FRONTENAC MORTGAGE INVESTMENT CORPORATION
INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
FOR THE SIX MONTHS ENDED JUNE 30, 2011

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 Corporation'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, 2011 increased to $1,707,617 or $1.57 per common share from $1,389,390 or $1.43 per common share from the same period in 2010. The overall increase in revenues is attributable to the increased net asset base available for investment. Net assets for the Fund increased by approximately $4.1 million year over year as at June 30, 2011 as a result of new investment by shareholders and re-investment by shareholders of their monthly dividends under the dividend re-investment plan. Revenue per share increased year over year as result of a declining amount of impaired mortgages and as a result of the fund maintaining a higher percentage of its net assets in mortgages which generate higher gross returns than cash and money market investments. Under the Corporation's accounting policies, once a mortgage is deemed to be impaired, the Corporation ceases to accrue interest revenue on that mortgage.

Total expenses for the Corporation for the six months ended increased to $672,025 from $589,285 for the same period in 2010. The increase in expenses is attributable an increase in the management and administration fees paid attributable to the higher net asset base. There was no significant change in other expenses of the Corporation.

Overall, earnings per share increased to $0.95 per share for the six months ended June 30, 2011 from $0.83 per share for the same period in 2010.

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

	Six months ended June 30, 2011 (Unaudited) $	**2010 $**	**2009 $**	**2008 $**	**2007 $**
Total revenues	1,707,617	2,851,989	2,464,219	2,337,590	2,062,087
- per issued common share	1.57	2.87	2.83	3.22	3.22
Net earnings	1,035,592	1,470,262	1,492,208	1,331,004	1,345,971
- per issued common share	0.95	1.48	1.74	1.82	2.11

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, 2011, 1,150,609 common shares (June 30, 2010 – 1,014,242) 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, 2011 (Unaudited)	**2010**	**2009**	**2008**	**2007**
Number of shares:	#	#	#	#	#
Balance – beginning of period	1,032,446	938,428	762,396	665,554	592,428
Issued for cash	86,543	97,639	158,432	84,838	58,082
Issued under dividend re-investment plan	32,724	47,526	49,740	44,367	44,866
Redeemed	(1,104)	(51,147)	(32,140)	(32,363)	(29,822)
Balance – end of period	1,150,609	1,032,446	938,428	762,396	665,554
Dollars:	$	$	$	$	$
Balance – beginning of period	30,973,376	21,152,846	22,871,903	19,966,602	17,772,832
Issued for cash	2,596,298	2,929,163	4,752,960	2,545,148	1,742,460
Issued under dividend re-investment plan	981,732	1,425,783	1,492,208	1,331,004	1,345,971
Redeemed	(33,114)	(1,534,416)	(964,225)	(970,851)	(894,661)
Balance – end of period	34,518,292	30,973,376	28,152,846	22,871,903	19,966,602

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, 2011, 1,104 shares (June 30, 2010 – nil) were redeemed under exceptional circumstances.

Recent Developments

Future Accounting Change

In February 2009, the Accounting Standards Board of the CICA confirmed that Canadian GAAP for publically accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective January 1, 2011. Implementation of IFRS has been deferred for investment companies that apply the provisions of AcG-18 to January 1, 2013. As the Corporation meets the definition of a publically accountable enterprise and is classified as an investment company, the Corporation will be adopting IFRS beginning on January 1, 2013. Management is in the process of assessing the impact of IFRS in detail on its financial reporting systems. Based on the existing IFRS and proposed amendments, management has presently determined that the change to IFRS will mainly result in changes to the financial statement presentation and additional disclosure.

Increase in Credit Line Facility

Subsequent to the period end, in August 2011, the Corporation negotiated an increase in its credit line limit from $3.0 million to $4.5 million. As explained in the Corporation's prospectus, the credit line is not used to create leverage for its investments, but is used to smooth out cash flows for the uncertain timing of cash inflows and outflows of the Corporation. The increase in credit line has been increased proportionately to the increase in the Corporation's net assets over the past few years.

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, 2011. 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.

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, 2011 were $167,278 (six months ended June 30, 2010 - $149,765)

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, 2011 were $189,024 (June 30, 2010 - $157,253) including applicable sales taxes.

Pillar Financial Services Inc. and W.A. Robinson & Associates Ltd. are related to the Corporation in that they share common management.

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, 2011 (Unaudited) $	**2010 $**	**2009 $**	**2008 $**	**2007 $**
Net Asset Value, beginning of period	30.00	30.00	30.00	30.00	30.00
Increase (decrease) from operations:					
Total revenue	1.57	2.87	2.83	3.22	3.22
Total expenses	(0.54)	(1.08)	(0.90)	(1.16)	(1.04)
Realized gains (losses) during period	(0.32)	(0.33)	-	(0.09)	(0.13)
Unrealized gains (losses) during period	0.24	0.02	(0.19)	(0.15)	0.06
Total increase (decrease) from operations	0.95	1.48	1.74	1.82	2.11
Distributions:					
From net income (excluding dividends)	(0.95)	(1.48)	(1.74)	(1.82)	(2.11)
From dividends				-	-
From capital gains				-	-
Return of capital				-	-
Total Distributions		(1.48)	(1.74)	(1.82)	(2.11)
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) Substantially all of the distributions were re-invested in additional shares of the Corporation.

The Corporation distributes any net income to shareholders monthly in the form of dividends. Unless individual shareholders elect to receive their dividends in cash, these dividends are automatically re-invested into additional shares of the Corporation. During the six months ended June 30, 2011, the Corporation paid cash dividends of $53,860.

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

	Six months ended June 30, 2011 (Unaudited)	**2010**	**2009**	**2008**	**2007**
Net assets	$34,518,292	$30,973,376	$28,152,846	$22,871,903	$19,966,602
Number of shares outstanding	1,150,609	1,032,446	938,428	762,396	665,554
Management expense ratio (annualized)	3.60%	3.54%	3.08%	3.74%	3.45%
Management expense ratio before waivers or absorptions (annualized)	3.60%	3.54%	3.08%	3.74%	3.45%
Portfolio turnover rate	27.37%	73.76%	54.40%	52.73%	53.51%
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, 2011 were $189,024 (six months ended June 30, 2010 - $157,253) including applicable sales taxes.

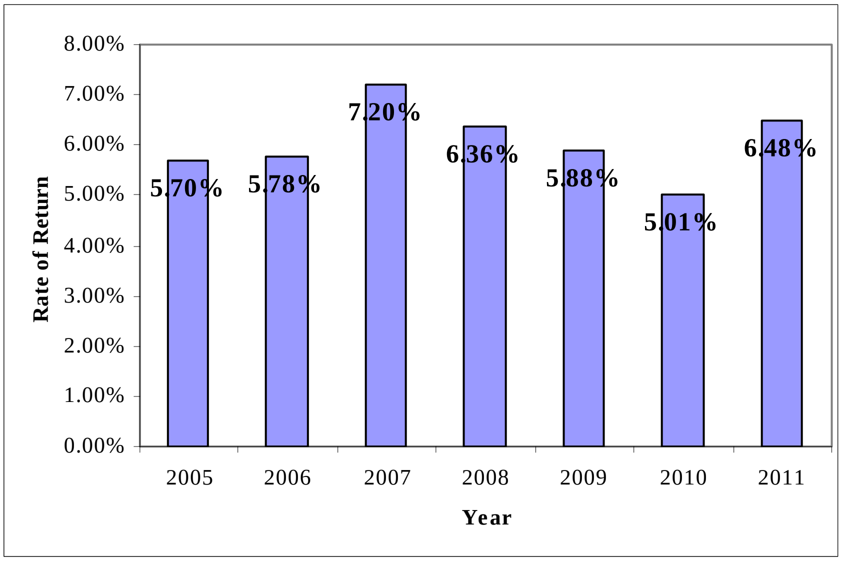
In addition, as detailed under the "Related Parties" section above, for the six months ended June 30, 2011, the Company paid fees totalling $167,278 to Pillar Financial Services Inc. as administrator of the Company (six months ended June 30, 2010 - $149,765).

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, 2009, 2010, and for the six month unaudited interim period ended June 30, 2011):



Note: Six month return presented for 2011 has been annualized.

Summary of Investment Portfolio

The following investments represent the Corporation's twenty-five largest holdings as at June 30, 2011:

Asset	Market Value	Percentage of Net Assets
Private residential mortgages (1)	$26,471,941	76.69%
Private commercial mortgages (1)	4,550,460	13.18%
Private mortgages on vacant land (1)	3,997,377	11.58%
Cash	918,396	2.66%
Units of RBC Premium Money Market Fund	77,417	0.22%

(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.

(2) Due to the existence of the credit line facility, total assets of the Corporation may exceed the net assets of the Corporation. Accordingly, assets expressed as a percentage of net assets may exceed 100% when totaled.

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.