses of \$418,594, and fees and special income receivable of \$506,370. The decrease in the amount receivable was largely due to a reduction in fees receivable.

#### **CREDIT FACILITY AND BANK INDEBTEDNESS**

The credit facility was drawn in the amount of \$45,686,406 at June 30, 2025 (December 31, 2024 – \$54,626,159), related to borrowings in Canadian dollars of \$28,500,000 and in US dollars of \$12,597,234 (in Canadian dollars \$17,186,406), (December 31, 2024 – borrowing in Canadian dollars of \$36,500,000 and US dollar borrowings \$12,597,234 (in Canadian dollars \$18,126,159)).

#### CONVERTIBLE DEBENTURES

As at June 30, 2025, the Corporation had three series of convertible debentures outstanding, as outlined below:

Ticker				Current	Strike Price	Carrying
Symbol	Coupon	Issue Date	<b>Maturity Date</b>	Principal	Per Share	Value
FC.DB.J	5.50%	Nov. 23, 2018	Jan. 31, 2026	24,966,000	14.60	24,828,109
FC.DB.K	5.00%	Sep. 3, 2021	Sep. 30, 2028	46,000,000	17.75	43,767,674
FC.DB.L	5.00%	Jan. 31, 2022	Mar. 31, 2029	43,700,000	17.00	40,911,100
Total / Average	5.11%			\$ 114,666,000		\$ 109,506,783

As at June 30, 2025, the principal balance for the outstanding convertible debentures was \$114,666,000 (December 31, 2024 – \$139,683,000). The aggregate convertible debenture carrying value as at June 30, 2025 was \$109,506,783 (December 31, 2024 – \$133,583,951). The weighted average effective interest rate of the convertible debentures as at June 30, 2025 was 5.11% (December 31, 2024 – 5.16%).

On May 12, 2025, the Corporation completed the repayment of 5.40% convertible unsecured subordinated debentures (FC.DB.I). This repayment was completed with a cash payment of the aggregate principal amount of \$25,000,000 and all accrued interest to the time of maturity.

On August 31, 2024, the Corporation fully repaid its 5.30% convertible unsecured subordinated debentures (FC.DB.H). The repayment was made through a cash payment of the total principal amount of \$26,500,000, along with all accrued interest up to the repayment date.

#### **OTHER LIABILITIES**

Other liabilities for the Corporation include the following:

Additional Liabilities	,	June 30, 2025	Decer	Change	
Accounts Payable and Accrued Liabilities	\$	2,658,482	\$	3,012,779	(11.7%)
Shareholders' Dividend Payable		2,865,470		4,922,410	(41.8%)
Total	\$	5,523,952	\$	7,935,189	(33.3%)

Accounts payable and accrued liabilities decreased by 11.7% to \$2,658,482 as at June 30, 2025, compared to \$3,012,779 as at December 31, 2024. Accounts payable and accrued liabilities include interest payable of \$1,202,628 (December 31, 2024 – \$1,225,218) and accrued liabilities of \$1,455,854 (December 31, 2024 – \$1,787,561).

#### SHAREHOLDERS' EQUITY

Shareholders' equity at June 30, 2025 totaled \$425,897,347 compared to \$423,386,867 as at December 31, 2024. The Corporation had 36,736,796 Shares issued and outstanding as at June 30, 2025, compared to 36,734,405 Shares as at December 31, 2024. The increase is due to the issuance of 2,391 Shares under the DRIP (December 31, 2024 – 2,597 Shares). Compared to December 31, 2024, the issued and outstanding Shares also increased as a result of Shares issued in connection with the completion of a bought deal public offering by the Corporation in August 2024, with a syndicate of underwriters. Under this public offering, 1,950,000 Shares were issued at \$11.30 per Share (the "Issue Price") on August 8, 2024, raising gross proceeds of \$22,035,000. On August 12, 2024, the underwriters exercised their over-allotment option in full, resulting in the issuance of an additional 292,500 Shares at the Issue Price, generating an additional \$3,305,250. The total gross proceeds from the public offering was \$25,340,250.

#### ALLOWANCE FOR EXPECTED CREDIT LOSSES

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 expected credit losses. The Corporation assesses individually significant investments at each reporting date to determine whether there is objective evidence of impairment. The allowance for expected credit losses 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 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 provision for expected credit losses. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision. Changes in the allowance for expected credit losses are recognized in the

statement of income and reflected in the provision for expected credit losses against the investments. Interest on the impaired assets continues to be recognized to the extent it is deemed to be collectible.

The allowance for expected credit losses is as follows:

	June 30	0, 2025	December 31, 2024		
Investment Categories	Adjustments	Total Amount (before provision)	Adjustments	Total Amount (before provision)	
Conventional First Mortgages	\$ 14,415,083	551,955,215	\$ 14,712,500	\$575,610,293	
Conventional Non-First Mortgages	2,340,000	44,869,484	2,065,000	48,168,954	
Related Debt Investments	-	8,965,866	-	10,324,694	
Debtor In Possession Loan	15,000	6,669,208	-	6,669,208	
Non-Conventional Mortgages	9,342,070	11,937,578	5,048,500	12,943,328	
Total Specific Allowance / Amount	\$ 26,112,153	\$ 624,448,317	\$ 21,826,000	\$ 653,767,443	
IFRS 9 Collective Allowance	2,306,000		1,739,000		
Total Allowance	\$ 28,418,153		\$23,565,000		
Fair Value Adjustment	4,534,274		5,991,213		
Total Allowance and Fair Value Adjustments	\$32,952,427		\$29,556,213		

The following table presents the changes to the allowance for expected credit losses on loans as at June 30, 2025:

The changes to the ECL	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2025	\$ 1,323,000	\$ 17,691,000	\$ 4,551,000	\$ 23,565,000
New fundings	323,000	-	-	323,000
Discharges Transfer to (from):	(419,000)	(61,000)	-	(480,000)
Stage 1	(31,000)	12,000	19,000	-
Stage 2	-	(10,889,500)	10,889,500	-
Stage 3	-	-	-	-
Remeasurements	167,000	(2,280,000)	7,123,153	5,010,153
Balance at June 30, 2025	\$ 1,363,000	\$ 4,472,500	\$ 22,582,653	\$ 28,418,513

The loans comprising the Investment Portfolio are stated at amortized cost or FVTPL. As of June 30, 2025, the allowance for expected credit losses and fair value adjustment was \$32,952,427 (December 31, 2024, – allowance for expected credit losses and fair value adjustment – \$29,556,213) of which \$26,112,153 (December 31, 2024 – \$21,826,000) 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 \$4,534,274 (2024 – \$5,991,213) on investments stated at FVTPL on June 30, 2025.

During the third quarter of 2024 one US dollar Related debt investment carried at FVTPL was written-off for \$8,058,900 (US \$5,088,021) that had already been fully provided for in previous reporting periods.

The Corporation also assessed collectively for expected credit losses 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 June 30, 2025, the Corporation carries a collective provision for expected credit losses of \$2,306,000 (December 31, 2024 – \$1,739,000).

As at June 30, 2025, the Investment Portfolio included two investments totaling \$5,014,019 (December 31, 2024 – four investments \$5,999,364) for which a fair value loss adjustment of \$4,534,274 was recorded (December 31, 2024 – \$5,991,213).

The following table presents the transfers between stages of the gross investments at amortized cost at June 30, 2025:

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2025	\$ 509,773,000	\$ 121,373,544	\$ 12,400,239	\$ 643,546,783
New fundings	121,368,477	-	-	121,368,477
Discharges	(149,013,766)	(14,008,009)	-	(163,021,775)
Transfer to (from) <sup>1</sup> :				
Stage 1	(17,769,611)	7,622,807	10,146,804	_
Stage 2	-	(32,705,393)	32,705,393	-
Stage 3	-	· · · · · · · · · · · · · · · · · · ·	-	-
Net of Advances/Repayments	16,242,307	(1,276,119)	(1,273,188)	13,693,000
Balance at June 30, 2025	\$ 480,600,407	\$ 81,006,830	\$ 53,979,248	\$ 615,586,485

The following table presents the transfers between stages of the gross investments at amortized cost at December 31, 2024:

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2024	\$ 474,484,716	\$ 24,335,277	\$ 82,277,977	\$ 581,097,970
New fundings	225,358,923	_	-	225,358,923
Discharges	(173,596,951)	(9,291,432)	(1,705,761)	(184,594,144)
Transfer to (from) <sup>1</sup> :				
Stage 1	(64,740,101)	60,695,856	4,044,245	-
Stage 2	1,708,500	(1,708,500)	-	-
Stage 3	1,162,500	29,212,837	(30,375,337)	-
Net of Advances/Repayments	45,395,413	18,129,506	(41,840,885)	21,684,034
Balance at December 31, 2024	\$ 509,773,000	\$ 121,373,544	\$ 12,400,239	\$ 643,546,783

#### **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'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 June 30, 2025, this amount was \$1,136,795 (June 30, 2024 – \$1,114,956). For the six months ended June 30, 2025, this amount was \$2,324,710 (June 30, 2024 – \$2,235,328). Included in accounts payable and accrued liabilities at June 30, 2025 are amounts payable to the Corporation's Manager of \$365,789 (December 31, 2024 – \$415,384).

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 \$309,961 for the six months ended June 30, 2025 (2024 – \$298,000). 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 their recovery of costs), consisted of short-term employee compensation of \$1,611,231 (June 30, 2024 – \$1,003,384) for the three months ended June 30, 2025 and for the six months ended June 30, 2025 was \$2,678,009 (June 30, 2024 – \$2,014,840). All compensation was paid by the Corporation's Manager and not by the Corporation.

For the three months ended June 30, 2025, the total director's fee expenses were \$80,250 (June 30, 2024 – \$80,250). For the six months ended June 30, 2025, the total director's fee expenses were \$160,500 (June 30, 2024 – \$160,500).

Certain key management personnel are also directors of the Corporation and received compensation from the Corporation's Manager. The Directors and Officers held 854,875 shares in the Corporation as at June 30, 2025 (December 31, 2024 – 854,875).

Related party transactions are further discussed and detailed in the Corporation's AIF and in note 11 of the accompanying unaudited interim condensed consolidated financial statements of the Corporation for the six months ended June 30, 2025.

#### **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 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 allowance for expected credit losses 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, mortgage loans are measured at amortized cost using the effective interest method, less any expected credit losses. The investments are assessed at each reporting date to determine an allowance for expected credit losses. Losses are recognized in the statement of income and reflected in the allowance account against mortgage investments. When a subsequent event causes the amount of expected credit loss to decrease, the decrease in allowance for expected credit losses 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 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 the 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.

The tables in note 14 of the unaudited interim condensed consolidated financial statements of the Corporation for the six months ended June 30, 2025, present the fair values of the Corporation's financial instruments as at June 30, 2025.

#### **CONTRACTUAL OBLIGATIONS**

Contractual obligations as at June 30, 2025 are due as follows:

	Total	Le	ss than 1 year	1-3 years	4-7 years
Bank indebtedness	\$ 10,977,187	\$	-	\$ 10,977,187	\$ -
Credit facility	45,686,406		-	45,686,406	-
Accounts payable and accrued liabilities	2,658,482		2,658,482	-	-
Shareholders' dividends payable	2,865,470		2,865,470	-	_
Convertible debentures	114,666,000		24,966,000	46,000,000	43,700,000
Subtotal - Liabilities	176,853,545		30,489,952	102,663,593	43,700,000
Future advances under portfolio	126,077,066		126,077,066	-	-
Liabilities and contractual obligations	\$ 302,930,611	\$	156,567,018	\$ 102,663,593	\$ 43,700,000

#### **MATERIAL ACCOUNTING POLICY INFORMATION**

The material accounting policy information used is consistent with those as described in note 3 of the Corporation's unaudited interim condensed consolidated financial statements for the six months ended June 30, 2025.

#### 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 June 30, 2025, 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 \$126 million as at June 30, 2025 (December 31, 2024 – \$131 million). These commitments are anticipated to be funded from the Corporation's credit facility and borrower repayments under the Investment Portfolio.

During the first quarter of 2024 the Corporation increased the limit of its revolving line of credit from \$180 million to \$205 million to fund the timing differences between investment advances and investment repayments. The committed facility's maturity date was extended to October 7, 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 six months ended June 30, 2025, 20 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 uncertainty, driven by factors like inflation, restrictive trade policies including changes to tariff legislation, and recessions, can significantly impact real estate values and borrowers' financial health. Government policies, political stability, and international trade decisions play a crucial role in shaping these conditions. The risk of loan defaults and declining property values increases as borrowers face financial struggles during economic downturns. Continuous monitoring of economic indicators and real estate trends is essential for mitigating risks, and stakeholders must be proactive in adjusting strategies.
- Under various federal, provincial and municipal laws, an owner or operator of real property could become liable for the cost of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The existence of such liability can have a negative impact on the value of the underlying real property securing a mortgage. The Corporation does not own the real property securing its Investment Portfolio and thus would not attract the environmental liability that an owner would be exposed to. In rare circumstances where a mortgage is in default, the Corporation may take possession of real property and may become liable for environmental issues as a mortgagee in possession. The Corporation obtains phase 1 environmental reports for mortgages where the Mortgage Banker determines that such reports would be prudent given the nature of the underlying property.
- The inability to obtain borrowings and leverage, thus reducing yield enhancement.
- Dependence on the Corporation Manager and Mortgage Banker. The Corporation's earnings are impacted by the Mortgage Banker's ability to source and generate appropriate investments that provide sufficient yields while maintaining pre-determined risk parameters. The Corporation has also entered into long-term contracts with the Mortgage Banker and the Corporation Manager, as more particularly described in the AIF. The Corporation is exposed to adverse developments in the business and affairs of the Corporation Manager and Mortgage Banker, since the day-to-day activities of the Corporation are run by the Corporation Manager and since all of the Corporation's investments are originated by the Mortgage Banker.
- Portfolio face rate fluctuations. The interest rate earned on the Corporation's Investment Portfolio fluctuates given that (i) it continually revolves given that it is short term in nature; and (ii) the portfolio is predominately floating rate interest with floors.
- Interest rate risk. The Corporation's operating loan has a 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 component of the Corporation's bank indebtedness is in the form of a demand swingline facility, repayment of which can be demanded by the bank at any time.
- Specific investment risk for non-conventional mortgage and second mortgage investments. Non-conventional and second mortgage investments attract higher loan loss risk due to their subordinate ranking to other mortgage charges and sometimes high loan to value ratio. Consequently, this higher risk is compensated for by a higher rate of return. In order to mitigate risk and maintain a well-diversified Investment Portfolio, the operating policies of the Corporation generally limit the amount of Conventional Non-First Mortgage investments to a maximum of 30% of the Corporation's capital, subject to the Board of Directors' approval for any modifications to the operating policies.
- Reliance on Borrowers. After the funding of an investment, we rely on borrowers to maintain adequate insurance and proper adherence to environmental regulations during the ongoing management of their properties.
- Credit Risk. The Investment Portfolio is exposed to credit risk. Credit risk is the risk that a counterparty to a financial investment will fail to fulfill its obligations or commitment, resulting in a financial loss to the Corporation.
- Change in Legislation. There can be no assurance that certain laws applicable to the Corporation, including Canadian federal and provincial tax legislation, municipal property tax, federal, provincial and local building codes, 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.

#### RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures, and controls to ensure that the information used internally by management and disclosed externally is complete, reliable, and timely. In addition, the Corporation's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Corporation and have reviewed and approved this MD&A as well as the unaudited interim condensed consolidated financial statements as at, and for the six months ended, June 30, 2025.

#### **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 June 30, 2025 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 June 30, 2025. Based on that assessment, it was determined that the Corporation's internal controls over financial reporting were appropriately designed and operated effectively.

The Corporation did not make any changes to the design of the Corporation's internal controls over the financial reporting for the six months ended June 30, 2025 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 2025 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.								



## CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SECOND QUARTER JUNE 30, 2025



Interim Condensed Consolidated Balance Sheets (in Canadian dollars) (Unaudited)

As at		June 30, 2025	D	ecember 31, 2024
Amounts receivable and prepaid expenses (note 4)	\$	7,196,792	\$	8,052,370
Investment portfolio (note 5)	•	590,394,883	·	623,171,713
Total assets	\$	597,591,675	\$	631,224,083
Liabilities				
Bank indebtedness (note 6)	\$	10,977,187	\$	11,691,917
Credit facility (note 6)	·	45,686,406		54,626,159
Accounts payable and accrued liabilities		2,658,482		3,012,779
Shareholders' dividends payable (note 10)		2,865,470		4,922,410
Convertible debentures (note 7)		109,506,783		133,583,951
Total liabilities		171,694,328		207,837,216
Shareholders' Equity				
Common shares (note 8)		413,069,752		413,055,256
Equity component of convertible debentures		6,260,000		6,584,000
Stock options (note 8)		2,659,035		2,618,154
Contributed surplus		3,180,276		2,856,276
Retained earnings / (Deficit)		728,284		(1,726,819)
Total shareholders' equity		425,897,347		423,386,867
Total liabilities and shareholders' equity	\$	597,591,675	\$	631,224,083

Commitments (note 5)
Contingent liabilities (note 13)

See accompanying notes to interim condensed consolidated financial statements.

On behalf of the Directors:

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

Director Director

Interim Condensed Consolidated Statements of Income and Comprehensive Income For the Three and Six Months Ended June 30, 2025 and 2024 (in Canadian dollars)

(Unaudited)

	Three Mon	ths Ended	Six Mont	hs Ended
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenues				_
Interest and fees income	\$ 15,761,188	\$ 16,882,231	\$ 32,168,390	\$ 33,101,459
Other income	(34,072)	187,912	643,696	254,700
Total Revenues	15,727,116	17,070,143	32,812,086	33,356,159
Operating expenses				
Corporation manager interest allocation (note 11)	1,136,795	1,114,956	2,324,710	2,235,328
Interest expense (note 12)	3,012,116	3,768,289	6,425,440	7,203,336
General and administrative expenses	366,301	398,352	745,417	760,111
Share based compensation (note 8) Fair value adjustment on investment portfolio	20,554	20,553	40,881	41,106
(carried at FVTPL) (note 5)	(206,353)	109,800	(1,456,939)	1,478,600
Provision for expected credit losses on investment				
portfolio and interest receivable (note 4 and 5)	1,723,549	3,124,421	5,085,158	4,534,122
Total Operating expenses	6,052,962	8,536,371	13,164,667	16,252,603
Income and comprehensive income for the period	\$ 9,674,154	\$ 8,533,772	\$ 19,647,419	\$ 17,103,556
Earnings per share (note 9)				
Basic	\$0.263	\$0.247	\$0.535	\$0.496
Diluted	\$0.262	\$0.247	\$0.533	\$0.496

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity For the Three and Six Months Ended June 30, 2025 and 2024

(in Canadian dollars)

(Unaudited)

		E	quity component					
	Common		of convertible	Stock	Contributed	Retair	ned earnings	Shareholders'
	shares		debentures	options	surplus		/ Deficit	equity
Balance at January 1, 2025	\$ 413,055,256	\$	6,584,000	\$ 2,618,154	\$ 2,856,276	\$	(1,726,819)	\$423,386,867
Proceeds from issuance of shares from dividend reinvestment	14,496		-	-	-		-	14,496
Conversion and redemption of debentures	-		(324,000)	-	324,000		-	-
Amortization of stock options granted (note 8 (b))	-		-	40,881	-		-	40,881
Income and comprehensive income for the period	-		-	-	-		19,647,419	19,647,419
Dividends to shareholders (note 10)	-		-	-	-		(17,192,316)	(17,192,316)
Balance at June 30, 2025	\$ 413,069,752	\$	6,260,000	\$ 2,659,035	\$ 3,180,276	\$	728,284	\$ 425,897,347
Shares issued and outstanding (note 8)	36,736,796							

	Common shares	ty component of convertible debentures		Contributed surplus	Deficit	Shareholders' equity
Balance at January 1, 2024	\$ 388,954,151	\$ 6,794,000	\$ 2,535,489	\$ 2,646,276	\$ (1,740,231)	\$ 399,189,685
Offering costs	15,197	_	-	-	-	15,197
Amortization of stock option granted (note 8 (b))	-	_	41,107	-	-	41,107
Income and comprehensive income for the period	-	-	-	-	17,103,556	17,103,556
Dividends to shareholders (note 10)	-	-	-	-	(16,141,360)	(16,141,360)
Balance at June 30, 2024	\$ 388,969,348	\$ 6,794,000	\$ 2,576,596	\$ 2,646,276	\$ (778,035)	\$ 400,208,185
Shares issued and outstanding (note 8)	34,490,679					

See accompanying notes to interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows For the Three and Six Months Ended June 30, 2025 and 2024 (in Canadian dollars) (Unaudited)

(Griadated)	Three Mor	nths Ended	Six Months Ended		
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	
Cash provided by (used in):			(Re	estated - note 18)	
Operating activities:					
Net Income for the period	\$ 9,674,154	\$ 8,533,772	\$ 19,647,419	\$ 17,103,556	
Adjustments for:					
Financing costs (net of implicit interest rate and		0.000 7.10		0.40=.004	
deferred finance cost amortization) (note 12)	2,547,692	3,262,749	5,502,608	6,195,661	
Implicit interest rate in excess of coupon rate - convertible debentures (note 7 and note 12)	234,778	229,797	466,064	456,188	
Deferred finance cost amortization - convertible	254,770	223,131	400,004	430,100	
debentures (note 7)	229,646	275,743	456,768	551,487	
Provision for expected credit losses on investment					
portfolio and interest receivable (note 4 and note 5)	4 702 E40	2 124 121	E 00E 4E0	4 524 122	
Fair value adjustment on investment portfolio	1,723,549	3,124,421	5,085,158	4,534,122	
(carried at FVTPL) (note 5)	(206,353)	110,199	(1,456,939)	1,475,933	
Amortization of stock option granted (note 8 (b))	20,554	20,555	40,881	41,107	
Changes in operating assets and liabilities					
Funding of investment portfolio	(63,282,730)	(125,779,412)	(133,435,511)	(173,447,315)	
Discharging of investment portfolio	70,609,994	78,641,503	162,816,127	111,202,732	
Accrued interest payable (note 12)	(427,062)	(785,389)	22,591	(4,996)	
Receivables and prepaid expenses	575,187	21,574	623,573	(733,331)	
Accounts payable and accrued liabilities	234,558	929,764	(354,297)	220,664	
Cash interest paid (note 12)	(2,120,630)	, ,	(5,525,199)	(6,190,665)	
Net cash flow from (used in) operating activities	19,813,337	(33,892,083)	53,889,243	(38,594,857)	
Financing activities:					
Dividend reinvestment in common shares (note 8 (a))	6,728	7,962	14,496	15,197	
Redemption of convertible debenture (note 7)	(25,000,000)	-	(25,000,000)	-	
Equity offering costs (note 8 (a))	12,230	-	-	-	
Repayment of credit facility	(923,377)	(9,269,257)	(14,059,427)	(10,099,825)	
Withdraw from credit facility	5,000,001	51,761,520	5,119,674	54,269,346	
Dividends to shareholders paid during the period (note 10)	(8,596,231)	(8,070,702)	(19,249,256)	(18,003,676)	
Net cash flow used in (from) financing activities	(29,500,649)	34,429,523	(53,174,513)	26,181,042	
Net (decrease) increase in cash flow for the period	(9,687,312)	537,439	714,730	(12,413,815)	
Cash and cash equivalents (Bank indebtedness)	•		•		
beginning of period	(1,289,875)	(3,583,954)	(11,691,917)	9,367,300	
Bank indebtedness end of period	(10,977,187)	(3,046,515)	\$(10,977,187)	\$ (3,046,515)	

Cash flows from operating activities include:

Interest received \$15,528,679 \$18,375,562 \$31,432,065 \$33,551,119

See accompanying notes to interim condensed consolidated financial statements.

For the Three and Six Months Ended June 30, 2025 and 2024 (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 IFRS® Accounting Standards 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 IFRS® Accounting 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, 2024, 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 profit and loss ("FVTPL"), which are measured at fair value. These unaudited interim condensed consolidated 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 August 7, 2025.

#### 3. Material accounting policy information

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, 2024.

#### 4. Amounts receivable and prepaid expenses

The following is a breakdown of amounts receivable and prepaid expenses as at June 30, 2025 and December 31, 2024:

	J	une 30, 2025	Dece	mber 31, 2024
Interest receivable, net of impairment allowance	\$	6,271,828	\$	6,185,430
Prepaid expenses		418,594		496,982
Fees receivable		461,507		577,473
Special income receivable		44,863		792,485
Amounts receivable and prepaid expenses	\$	7,196,792	\$	8,052,370

Interest receivable is net of an increase to the provision for interest receivable of \$232,006 (December 31, 2024 – \$1,994,941), which is related to the loans in default that are stage 3.

For the Three and Six Months Ended June 30, 2025 and 2024 (Unaudited) (in Canadian dollars)

#### 5. Investment portfolio

The following is a breakdown of the investment portfolio as at June 30, 2025 and December 31, 2024:

	June 30, 2025		December 31, 2024			
Conventional first mortgages Related debt investments	\$ 551,955,215 155,000	93.5% 0.0%	\$	575,610,293 155,000	92.4% 0.0%	
Conventional non-first mortgages Non-conventional mortgages Debtor in possession loan	44,869,484 11,937,578 6,669,208	7.6% 2.0% 1.1%		48,168,954 12,943,328 6,669,208	7.7% 2.1% 1.1%	
Total investments (at amortized cost)	615,586,485	104.2%		643,546,783	103.3%	
Expected credit losses on investments (at amortized cost) Unamortized fees	(28,418,153) (1,101,007)	(4.7%) (0.2%)		(23,565,000) (1,039,517)	(3.8%) (0.2%)	
Total investments (at amortized cost), net	\$ 586,067,325	99.3%	\$	618,942,266	99.3%	
Total investments (at FVTPL)	4,327,558	0.7%		4,229,447	0.7%	
Total investments	\$ 590,394,883	100.0%	\$	623,171,713	100.0%	
By geography						
Canada United States	\$ 573,059,327 17,335,556	97.1% 2.9%	\$	605,045,554 18,126,159	97.1% 2.9%	
Total	\$ 590,394,883	100.0%	\$	623,171,713	100.0%	

Included in conventional first mortgages is one United States ("US") dollar denominated investment (at amortized cost) of \$13,389,557 (US\$9,814,232) (December 31, 2024 – one US dollar denominated investment of \$14,121,698 (US\$9,814,232)). As of June 30, 2025, a collective loss allowance of \$46,000 was applied to this conventional first mortgage (December 31, 2024 – \$60,000).

Included in total investments classified at FVTPL is one US dollar denominated investment totaling \$3,796,847 (US\$2,783,000), (December 31, 2024 – one US dollar denominated investment totaling \$4,004,459 (US\$2,783,000)). This investment is a participation by the Corporation in a limited partnership that has provided equity to real estate entities in the US. As at June 30, 2025, a fair value loss adjustment on US dollar denominated investment was \$3,796,847 (2024 – \$4,000,000).

For the three months ended June 30, 2025, income recorded on the US investments (at amortized cost and FVTPL) was \$320,892 (US\$237,846), (2024 – \$395,576 (US\$288,148)). For the six months ended June 30, 2025 income recorded on the US investments (at amortize cost and FVTPL) was \$661,609 (US\$473,993) (June 30, 2024 – \$806,433 (US\$590,662)). These amounts are included in interest and fees income.

The investment portfolio is secured by the underlying real estate, supplemented by various credit enhancements, which may include borrower guarantees, personal guarantees from shareholders of the borrower, and/or cross guarantees from related entities. The quality of the mortgage collateral is primarily influenced by the location and type of underlying property, as well as the nature of the investment. Management consistently monitors real estate market conditions to ensure that the quality of collateral securing the remaining investment portfolio remains sufficient.

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.

For the Three and Six Months Ended June 30, 2025 and 2024 (Unaudited) (in Canadian dollars)

The following is a breakdown of the investment portfolio as at June 30, 2025:

	G	ross carrying amount	Expe	cted credit losses	Fair value adjustment	Ca	rrying amount
Conventional first mortgages Conventional non-first mortgages	\$	551,955,215 44,869,484		16,721,083) (2,340,000)	\$ -	\$	535,234,132 42,529,484
Related debt investments		8,965,866	,	(2,040,000)	(4,531,847)		4,434,019
Debtor in possession loan		6,669,208		(15,000)	-		6,654,208
Non-conventional mortgages		11,937,578		(9,342,070)	-		2,595,508
Marketable securities		50,966		-	(2,427)		48,539
	\$	624,448,317	\$ (2	28,418,153)	\$ (4,534,274)	\$	591,495,890
Unamortized fees							(1,101,007)
Total investment portfolio						\$	590,394,883

Included in the expected credit losses of \$28,418,153 is a collective allowance of \$2,306,000.

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

		Expected credit	Fair value		
	Gross carrying amount	losses	adjustment	(	Carrying amount
Conventional first mortgages	\$ 575,610,293	\$ (16,134,500)	\$ -	\$	559,475,793
Conventional non-first mortgages	48,168,954	(2,283,000)	-		45,885,954
Related debt investments	10,324,694	· -	(5,985,000)		4,339,694
Debtor in possession loan	6,669,208	(14,000)	-		6,655,208
Non-conventional mortgages	12,943,328	(5,133,500)	-		7,809,828
Marketable securities	50,966	·	(6,213)		44,753
	\$ 653,767,443	\$ (23,565,000)	\$ (5,991,213)	\$	624,211,230
Unamortized fees					(1,039,517)
Total investment portfolio				\$	623,171,713

Included in the expected credit losses of \$23,565,000 is a collective allowance of \$1,739,000.

The following table presents the staging of gross investments at amortized cost as at June 30, 2025:

#### **Gross Investments at amortized cost**

	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	\$ 432,696,715	\$ 76,679,322	\$ 42,579,178	\$ 551,955,215
Conventional non-first mortgages	39,804,484	3,000,000	2,065,000	44,869,484
Related debt investments	155,000	-	-	155,000
Debtor in possession loan	6,669,208	-	-	6,669,208
Non-conventional mortgages	1,275,000	1,327,508	9,335,070	11,937,578
Total gross investments at amortized cost	\$ 480,600,407	\$ 81,006,830	\$ 53,979,248	\$ 615,586,485
By geography:				
Canada	\$ 480,600,407	\$ 67,617,273	\$ 53,979,248	\$ 602,196,928
United States	-	13,389,557	-	13,389,557
Total gross investments at amortized cost	\$ 480,600,407	\$ 81,006,830	\$ 53,979,248	\$ 615,586,485

For the Three and Six Months Ended June 30, 2025 and 2024 (Unaudited) (in Canadian dollars)

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

Stage 1	Stage 2 St	age 3	Total
998,254 3,0 155,000 669,208	- -	5,000 48 - - 6	,610,293 ,168,954 ,155,000 ,669,208 ,943,328
773,000 \$ 121,	373,544 \$ 12,40	0,239 \$ 643	,546,783
- 14,	121,698	14	,425,085 ,121,698 ,546,783
	773,000 \$ 121,3 773,000 \$ 107,3 - 14,	518,750       11,424,578         773,000       \$ 121,373,544       \$ 12,40         773,000       \$ 107,251,846       \$ 12,40         -       14,121,698	518,750       11,424,578       -       12         773,000       \$ 121,373,544       \$ 12,400,239       \$ 643         773,000       \$ 107,251,846       \$ 12,400,239       \$ 629         -       14,121,698       -       14

The following table presents the transfers between stages of the gross investments at amortized cost at June 30, 2025:

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2025	\$ 509,773,000	\$ 121,373,544	\$ 12,400,239	\$ 643,546,783
New fundings	121,368,477	-	-	121,368,477
Discharges	(149,013,766)	(14,008,009)	-	(163,021,775)
Transfer to (from) <sup>1</sup> :				
Stage 1	(17,769,611)	7,622,807	10,146,804	-
Stage 2	· · · · · · · · · · · · · · · · · · ·	(32,705,393)	32,705,393	-
Stage 3	-	· · · · · · · · · · · · · · · · · · ·	-	-
Net of Advances/Repayments	16,242,307	(1,276,119)	(1,273,188)	13,693,000
Balance at June 30, 2025	\$ 480,600,407	\$ 81,006,830	\$ 53,979,248	\$ 615,586,485

The following table presents the transfers between stages of the gross investments at amortized cost at December 31, 2024:

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2024	\$ 474,484,716	\$ 24,335,277	\$ 82,277,977	\$ 581,097,970
New fundings	225,358,923	-	-	225,358,923
Discharges	(173,596,951)	(9,291,432)	(1,705,761)	(184,594,144)
Transfer to (from) <sup>1</sup> :				
Stage 1	(64,740,101)	60,695,856	4,044,245	-
Stage 2	1,708,500	(1,708,500)	-	-
Stage 3	1,162,500	29,212,837	(30,375,337)	-
Net of Advances/Repayments	45,395,413	18,129,506	(41,840,885)	21,684,034
Balance at December 31, 2024	\$ 509,773,000	\$ 121,373,544	\$ 12,400,239	\$ 643,546,783

For the Three and Six Months Ended June 30, 2025 and 2024 (Unaudited) (in Canadian dollars)

The following table presents the expected credit losses on investments as at June 30, 2025:

·	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages Conventional non-first mortgages Non-conventional mortgages Debtor in possession loan	\$ 1,093,000 255,000 - 15,000	\$ 4,448,500 17,000 7,000	\$ 11,182,583 2,065,000 9,335,070	\$ 16,724,083 2,337,000 9,342,070 15,000
Total	\$ 1,363,000	\$ 4,472,500	\$ 22,582,653	\$ 28,418,153
By geography: Canada United States	\$ 1,363,000	\$ 4,426,500 46,000	\$ 22,582,653	\$ 28,372,153 46,000
Total	\$ 1,363,000	\$ 4,472,500	\$ 22,582,653	\$ 28,418,153

The following table presents the expected credit losses on investments as at December 31, 2024:

Expected credit losses on investments				
	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages Conventional non-first mortgages Non-conventional mortgages Debtor in possession loan	\$ 1,036,000 197,000 76,000 14,000	\$ 12,612,500 21,000 5,057,500	\$ 2,486,000 2,065,000 - -	\$ 16,134,500 2,283,000 5,133,500 14,000
Total	\$ 1,323,000	\$ 17,691,000	\$ 4,551,000	\$ 23,565,000
By geography: Canada United States	\$ 1,323,000	\$ 17,631,000 60,000	\$ 4,551,000	\$ 23,505,000 60,000
Total	\$ 1,323,000	\$ 17,691,000	\$ 4,551,000	\$ 23,565,000

The following table presents the changes to the expected credit losses on investments as at June 30, 2025:

The changes to the provision	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2025	\$ 1,323,000	\$ 17,691,000	\$ 4,551,000	\$ 23,565,000
New fundings	323,000	-	-	323,000
Discharges	(419,000)	(61,000)	-	(480,000)
Transfer to (from) <sup>1</sup> :				
Stage 1	(31,000)	12,000	19,000	-
Stage 2	-	(10,889,500)	10,889,500	-
Stage 3	-	<u>-</u>	-	-
Remeasurements <sup>2</sup>	167,000	(2,280,000)	7,123,153	5,010,153
Balance at June 30, 2025	\$ 1,363,000	\$ 4,472,500	\$ 22,582,653	\$ 28,418,153

<sup>&</sup>lt;sup>1</sup> Transfers between stages which are presumed to occur before any corresponding remeasurement of the allowance.

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.

For the Three and Six Months Ended June 30, 2025 and 2024 (Unaudited) (in Canadian dollars)

The following table presents the changes to the expected credit losses on investments as at December 31, 2024:

The changes to the ECL	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	587,000	38,000	-	625,000
Discharges	(350,000)	-	(1,125,000)	(1,475,000)
Transfer to (from) <sup>1</sup> :				
Stage 1	(193,000)	177,700	16,000	-
Stage 2	30,000	(30,000)	-	-
Stage 3	23,000	7,448,000	(7,471,000)	_
Remeasurements <sup>2</sup>	102,000	10,015,300	1,978,000	12,095,300
Balance at December 31, 2024	\$ 1,323,000	\$ 17,691,000	\$4,551,000	\$ 23,565,000

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

As at June 30, 2025, the allowance for credit losses was \$28,418,153 (December 31, 2024 – \$23,565,000) of which \$26,112,153 (December 31, 2024 – \$21,826,000) 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 loans that have been allocated a specific allowance.

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 June 30, 2025, the Corporation carries a collective allowance of \$2,306,000 (December 31, 2024 – \$1,739,000).

As of June 30, 2025, the gross investment portfolio, prior to any allowance, included fifteen loans, totaling \$53,271,336 (December 31, 2024 – fourteen investments totaling \$63,537,972), where the underlying collateral is insufficient to fully recover the outstanding loan amounts. The loss in excess of the collateral value for these loans has been accounted for with individual allowances totaling \$26,112,153 (December 31, 2024 – \$21,826,000).

The Corporation has determined that the following forward-looking macroeconomic factors are key drivers that contribute to the collective portion of the ECL: unemployment rates, interest rates and CPI.

The Corporation's probability weighted estimate of expected credit losses used three scenarios (base, benign and adverse) at June 30, 2025, 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.

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 June 30, 2025 and December 31, 2024:

	Benign	Base	Adverse
Marco-economic scenario probability weightings	10%	60%	30%

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.

For the Three and Six Months Ended June 30, 2025 and 2024 (Unaudited) (in Canadian dollars)

The Corporation has considered the relationship between multiple macro-economic variables that have included interest rates, unemployment rates and CPI. Forecasting relationships between key macro-economic indicators and the default rates of the loan portfolio have been developed based on examining over 7 years of market 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 June 30, 2025 is as follows:

	Ве	enign	Base	Adverse
CPI	3	.20%	2.43%	1.20%
Interest Rates	2	.00%	2.38%	2.75%
Unemployment rates	8	.50%	7.30%	6.40%
Collective Allowance	\$ 68	5,000 \$	1,859,000	\$ 3,740,000

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

	Benign	Base	Adverse
CPI	3.30%	2.05%	0.70%
Interest Rates	2.00%	2.61%	3.17%
Unemployment rates	7.50%	7.12%	6.80%
Collective Allowance	\$ 1,048,000	\$ 1,441,000	\$ 2,565,000

The base scenario includes an average of the forecasted macroeconomic variables from the five largest Financial Institutions in Canada over a 12-month period.

Drawing from the Corporation's internal delinquency data and forecasted macroeconomic trends, the Adverse scenario represents the application of the extreme ends of the projected macroeconomic ranges, which correspond to the highest estimated probability of default. Similarly, the Benign scenario utilized the forecasted macroeconomic data to estimate the lowest possible probability of default, based on the economic relationships established by the Corporation.

These assumptions are limited to the availability of relatable 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.

The loans comprising the Investment portfolio bear interest at the weighted average rate of 9.78% per annum as at June 30, 2025 (December 31, 2024 – 10.07% per annum) and mature between 2025 and 2027.

The unadvanced funds under the existing investment portfolio (which are commitments of the Corporation) amounted to \$126,077,066 as at June 30, 2025 (December 31, 2024 – \$131,239,465).

The contractual maturity dates of the investment portfolio as at June 30, 2025:

2025	\$ 310,702,471
2026	295,917,023
2027	17,777,857
Marketable securities	50,966
Total gross investments	\$ 624,448,317

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) of the audited financial statements at December 31, 2024.

For the Three and Six Months Ended June 30, 2025 and 2024 (Unaudited) (in Canadian dollars)

The investment portfolio as at June 30, 2025, included thirteen investments totaling \$27,062,150 (December 31, 2024 – twenty two investments totaling \$26,985,642) with maturity dates that are past due and for which no extensions or renewals were in place. Five of these investments totaling \$18,583,091 (December 31, 2024 – three investments totaling \$7,994,245) have provisions recorded against them included in the Corporation's allowance for credit losses. The remaining eight investments with maturity dates that are past due and for which no extensions or renewals were in place amount to \$8,479,059 (December 31, 2024 – seventeen investments totaling \$16,120,397). These investments do not require individual allowances, as sufficient collateral exists and a collective allowance is already in place.

As at June 30, 2025, 221 of the Corporation's 257 investments (investment amount of \$596,109,445) are shared with other participants (December 31, 2024 – 245 of the Corporations' 286 investments totaling \$628,207,187).

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 June 30, 2025 and December 31, 2024, no investment with first priority syndicate participation was outstanding.

#### Investments classified at FVTPL:

Total Investments at FVTPL at June 30, 2025 were \$4,327,558 (December 31, 2024 – \$4,229,447) which included: (i) Four Canadian Related debt investments (December 31, 2024 – five Canadian Related debt investments) totaling \$5,014,019 (December 31, 2024 – \$6,165,237) with a fair value decrease of \$735,000, (ii) one US dollar denominated investment totaling \$3,796,847 (US \$2,783,000), (December 31, 2024 – one US dollar denominated investment totaling \$4,004,459 (US\$2,783,000)) with a fair value decrease of \$3,796,847 and (iii) marketable securities totaling \$50,966 (December 31, 2024 – \$50,966) with a fair value loss of \$2,427.

During the third quarter of 2024 one US dollar Related debt investment was written off for \$8,058,900 (US \$5,088,021) that had previously already been a full unrealized loss in previous reporting periods.

The Corporation establishes fair value for investments that are classified as FVTPL using an appropriate valuation technique. The Company determines the fair value of its investments using a variety of methods, including independent appraisals, market comparable, and capitalization rates. The fair value of investments is assessed based on current market conditions and relevant data available as of the reporting date.

As of June 30, 2025, the Corporation's investment portfolio is primarily secured by first mortgages, with conventional first mortgages representing 93.5% of the total net portfolio. The Corporation's investment strategy focuses on diversification across various asset types and participation in loan syndicates to mitigate exposure. The short-term nature of these investments, along with the significant collateral backing, typically reduces the necessity for loss allowances. However, when the carrying value of an investment exceeds its estimated recoverable amount, an expected credit loss is recognized.

#### 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 \$45,686,406 drawn as at June 30, 2025 (December 31, 2024 – \$54,626,159). In addition, the Corporation also had \$10,977,187 bank indebtedness (December 31, 2024 – \$11,691,917). 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 the Canadian Overnight Repo Rate Average (CORRA) 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 is secured by the mortgage pool and also contains certain financial covenants that must be maintained. As at June 30, 2025 and December 31, 2024, the Corporation was in compliance with all financial covenants.

The draw on the credit facility in the amount of \$45,686,406 at June 30, 2025 (December 31, 2024 – \$54,626,159), related to borrowings in Canadian dollars of \$28,500,000 and in US dollars of \$12,597,234 (in Canadian dollars \$17,186,406), (December 31, 2024 US dollar borrowings \$12,597,234 (in Canadian dollars \$18,126,159)). The borrowing in US dollars exactly matches the amount of US dollar denominated investments, thereby acting as an economic hedge against currency exposure.

For the Three and Six Months Ended June 30, 2025 and 2024 (Unaudited) (in Canadian dollars)

#### 7. Convertible debentures

	;	Six Months Ended	Year Ended		
		June 30, 2025	December 31, 2024		
Carrying value, beginning of the period	\$	133,583,951	\$ 158,122,248		
Repayment		(25,000,000)	(26,500,000)		
Implicit interest rate in excess of coupon rate		466,064	914,469		
Deferred finance cost		456,768	1,047,234		
Carrying value, end of the period	\$	109,506,783	\$ 133,583,951		

The continuity of the convertible debentures for the six months ended June 30, 2025 is as follows:

	Balance	e, beginning	Implicit ir	iterest rate		Deferred		Balance,	
Debenture		of period	in excess	of coupon	fina	nce cost	Repayments	end of period	Maturity date
FC.DB.I 5.4%	\$	24,890,390	\$	25,966	\$	83,644	\$ (25,000,000)	\$ -	30-Jun-25
FC.DB.J 5.5%		24,684,771		61,837		81,501	-	24,828,109	31-Jan-26
FC.DB.K 5.0%		43,445,765		176,084		145,725	-	43,767,574	30-Sep-28
FC.DB.L 5.0%		40,563,025		202,177		145,898	-	40,911,100	31-Mar-29
Total	\$	133,583,951	\$	466,064	\$	456,768	\$ (25,000,000)	\$ 109,506,783	

As at June 30, 2025, debentures payable bear interest at the weighted average effective rate of 5.11% per annum (December 31, 2024 – 5.16% per annum). Refer to note 12 for interest expense and interest paid for the six months ended June 30, 2025. Notwithstanding the carrying value of the convertible debentures, the principal balance outstanding to the debenture holders is \$114,666,000 as at June 30, 2025 (December 31, 2024 – \$139,683,000).

On May 12, 2025, the Corporation completed the repayment of 5.40% convertible unsecured subordinated debentures (FC.DB.I). This repayment was completed with a cash payment of the aggregate principal amount of \$25,000,000 and all accrued interest to the time of repayment.

On August 31, 2024, the Corporation fully repaid its 5.30% convertible unsecured subordinated debentures (FC.DB.H). The repayment was made through a cash payment of the total principal amount of \$26,500,000, along with all accrued interest up to the maturity date.

The continuity of the convertible debentures for the year ended December 31, 2024:

	Balance	, beginning of	Implicit inter	est rate in	Deferr	ed finance				Balance,	
Debenture		year	excess	of coupon		cost	Rep	ayments		end of year	Maturity date
FC.DB.H 5.3%	\$	26,353,173	\$	23,226	\$	123,600	\$ (26,5	500,000)	\$	-	31-Aug-24
FC.DB.I 5.4%		24,671,414		49,839		169,137	,	-		24,890,390	30-Jun-25
FC.DB.J 5.5%		24,401.702		118,267		164,803		-		24,684,772	31-Jan-26
FC.DB.K 5.0%		42,814,144		336,950		294,671		-		43,445,765	30-Sep-28
FC.DB.L 5.0%		39,881,815		386,187		295,023		-		40,563,025	31-Mar-29
Total	\$	158,122,248	\$	914,469	\$	1,047,234	\$ (26,5	500,000)	\$1	33,583,951	

#### 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 June 30, 2025:

	# of shares	Amount
Balance, beginning of period	36,734,405	\$ 413,055,256
New shares issued during the period under Dividend Reinvestment Plan	2,391	14,496
Balance, end of period	36,736,796	\$413,069,752

For the Three and Six Months Ended June 30, 2025 and 2024 (Unaudited) (in Canadian dollars)

The following shares were issued and outstanding as at December 31, 2024:

	# of shares	Amount
Balance, beginning of year	34,489,308	\$ 388,954,151
Shares from equity offering	2,242,500	25,340,250
Equity offering costs	-	(1,268,322)
New shares issued during the year under Dividend Reinvestment Plan	2,597	29,177
Balance, end of year	36,734,405	\$ 413,055,256

On August 8, 2024, the Corporation completed a bought deal public offering with a syndicate of underwriters, selling 1,950,000 shares at \$11.30 per share (the "Issue Price"), raising gross proceeds of \$22,035,000. On August 12, 2024, the underwriters exercised their overallotment option in full, resulting in the issuance of an additional 292,500 shares at the Issue Price, generating an additional \$3,305,250. Total gross proceeds from the public offering was \$25,340,250.

Shares issued during the six months ended June 30, 2025 under the Dividend Reinvestment Plan were 2,391 (December 31, 2024 – 2,597).

#### (b) Incentive option plan

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

	Si	Year	ar ended December 31, 2024						
	Number of options	V average	Veighted exercise price	Amount <sup>3</sup>	Number of options		/eighted average se price		Amount3
Outstanding, beginning of period	3,245,000	\$	11.73	\$ 2,618,154	3,245,000	\$	11.73	\$	2,535,489
Options granted/amortization amount	-		-	40,881	-		-		82,665
Outstanding, end of period	3,245,000		11.73	\$ 2,659,035	3,245,000	\$	11.73	\$	2,618,154
Number of options exercisable	2,725,000	\$	11.75		2,725,000	\$	11.75		

<sup>&</sup>lt;sup>3</sup> The amount outstanding corresponds to the stock based compensation associated with the issued stock options.

The following options were issued and outstanding as at June 30, 2025:

Expiry date	Number of options outstanding	Fyer	cise 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	\$	11.73	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.

#### 9. Earnings per share

The following table reconciles the numerators and denominators of the basic and diluted earnings per share for the three and six months ended June 30, 2025, and 2024:

For the Three and Six Months Ended June 30, 2025 and 2024 (Unaudited) (in Canadian dollars)

Basic earnings per share calculation:

	Three months ended					Six months ended			
	Jui	ne 30, 2025	Jur	ne 30, 2024	Jui	ne 30, 2025	,	June 30, 2024	
Numerator for basic earnings per share:									
Net earnings for the period	\$	9,674,154	\$	8,533,772	\$	19,647,419	\$	17,103,556	
Denominator for basic earnings per share:									
Weighted average shares		36,736,428		34,490,303		36,735,467		34,489,977	
Net basic earnings per share	\$	0.263	\$	0.247	\$	0.535	\$	0.496	

Diluted earnings per share calculation:

	Three months ended				Six months ended			
	Ju	June 30, 2025 June 30, 2024		June 30, 2025		June 30, 2024		
Numerator for basic earnings per share:								
Net earnings for period	\$	9,674,154	\$	8,533,772	\$	19,647,419	\$	17,103,556
Interest on convertible debentures		415,899		-		830,629		-
Net diluted earnings for the period		10,090,053		8,533,772		20,478,048		17,103,556
Denominator for basic earnings per share: Weighted average shares		36,736,428		34,490,303		36,735,467		34,489,977
Net shares that would be issued:								
Assuming debentures are converted		1,711,164		-		1,711,164		-
Diluted weighted average shares		38,447,592		34,490,303		38,446,631		34,489,977
Diluted earnings per share	\$	0.262	\$	0.247	\$	0.533	\$	0.496

#### 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 June 30, 2025, dividends declared were 0.234 per share (2024 - 0.234) per share) for a total of 8,596,366 (2024 - 8,070,758). As at June 30, 2025, 2,865,470 (December 31,2024 - 4,922,410) was accrued and paid after quarter end.

#### 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 June 30, 2025, this amount was \$1,136,795 (June 30, 2024 – \$1,114,956). For the six months ended June 30, 2025, this amount was \$2,324,710 (June 30, 2024 – \$2,235,328). Included in accounts payable and accrued liabilities at June 30, 2025 are amounts payable to the Corporation's Manager of \$365,789 (December 31, 2024 – \$415,384).

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 \$309,961 for the six months

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ended June 30, 2025 (June 30, 2024 – \$298,000). 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.

Certain members of our Board of Directors and senior management and their related entities co-invested approximately \$42 million with the Corporation alongside its Investment Portfolio as at June 30, 2025.

#### Key management compensation:

For the three months ended June 30, 2025, the total director's fee expenses were \$80,250 (June 30, 2024 – \$80,250). For the six months ended June 30, 2025, the total director's fee expenses were \$160,500 (June 30, 2024 – \$160,500). Certain key management personnel are also directors of the Corporation and received compensation from the Corporation's Manager. The Directors and Officers held 854,875 shares in the Corporation as at June 30, 2025 (December 31, 2024 – 854,875).

Aggregate compensation paid to key management personnel (including payments to related parties for their recovery of costs), consisted of short-term employee compensation of \$1,611,231 (June 30, 2024 – \$1,003,384) for the three months ended June 30, 2025 and for the six months ended June 30, 2025 was \$2,678,009 (June 30, 2024 – \$2,014,840). All compensation was paid by the Corporation's Manager and not by the Corporation.

#### 12. Interest expense

	Three months ended				Six months ended			
	J	une 30, 2025		June 30, 2024	June 30, 2025		June 30, 2024	
Bank interest expense Debenture interest expense	\$	931,919 2,080,197	\$	1,109,357 2,658,932	\$ 2,084,567 4,340,873	\$	1,888,877 5,314,459	
Interest expense		3,012,116		3,768,289	6,425,440		7,203,336	
Deferred finance costs amortization - convertible debentures Implicit interest rate in excess of coupon rate		(229,646)		(275,743)	(456,768)		(551,487)	
- convertible debentures Changes in accrued interest payable		(234,778) (427,062)		(229,797) (785,389)	(466,064) 22,591		(456,188) (4,966)	
Cash interest paid	\$	2,120,630	\$	2,477,360	\$ 5,525,199	\$	6,190,665	

#### 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 unaudited interim condensed consolidated financial statements.

#### 14. Fair value

The fair values of cash and cash equivalents, 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 it 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.

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The following table presents the changes in related debt investments (at FVTPL) for the six months ended June 30, 2025 and twelve months ended December 31, 2024:

Changes to related debt investments at FVTPL	June 30, 2025	December 31, 2024
Balance, beginning of period	\$ 4,229,447	\$ 6,620,372
Funding of investments	145,623	1,258,644
Repayments of investments	(1,296,839)	(564,547)
Unrealized foreign exchange	(207,612)	572,897
Fair value	1,456,939	(3,657,919)
Balance, end of period	\$ 4,327,558	\$ 4,229,447

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

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

The tables below present the fair value hierarchy of the Corporation's financial instruments as at June 30, 2025 and December 31, 2024 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:

June 30, 2025	Level 1	Level 2	Level 3	Total
Convertible debentures	\$ 113,162,457	-	-	\$ 113,162,457
December 31, 2024	Level 1	Level 2	Level 3	Total
Convertible debentures	\$ 136,980,500	-	-	\$ 136,980,500

There were no transfers between level 1, level 2 and level 3 during the six months ended June 30, 2025, and twelve months December 31, 2024.

#### 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.

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#### (ii) Interest expense risk

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

At June 30, 2025, 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 year would be affected as follows:

	Ca	rrying Value	-1%		+1%	
Financial assets: Amounts receivable and prepaid expenses	\$	7,196,792	\$	-	\$	_
Investment portfolio	590,394,883		(157,364)		1,413,120	
Financial liabilities:						
Bank indebtedness		10,977,187		109,772	(10	09,772)
Credit facility		45,686,406		456,864	(45	6,864)
Accounts payable and accrued liabilities		2,658,482		-	•	-
Shareholders' dividends payable		2,865,470		-		-
Convertible debentures		109,506,783		-		-
Total change			\$	409,274	\$ 8	46,484

#### (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, credit facility, 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 June 30, 2025, 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 \$126,077,066 as at June 30, 2025 (December 31, 2024 – \$131,239,465). 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 \$205 million to fund the timing differences between investment advances and investment repayments with a maturity date of October 7, 2026.

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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.

If the Corporation is unable to continue to have access to its bank borrowing line and credit facility, 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 June 30, 2025 are due as follows:

	Total	Le	ss than 1 year	1-3 years	4-7 years
Bank indebtedness	\$ 10,977,187	\$	-	\$ 10,977,187	\$ -
Credit facility	45,686,406		-	45,686,406	-
Accounts payable and accrued liabilities	2,658,482		2,658,482	<u>-</u>	-
Shareholders' dividends payable	2,865,470		2,865,470	-	-
Convertible debentures	114,666,000		24,966,000	46,000,000	43,700,000
Subtotal - Liabilities	176,853,545		30,489,952	102,663,593	43,700,000
Future advances under portfolio	126,077,066		126,077,066	-	
Liabilities and contractual obligations	\$ 302,930,611	\$	156,567,018	\$ 102,663,593	\$ 43,700,000

The bank indebtedness and credit facility 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 credit facility. 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.

Future Interest payments on debentures (assuming the amounts remain unchanged) would be \$5,285,993 in less than 1 year, \$8,970,000 for 1 to 3 years and \$2,213,750 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.

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#### (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 US dollar will not result in a significant change to the net income and comprehensive income and equity.

#### 16. Supplementary information

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

	Credit facility	Convertible Debentures		
Balance at January 1, 2025	\$ 54,626,159	\$	133,583,951	
Financing cash flow activities:				
Repayment of credit facility	(14,059,427)		-	
Withdrawal from credit facility	5,119,674			
Repayment and conversions of convertible debentures	-		(25,000,000)	
Total cash flow from financing activities	45,686,406		108,583,951	
Financing non-cash activities:				
Implicit interest rate in excess of coupon rate (note 7)	-		466,064	
Deferred finance cost amortization (note 7)	-		456,768	
Total non-cash flow financing activities	-		922,832	
Balance at June 30, 2025	\$ 45,686,406	\$	109,506,783	

#### 17. Comparative figures

Certain prior year figures have been reclassified to conform to current year presentation.

#### 18. Restatement of comparative interim condensed consolidated statement of cash flows

During the year ended December 31, 2024, management determined that cash funding of the investment portfolio and discharging of the investment portfolio, previously categorized under investing activities, was more appropriately categorized as an operating activity and cash interest paid, previously categorized as a financing activity, was also more appropriately categorized as an operating activity in the consolidated statement of cash flows. In order to correct, the interim condensed consolidated statement of cash flows for the three and six months period ended June 30, 2024 has been restated as presented in the table below, with no impact on the net increase in cash flow for the period. This restatement does not affect the interim condensed consolidated statement of income and comprehensive income or earnings per share, the interim condensed consolidated statement of changes in shareholders' equity, or the interim condensed consolidated balance sheet.

	For the three	e months ended Ju	ıne 30, 2024	For the six	months ended Jur	ne 30, 2024
	As previously reported	Restatement	Restated	As previously reported	Restatement	Restated
Cash provided (used) by operating activities	\$ 15,723,185	\$ (49,615,268)	\$ (33,892,083)	\$ 29,840,391	\$ (68,435,248)	\$ (38,594,857)
Cash flows from (used in) financing activities	31,952,163	2,477,360	34,429,523	19,990,377	6,190,665	26,181,042
Cash provided by (used in) investing activities	(47,137,909)	47,137,909	-	(62,244,583)	62,244,583	-