FRONTENAC MORTGAGE INVESTMENT CORPORATION
INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
FOR THE SIX MONTHS ENDED JUNE 30, 2010

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, 2010 increased to $1,389,390 or $1.43 per common share from $1,184,077 or $1.47 per common share from the same period in 2009. The overall increase in revenues is a reflection of the increased net asset base available for investment. Net assets for the Fund increased by approximately $3.8 million year over year as at June 30, 2010 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 was largely unchanged year over year but remains lower that historical figures due to a higher than normal level of impaired mortgages due to the poor general economic conditions. 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 $589,285 from $426,340 for the same period in 2009. The increase in expenses is attributable to an increase in unrealized and realized loss provisions on mortgages of $107,000 year over year and 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 dropped to $0.83 per share for the six months ended June 30, 2010 from $0.94 per share for the same period in 2009.

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

	Six months ended June 30, 2010 (Unaudited) $	**2009 $**	**2008 $**	**2007 $**	**2006 $**
Total revenues	1,389,390	2,464,219	2,337,590	2,062,087	1,744,777
- per issued common share	1.43	2.83	3.22	3.22	3.00
Net earnings	800,105	1,492,208	1,331,004	1,345,971	986,023
- per issued common share	0.83	1.74	1.82	2.11	1.70

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, 2010, 1,014,242 common shares (June 30, 2009 – 886,389) 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) $	**2009 $**	**2008 $**	**2007 $**	**2006 $**
Number of shares:	#			#	#
Balance – beginning of period	938,428	762,396	665,554	592,428	536,241
Issued	49,144	158,432	84,838	58,082	55,164
Issued under dividend re-investment plan	26,670	49,740	44,367	44,866	32,867
Redeemed		(32,140)	(32,363)	(29,822)	(32,144)
Balance – end of period	1,014,242	938,428	762,396	665,554	592,428
Dollars:	$	$	$	$	$
Balance – beginning of period	28,152,846	22,871,903	19,966,602	17,772,832	16,096,215
Issued	1,474,310	4,752,960	2,545,148	1,742,460	1,654,923
Issued under dividend re-investment plan	800,105	1,492,208	1,331,004	1,345,971	986,023
Redeemed		(964,225)	(970,851)	(894,661)	(964,329)
Balance – end of period	30,427,261	28,152,846	22,871,903	19,966,602	17,772,832

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, 2010, there were no share redemptions.

Recent Developments

Change in Accounting Policy

Subsequent to the 2009 year end, the Corporation amended its accounting policies to re-classify and record its mortgages at their estimated fair value in accordance with Accounting Guideline 18 ("AG-18") and CICA Handbook Section 3855. Due to the short term nature of the Corporation's mortgages, the estimated fair value of the Corporation's mortgages is approximately equal to amortized cost and therefore there was no impact resulting from this change in accounting policy on the figures presented in the Corporation's financial statements for 2009.

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, 2010. 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, 2010 were $149,765 (six months ended June 30, 2009 - $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, 2010 were $157,253 (June 30, 2009 - $127,646) 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, 2010 (Unaudited) $	**2009 $**	**2008 $**	**2007 $**	**2006 $**
Net Asset Value, beginning of period	30.00	30.00	30.00	30.00	30.00
Increase (decrease) from operations:					
Total revenue	1.43	2.83	3.22	3.22	3.00
Total expenses	0.60	1.09	1.40	1.11	1.30
Realized gains (losses) during period		-	-	-	-
Unrealized gains (losses) during period		-	-	-	-
Total increase (decrease) from operations	0.83	1.74	1.82	2.11	1.70
Distributions:					
From net income (excluding dividends)	(0.83)	(1.74)	(1.82)	(2.11)	(1.70)
From dividends			-	-	-
From capital gains			-	-	-
Return of capital			-	-	-
Total Distributions	(0.83)	(1.74)	(1.82)	(2.11)	(1.70)
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, 2010 (Unaudited)	**2009**	**2008**	**2007**	**2006**
Net assets	$30,427,261	$28,152,846	$ 22,871,903	$19,966,602	$ 17,772,832
Number of shares outstanding	1,014,242	938,428	762,396	665,554	592,428
Management expense ratio (annualized)	4.02%	3.69%	4.55%	3.69%	4.30 %
Management expense ratio before waivers or absorptions (annualized)	4.02%	3.69%	4.55%	3.69%	4.30 %
Portfolio turnover rate	31.95%	54.40%	52.73%	53.51%	46.79 %
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, 2010 were $157,253 (six months ended June 30, 2009 - $127,646).

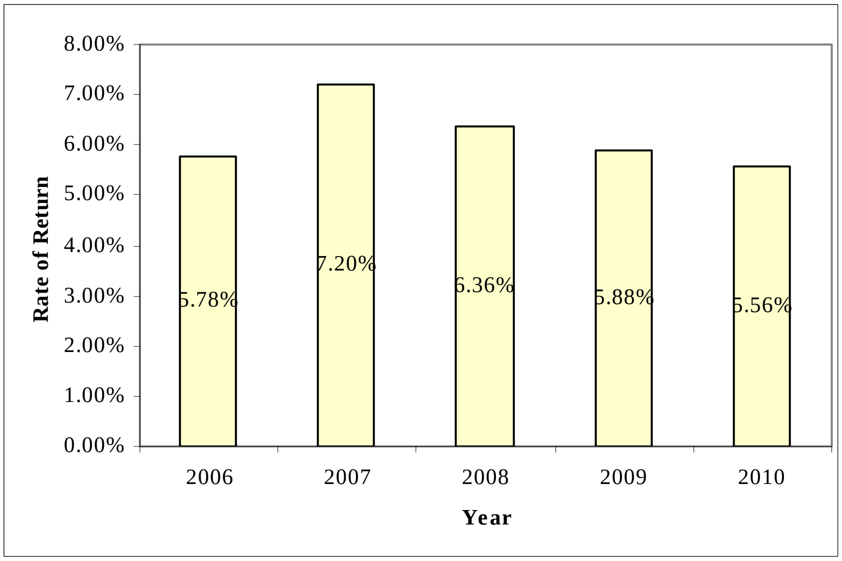
In addition, as detailed under the "Related Parties" section above, for the six months ended June 30, 2010, the Company paid fees totalling $149,765 to Pillar Financial Services Inc. as administrator of the Company (six months ended June 30, 2009 - $121,568).

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, 2006, 2007, 2008, 2009, and for the six month unaudited interim period ended June 30, 2010):



Notes: Six month return presented for 2010 has been annualized.

Summary of Investment Portfolio

The following investments represent the Corporation's twenty-five largest holdings as at June 30, 2010:

Asset	**Market Value**	**Percentage of Net Assets**
Private residential mortgages (1)	19,305,526	63.45%
Private commercial mortgages (1)	8,780,730	28.86%
Units of RBC Premium Money Market Fund	1,776,047	5.84%
Cash and cash equivalents	430,882	1.42%

(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.