FRONTENAC MORTGAGE INVESTMENT CORPORATION
INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
FOR THE SIX MONTHS ENDED JUNE 30, 2009

This interim management report of fund performance contains financial highlights but does not contain either complete annual or interim financial statements of the investment fund. You can obtain a copy of the annual or interim financial statements at your request, at no cost, by any of the following methods:

By telephone: (877) 279-2116

By Internet: SEDAR at www.sedar.com

By mail: Frontenac Mortgage Investment Corporation
The Simonett Building
14216 Highway #38
Sharbot Lake, Ontario K0H 2P0

Shareholders may also contact us using one of these methods to request a copy of the Corporations's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The discussion contained in this interim Management Report on Fund Performance ("MRFP") is intended to update readers on material developments since the date of the most recent annual MRFP and does not restate all the information contained in the annual MRFP. This interim MRFP should be read in conjunction with the annual MRFP, financial statements, and company prospectus – copies of which are available on SEDAR at www.sedar.com.

Results of Operations

The financial statements of Frontenac Mortgage Investment Corporation are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and National Instrument 81-106 Investment Funds Continuous Disclosure and all amounts are expressed in Canadian dollars.

Revenues for the Corporation for the six months ended June 30, 2009 increased to $1,184,077 from $1,101,281 from the same period in 2008. The increase in revenues is a reflection of the increased net asset base available for investment. Net assets for the Fund increased by approximately $4.38 million year over year as at June 30, 2009 as a result of new investment by shareholders and re-investment by shareholders of their monthly dividends under the dividend re-investment plan.

Total expenses for the Corporation for the six months ended decreased to $426,340 from $441,197 for the same period in 2008. The decrease in expenses is attributable to an decrease in unrealized loss provisions on mortgages of $54,000 year over year and an decrease in trustee fees which are now borne by the individual investor for which they apply. General and administrative expenses of the Company increased by $39,529 from the same period in 2008. This increase is attributable to new custodian costs that began late last year as a result of changes in securities regulations plus increased costs in support of a new corporate website and other marketing materials and events.

Overall, earnings per share dropped slightly to $0.92 per share for the six months ended June 30, 2009 from $0.94 per share for the same period in 2008.

The following table presents the operating results of the Corporation (for the year ended December 31 unless otherwise stated):

	Six months ended June 30, 2009 (Unaudited) $	**2008 $**	**2007 $**	**2006 $**	**2005 (1) $**
Total revenues	1,184,077	2,337,590	2,062,087	1,744,777	777,147
- per issued common share	1.46	3.22	3.22	3.00	1.60
Net earnings	757,738	1,331,004	1,345,971	986,023	459,080
- per issued common share	0.92	1.82	2.11	1.70	0.94

(1) 2005 was the first year of operations for the Corporation. The figures presented represent the results from operations for the initial period from June 22, 2005 to December 31, 2005.

Outstanding Share Data and Transactions for the Period

The Corporation is authorized to issue an unlimited number of common shares and, as at June 30, 2009, 886,389 common shares of the Corporation were issued and outstanding.

The following table presents a comparative summary of share transactions (for the year ended December 31 unless otherwise stated):

	Six months ended June 30, 2009 (Unaudited) $	**2008 $**	**2007 $**	**2006 $**	**2005 (1) $**
Number of shares:	#		#	#	#
Balance – beginning of period	762,396	665,554	592,428	536,241	Nil
Issued	98,735	84,838	58,082	55,164	555,438
Issued under dividend re-investment plan	25,258	44,367	44,866	32,867	15,303
Redeemed		(32,363)	(29,822)	(32,144)	(34,200)
Balance – end of period	886,389	762,396	665,554	592,428	536,241
Dollars:	$	$	$	$	$
Balance – beginning of period	22,871,903	19,966,602	17,772,832	16,096,215	Nil
Issued	2,962,050	2,545,148	1,742,460	1,654,923	16,663,133
Issued under dividend re-investment plan	757,738	1,331,004	1,345,971	986,023	459,080
Redeemed		(970,851)	(894,661)	(964,329)	(1,025,998)
Balance – end of period	26,591,691	22,871,903	19,966,602	17,772,832	16,096,215

(1) 2005 was the first year of operations for the Corporation. The figures presented represent the results from operations for the initial period from June 22, 2005 to December 31, 2005.

Under the terms of the Corporation's prospectus, shareholders may redeem shares in the Corporation only once per year, in November, except in certain exceptional circumstances. During the six month period ended June 30, 2009, there were no share redemptions.

Risks

The overall risks of the Corporation are as described in the Corporation's most recent prospectus. As of the date of this Management Report of Fund Performance, management is not aware of any negative risk factor which has adversely affected the return on investments for the six months ended June 30, 2009. All bad or questionable loans have been accounted for in the financial statements and no trends are known at this time that will likely either affect the capital base of the Corporation, the ability of the Corporation to find and fund mortgage loans or decrease the Corporation's investment income.

While the sub-prime mortgage crisis in the U.S. and the resulting plunge in global stock markets led the global economy into recession in 2008 and 2009, the Corporation has continued to adjust to changing times as part of the active management of its mortgage portfolio. As at June 30, 2009, 96% of the Corporation's mortgage portfolio was in first mortgages and the total loan-to-value ratio was approximately 60%. While economic forecasts in Canada call for a decline in home prices of 5%-6% in 2009, the Eastern Ontario market in which the Corporation's mortgage portfolio is largely based has fared much better with home prices remaining steady. These level home prices combined with our first security position and low loan-to-value ratio maintain the strength of our mortgage security. In these economically troubled times, the strength of this security and the active management on the part of the Manager and Administrator have allowed the Corporation to maintain its positive returns for its shareholders and meet its capital preservation objective.

Related Party Transactions

Pillar Financial Services Inc. is the administrator for the Company and charges an annual fee of 1% of the total asset value calculated on a monthly basis. Its responsibilities include originating loan transactions, underwriting the mortgages, collecting mortgage payments, and the internal audit and accounting for the Company's mortgage portfolio. Total fees charged under this contract for the six month period ended June 30, 2009 were $121,568.

W.A. Robinson & Associates Ltd. is the portfolio manager for the Company and charges an annual fee of 1% of the total asset value calculated on a monthly basis. It provides portfolio management advice and investment counsel and acts as share registrar and transfer agent for the Company. Total fees charged under this contract for the six month period ended June 30, 2009 were $127,646 including applicable sales taxes.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Corporation and are intended to help you understand the Corporation's financial performance for the past year. This information is derived from the Corporation's unaudited interim and audited annual financial statements.

The Net Asset Value (NAV) of the Corporation per Share (for year ended December 31 unless otherwise stated)**:**

	Six months ended June 30, 2009 (Unaudited) $	**2008 $**	**2007 $**	**2006 $**	**2005 $**
Net Asset Value, beginning of period	$ 30.00	$30.00	30.00	$ 30.00	Nil
Net asset value upon transfer of mortgage pool assets	-	-	-	-	30.00
Increase (decrease) from operations:					
Total revenue	1.46	3.22	3.22	3.00	1.60
Total expenses	0.54	1.40	1.11	1.30	0.66
Realized gains (losses) during period		-	-	-	-
Unrealized gains (losses) during period		-	-	-	-
Total increase (decrease) from operations	0.92	1.82	2.11	1.70	0.94
Distributions:					
From net income (excluding dividends)	(0.92)	(1.82)	(2.11)	(1.70)	(0.94)
From dividends		-	-	-	-
From capital gains		-	-	-	-
Return of capital		-	-	-	-
Total Distributions	(0.92)	(1.82)	(2.11)	(1.70)	(0.94)
Net asset value, end of period	$ 30.00	$30.00	$30.00	$ 30.00	$ 30.00

(1) Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(2) Distributions were re-invested in additional shares of the Corporation.

The Corporation distributes any net income to shareholders monthly in the form of dividends. These dividends are automatically re-invested into additional shares of the Corporation.

Ratios and Supplemental Data (for year ended December 31 unless otherwise stated)**:**

	Six months ended June 30, 2009 (Unaudited)	**2008**	**2007**	**2006**	**2005**
Net assets	$26,591,691	$ 22,871,903	$19,966,602	$ 17,772,832	$ 16,096,217
Number of shares outstanding	886,389	762,396	665,554	592,428	536,541
Management expense ratio (annualized)	3.36%	4.55%	3.69%	4.30 %	3.64 %
Management expense ratio before waivers or absorptions (annualized)	3.36%	4.55%	3.69%	4.30 %	3.64 %
Portfolio turnover rate	11.76%	52.73%	53.51%	46.79 %	54.72 %
Trading expense ratio	0.00%	0.00%	0.00%	0.00 %	0.00 %

Notes:

(1) The management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The management expense ratio is calculated by dividing the total expenses for the stated period by Frontenac's daily average net assets during such period.

(2) The Corporation's portfolio turnover rate indicates how actively the Corporation's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Corporation buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving a capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. In the case of the Corporation, because it does not incur any trading expenses, the portfolio turnover rate bears no relationship with the level of trading expenses.

(3) The trading expenses ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

Management fees

W.A. Robinson & Associates Ltd. is the portfolio manager for the Company and charges an annual fee of 1% of the total asset value calculated on a monthly basis. It provides portfolio management advice and investment counsel and acts as share registrar and transfer agent for the Company. Total fees charged under this contract for the six month period ended June 30, 2009 were $127,646.

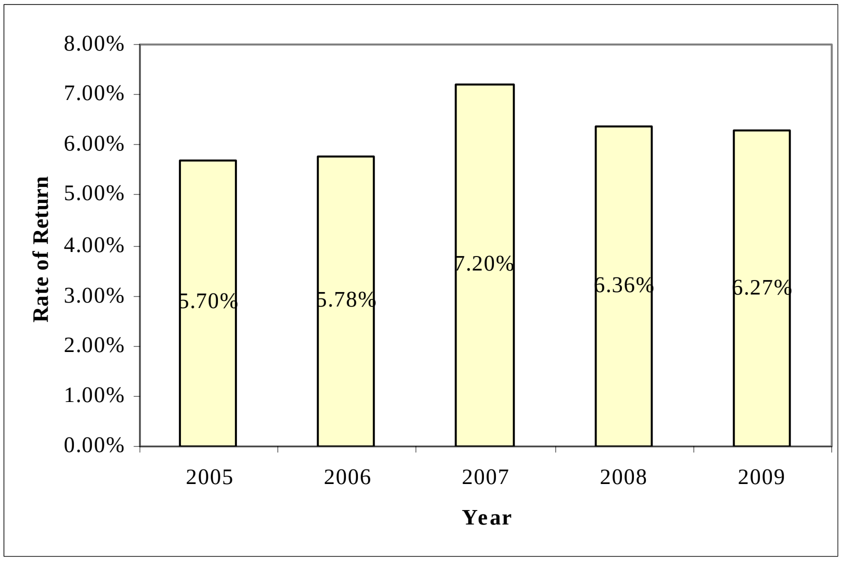
In addition, as detailed under the "Related Parties" section above, for the six months ended June 30, 2009, the Company paid fees totalling $121,568 to Pillar Financial Services Inc. as administrator of the Company.

PAST PERFORMANCE

This section presents information on the Corporation's past performance. Although past performance can help you understand the risks of investing in the Corporation, it is not indicative of future performance. The returns listed in this section include reinvested distributions (which increase returns over time) but do not take into account any income taxes that might reduce returns. The Corporation's returns are reported after accounting for fees and expenses which lower the overall Corporation returns.

Year-by-Year Returns

The following bar chart presents the annualized rate of return on net assets of the Corporation (for the years ended December 31, 2005, 2006, 2007, 2008 and for the six month unaudited interim period ended June 30, 2009):



Notes: The year ended December 31, 2005 represented the first year of operations for the company. The annualized rate of return presented for 2005 represents the results from operations for the period from June 22, 2005 until December 31, 2005. Six month return presented for 2009 has been annualized.

Summary of Investment Portfolio

The following investments represent the Corporation's twenty-five largest holdings as at June 30, 2009:

Asset	Market Value	Percentage of Net Assets
Private residential mortgages (1)	16,282,125	61.23%
Private commercial mortgages (1)	9,017,606	33.91%
Units of RBC Premium Money Market Fund	1,128,367	4.24%
Cash and cash equivalents	53,327	0.20%

(1) These mortgages are uninsured conventional pre-payable mortgages with interest rates ranging from 8% to 13% and terms of maturity ranging from 1 to 2 years. A further breakdown of the mortgages can be found in the Statement of Investment Portfolio which forms part of the Corporation's interim financial statements.

The actual holdings may change following this date due to on-going portfolio transactions in the Corporation. A quarterly portfolio update may be obtained by contacting the Corporate Secretary by telephone toll-free at (877) 279-2116 or by mail at

Frontenac Mortgage Investment Corporation, The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0.