



REPORT TO SHAREHOLDERS

**FIRM CAPITAL MORTGAGE
INVESTMENT CORPORATION**

YEAR ENDED DECEMBER 31, 2025

PRESS RELEASE



FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

TSX Symbol FC

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION ANNOUNCES Q4 2025 RESULTS AND DECLARES MONTHLY CASH DIVIDENDS FOR APRIL, MAY AND JUNE 2026

March 12, 2026, TORONTO, CANADA – Firm Capital Mortgage Investment Corporation (the “Corporation”) (TSX FC, FC.DB.J, FC.DB.K ,FC.DB.L and FC.DB.M) today released its financial statements for the three and twelve months ended December 31, 2025.

NET INCOME

For the three months ended December 31, 2025, net income decreased by 4.7% to \$8,735,874 as compared to \$9,164,362 for the same period in 2024. Net income for the year ended December 31, 2025, increased by 6.4% to \$37,471,563, as compared to \$35,228,450 reported for the same period in 2024.

EARNINGS PER SHARE

Basic weighted average earnings per share for the three months ended December 31, 2025 was \$0.238, as compared to the \$0.249 per share reported for the three months ended December 31, 2024. Basic weighted average earnings per share for the year ended December 31, 2025 was \$1.020 (December 31, 2024 - \$0.996).

PORTFOLIO

The Corporation’s investment portfolio decreased by 6.5% to \$610.9 million as at December 31, 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 year ended December 31, 2025, new investment funding was \$278.0 million (2024 – \$329.0 million), and repayments were \$320.7 million (2024 – \$265.3 million). On December 31, 2025, the Investment Portfolio was comprised of 242 investments (2024 – 286). The average gross investment size was approximately \$2.5 million, with 13 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 December 31, 2025 was \$36.8 million (December 31, 2024 – \$29.6 million), comprising (i) \$29.1 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 \$3.2 million (2024 – \$1.7 million).

INVESTMENT PORTFOLIO DETAILS

Details on the Corporation's investment portfolio as at December 31, 2025, are as follows:

- The total gross carrying amount of the investment portfolio was \$610,923,271, a decrease of 6.6% from the \$653,767,443 reported at December 31, 2024.
- Conventional first mortgages comprise 95.2% of the total investment portfolio (92.4% as at December 31, 2024).
- Approximately 85.7% of the total gross carrying amount of the investment portfolio matures by December 31, 2026.
- The average face interest rate on the total gross carrying amount of the investment portfolio is 9.50% per annum, as compared to 10.07% at December 31, 2024.
- Regionally, the gross mortgage investment portfolio is diversified as follows: Ontario (89.0%), Quebec (6.5%), Western Canada (1.6%) and USA (2.9%).
- Of the 242 investments, 230 were underwritten (as part of a renewal process or for new fundings) between 2024 and 2025, representing 92.0% of the investment portfolio, while the remaining 8.0% 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:

<u>Record Date</u>	<u>Dividend Payment Date</u>
April 30, 2026	May 15, 2026
May 29, 2026	June 15, 2026
June 30, 2026	July 15, 2026

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 year ended December 31, 2025, the Corporation declared dividends on its common shares totaling \$37,471,563 or \$1.020 per share, versus \$35,215,038, or \$0.9920 per share for the year ended December 31, 2024. The number of common shares outstanding at December 31, 2025 was 36,738,425, as compared to 36,734,405 at December 31, 2024.

ABOUT THE CORPORATION

Where Mortgage Deals Get Done®

The Corporation is an investor in mortgages through a mortgage banker, Firm Capital Corporation, a non-bank lender providing residential home and commercial short-term bridge and conventional real estate financing, including construction financing, mezzanine debt, and equity investments. Since October 1999, 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 in select niche markets that are underserved by large lending institutions. Lending activities are designed to develop a diversified mortgage portfolio, producing a stable return to shareholders. Full reports of the financial results of the Corporation are outlined in the audited consolidated financial statements and the related management's 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

Boutique Mortgage Lenders®



MANAGEMENT DISCUSSION & ANALYSIS

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

YEAR ENDED 2025 | DECEMBER 31, 2025

TABLE OF CONTENTS

PART I	3	Dividends	15
Our Business	3		
Recent Developments and Outlook	3	PART V	16
Basis of Presentation	4	Changes in Financial Position	16
		Amounts Receivable & Prepaid Expenses	16
PART II	5	Credit Facility and Bank Indebtedness	16
Highlights	5	Convertible Debentures	16
Net Income	5	Other Liabilities	17
Earnings Per Share	5	Shareholders' Equity	17
Revenues	5	Provision for Expected Credit Losses	17
Investment Portfolio	5	Related Party Transactions	19
Capital Activities	6	Key Management Compensation	20
		Income Taxes	21
PART III	7	Critical Accounting Estimates	21
Investment Portfolio	7	Classification & Measurement of Financial Assets	21
		Measurement of Expected Credit Loss	22
PART IV	12	Financial Instruments	22
Results of Operations	12	Contractual Obligations	23
Revenues	12	Material Accounting Policy Information	23
Corporation Manager Interest Allocation	12	Liquidity and Capital Resources	23
Interest Expense	13	Risks and Uncertainties	23
General and Administrative (G&A) Expenses	13	Responsibility of Management and the Board of Directors	27
Incentive Option Plan	13	Controls and Procedures	27
Fair Value Adjustment on Investment Portfolio and Provision for Expected Credit Losses on Investment Portfolio and Interest Receivable	14	Forward Looking Information	28
Net Income and Comprehensive Income	14		
Earnings Per Share	14		

PART I

Our Business

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

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

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

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

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

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

Recent Developments and Outlook

In 2025, the Corporation's investment portfolio (the "Investment Portfolio") continued to revolve, with new fundings and discharges of investments being \$278.1 million and \$320.7 million respectively (2024 – \$329.0 million and \$265.3 million, respectively). The Corporation increased its provision for expected credit losses and fair value loss (on Investment Portfolio) in 2025 by \$7.3 million, to a total of \$36.8 million as at December 31, 2025, while continuing to generate earnings per share of \$1.02. At the end of 2025, the Investment Portfolio consisted of 95.2% of conventional first mortgages. The Corporation continues to participate in new investments on a disciplined basis with

Management's Discussion and Analysis

conservative underwriting on real estate in sectors of the market that it considers to be less susceptible to economic and market uncertainty.

In 2026, the Corporation expects to continue to revolve the Investment Portfolio selectively, with an investment policy of holding a hard line 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 March 12, 2026 and should be read in conjunction with the audited consolidated financial statements of the Corporation and the notes thereto as at, and for the years ended December 31, 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 2025 and 2024.

PART II

Highlights

Net Income

For the three months ended December 31, 2025, net income decreased by 4.7% to \$8,735,874 as compared to \$9,164,362 for the same period in 2024. Net income for the year ended December 31, 2025 increased by 6.4% to \$37,471,563, as compared to \$35,228,450 reported for the same period in 2024.

Earnings Per Share

Basic weighted average earnings per share for the three months ended December 31, 2025 was \$0.238 (2024 – \$0.249). Diluted weighted average earnings per share for the three months ended December 31, 2025 was \$0.237 (2024 – \$0.248).

Basic weighted average earnings per share for the year ended December 31, 2025 was \$1.020 (2024 – \$0.996).

Diluted weighted average earnings per share for the year ended December 31, 2025 was \$1.015 (2024 – \$0.990).

Revenues

For the three months ending December 31, 2025, revenues increased by 5.3% to \$17,052,742 up from \$16,198,109 for the same period in 2024. For the year ended December 31, 2025, revenues decreased by 2.8% to \$66,722,216 compared to \$68,632,934 for the same period in 2024. The decrease in revenues was mainly due to reduced interest income as a consequence of a decrease in the average interest rate on the Investment Portfolio in 2025 compared to the same period in 2024, partially offset by a larger average Investment Portfolio size. For the year ended December 31, 2025, the weighted average Investment Portfolio size was \$631 million versus \$626 million in 2024, with a monthly weighted average interest rate of 9.50% in 2025 compared to 10.07% in 2024.

Investment Portfolio

The Corporation's Investment Portfolio decreased by 6.5% to \$610,923,271 as at December 31, 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 December 31, 2025 was \$36,839,393 (December 31, 2024 – \$29,556,213), comprising (i) \$29,057,587 (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) \$4,545,806 (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 allowance balance of \$3,236,000 (December 31, 2024 – \$1,739,000). The unamortized fees as of December 31, 2025, were \$868,405 (December 31, 2024 – \$1,039,517).

Capital Activities

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 October 14, 2025, the Corporation completed a public offering of 5.50% convertible unsecured subordinated debentures (FC.DB. M) at a price of \$1,000 per debenture for gross proceeds of \$25,000,000. On October 21, 2025, the over-allotment option for this offering was exercised whereby additional 5.50% convertible unsecured debentures at a price of \$1,000 per debenture for gross proceed of \$3,150,000 were issued. These debentures mature on December 31, 2032 and interest is paid semi-annually on the last day of June and December of each year. These debentures are convertible at the option of the holder at any time prior to the maturing date at a conversion price of \$14.06 per Share. The net proceeds from this public offering of debentures were utilized to repay indebtedness of the Corporation owing under the Corporation's credit facility.

PART III

Investment Portfolio

The Corporation's Investment Portfolio was \$573,215,473 as at December 31, 2025 (net of the allowance for expected credit losses of \$32,293,587, fair value loss adjustment of \$4,545,806 and unamortized fees of \$868,405) 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 December 31, 2025, the total Investment Portfolio comprised of 242 investments (286 as at December 31, 2024). The average gross investment size was approximately \$2.5 million, with 13 investments individually exceeding \$7.5 million.

INVESTMENT AMOUNT	DECEMBER 31, 2025			DECEMBER 31, 2024			% CHANGE
	NUMBER	TOTAL AMOUNT (BEFORE ALLOWANCE)	% OF PORTFOLIO	NUMBER	TOTAL AMOUNT (BEFORE ALLOWANCE)	% OF PORTFOLIO	
\$0 - \$2,500,000	183	\$ 177,667,897	28.8 %	222	\$ 205,405,493	31.4 %	(14.4)%
\$2,500,001 - \$5,000,000	33	110,457,115	18.4 %	32	110,804,438	16.9 %	1.4 %
\$5,000,001 - \$7,500,000	13	85,093,720	13.9 %	17	103,209,073	15.8 %	(17.6)%
\$7,500,001 +	13	237,704,539	38.9 %	15	234,348,440	35.8 %	1.4 %
Total gross carrying amount	242	\$ 610,923,271	100 %	286	\$ 653,767,443	100 %	(6.6)%
Less: Expected credit losses		(32,293,587)			(23,565,000)		
Less: Fair value adjustment		(4,545,806)			(5,991,213)		
Less: Unamortized fees		(868,405)			(1,039,517)		
Total Investments		\$ 573,215,473			\$ 623,171,713		(8.0)%

Unadvanced committed funds under the existing Investment Portfolio amounted to \$89 million as at December 31, 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:

INVESTMENT CATEGORIES	DECEMBER 31, 2025				DECEMBER 31, 2024				
	W.A INTEREST RATE	W.A LTV *	OUTSTANDING AMOUNT	% OF PORTFOLIO	W.A INTEREST RATE	W.A LTV *	OUTSTANDING AMOUNT	% OF PORTFOLIO	% CHANGE
Conventional First Mortgages	9.4 %	50.8 %	\$ 545,572,200	95.2 %	10.0 %	54.5 %	\$ 575,610,292	92.4 %	(5.2)%
Conventional Non-First Mortgages	10.3 %	62.9 %	33,760,598	5.9 %	10.8 %	61.1 %	48,168,954	7.7 %	(29.9)%
Non-Conventional Mortgages	10.7 %	85.2 %	15,978,315	2.8 %	12.4 %	91.0 %	12,943,328	2.1 %	23.4 %
Debtor In Possession Loans	11.5 %	36.5 %	6,819,308	1.2 %	11.5 %	36.5 %	6,669,208	1.1 %	2.3 %
Related Debt Investments & Marketable securities (at FVTPL)	7.3 %	N/A **	4,092,044	0.7 %	6.5 %	N/A **	4,229,448	0.7 %	(3.2)%
Related Debt Investments (at amortized cost)	10.50 %	70.5 %	155,000	0.0 %	10.5 %	70.5 %	155,000	0.0 %	0.0 %
Less: Allowance for Expected credit losses on investments at amortized cost			(32,293,587)	(5.6)%			(23,565,000)	(3.8)%	37.0 %
Less: Unamortized fees			(868,405)	(0.2)%			(1,039,517)	(0.2)%	(16.5)%
Total Investments	9.50 %		\$ 573,215,473	100 %	10.07 %		\$ 623,171,713	100 %	(8.0)%

*At the time of initial funding

**These are not debt positions, and as a result LTV is not applicable.

Management's Discussion and Analysis

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 8.0% decrease in the total Investment Portfolio was mainly due to a decrease in the amount of the conventional first mortgages and non-conventional mortgages. During the year ended December 31, 2025, new investment funding was \$278.1 million (2024 – \$329.0 million), while repayments during the period were \$320.7 million (2024 – \$265.3 million), resulting in a decrease in the Investment Portfolio size.

Total Conventional first mortgages decreased by 5.2% and represented 95.2% of the Investment Portfolio as at December 31, 2025 (92.4% as at December 31, 2024). Conventional non-first mortgages decreased by 29.9% and represented 5.9% of the Investment Portfolio at December 31, 2025 (7.7% as at December 31, 2024). Non-conventional mortgages increased by 23.4% and represented 2.8% of the total Investment Portfolio as at December 31, 2025 (2.1% as at December 31, 2024). The DIP Loan increased by 2.3% and represented 1.2% of the Investment Portfolio as at December 31, 2025 (1.1% as at December 31, 2024). The Related Debt Investments at FVTPL at December 31, 2025 were \$4,092,044 (December 31, 2024 – \$4,229,448) which included: (i) Five Canadian Related debt investments (classified as FVTPL) (December 31, 2024 – five Canadian Related debt investments) totaling \$4,772,505 (December 31, 2024 – \$6,165,237), (ii) one US dollar denominated investment (classified at FVTPL) totaling \$3,814,380 (US \$2,783,000) (December 31, 2024 – one US dollar denominated investment totaling \$4,004,459 (US\$2,783,000)), (iii) marketable securities totaling \$50,966 (December 31, 2024 – \$50,966) with fair value adjustment gain of \$3,574. Related debt investments (measured at amortized cost) remain unchanged.

The weighted average face interest rate on the Corporation's Investment Portfolio was 9.50% per annum as at December 31, 2025, compared to 10.07% per annum as at December 31, 2024.

The provision for expected credit losses and fair value loss adjustment was \$36,839,393 as at December 31, 2025 (December 31, 2024 – \$29,556,213), comprised of (i) \$29,057,587 (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) \$4,545,806 (December 31, 2024 – \$5,991,213) representing the total amount of management's estimate of fair value adjustment on investments and (iii) a collective allowance balance of \$3,236,000 (December 31, 2024 – \$1,739,000).

Management's Discussion and Analysis

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

PROPERTY TYPE	DECEMBER 31, 2025			DECEMBER 31, 2024			% CHANGE
	NUMBER	TOTAL AMOUNT (BEFORE ALLOWANCE)	% OF PORTFOLIO	NUMBER	TOTAL AMOUNT (BEFORE ALLOWANCE)	% OF PORTFOLIO	
Construction							
Mortgages	74	\$ 207,413,466	34.0 %	88	\$ 213,034,212	32.6 %	(2.6)%
Land & Housing Sites	24	103,934,024	17.0 %	26	121,764,678	18.6 %	(14.6)%
Single Family Dwelling and Condo unit(s)	110	157,178,926	25.7 %	129	181,103,384	27.6 %	(13.2)%
Retail	3	24,517,241	4.0 %	8	32,927,491	5.0 %	(25.5)%
Multi Family							
Residential Mortgages	9	71,694,249	11.7 %	8	61,344,698	9.4 %	16.9 %
Related Debt							
Investments	5	8,741,883	1.4 %	7	10,375,661	1.6 %	(15.7)%
Land Servicing & Serviced Lots	4	15,602,146	2.6 %	5	13,938,764	2.1 %	11.9 %
Industrial	5	9,853,000	1.6 %	5	9,165,098	1.4 %	7.5 %
Mixed Use & Other	5	9,697,305	1.6 %	5	8,957,500	1.4 %	8.3 %
Office & Office							
Condos (owner occupied)	2	2,240,065	0.4 %	4	1,104,990	0.2 %	102.7 %
Marketable securities	1	50,966	0.0 %	1	50,966	0.0 %	0.0 %
	242	\$ 610,923,271	100 %	286	\$ 653,767,443	100 %	(6.6)%

The Corporation continues to focus its lending in 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 December 31, 2025, the gross carrying value of the Investment Portfolio that is secured by properties outside of Ontario was 11.0%, compared to 10.0% as at December 31, 2024.

GEOGRAPHIC SEGMENT	DECEMBER 31, 2025			DECEMBER 31, 2024			% CHANGE
	NUMBER	TOTAL AMOUNT	% OF	NUMBER	TOTAL AMOUNT	% OF	
Greater Toronto Area	139	\$ 339,399,561	56.4 %	171	\$ 358,461,299	55.7 %	(5.3)%
Non-GTA Ontario	69	196,103,407	32.6 %	90	220,601,745	34.3 %	(11.1)%
Quebec	13	39,313,962	6.5 %	7	31,467,159	4.9 %	24.9 %
Western Canada	14	9,862,105	1.6 %	9	17,471,045	2.7 %	(43.6)%
East Canada	–	–	– %	1	1,268,834	0.2 %	(100.0)%
United States	2	17,451,386	2.9 %	1	14,121,698	2.2 %	23.6 %
Mortgage Investment Portfolio	237	\$ 602,130,421	100 %	279	\$ 643,391,782	100 %	(6.4)%
Related Debt Investments	5	8,792,850		7	10,375,661		(15.3)%
	242	\$ 610,923,271		286	\$ 653,767,443		(6.6)%

* The Related Debt Investments at December 31, 2025 include \$155,000 investments at amortized cost and \$8,637,850 of investments at FVTPL and then adjusted for a fair value decrease of \$4,545,806.

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

UNDERLYING SECURITY TYPE	DECEMBER 31, 2025			DECEMBER 31, 2024			% CHANGE
	NUMBER	TOTAL AMOUNT (BEFORE ALLOWANCE)	% OF PORTFOLIO	NUMBER	TOTAL AMOUNT (BEFORE ALLOWANCE)	% OF PORTFOLIO	
Residential	219	517,942,004	84.7 %	254	557,625,259	85.2 %	(7.1)%
Commercial	18	84,188,417	13.8 %	24	85,766,523	13.1 %	(1.8)%
Related Debt Investments	5	8,792,850	1.4 %	8	10,375,661	1.6 %	(15.3)%
	242	\$ 610,923,271	100 %	286	\$ 653,767,443	100 %	(6.6)%

Management's Discussion and Analysis

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 51% 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 \$13,451,386 (US\$9,814,232) (December 31, 2024 – one US dollar denominated investments of \$14,121,698 (US\$9,814,232)).

For the year ended December 31, 2025, income recorded on the US investments (at amortized cost and FVTPL) was \$1,280,192 (US\$952,418), (December 31, 2024 – \$1,554,650 (US\$1,123,936)). These amounts are included in interest and fees income.

As of December 31, 2025, the gross Investment Portfolio, prior to any allowance, included fourteen loans, totaling \$65,607,202 (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 \$29,057,587 (December 31, 2024 – \$21,826,000).

As at December 31, 2025, the Investment Portfolio included twenty investments totaling \$112,564,688 (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 \$23,087,599 (December 31, 2024 – three investments totaling \$7,994,245) have a provision recorded against them included in the Corporation's allowance for credit losses. The remaining fifteen investments with maturity dates that are past due and for which no extensions or renewals were in place amount to \$89,477,089 (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 December 31, 2025, the Investment Portfolio continued to be heavily concentrated in short-term investments, with approximately 86% maturing on or before December 31, 2026. 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 242 investments, 230 were underwritten (as part of a renewal process or for new fundings) between 2025 and 2024, representing 92.0% of the Investment Portfolio, while the remaining 8.0% were underwritten prior to 2024.

Management's Discussion and Analysis

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

	NO.		TOTAL AMOUNT (BEFORE ALLOWANCE AND FAIR MARKET ADJUSTMENT)	% OF PORTFOLIO
2026 and before	213	\$	523,509,631	85.7 %
2027	28		87,362,674	14.3 %
Marketable securities	1		50,966	— %
Total gross carrying amount	242	\$	610,923,271	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 December 31, 2025, 211 of the Corporation's 242 investments (investment amount of \$582,901,817) are shared with other participants, and 31 of which (with a total investment amount of \$119,305,890) 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 \$44 million with the Corporation alongside its Investment Portfolio as at December 31, 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 December 31, 2025 and 2024, there were no mortgages with first priority participants.

As at December 31, 2025, the Corporation had unamortized fees of \$868,405 (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.

PART IV**Results of Operations****Revenues**

For the three months ended December 31, 2025, revenues increased by 5.3% to \$17,052,742 compared to \$16,198,109 for the three months ended December 31, 2024. For the year ended December 31, 2025, revenues decreased by 2.8% to \$66,722,216 compared to \$68,632,934 for the year ended December 31, 2024.

Revenues for the three and year ended December 31, 2025 and 2024 are broken down as follows:

THREE MONTHS ENDED	DECEMBER 31, 2025		DECEMBER 31, 2024		% CHANGE
Interest	\$ 15,209,094	89.2 %	\$ 15,213,510	93.9 %	(0.03)%
Commitment & Renewal Fees	482,548	2.8 %	637,543	4.0 %	(24.3)%
Other Income	1,361,100	8.0 %	347,056	2.1 %	292.2 %
	\$ 17,052,742	100 %	\$ 16,198,109	100 %	5.3 %

YEAR ENDED	DECEMBER 31, 2025		DECEMBER 31, 2024		% CHANGE
Interest	\$ 62,676,913	9.39 %	\$ 63,514,779	92.5 %	(1.3)%
Commitment & Renewal Fees	1,531,645	2.3 %	2,186,553	3.2 %	(30.0)%
Other Income	2,513,658	3.8 %	2,931,602	4.3 %	(14.3)%
	\$ 66,722,216	100 %	\$ 68,632,934	100 %	(2.8)%

For the three months ended December 31, 2025, interest income of \$15,209,094 was in line with the interest income reported for the comparable period in 2024. Interest income for the year ended December 31, 2025 decreased by 1.3% to \$62,676,913 as compared to \$63,514,779 reported for the same period in 2024. The decrease is primarily a result of lower interest income due to a lower weighted average interest rate over the comparable period in 2024.

For the three months ended December 31, 2025, commitment and renewal fees were \$482,548, a decrease of 24.3% from \$637,543 reported for the comparable period in 2024. For the year ended December 31, 2025, commitment and renewal fees were \$1,531,645, a decrease of 30.0% from \$2,186,553 reported for the comparable period in 2024.

For the three months and year ended December 31, 2025, other income was \$1,361,100 and \$2,513,658 (2024 – \$347,056 and \$2,931,602), respectively. The increase in other income for the three months ended December 31, 2025, compared to the same period in 2024, was primarily attributable to a one-time special profit of \$1.3 million from a single loan.

Corporation Manager Interest Allocation

During the three months ending December 31, 2025, the Corporation Manager received \$1,182,314 (December 31, 2024 – \$1,194,157), through an interest sharing arrangement with the Corporation. For the year ended December 31, 2025, \$4,714,215 (December 31, 2024 – \$4,613,485) was received by the Corporation Manager under this arrangement. The increase resulted mainly from higher average Investment Portfolio balance in 2025 as compared to 2024.

Interest Expense

Interest expense includes interest in our borrowing facility and outstanding debentures. For the three months ended December 31, 2025, interest expense decreased by 9.4% to \$3,060,723 as compared to \$3,379,511 for the three months ended December 31, 2024. For the year ended December 31, 2025, interest expense decreased by 12.1% to \$12,435,302 as compared to \$14,151,885 for the year ended December 31, 2024. The decrease in interest expense is primarily due to lower average outstanding debenture principal during 2025.

Interest expense is broken down as follows:

THREE MONTHS ENDED	DECEMBER 31, 2025		DECEMBER 31, 2024		% CHANGE
Bank Interest Expense	\$ 774,858	25.3 %	\$ 1,117,231	33.1 %	(30.6)%
Debenture Interest Expense	2,285,865	74.7 %	2,262,280	66.9 %	1.0 %
	\$ 3,060,723	100 %	\$ 3,379,511	100 %	(9.4)%

YEAR ENDED	DECEMBER 31, 2025		DECEMBER 31, 2024		% CHANGE
Bank Interest Expense	\$ 3,929,773	31.6 %	\$ 4,044,784	28.6 %	(2.8)%
Debenture Interest Expense	8,505,529	68.4 %	10,107,101	71.4 %	(15.8)%
	\$ 12,435,302	100 %	\$ 14,151,885	100 %	(12.1)%

General and Administrative (G&A) Expenses

For the three months ended December 31, 2025, G&A expenses were \$487,876 (2024 – \$511,542). For the year ended December 31, 2025, G&A expenses were \$1,733,050, as compared to \$1,622,628 in the comparable period in 2024.

Incentive Option Plan

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

	YEAR ENDED DECEMBER 31, 2025			YEAR ENDED DECEMBER 31, 2024		
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	AMOUNT ³	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	AMOUNT ³
Outstanding, beginning of period	3,245,000	\$ 11.73	\$ 2,618,154	3,245,000	\$ 11.73	\$ 2,535,489
Options granted/amortization amount	—	—	82,439	—	—	82,665
Outstanding, end of period	3,245,000	11.73	\$ 2,618,154	3,245,000	\$ 11.73	\$ 2,618,154
Number of options exercisable	2,895,000	\$ 11.74		2,725,000	\$ 11.75	

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

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

EXPIRY DATE	NUMBER OF OPTIONS OUTSTANDING	EXERCISE PRICE	NUMBER OF OPTIONS EXERCISABLE
August 14, 2030	1,515,000	11.70	1,515,000
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	2,895,000

The total number of stock options outstanding as at December 31, 2025 is 3,245,000 (December 31, 2024 – 3,245,000), of which 2,895,000 stock options are vested and exercisable (December 31, 2024 – 2,725,000).

The weighted average remaining life expectancy of the outstanding options is 5.6 years.

Fair Value Adjustment on Investment Portfolio and Provision for Expected Credit Losses on Investment Portfolio and Interest Receivable

The Fair Value Adjustment on the Corporation's Investment Portfolio as at December 31, 2025 was a recovery of \$1,445,407 (2024 – decrease of \$3,657,919). The provision for expected credit losses on Investment Portfolio and interest receivable for the year ended December 31, 2025 was \$11,731,054 (2024 – \$9,275,902). The sum of the fair value adjustment and provision for expected credit losses for the year ended December 31, 2025, was an expense of \$10,285,647 (2024 – \$12,933,821).

Net Income and Comprehensive Income

Net income and comprehensive income for the three months ended December 31, 2025, was \$8,735,874 (December 31, 2024 – \$9,164,362), which represents a decrease of 4.7% over the comparable prior year quarter. Net income and comprehensive income for the year ended December 31, 2025, was \$37,471,563 (December 31, 2024 – \$35,228,450), which represents an increase of 6.4% over the comparable prior year period. Income for the three months ended December 31, 2025 represented an annualized return on total shareholders' equity (based on the month end average total shareholders' equity in the quarter) of 8.17%. This return on total shareholders' equity represents 583 basis points per annum over the average one-year Government of Canada Treasury bill yield of 2.34% and is well in excess of the Corporation's stated target yield objective of 400 basis points per annum over the average one-year Government of Canada Treasury bill yield. The above return on total shareholders' equity is a non-IFRS financial measure and does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This non-IFRS measure provides useful information to the Corporation's shareholders as it provides a measure of return generated on the Corporation's equity base.

Earnings Per Share

Basic weighted average earnings per share for the three months ended December 31, 2025 was \$0.238 (December 31, 2024 – \$0.249). Basic weighted average earnings per share for the year ended December 31, 2025 was \$1.020 (December 31, 2024 – \$0.996).

Diluted weighted average earnings per share for the three months ended December 31, 2025 was \$0.237 (December 31, 2024 – \$0.248). Diluted weighted average earnings per share for the year ended December 31, 2025 was \$1.015 (December 31, 2024 – \$0.990).

Management's Discussion and Analysis

QUARTERLY FINANCIAL INFORMATION

	DEC. 31	SEP. 30	JUN. 30	MAR. 31	DEC. 31	SEP. 30	JUN. 30	MAR. 31	DEC. 31	SEP. 30	JUN. 30	MAR. 31	DEC. 31
(\$IN MILLIONS EXCEPT PER UNIT AMOUNTS)	2025	2025	2025	2025	2024	2024	2024	2024	2023	2023	2023	2023	2022
Operating revenue	\$ 17.04	\$ 16.86	\$ 15.73	\$ 17.08	\$ 16.19	\$ 19.08	\$ 17.07	\$ 16.29	\$ 18.11	\$ 17.24	\$ 17.52	\$ 19.02	\$ 17.53
Interest expense	3.07	2.95	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	1.18	1.20	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	0.48	0.51	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	0.02	0.02
Fair value adjustment on investment portfolio	(0.07)	0.08	(0.21)	(1.25)	0.97	1.20	0.11	1.37	(0.08)	3.76	2.00	—	2.10
Impairment loss/(recovery) on investment portfolio	3.63	3.02	1.72	3.36	0.95	3.79	3.12	1.41	4.14	(0.20)	1.30	4.47	1.30
Income	\$ 8.73	\$ 9.08	\$ 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	\$ 0.238	\$ 0.247	\$ 0.263	\$ 0.271	\$ 0.249	\$ 0.250	\$ 0.247	\$ 0.248	\$ 0.242	\$ 0.249	\$ 0.245	\$ 0.253	\$ 0.245
Diluted	\$ 0.237	\$ 0.246	\$ 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	\$ 0.318	\$ 0.234	\$ 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 year ended December 31, 2025, the Corporation declared dividends on the Shares totaling \$37,471,563 or \$1.02 per Share, versus \$35,215,038 or \$0.992 per Share for the year ended December 31, 2024. The number of Shares outstanding at December 31, 2025 was 36,738,425, compared to 36,734,405 at December 31, 2024.

	DECEMBER 31, 2025	DECEMBER 31, 2024	CHANGE
Cash Flow from Operating Activities (net of cash changes to the investment portfolio)	\$ 89,934,070	\$ (13,762,963)	
Net income and comprehensive income	37,471,563	35,228,450	6 %
Declared Dividends	37,471,563	35,215,038	6 %
Excess (Deficit) Cash Flow from Operating Activities (net of cash changes to the investment portfolio) Over Declared Dividends	52,462,507	(48,978,001)	
Surplus of Net Income Over Declared Dividends	—	13,412	

The deficit of cash flow from the operating activities over declared dividend in 2024 was funded from bank indebtedness and from the credit facility.

PART V**Changes in Financial Position****Amounts Receivable & Prepaid Expenses**

The amounts receivable and prepaid expenses of \$7,298,249 as at December 31, 2025 (December 31, 2024 – \$8,052,370) are comprised of interest receivable (net of expected credit losses) of \$5,262,099, prepaid expenses of \$496,792, and fees and special income receivable of \$1,539,358.

Credit Facility and Bank Indebtedness

The credit facility was drawn in the amount of \$25,265,769 at December 31, 2025 (December 31, 2024 – \$54,626,159), related to borrowings in Canadian dollars of \$8,000,000 (December 31, 2024 – \$36,500,000) and in US dollars of \$12,597,234 (in Canadian dollars \$17,265,769), (December 31, 2024 – US dollar borrowings \$12,597,234 (in Canadian dollars \$18,126,159)).

Convertible Debentures

As at December 31, 2025, the Corporation had four series of convertible debentures outstanding, as outlined below:

TICKER SYMBOL	COUPON	ISSUE DATE	MATURITY DATE	CURRENT PRINCIPAL	STRIKE PRICE PER SHARE	CARRYING VALUE
FC.DB.J	5.50 %	Nov. 23, 2018	Jan. 31, 2026	24,966,000	14.60	24,957,676
FC.DB.K	5.00 %	Sep. 3, 2021	Sep. 30, 2028	46,000,000	17.75	44,097,075
FC.DB.L	5.00 %	Jan. 31, 2022	Mar. 31, 2029	43,700,000	17.00	41,267,901
FC.DB.M	5.50 %	Oct. 14, 2025	Dec. 31, 2032	28,150,000	14.06	25,265,266
Total / Average	5.19 %			\$ 142,816,000		\$ 135,587,918

As at December 31, 2025, the principal balance for the outstanding convertible debentures was \$142,816,000 (December 31, 2024 – \$139,683,000). The aggregate convertible debenture carrying value as at December 31, 2025 was \$135,587,918 (December 31, 2024 – \$133,583,951). The weighted average effective interest rate of the convertible debentures as at December 31, 2025 was 5.19% (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 repayment.

On October 14, 2025, the Corporation completed a public offering of 5.50% convertible unsecured subordinated debentures (FC.DB.M) at a price of \$1,000 per debenture for gross proceeds of \$25,000,000. On October 21, 2025, the over-allotment option for this offering was exercised whereby additional 5.50% convertible unsecured debentures at a price of \$1,000 per debenture for gross proceed of \$3,150,000 were issued. These debentures mature on December 31, 2032, and interest is paid semi-annually on the last day of June and December of each year. These debentures are convertible at the option of the holder at any time prior to the maturing date at a conversion price of \$14.06 per Share. The net proceeds from this public offering of debentures were utilized to repay indebtedness of the Corporation owing under the Corporation's credit facility.

Management's Discussion and Analysis

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.

Other Liabilities

Other liabilities for the Corporation include the following:

ADDITIONAL LIABILITIES	DECEMBER 31, 2025	DECEMBER 31, 2024	CHANGE
Accounts Payable and Accrued Liabilities	\$ 2,851,131	\$ 3,012,779	(5.37)%
Shareholders' Dividend Payable	5,951,625	4,922,410	20.91 %
Total	\$ 8,802,756	\$ 7,935,189	10.93 %

Accounts payable and accrued liabilities decreased by 5.37% to \$2,851,131 as at December 31, 2025, compared to \$3,012,779 as at December 31, 2024. Accounts payable and accrued liabilities include interest payable of \$1,186,810 (December 31, 2024 – \$1,225,218) and accrued liabilities of \$1,664,321 (December 31, 2024 – \$1,787,561).

Shareholders' Equity

Shareholders' equity at December 31, 2025 totaled \$425,120,312 compared to \$423,386,867 as at December 31, 2024. The Corporation had 36,738,425 Shares issued and outstanding as at December 31, 2025, compared to 36,734,405 Shares as at December 31, 2024. The increase reflects the issuance of 2,856 shares under the DRIP (compared to 2,597 shares as at December 31, 2024), along with 1,164 shares issued pursuant to the conversion of the 5.50% debentures (FC.DB.I) on April 17, 2025. This conversion generated total gross proceeds of \$17,000.

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.

Management's Discussion and Analysis

The allowance for credit losses is as follows:

INVESTMENT CATEGORIES	DECEMBER 31, 2025		DECEMBER 31, 2024	
	ADJUSTMENTS	TOTAL AMOUNT (BEFORE ALLOWANCE)	ADJUSTMENTS	TOTAL AMOUNT (BEFORE ALLOWANCE)
Conventional First Mortgages	\$ 19,800,522	\$ 545,572,200	\$ 14,712,500	\$ 575,610,293
Conventional Non-First Mortgages	—	33,760,598	2,065,000	48,168,954
Related Debt Investments	—	8,741,884	—	10,324,694
Debtor In Possession Loan	—	6,819,308	—	6,669,208
Marketable securities	—	50,966	—	50,966
Non-Conventional Mortgages	9,257,065	15,978,315	5,048,500	12,943,328
Total Specific Allowance / Amount	\$ 29,057,587	\$ 610,923,271	\$ 21,826,000	\$ 653,767,443
IFRS 9 Collective Allowance	3,236,000		1,739,000	
Total Allowance	\$ 32,293,587		\$ 23,565,000	
Fair Value Adjustment	4,545,806		5,991,213	
Total Allowance and Fair Value Adjustments	\$ 36,839,393		\$ 29,556,213	

The following table presents the changes to the allowance for credit losses on loans as at December 31, 2025:

	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	465,000	73,000	—	538,000
Discharges	(458,000)	(4,407,000)	—	(4,865,000)
Transfer to (from):				
Stage 1	(319,000)	166,000	153,000	—
Stage 2	2,026,000	(9,289,500)	7,263,500	—
Stage 3	109,000	500,000	(609,000)	—
Remeasurements	(1,824,000)	656,500	14,223,087	13,055,587
Balance at December 31, 2025	\$ 1,322,000	\$ 5,390,000	\$ 25,581,587	\$ 32,293,587

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

The changes to the provision	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2024	\$ 1,124,700	\$ 42,000	\$ 11,153,000	\$ 12,319,700
New fundings	587,000	38,000	—	625,000
Discharges	(350,000)	—	(1,125,000)	(1,475,000)
Transfer to (from):				
Stage 1	(193,700)	177,700	16,000	—
Stage 2	30,000	(30,000)	—	—
Stage 3	23,000	7,448,000	(7,471,000)	—
Remeasurements	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

The loans comprising the Investment Portfolio are stated at amortized cost or FVTPL. As of December 31, 2025, the allowance for expected credit losses and fair value adjustment was \$36,839,393 (December 31, 2024, allowance for expected credit losses and fair value adjustment – \$29,556,213) of which \$29,057,587 (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 \$4,545,806 (2024 – \$5,991,213) on investments stated at FVTPL on December 31, 2025.

Management's Discussion and Analysis

During 2024 one US dollar Related debt investment carried at FVTPL 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 also assessed collectively for allowance 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 December 31, 2025, the Corporation carries a collective provision for expected credit losses of \$3,236,000 (December 31, 2024 – \$1,739,000).

As at December 31, 2025, the Investment Portfolio included fourteen investments totaling \$65,607,202 (December 31, 2024 – fourteen investments totaling \$63,537,972) for which a specific allowance of \$29,057,587 (December 31, 2024 – \$21,826,000) was recorded in the Corporation's allowance for expected credit losses.

As at December 31, 2025, the Investment Portfolio included four investments totaling \$5,362,795 (December 31, 2024 four investments \$5,999,364) for which a fair value loss adjustment of \$4,545,806 was recorded (December 31, 2024 – \$5,991,213).

The following table presents the transfers between stages of the gross investments at amortized cost at December 31, 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	146,520,905	12,667,500	—	159,188,405
Discharges	(183,206,854)	(26,668,217)	—	(209,875,071)
Transfer to (from) ¹ :				
Stage 1	(149,697,874)	79,988,211	69,709,663	—
Stage 2	37,984,961	(60,570,354)	22,585,393	—
Stage 3	2,125,994	1,764,245	(3,890,239)	—
Net of Advances/Repayments	25,363,452	(16,889,818)	951,670	9,425,304
Balance at December 31, 2025	\$ 388,863,584	\$ 111,665,111	\$ 101,756,726	\$ 602,285,421

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) ¹ :				
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.

Management's Discussion and Analysis

The Corporation 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 year ended December 31, 2025, this amount was \$4,714,215 (December 31, 2024 – \$4,613,485). Included in accounts payable and accrued liabilities at December 31, 2025 are amounts payable to the Corporation Manager of \$405,853 (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 \$629,000 for the year ended December 31, 2025 (December 31, 2024 – \$615,000). 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.

The Corporation holds a mortgage receivable secured by a registered first charge over real property, from an entity considered a related party by virtue of certain common officers and directors. The mortgage bears interest calculated daily as the 30-day average Secured Overnight Financing Rate plus 250 basis points with a maturity date of January 1, 2026. Subsequent to year-end, the mortgage was renewed and now matures on January 1, 2027.

As at December 31, 2025, the outstanding principal balance was \$16,609,464 (USD \$12,118,389) (December 31, 2024 — \$17,437,150 (USD \$12,118,389) with the Corporation having an 81% participation interest of \$13,451,386 (USD \$9,814,232) (December 31, 2024 — \$14,121,698 (USD \$9,814,232)).

The mortgage was originated and is maintained on terms the Corporation believes to be consistent with prevailing market conditions and was approved in accordance with the Corporation's policies and procedures.

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 \$1,051,684 (December 31, 2024 – \$1,040,927) for the three months ended December 31, 2025 and for the year ended December 31, 2025 was \$4,782,401 (December 31, 2024 – \$4,108,676). All compensation was paid by the Corporation's Manager and not by the Corporation.

For the three months ended December 31, 2025, the total directors' fee expenses were \$80,250 (December 31, 2025 – \$80,250). For the year ended December 31, 2025, the total director's fee expenses were \$321,000 (December 31, 2025 – \$321,000). Certain key management personnel are also directors of the Corporation and

Management's Discussion and Analysis

have received compensation from the Corporation Manager. The Corporation's directors and officers held 850,100 Shares as at December 31, 2025 (December 31, 2024 – 854,875 Shares).

Related party transactions are further discussed and detailed in the Corporation's AIF and in note 11 of the accompanying audited consolidated financial statements of the Corporation for the year ended December 31, 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 a 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 cash and cash equivalents, bank indebtedness, accounts payable and accrued liabilities, credit facility and shareholder dividends payable approximate their carrying values due to their short-term maturities.

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

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

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

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

Management's Discussion and Analysis

The tables in note 14 of the audited consolidated financial statements of the Corporation for the year ended December 31, 2025, and December 31, 2024 respectively, present the fair values of the Corporation's financial instruments as at December 31, 2025 and December 31, 2024.

Contractual Obligations

Contractual obligations as at December 31, 2025 are due as follows:

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-7 YEARS
Credit facility	\$ 25,265,769	\$ —	\$ 25,265,769	\$ —
Accounts payable and accrued liabilities	2,851,131	2,851,131	—	—
Shareholders' dividends payable	5,951,625	5,951,625	—	—
Convertible debentures	142,816,000	24,966,000	46,000,000	71,850,000
Subtotal - Liabilities	176,884,525	33,768,756	71,265,769	71,850,000
Future advances under portfolio	89,045,576	89,045,576	—	—
Liabilities and contractual obligations	\$ 265,930,101	\$ 122,814,332	71,265,769	71,850,000

Material Accounting Policy Information

The material accounting policy information used is consistent with those as described in note 3 of the Corporation's audited consolidated financial statements for the year ended December 31, 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 December 31, 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 \$89 million as at December 31, 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.

The Corporation's limit on its revolving line of credit was \$205 million that was used to fund the timing differences between investment advances and investment repayments. The committed facility's maturity date was extended to October 7, 2027 during current fiscal year. 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

Management's Discussion and Analysis

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 year ended December 31, 2025, 45 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 and recessions, can significantly impact real estate values and borrowers' financial health. Government policies, political stability, and international trade decisions and conflicts 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.*

Management's Discussion and Analysis

- *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 significant component of the Corporation's bank indebtedness is in the form of a demand facility, repayment of which can be demanded by the bank at any time.*
- *Specific investment risk for non-conventional mortgage and second mortgage investments. Non-conventional and second mortgage investments attract higher loan loss risk due to their subordinate ranking to other mortgage charges and sometimes high loan to value ratio. Consequently, this higher risk is compensated for by a higher rate of return. In order to mitigate risk and maintain a well-diversified Investment Portfolio, the operating policies of the Corporation generally limit the amount of Conventional Non-First Mortgage investments to a maximum of*

Management's Discussion and Analysis

30% of the Corporation's capital, subject to the Board of Directors' approval for any modifications to the operating policies.

- *Reliance on Borrowers. After the funding of an investment, we rely on borrowers to maintain adequate insurance and proper adherence to environmental regulations during the ongoing management of their properties.*
- *Credit Risk. The Investment Portfolio is exposed to credit risk. Credit risk is the risk that a counterparty to a financial investment will fail to fulfill its obligations or commitment, resulting in a financial loss to the Corporation.*
- *Change in Legislation. There can be no assurance that certain laws applicable to the Corporation, including Canadian federal and provincial tax legislation, commodity and sales tax legislation, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Corporation or fundamentally alter the tax consequences to shareholders acquiring, holding or disposing of Shares.*
- *Litigation risk. We may, from time to time, become involved in legal proceedings in the course of our business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, we might not receive payments of interest or principal on a mortgage that is the subject of litigation, which would affect our cash flows. An unfavourable resolution of any legal proceedings could have a material adverse effect on us, our financial position and results of operations.*
- *Ability to manage growth. We intend to grow our Investment Portfolio. In order to effectively deploy our capital and monitor our loans and investments in the future, we, the Corporation Manager and/or the Mortgage Banker will need to retain additional personnel and may be required to augment, improve or replace existing systems and controls, each of which can divert the attention of management from their other responsibilities and present numerous challenges. As a result, there can be no assurance that we would be able to effectively manage our growth and, if unable to do so, our Investment Portfolio, and the market price of our securities, may be materially adversely affected.*
- *Cyber risk. We collect and store confidential and personal information. Unauthorized access to our computer systems could result in the theft or publication of confidential information or the deletion or modification of records or could otherwise cause interruptions in our operations. In addition, despite implementation of security measures, our systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access, cyber-attack and other similar disruptions. Any such system failure, accident or security breach could disrupt our business and make our applications unavailable. If a person penetrates our network security or otherwise misappropriates sensitive data, we could be subject to liability or our business could be interrupted, and any of these developments could have a material adverse effect on our business, results of operations and financial condition.*
- *Convertible debentures. Risks relating to the ownership of our outstanding convertible debentures are set out in the section entitled "Risk Factors" contained in each of our (final) prospectuses or prospectus supplements qualifying the distribution of such outstanding convertible debentures, which sections are incorporated herein by reference and available on SEDAR+ at www.sedarplus.ca.*

Management's Discussion and Analysis

- *Currency risk. Currency risk is the risk that the fair value or future cash flows of the Corporation's foreign currency-denominated investments and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates. Consequently, the Corporation is subject to currency fluctuations that may impact its financial position and results of operations. The Corporation manages its currency risk on its investments by borrowing the same amount as the investment in the same currency. As a result, a change in exchange rate of the Canadian dollar against the U.S. dollar will not change the net income and comprehensive income and equity.*
- *Public Health Crisis. The Corporation's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond its control.*

Responsibility of Management and the Board of Directors

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

Management's Discussion and Analysis

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 2026 objectives and our strategies to achieve those objectives, as well as statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance, or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

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

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



FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

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CONSOLIDATED FINANCIAL STATEMENTS

**FIRM CAPITAL MORTGAGE
INVESTMENT CORPORATION**

YEAR ENDED DECEMBER 31, 2025

Independent Auditor's Report

To the Shareholders of Firm Capital Mortgage Investment Corporation:

Opinion

We have audited the consolidated financial statements of Firm Capital Mortgage Investment Corporation and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2025 and December 31, 2024, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for expected credit losses on investment portfolio (carried at amortized cost)

Key Audit Matter Description

Refer to consolidated financial statements Note 2(e): Basis of presentation; 3(a): Material accounting policy information; and Note 5: Investment portfolio.

The Corporation recognized an allowance for expected credit losses against its investment portfolio carried at amortized cost in the amount of \$32,293,587. The allowance was determined by estimating expected credit losses ("ECL") based on the expected cash shortfalls of the investments expected to result from defaults over the relevant time horizon. Management's estimate of expected credit losses considers a range of possible scenarios and involves significant assumptions and judgments including, but not limited to, the extent of credit deterioration, estimated recoverable value of the underlying security, the probability of default, loss given default, and exposure at default.

We considered the allowance for expected credit losses of the investment portfolio carried at amortized cost to be a key audit matter due to the significant judgments applied by management with respect to assumptions underlying the judgments and the high degree of estimation uncertainty. Assessing these assumptions required significant auditor judgment and increased audit effort.

Audit Response

Our approach to addressing the matter included, but was not restricted to, the following procedures:

- Obtaining an understanding of management's process for ECL estimation, including the Corporation's assessment of investments that had a significant increase in credit risk;
- Where required, involving real estate valuation professionals to assist in determining the reasonableness of recoverable values of underlying collateral as estimated by management; and
- Utilization of financial risk management specialists with specialized skills, industry knowledge and relevant experience to evaluate the appropriateness of the ECL model, including, but not limited to evaluation of the model, reasonableness of key inputs, scenario analysis and independent recalculation.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, included in a document likely to be entitled "Report to Shareholders".

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The information, other than the consolidated financial statements and our auditor's report thereon, included in a document likely to be entitled "Report to Shareholders" is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pierrette Dosanjh.

MNP LLP

Toronto, Ontario
March 12, 2026

Chartered Professional Accountants
Licensed Public Accountants

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Consolidated Balance Sheets

(in Canadian dollars)

AS AT	DECEMBER 31, 2025		DECEMBER 31, 2024	
Cash and cash equivalents (note 6)	\$	14,263,033	\$	—
Amounts receivable and prepaid expenses (note 4)		7,298,249		8,052,370
Investment portfolio (note 5)		573,215,473		623,171,713
Total assets	\$	594,776,755	\$	631,224,083
Liabilities				
Bank indebtedness (note 6)	\$	—	\$	11,691,917
Credit facility (note 6)		25,265,769		54,626,159
Accounts payable and accrued liabilities		2,851,131		3,012,779
Shareholders' dividends payable (note 10)		5,951,625		4,922,410
Convertible debentures (note 7)		135,587,918		133,583,951
Total liabilities		169,656,443		207,837,216
Shareholders' Equity				
Common shares (note 8)		413,106,262		413,055,256
Equity component of convertible debentures		7,860,000		6,584,000
Stock options (note 8)		2,700,593		2,618,154
Contributed surplus		3,180,276		2,856,276
Deficit		(1,726,819)		(1,726,819)
Total shareholders' equity		425,120,312		423,386,867
Total liabilities and shareholders' equity	\$	594,776,755	\$	631,224,083

Commitments (note 5)

Contingent liabilities (note 13)

See accompanying notes to the consolidated financial statements.

On behalf of the Directors:

/s/ "Eli Dadouch"
ELI DADOUCH
Director

/s/ "Jonathan Mair"
JONATHAN MAIR
Director

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Consolidated Statements of Income and Comprehensive Income

For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

	2025	2024
Revenues		
Interest and fees income	\$ 64,208,558	\$ 65,701,332
Other income	2,513,658	2,931,602
Total Revenues	66,722,216	68,632,934
Operating expenses		
Corporation manager interest allocation (note 11)	4,714,215	4,613,485
Interest expense (note 12)	12,435,302	14,151,885
General and administrative expenses	1,733,050	1,622,628
Share based compensation (note 8)	82,439	82,665
Fair value adjustment on investment portfolio (carried at FVTPL) (note 5)	(1,445,407)	3,657,919
Provision for expected credit losses on investment portfolio and interest receivable (note 4 and 5)	11,731,054	9,275,902
Total Operating expenses	29,250,653	33,404,484
Income and comprehensive income for the year	\$ 37,471,563	\$ 35,228,450
Earnings per share (note 9)		
Basic	\$ 1.020	\$ 0.996
Diluted	\$ 1.015	\$ 0.990

See accompanying notes to the consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2025 and 2024

(in Canadian dollars)

	COMMON SHARES	EQUITY COMPONENT OF CONVERTIBLE DEBENTURES	STOCK OPTIONS	CONTRIBUTED SURPLUS	DEFICIT	SHAREHOLDERS' 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	34,006	—	—	—	—	34,006
Conversion and redemption of debentures	17,000	(324,000)	—	324,000	—	17,000
Equity component of debentures issued during the year (note 7)	—	1,600,000	—	—	—	1,600,000
Amortization of stock options granted (note 8 (b))	—	—	82,439	—	—	82,439
Income and comprehensive income for the year	—	—	—	—	37,471,563	37,471,563
Dividends to shareholders (note 10)	—	—	—	—	(37,471,563)	(37,471,563)
Balance at December 31, 2025	\$ 413,106,262	\$ 7,860,000	\$ 2,700,593	\$ 3,180,276	\$ (1,726,819)	\$ 425,120,312

Shares issued and outstanding (note 8)

36,738,425

	COMMON SHARES	EQUITY COMPONENT OF CONVERTIBLE DEBENTURES	STOCK OPTIONS	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
Issuances of shares	25,340,250	—	—	—	—	25,340,250
Offering costs	(1,268,322)	—	—	—	—	(1,268,322)
Proceeds from issuance of shares from dividend reinvestment	29,177	—	—	—	—	29,177
Conversion and redemption of debentures	—	(210,000)	—	210,000	—	—
Amortization of stock option granted (note 8 (b))	—	—	82,665	—	—	82,665
Income and comprehensive income for the year	—	—	—	—	35,228,450	35,228,450
Dividends to shareholders (note 10)	—	—	—	—	(35,215,038)	(35,215,038)
Balance at December 31, 2024	\$ 413,055,256	\$ 6,584,000	\$ 2,618,154	\$ 2,856,276	\$ (1,726,819)	\$ 423,386,867

Shares issued and outstanding (note 8)

36,734,405

See accompanying notes to the consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2025 and 2024
(in Canadian dollars)

	2025	2024
Cash provided by (used in):		
Operating activities:		
Income and comprehensive income for the year	\$ 37,471,563	\$ 35,228,450
Adjustments for:		
Financing costs (net of implicit interest rate and deferred finance cost amortization) (note 12)	10,603,947	12,190,182
Implicit interest rate in excess of coupon rate - convertible debentures (note 7) and (note 12)	957,636	914,469
Deferred finance cost amortization - convertible debentures (note 7)	873,719	1,047,233
Provision for expected credit losses on investment portfolio and interest receivable (note 4, note 5)	11,731,054	9,275,902
Fair value adjustment on investment portfolio (carried at FVTPL) (note 5)	(1,445,407)	3,657,919
Amortization of stock option granted (note 8 (b))	82,439	82,665
Changes in operating assets and liabilities		
Funding of investment portfolio	(278,052,700)	(329,018,032)
Discharging of investment portfolio	320,725,760	265,302,224
Accrued interest payable (note 12)	38,409	379,531
Receivables and prepaid expenses	(2,248,346)	(202,264)
Accounts payable and accrued liabilities	(161,648)	(51,529)
Cash interest paid (note 12)	(10,642,356)	(12,569,713)
Net cash flow from (used in) operating activities	89,934,070	(13,762,963)
Financing activities:		
Issuance of common shares in new offerings	—	25,340,250
Dividend reinvestment in common shares	34,006	29,177
Proceeds from convertible debentures issued (note 7)	28,150,000	—
Redemption of convertible debenture (note 7)	(25,000,000)	(26,500,000)
Offering costs	(1,360,388)	(1,268,322)
Repayment of credit facility	(59,203,145)	(57,463,670)
Withdraw from credit facility	29,842,755	87,411,528
Dividends to shareholders paid during the year (note 10)	(36,442,348)	(34,845,217)
Net cash flow used in financing activities	(63,979,120)	(7,296,254)
Net (decrease) increase in cash flow for the year	25,954,950	(21,059,217)
Cash and cash equivalents (Bank indebtedness) beginning of year	(11,691,917)	9,367,300
Cash and cash equivalents (Bank indebtedness) end of year	\$ 14,263,033	\$ (11,691,917)
Cash flows from operating activities include:		
Interest received	\$ 60,197,029	\$ 64,145,332

See accompanying notes to the consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

NOTE 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.

NOTE 2 BASIS OF PRESENTATION

(a) Statement of compliance:

The consolidated financial statements of the Corporation have been prepared by management in accordance with IFRS® Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC").

The consolidated financial statements were approved by the Board of Directors on March 12, 2026.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL") which are measured at fair value at each reporting date.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries (which includes FC Finance Trust, FC Residential Mortgages Company Inc. and Firm Capital Mortgage Fund Inc.). The subsidiaries are fully consolidated from the date on which the Corporation obtains control and continues to be consolidated until the date that such control ceases. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(d) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency as well as its subsidiaries.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

(e) Critical estimates and judgements:

The preparation of the consolidated financial statements requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Revisions to accounting estimates are recognized in the year in which estimates are revised. Those estimates and judgements have been applied in a manner consistent with previous years and there are no known trends, commitments, events or uncertainties, that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these consolidated financial statements.

The significant estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements are as follows:

Expected credit losses - The most significant estimates that the Corporation is required to make relate to the impairment of the investment portfolio and interest receivables (notes 3(a), 4 and 5). These estimates are related to determining when a significant increase in credit risk occurs, determining the probability of default, assessing the loss given default and the methodology used to incorporate forward-looking data when measuring expected credit losses ("ECL"). In addition, these estimates include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances, adverse changes in the payment status of borrowers, and other factors affecting the investments and underlying security of the investments. These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns, and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations of the actual outcome. Should the underlying assumptions change, the estimated expected credit loss could vary by a material amount.

Classification of investment portfolio - Investment portfolio is classified based on the assessment of business model and the cash flow characteristics of the investments. The Corporation exercises judgement in determining the classification of loans in the investment portfolio into measurement categories for Stages 1, 2 and 3 (note 3(a)).

Measurement of fair values - The Corporation's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets, liabilities and the equity component of convertible debentures.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

When measuring the fair value of an asset or liability, the Corporation uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs)

The Corporation reviews significant unobservable inputs and valuation adjustments. If third party information such as broker quotes or appraisals are used to measure fair values, the Corporation will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant assumptions in determining the expected future cash flows for impaired loans include the recoverable value of the investment's underlying security.

The information about the assumptions made in measuring fair value is included in note 14.

NOTE 3 MATERIAL ACCOUNTING POLICY INFORMATION

Recent accounting pronouncements

In April 2024, the IASB issued *IFRS 18, Presentation and Disclosure in Financial Statements*. *IFRS 18* replaces *IAS 1 Presentation of Financial Statements* and introduces new presentation requirements within the statement of income or loss, including specified totals and subtotals, disclosure of management-defined performance measures, and aggregation and disaggregation of financial information based on identified roles of the primary financial statements and the notes. This new standard is effective for reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively. Earlier application is permitted. The Corporation is currently assessing the potential impact of adopting this standard.

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 Financial Instruments: disclosures which introduce additional guidance in two areas. The first relates to financial assets with contingent features and when these features can be considered consistent with a basic lending arrangement, in which case the instrument can be measured at amortized cost. The second relates to the timing of derecognition of financial liabilities when payment takes place through an electronic payment system and certain conditions are met. These amendments will be effective for the fiscal year beginning January 1, 2026. We do not expect these amendments to have a material impact on the consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

The Corporation has adopted all of the new or amended Accounting Standards and Interpretations issued by the IASB that are mandatory for the current reporting period. A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2026, and have not been early adopted in preparing these consolidated financial statements. None of these are expected to have a material effect on the consolidated financial statements of the Corporation.

(a) Financial instruments

Classification & measurement of financial assets

Recognition and initial measurement

The Corporation, on the date of origination or purchase, recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of consideration paid. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities are initially recognized on the date at which the Corporation becomes a party to the contract.

The initial measurement of a financial asset or liability is at fair value and in the case of financial assets and liabilities carried at amortized cost, plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

Financial assets include both debt and equity instruments

Debt instruments

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- (i) Amortized cost;
- (ii) Fair value through other comprehensive income (FVOCI); or
- (iii) Fair value through profit or loss (FVTPL) for trading related assets.

Classification of debt instruments is determined based on:

- (i) The business model under which the asset is held; and
- (ii) The contractual cash flow characteristics of the instrument.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

Business model assessment

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from a collection of contractual cash flows. The Corporation takes into consideration the following factors:

- (i) How the performance of assets in a portfolio is evaluated and reported;
- (ii) The risks that affect the performance of assets held within a business model and how those risks are managed; and
- (iii) Whether the assets are held for trading purposes.

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments and additional advances.

Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In performing this assessment, the Corporation takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement. If the Corporation identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in interest income in the consolidated statements of income and comprehensive income.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

Impairment on debt instruments measured at amortized cost is calculated using the ECL approach. Loans and debt securities measured at amortized cost are presented net of the expected credit losses in the consolidated balance sheets.

Debt instruments measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. These instruments are measured at fair value in the consolidated balance sheets, with transaction costs recognized immediately in the consolidated statements of income and comprehensive income as part of non-interest income. Realized and unrealized gains and losses are recognized as part of income in the consolidated statements of income and comprehensive income.

Equity instruments

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized in the consolidated statements of income and comprehensive income.

Impairment

The impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – Where there has not been a significant increase in credit risk (“SICR”) since initial recognition of a financial instrument, an amount equal to 12 months ECL is recorded. The ECL is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime ECL. Forecasts specific to the loan are incorporated when assessing the cash flows expected to be received.

Measurement of ECL

The probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”) inputs used to estimate ECL are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio. The PD is determined at each reporting date using historical data and current conditions. Adjustments to the PD can be impacted by taking into account forecasted unemployment rates, consumer price index (“CPI”) and interest rates.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Macroeconomic factors

In its models, the Corporation relies on a range of forward-looking economic information as inputs, such as CPI, unemployment rate, and interest rate factors. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

Assessment of SICR

At each reporting date, the Corporation assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macro-economic factors, management judgement and delinquency and monitoring.

The common assessments for SICR on investment portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has significantly increased since initial recognition when contractual payments are more than 30 days overdue.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

Presentation of expected credit losses in the consolidated balance sheets

For financial assets measured at amortized cost, the allowance for credit losses is shown as reduction from the gross carrying amount.

Definition of default

The Corporation considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- (i) significant financial difficulty of the borrower;
- (ii) default or delinquency in interest or principal payments;
- (iii) high probability of the borrower entering a phase of bankruptcy or a financial reorganization; and
- (iv) measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Corporation considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

Individual allowance for credit losses

For loans that are considered individually impaired the Corporation assesses on a case-by-case basis at each reporting period whether an individual allowance for credit losses is required.

For those loans where objective evidence of impairment exists and the Corporation has determined a loan to be impaired, credit losses is determined based on the Corporation's aggregate exposure to the customer considering the following factors:

- (i) the customer's ability to generate sufficient cash flow to service debt obligations;
- (ii) the extent of other creditors' commitments ranking ahead of, or pari passu with, the Corporation and the likelihood of other creditors continuing to support the Corporation; and
- (iii) the realizable value of security (or other credit mitigants) and likelihood of successful repossession.

Expected credit losses over individually assessed impaired loans are dependent on expected future cash flows. Significant assumptions in determining the expected future cash flows for impaired loans include the recoverable value of the investment's underlying security.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

Expected credit losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. This results in interest income being recognized using the original effective interest rate.

Collective allowance for expected credit losses

For loans that have not been individually assessed as being impaired, the Corporation pools them into groups to assess them on a collective basis. Collective allowances are calculated for performing loans. Allowances related to performing loans estimate probable incurred losses that are inherent in the portfolio but have not yet been specifically identified as impaired.

For collectively assessed loans, allowances are driven by management's judgement on significant assumptions including the probability of default, loss given default, and exposure at default.

Internal risk rating parameters are used in calculation of the collective allowance for impairment. Internal risk rating parameters form the basis for calculating the quantitative portion of the collective allowance for performing loans:

- (i) Probability of Default rates (PD) which are based upon the internal rating for each borrower;
- (ii) Loss Given Default ratings (LGD); and
- (iii) Exposure at Default (EAD).

Funded exposures are multiplied by the borrower's PD and by the relevant LGD parameter.

Committed but undrawn exposure is multiplied by the borrower's PD, by the relevant LGD parameter, and by the relevant EAD parameter. A model stress component is also applied to recognize uncertainty in the credit risk parameter and the fact that current actual loss rates may differ from the long-term averages included in the model.

Write-off

Investment portfolio and interest receivable (and the related allowance for impairment accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(b) Revenue recognition:

- (i) Interest and fee income: Interest is calculated on the gross carrying amount for mortgage investments in Stage 1 and 2, and on the net carrying amount for mortgage investments on Stage 3. Commitment fees are amortized to income using the effective interest method over the contractual terms of the mortgages.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

- (ii) Non-conventional mortgages: At each reporting period the Corporation determines the fair value of the profit and interest participation receivable on non-conventional mortgages. Any realized changes in fair value are recognized in other income.

(c) Share-based compensation:

The Corporation has a share-based compensation plan (i.e. incentive option plan), which is described in note 8(b). The expense of equity-settled incentive option plans are measured based on fair value of the awards of each tranche at the grant date. The expense is recognized on a proportionate basis consistent with the vesting features of each tranche of the grant.

(d) Income taxes:

The Corporation is a mortgage investment corporation ("MIC") pursuant to 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 90 days of the end of the year to the extent the dividends were not deducted previously. The Corporation intends to maintain its status as a MIC and intends to distribute sufficient dividends in the year and in future years to ensure that the Corporation is not subject to income taxes. 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 future income tax is required for the Corporation and its subsidiaries.

(e) Financial assets and liabilities:

Financial assets include the Corporation's cash and cash equivalents, amounts receivable, and investment portfolio. Financial liabilities include bank indebtedness, credit facility, accounts payable and accrued liabilities, shareholders' dividends payable, and convertible debentures.

The Corporation classifies its financial assets into the following categories: financial assets at amortized cost, FVOCI, or FVTPL.

The Corporation classifies its financial assets and liabilities as follows:

Assets	Classification
Amounts receivable	Amortized cost
Cash and cash equivalents	Amortized cost
Investment portfolio	Amortized cost
Investment portfolio	FVTPL
Liabilities	
Credit facility and bank indebtedness	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Shareholders' dividends payable	Amortized cost
Debt component of the convertible debentures	Amortized cost

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

Recognition and measurement of financial instruments:

The Corporation determines the classification of its financial assets and liabilities at initial recognition. Financial instruments are recognized initially at fair value and, in the case of financial assets and liabilities carried at amortized cost, adjusted for directly attributable transaction costs. Investment portfolio assets classified at FVTPL are subsequently measured at FV using level 3 inputs. Marketable securities classified as at FVTPL are subsequently measured at fair value using the close price when it falls between the bid/ask price, with gains and losses recognized in profit or loss. Financial instruments classified at amortized cost are subsequently measured at amortized cost less any costs of impairment.

(f) Derecognition of financial assets and liabilities:

Financial assets:

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Corporation is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Corporation enters into transactions whereby it transfers mortgage or loan investments recognized on its consolidated balance sheets but retains either all or substantially all of the risks and rewards of the transferred mortgage or loan investments. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not derecognized.

In transactions in which the Corporation neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Corporation continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities:

The Corporation derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

(g) Compound financial instruments:

Compound financial instruments issued by the Corporation comprise convertible debentures that can be converted into shares of the Corporation at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss.

(h) Common shares:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. Dividends to shareholders are recognized upon declaration in shareholders' equity.

(i) Basic and diluted per share calculation:

The Corporation presents basic and diluted profit per share data for its common shares. Basic per share amounts are calculated by dividing the profit and loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year. Diluted per share amounts are calculated using the "if converted method" and are determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all potentially dilutive convertible debentures and any options granted under the incentive option plan.

(j) Foreign currency translation:

Transaction amounts denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange prevailing at the time of the transactions. Carrying values of monetary assets and liabilities are translated at exchange rates prevailing at the dates of the consolidated balance sheets. Foreign exchange gains and losses on the receipt of the payments from translations are included in realized gains/loss on foreign exchange in the consolidated statements of income and comprehensive income. All unrealized foreign gains and losses on monetary assets and liabilities are included in unrealized foreign exchange gain/loss in the consolidated statements of income and comprehensive income.

(k) 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.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

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.

NOTE 4 AMOUNTS RECEIVABLE AND PREPAID EXPENSES

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

	DECEMBER 31, 2025	DECEMBER 31, 2024
Interest receivable, net of expected credit losses	\$ 5,262,099	\$ 6,185,430
Prepaid expenses	496,792	496,982
Fees receivable	304,358	577,473
Special income receivable	1,235,000	792,485
Amounts receivable and prepaid expenses	\$ 7,298,249	\$ 8,052,370

Interest receivable is net of the provision for interest receivable of \$3,002,467 which is related to loans in default that are Stage 3 (December 31, 2024 – \$1,994,941). The Corporation will continue to seek recovery of amounts that were written off during the year, unless it no longer has the right to collect, or it has exhausted all reasonable efforts to collect.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

NOTE 5 INVESTMENT PORTFOLIO

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

	DECEMBER 31, 2025		DECEMBER 31, 2024	
Conventional first mortgages	\$ 545,572,200	95.2 %	\$ 575,610,293	92.4 %
Conventional non-first mortgages	33,760,598	5.9 %	48,168,954	7.7 %
Non-conventional mortgages	15,978,315	2.8 %	12,943,328	2.1 %
Debtor in possession loan	6,819,308	1.2 %	6,669,208	1.1 %
Related debt investments	155,000	— %	155,000	— %
Total investments (at amortized cost)	602,285,421	105.1 %	643,546,783	103.3 %
Expected credit losses on investments (at amortized cost)	(32,293,587)	(5.6)%	(23,565,000)	(3.8)%
Unamortized fees	(868,405)	(0.2)%	(1,039,517)	(0.2)%
Total investments (at amortized cost), net	\$ 569,123,429	99.3 %	\$ 618,942,266	99.3 %
Total investments (at FVTPL)	4,092,044	0.7 %	4,229,447	0.7 %
Total investments	\$ 573,215,473	100.0 %	\$ 623,171,713	100.0 %
By geography				
Canada	\$ 559,764,087	97.7 %	\$ 605,045,554	97.1 %
United States	13,451,386	2.3 %	18,126,159	2.9 %
Total	\$ 573,215,473	100.0 %	\$ 623,171,713	100.0 %

Included in conventional first mortgages is one United States ("US") dollar denominated investment (at amortized cost) of \$13,451,386 (US\$9,814,232) (December 31, 2024 – one US dollar denominated investments of \$14,121,698 (US\$9,814,232)). As of December 31, 2025, a collective loss allowance of \$61,000 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 \$3,814,380 (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 this limited partnership that has provided equity to real estate entities in the US. As at December 31, 2025, a fair value loss adjustment on US dollar denominated investment was \$3,814,380 (2024 – \$4,000,000).

For the year ended December 31, 2025, income recorded on the US investments (at amortized cost and FVTPL) was \$1,280,192 (US\$952,418), (December 31, 2024 – \$1,554,650 (US\$1,123,936)).

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

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

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.

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

	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSSES	FAIR VALUE ADJUSTMENT	CARRYING AMOUNT
Conventional first mortgages	\$ 545,572,200	\$ (22,677,522)	\$ —	\$ 522,894,678
Conventional non-first mortgages	33,760,598	(194,000)	—	33,566,598
Related debt investments	8,741,884	—	(4,549,380)	4,192,504
Debtor in possession loan	6,819,308	(19,000)	—	6,800,308
Non-conventional mortgages	15,978,315	(9,403,065)	—	6,575,250
Marketable securities	50,966	—	3,574	54,540
	\$ 610,923,271	\$ (32,293,587)	\$ (4,545,806)	\$ 574,083,878
Unamortized fees				(868,405)
Total investment portfolio				\$ 573,215,473

Included in the expected credit losses of \$32,293,587 is a collective allowance of \$3,236,000.

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

	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSSES	FAIR VALUE 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.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

The following table presents the staging of gross investments at amortized cost as at December 31, 2025:

GROSS INVESTMENTS AT AMORTIZED COST

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Conventional first mortgages	\$ 347,081,150	\$ 105,991,389	\$ 92,499,661	\$ 545,572,200
Conventional non-first mortgages	30,044,376	3,716,222	—	33,760,598
Related debt investments	155,000	—	—	155,000
Debtor in possession loan	6,819,308	—	—	6,819,308
Non-conventional mortgages	4,763,750	1,957,500	9,257,065	15,978,315
Total gross investments at amortized cost	388,863,584	111,665,111	101,756,726	602,285,421
By geography:				
Canada	\$ 388,863,584	\$ 98,213,725	\$ 101,756,726	\$ 588,834,035
United States	—	13,451,386	—	13,451,386
Total gross investments at amortized cost	\$ 388,863,584	\$ 111,665,111	\$ 101,756,726	\$ 602,285,421

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

GROSS INVESTMENTS AT AMORTIZED COST

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Conventional first mortgages	\$ 458,331,788	\$ 106,943,266	\$ 10,335,239	\$ 575,610,293
Conventional non-first mortgages	43,098,254	3,005,700	2,065,000	48,168,954
Related debt investments	155,000	—	—	155,000
Debtor in possession loan	6,669,208	—	—	6,669,208
Non-conventional mortgages	1,518,750	11,424,578	—	12,943,328
Total gross investments at amortized cost	\$ 509,773,000	\$ 121,373,544	\$ 12,400,239	\$ 643,546,783
By geography:				
Canada	\$ 509,773,000	\$ 107,251,846	\$ 12,400,239	\$ 629,425,085
United States	—	14,121,698	—	14,121,698
Total gross investments at amortized cost	\$ 509,773,000	\$ 121,373,544	\$ 12,400,239	\$ 643,546,783

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

(in Canadian dollars)

The following table presents the transfers between stages of the gross investments at amortized cost at December 31, 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	146,520,905	12,667,500	—	159,188,405
Discharges	(183,206,854)	(26,668,217)	—	(209,875,071)
Transfer to (from) ¹ :				
Stage 1	(149,697,874)	79,988,211	69,709,663	—
Stage 2	37,984,961	(60,570,354)	22,585,393	—
Stage 3	2,125,994	1,764,245	(3,890,239)	—
Net of Advances/Repayments	25,363,452	(16,889,818)	951,670	9,425,304
Balance at December 31, 2025	\$ 388,863,584	\$ 111,665,111	\$ 101,756,726	\$ 602,285,421

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) ¹ :				
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

The following table presents the expected credit losses on investments as at December 31, 2025:

EXPECTED CREDIT LOSSES ON INVESTMENTS

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Conventional first mortgages	\$ 1,016,000	\$ 5,337,000	\$ 16,324,522	\$ 22,677,522
Conventional non-first mortgages	164,000	30,000	—	194,000
Non-conventional mortgages	123,000	23,000	9,257,065	9,403,065
Debtor in possession loan	19,000	—	—	19,000
Total	\$ 1,322,000	\$ 5,390,000	\$ 25,581,587	\$ 32,293,587
By geography:				
Canada	\$ 1,322,000	\$ 5,329,000	\$ 25,581,587	\$ 32,232,587
United States	—	61,000	—	61,000
Total	\$ 1,322,000	\$ 5,390,000	\$ 25,581,587	\$ 32,293,587

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

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	\$ 1,036,000	\$ 12,612,500	\$ 2,486,000	\$ 16,134,500
Conventional non-first mortgages	197,000	21,000	2,065,000	2,283,000
Non-conventional mortgages	76,000	5,057,500	—	5,133,500
Debtor in possession loan	14,000	—	—	14,000
Total	\$ 1,323,000	\$ 17,691,000	\$ 4,551,000	\$ 23,565,000
By geography:				
Canada	\$ 1,323,000	\$ 17,631,000	\$ 4,551,000	\$ 23,505,000
United States	—	60,000	—	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 December 31, 2025:

	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	465,000	73,000	—	538,000
Discharges	(458,000)	(4,407,000)	—	(4,865,000)
Transfer to (from) ¹ :				
Stage 1	(319,000)	166,000	153,000	—
Stage 2	2,026,000	(9,289,500)	7,263,500	—
Stage 3	109,000	500,000	(609,000)	—
Remeasurements ²	(1,824,000)	656,500	14,223,087	13,055,587
Balance at December 31, 2025	\$ 1,322,000	\$ 5,390,000	\$ 25,581,587	\$ 32,293,587

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

2 Remeasurements represent the change in the expected credit loss related to changes in model inputs or assumptions, including changes in macroeconomic conditions, balances changes, and changes in measurement following a transfer between stages.

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

	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) ¹ :				
Stage 1	(193,700)	177,700	16,000	—
Stage 2	30,000	(30,000)	—	—
Stage 3	23,000	7,448,000	(7,471,000)	—
Remeasurements ²	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

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

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

As at December 31, 2025, expected credit losses were \$32,293,587 (December 31, 2024 – \$23,565,000) of which \$29,057,587 (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 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 December 31, 2025, the Corporation carries a collective allowance of \$3,236,000 (December 31, 2024 – \$1,739,000).

As of December 31, 2025, the gross investment portfolio, prior to any allowance, included fourteen loans, totaling \$65,607,202 (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 \$29,057,587 (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 consumer price index (CPI). Management considers interest rate assumptions to be a key contributor to the unemployment rates which ultimately have an impact on CPI assumptions that are used in determination of the Corporation's expected credit losses.

The Corporations' probability weighted estimate of expected credit losses used three scenarios (base, benign and adverse) at December 31, 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.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

The scenario probability weightings applied in the measuring the ECL as at December 31, 2025:

	BENIGN	BASE	ADVERSE
Macro-economic scenario probability weightings	10 %	60 %	30 %

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

	BENIGN	BASE	ADVERSE
Macro-economic scenario probability weightings	10 %	60 %	30 %

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 8 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 December 31, 2025 is as follows:

	BENIGN	BASE	ADVERSE
CPI	2.40 %	2.20 %	1.50 %
Interest Rates	2.25 %	2.29 %	2.75 %
Unemployment rates	7.10 %	7.34 %	7.60 %
Collective Allowance	\$ 3,097,000	\$ 3,151,200	\$ 3,452,000

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.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

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

Gross carrying value of exposure by risk rating

The following table presents the gross carrying amount of the investment portfolio stated at amortized cost subject to IFRS 9 requirements by internal risk ratings used by the Corporation for credit risk purposes.

The internal risk ratings presented in the table below are defined as follows:

Category	Borrower Quality	Certainty of Repayment	Property Location	Loan to Value
Low	Strong	High	Strong	Low
Low to Medium	Medium\Strong	High\Moderate	Medium\Strong	Low\Medium
Medium	Medium	Moderate	Medium	Medium
Medium to High	Weak\Medium	Low\Moderate	Weak\Medium	Medium\High
High	Weak	Low	Weak	High
High to Default	Very Weak	Very Low	Weak	High

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

The following table represents the internal risk ratings as at December 31, 2025:

	CONVENTIONAL FIRST MORTGAGES	CONVENTIONAL NON-FIRST MORTGAGES	RELATED INVESTMENTS	DEBTOR IN POSSESSION LOAN	NON-CONVENTIONAL MORTGAGES	TOTAL
Stage 1						
Low	\$ 42,740,768	\$ 4,676,670	\$ —	\$ —	\$ 1,275,000	\$ 48,692,438
Low to medium	60,675,852	5,943,315	—	—	—	66,619,167
Medium	237,879,449	18,204,390	155,000	6,819,308	3,488,750	266,546,897
Medium to high	5,785,000	1,220,000	—	—	—	7,005,000
Default (under legal enforcement)	81	—	—	—	—	81
Stage 2						
Low	1,142,261	—	—	—	—	1,142,261
Low to medium	5,810,000	—	—	—	—	5,810,000
Medium	84,659,964	3,716,223	—	—	—	88,376,187
Medium to high	12,541,500	—	—	—	1,957,500	14,499,000
High	1,837,663	—	—	—	—	1,837,663
Stage 3						
Medium	6,501,083	—	—	—	—	6,501,083
Medium to high	64,406,959	—	—	—	—	64,406,959
High	8,048,749	—	—	—	9,257,065	17,305,814
Default (under legal enforcement)	13,542,871	—	—	—	—	13,542,871
Total	\$ 545,572,200	\$ 33,760,598	\$ 155,000	\$ 6,819,308	\$ 15,978,315	\$ 602,285,421

The following table represents the internal risk ratings as at December 31, 2024:

	CONVENTIONAL FIRST MORTGAGES	CONVENTIONAL NON-FIRST MORTGAGES	RELATED INVESTMENTS	DEBTOR IN POSSESSION LOAN	NON-CONVENTIONAL MORTGAGES	TOTAL
Stage 1						
Low	\$ 32,369,807	\$ 6,016,286	\$ 155,000	\$ —	\$ 1,275,000	\$ 39,816,093
Low to medium	81,430,473	7,227,536	—	—	—	88,658,009
Medium	319,568,784	24,519,660	—	6,669,208	243,750	351,001,402
Medium to high	24,962,724	5,334,772	—	—	—	30,297,496
Stage 2						
Low to medium	2,548,000	—	—	—	—	2,548,000
Medium	93,484,386	3,005,700	—	—	—	96,490,086
Medium to high	4,952,380	—	—	—	11,424,578	16,376,958
High	5,958,500	—	—	—	—	5,958,500
Stage 3						
Medium	2,280,000	—	—	—	—	2,280,000
Default and /or Provision	8,055,239	2,065,000	—	—	—	10,120,239
Total	\$ 575,610,293	\$ 48,168,954	\$ 155,000	\$ 6,669,208	\$ 12,943,328	\$ 643,546,783

The loans comprising the Investment portfolio bear interest at the weighted average rate of 9.50% per annum as at December 31, 2025 (December 31, 2024 – 10.07% per annum) and mature between 2026 and 2027.

The unadvanced funds under the existing investment portfolio (which are commitments of the Corporation) amounted to \$89,045,576 as at December 31, 2025 (December 31, 2024 – \$131,239,465).

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

The contractual maturity dates of the investment portfolio as at December 31, 2025:

2026	\$	523,509,631
2027		87,362,674
Marketable securities		50,966
Total gross investments	\$	610,923,271

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). As at December 31, 2025 and December 31, 2024, no investment with first priority syndicate participation was outstanding.

The investment portfolio as at December 31, 2025, included twenty investments totaling \$112,564,688 (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 \$23,087,599 (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 fifteen investments with maturity dates that are past due and for which no extensions or renewals were in place amount to \$89,477,089 (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 December 31, 2025, 211 of the Corporation's 242 investments (investment amount of \$582,901,817) 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.

Investments classified at FVTPL:

Total Investments at FVTPL at December 31, 2025 were \$4,092,044 (December 31, 2024 – \$4,229,447) which included: (i) Five Canadian Related debt investments (December 31, 2024 – five Canadian Related debt investments) totaling \$4,772,504 (December 31, 2024 – \$6,165,237) with a fair value decrease of \$735,000, (ii) one US dollar denominated investment totaling \$3,814,380 (US \$2,783,000), (December 31, 2024 – one US dollar

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

denominated investments totaling \$4,004,459 (US\$2,783,000)) with fair value decrease of \$3,814,380 and (iii) Marketable securities at \$54,540.

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 Corporation determines the fair value of its investments using a variety of methods, including independent appraisals, market comparables, 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 December 31, 2025, the Corporation's investment portfolio is primarily secured by first mortgages, with conventional first mortgages representing 95.2% of the total investment 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, as outlined in Note 5 of the consolidated financial statements.

NOTE 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 \$25,265,769 drawn as at December 31, 2025 (December 31, 2024 – \$54,626,159). In addition, the Corporation also had \$14,263,033 in cash and cash equivalents (December 31, 2024 – \$11.6M (bank indebtedness)). 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 December 31, 2025 and December 31, 2024, the Corporation was in compliance with all financial covenants.

The draw on the credit facility in the amount of \$25,265,769 at December 31, 2025 (December 31, 2024 – \$54,626,159), related to borrowings in Canadian dollars of \$8,000,000 (December 31, 2024 – \$36,500,000) and in US dollars of \$12,597,234 (in Canadian dollars \$17,265,769), (December 31, 2024 – US dollar borrowings

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

\$12,597,234 (in Canadian dollars \$18,126,159)). The borrowing in US dollars matches the amount of US dollar denominated investments, thereby acting as an economic hedge against currency exposure.

NOTE 7 CONVERTIBLE DEBENTURES

	YEAR ENDED DECEMBER 31, 2025	YEAR ENDED DECEMBER 31, 2024
Carrying value, beginning of the year	\$ 133,583,951	\$ 158,122,248
Issued	28,150,000	—
Equity component of debenture	(1,600,000)	—
Debenture offering costs	(1,360,388)	—
Conversions of debentures to shares	(17,000)	—
Repayment	(25,000,000)	(26,500,000)
Implicit interest rate in excess of coupon rate	957,636	914,469
Deferred finance cost	873,719	1,047,234
Carrying value, end of the year	\$ 135,587,918	\$ 133,583,951

The continuity of the convertible debentures for the year ended December 31, 2025 is as follows:

DEBENTURE	BALANCE, BEGINNING OF YEAR	ISSUED	CONVERSIONS	IMPLICIT INTEREST RATE IN EXCESS OF COUPON	DEFERRED FINANCE COST	REPAYMENTS UPON REDEMPTION	BALANCE, END OF YEAR	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%	24,684,772	—	(17,000)	125,552	164,352	—	24,957,676	31-Jan-26
FC.DB.K 5.0%	43,445,765	—	—	357,444	293,866	—	44,097,075	30-Sep-28
FC.DB.L 5.0%	40,563,024	—	—	410,661	294,216	—	41,267,901	31-Mar-29
FC.DB.M 5.5%	—	25,189,612	—	38,013	37,641	—	25,265,266	31-Dec-32
Total	133,583,951	\$ 25,189,612	\$ (17,000)	\$ 957,636	\$ 873,719	\$ (25,000,000)	\$ 135,587,918	

As at December 31, 2025, debentures payable bear interest at the weighted average effective rate of 5.19% per annum (December 31, 2024 – 5.16% per annum). Notwithstanding the carrying value of the convertible debentures, the principal balance outstanding to the debenture holders is \$142,816,000 as at December 31, 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 October 14, 2025, the Corporation completed a public offering of 5.50% convertible unsecured subordinated debentures at a price of \$1,000 per debenture for gross proceeds of \$25,000,000. On October 21, 2025, the over – allotment option for this offering was exercised whereby additional 5.50% convertible unsecured debentures at a price of \$1,000 per debenture for gross proceeds of \$3,150,000 were issued. The debentures mature on December 31, 2032 and interest is paid semi-annually on the last day of June and December of each year. The debentures are convertible at the option of the holder at any time prior to the maturing date at a conversion price of \$14.06 per

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

Share. The debentures may not be redeemed by the Corporation prior to December 31, 2028. On or after December 31, 2028, but prior to December 31, 2030, the debentures are redeemable at a price equal to the principal, plus accrued and unpaid interest, at the Corporation's option on not more than 60 days' and not less than 30 days' notice, provided that the weighted average trading price of the Shares on the Toronto Stock Exchange ("TSX") for the 20 consecutive trading days ending 5 trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after December 31, 2030, and prior to the maturity date, the debentures are redeemable at a price equal to the principal amount plus accrued and unpaid interest, at the Corporation's option on not more than 60 days' and not less than 30 days' prior notice. On redemption or at maturity, the Corporation may, at its option, on not more than 60 days' and not less than 40 days' prior notice, elect to satisfy its obligation to pay all or a portion of the principal of the debenture by issuing that number of Shares of the Corporation obtained by dividing the principal amount being repaid by 95% of the weighted average trading price of the Shares for the 20 consecutive trading days ending on the fifth day preceding the redemption or maturity date.

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

Liability	\$ 26,550,000
Equity	1,600,000
Principal	\$ 28,150,000

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

DEBENTURE	BALANCE, BEGINNING OF YEAR	ISSUED	CONVERSIONS	IMPLICIT INTEREST RATE IN EXCESS OF COUPON	DEFERRED FINANCE COST	REPAYMENTS	BALANCE, END OF YEAR	MATURITY DATE
FC.DB.H 5.3%	\$ 26,353,173	\$ —	\$ —	23,226	\$ 123,600	\$ (26,500,000)	\$ —	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	—	40,563,024	31-Mar-29
Total	\$ 158,122,248	\$ —	\$ —	\$ 914,469	\$ 1,047,234	\$ (26,500,000)	\$ 133,583,951	

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.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

NOTE 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 December 31, 2025:

	# OF SHARES	AMOUNT
Balance, beginning of year	36,734,405	\$ 413,055,256
Conversion and redemption of debentures	1,164	17,000
New shares issued during the year under Dividend Reinvestment Plan	2,856	34,006
Balance, end of year	36,738,425	\$ 413,106,262

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 2025 under the Dividend Reinvestment Plan were 2,856 (December 31, 2024 – 2,597).

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

(b) Incentive option plan

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

	YEAR ENDED DECEMBER 31, 2025			YEAR ENDED DECEMBER 31, 2024		
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	AMOUNT ³	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	AMOUNT ³
Outstanding, beginning of year	3,245,000	\$ 11.73	\$ 2,618,154	3,245,000	\$ 11.73	\$ 2,535,489
Options granted/amortization amount	—	—	82,439	—	—	82,665
Outstanding, end of year	3,245,000	11.73	\$ 2,700,593	3,245,000	\$ 11.73	\$ 2,618,154
Number of options exercisable	2,895,000	\$ 11.74		2,725,000	\$ 11.75	

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

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

EXPIRY DATE	NUMBER OF OPTIONS OUTSTANDING	EXERCISE PRICE	NUMBER OF OPTIONS EXERCISABLE
August 14, 2030	1,515,000	\$ 11.70	1,515,000
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	2,895,000

The weighted average remaining life expectancy of the outstanding options is 5.6 years.

(c) Dividend reinvestment plan and direct share purchase plan

The Corporation has a dividend reinvestment plan and direct share purchase plan for its shareholders that allows participants to reinvest their monthly cash dividends or purchase additional shares of the Corporation at a share price equivalent to the weighted average price of shares for the preceding five-day period.

(d) Normal course issuer bid

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

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

NOTE 9 EARNINGS PER SHARE

The following table reconciles the numerators and denominators of the basic and diluted earnings per share for the years ended December 31, 2025, and 2024:

BASIC EARNINGS PER SHARE CALCULATION:

	2025	2024
Numerator for basic earnings per share:		
Net earnings for the year	\$ 37,471,563	\$ 35,228,450
Denominator for basic earnings per share:		
Weighted average shares	36,736,391	35,381,999
Net basic earnings per share	\$ 1.020	\$ 0.996

DILUTED EARNINGS PER SHARE CALCULATION:

	2025	2024
Numerator for basic earnings per share:		
Net earnings for year	\$ 37,471,563	\$ 35,228,450
Interest on convertible debentures	2,066,482	4,309,272
Net diluted earnings for year	39,538,045	39,537,722
Denominator for basic earnings per share:		
Weighted average shares	36,736,391	35,381,999
Net shares that would be issued:		
Assuming the proceeds from options are used to purchase shares	74,137	—
Assuming debentures are converted	2,144,503	4,536,301
Diluted weighted average shares	38,955,031	39,918,300
Diluted earnings per share	\$ 1.015	\$ 0.990

NOTE 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 year ended December 31, 2025, the Corporation recorded dividends of \$37,471,563 (2024 – \$35,215,038) to its shareholders. Dividends were \$1.02 per share (2024 – \$0.992 per share).

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

NOTE 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 year ended December 31, 2025, this amount was \$4,714,215 (December 31, 2024 – \$4,613,485). Included in accounts payable and accrued liabilities at December 31, 2025 are amounts payable to the Corporation's Manager of \$405,853 (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 \$629,000 for the year ended December 31, 2025 (December 31, 2024 – \$615,000). The Mortgage Banker also retains all overnight float interest and incidental fees and charges payable by borrowers on the Corporation's investments.

Certain members of our Board of Directors and senior management and their related entities co-invested approximately \$44 million with the Corporation alongside its Investment Portfolio as at December 31, 2025.

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.

The Corporation holds a mortgage receivable secured by a registered first charge over real property, from an entity considered a related party by virtue of certain common officers and directors. The mortgage bears interest calculated daily as the 30-day average Secured Overnight Financing Rate plus 250 basis points with a maturity date of January 1, 2026. Subsequent to year-end, the mortgage was renewed and now matures on January 1, 2027.

As at December 31, 2025, the outstanding principal balance was \$16,609,464 (USD \$12,118,389) (December 31, 2024 — \$17,437,150 (USD \$12,118,389) with the Corporation having a 81% participation interest of \$13,451,386 (USD \$9,814,232) (December 31, 2024 — \$14,121,698 (USD \$9,814,232)).

The mortgage was originated and is maintained on terms the Corporation believes to be consistent with prevailing market conditions and was approved in accordance with the Corporation's policies and procedures.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

Key management compensation:

For the year ended December 31, 2025, the total director's fee expenses were \$321,000 (December 31, 2024 – \$321,000). Certain key management personnel are also directors of the Corporation and received compensation from the Corporation's Manager. The Directors and Officers held 850,100 shares in the Corporation as at December 31, 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 \$4,782,401 (December 31, 2024 – \$4,108,676) for the year ended December 31, 2025. All compensation was paid by the Corporation's Manager and not by the Corporation.

NOTE 12 INTEREST EXPENSE

	2025	2024
Bank interest expense	\$ 3,929,773	\$ 4,044,784
Debenture interest expense	8,505,529	10,107,101
Interest expense	12,435,302	14,151,885
Deferred finance costs amortization - convertible debentures	(873,719)	(1,047,234)
Implicit interest rate in excess of coupon rate - convertible debentures	(957,636)	(914,469)
Changes in accrued interest payable	38,409	379,531
Cash interest paid	\$ 10,642,356	\$ 12,569,713

NOTE 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 consolidated financial statements.

NOTE 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 its carrying value as the majority of the loans are repayable in full at any time without penalty and generally have floating interest rates. There is no quoted price in an active market for the mortgage and loan investments. The Corporation makes its determinations of fair value based on its

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

assessment of the current lending market for mortgage and loan investments of same or similar terms. As a result, the fair value of mortgage and loan investments is based on Level 3 of the fair value hierarchy.

The following table presents the changes in related debt investments (at FVTPL) for year ended December 31, 2025 and December 31, 2024:

CHANGES TO INVESTMENTS AT FVTPL	DECEMBER 31, 2025	DECEMBER 31, 2024
Balance, beginning of year	\$ 4,229,447	\$ 6,620,372
Funding of investments	197,051	1,258,644
Repayments of investments	(1,589,782)	(564,547)
Unrealized adjustment foreign exchange	(190,079)	572,897
Fair value adjustment	1,445,407	(3,657,919)
Balance, end of year	\$ 4,092,044	\$ 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 December 31, 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:

DECEMBER 31, 2025	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Convertible debentures	\$ 143,540,676	—	—	\$ 143,540,676

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 year ended December 31, 2025, and year ended December 31, 2024.

NOTE 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

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

Corporation's key risks and in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

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

(a) Interest rate risk

(i) Interest income risk

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

(ii) Interest expense risk

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

At December 31, 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:

	CARRYING VALUE	-1%	+1%
Financial assets:			
Cash and cash equivalents	\$ 14,263,033	\$ (142,630)	\$ 142,630
Amounts receivable and prepaid expenses	7,298,249	—	—
Investment portfolio	573,215,473	(139,331)	1,404,270
Financial liabilities:			
Credit facility	25,265,769	252,658	(252,658)
Accounts payable and accrued liabilities	2,851,131	—	—
Shareholders' dividends payable	5,951,625	—	—
Convertible debentures	135,587,918	—	—
Total change		\$ (29,304)	\$ 1,294,243

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

(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 cash and cash equivalents, 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. The Corporation is also exposed to credit risk arising from its deposits held with financial institutions. Cash and cash equivalents are maintained with Canadian financial institutions and the wholly owned subsidiaries of these financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand, subject to certain conditions, and are maintained with Canadian financial institutions of reputable credit and therefore bear minimal credit risk.

(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 December 31, 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 \$89,045,576 as at December 31, 2025 (December 31, 2024 – \$131,239,465). These commitments are anticipated to be funded from the Corporation's syndicate credit facility and borrower repayments.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

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, 2027.

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 December 31, 2025 are due as follows:

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-7 YEARS
Credit facility	\$ 25,265,769	\$ —	\$ 25,265,769	\$ —
Accounts payable and accrued liabilities	2,851,131	2,851,131	—	—
Shareholders' dividends payable	5,951,625	5,951,625	—	—
Convertible debentures	142,816,000	24,966,000	46,000,000	71,850,000
Subtotal - Liabilities	176,884,525	33,768,756	71,265,769	71,850,000
Future advances under portfolio	89,045,576	89,045,576	—	—
Liabilities and contractual obligations	\$ 265,930,101	\$ 122,814,332	71,265,769	71,850,000

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 \$6,147,677 in less than 1 year, \$11,491,500 for 1 to 3 years and \$5,320,021 for 4 to 7 years.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

(d) Capital risk management.

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

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

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

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

(e) Currency risk

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

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024
(in Canadian dollars)

NOTE 16 SUPPLEMENTARY INFORMATION

The following table reconciles the changes in cash flows from financing activities for 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	(59,203,145)	—
Withdraw from credit facility	29,842,755	
Debenture issued	—	25,189,612
Repayment and conversions of convertible debentures	—	(25,017,000)
Total cash flow from financing activities	25,265,769	133,756,563
Financing non-cash activities:		
Implicit interest rate in excess of coupon rate (note 7)	—	957,636
Deferred finance cost amortization (note 7)	—	873,719
Total non-cash flow financing activities	—	1,831,355
Balance at December 31, 2025	\$ 25,265,769	\$ 135,587,918

NOTE 17 SUBSEQUENT EVENT

On February 2, 2026, the Corporation fully repaid its 5.50% convertible unsecured subordinated debentures (FC.DB.J). The repayment was made through a cash payment of the total principal amount of \$24,966,000, along with all accrued interest up to the maturity date.



FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

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