TERRA FIRMA

TERRA FIRMA CAPITAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE YEAR ENDED DECEMBER 31, 2015

MARCH 24, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial results of Terra Firma Capital Corporation (the "Company") dated March 24, 2016 should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2015 and 2014. These documents are available on SEDAR at WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Company or the real estate industry and may include statements regarding the financial position, business strategy, financial results, real estate values, interest rates, loan to cost, plans and objectives of or involving the Company. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Company's control, affect the lending operations, performance and results of the Company and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to; the risks discussed in the Company's materials filed with Canadian securities regulatory authorities from time to time, including the risks discussed herein at "Risks and Uncertainties" and the "Risk Factors" section of the Company's Annual Information Form ("AIF"), which can be found on the SEDAR website at WWW.SEDAR.COM. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance that actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the Canadian economy will remain stable over the next 12 months; inflation will remain relatively low; interest rates will remain stable; conditions within the real estate industry including competition for real estate financing will be consistent with the current climate; and the considerations referenced above, collectively, will not have a material impact on the Company. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's presentation currency is the Canadian dollar.

BUSINESS OVERVIEW AND STRATEGY

The Company was incorporated under the *Business Corporations Act* (Ontario) on July 26, 2007. The common shares of the Company ("Shares") trade on the TSX Venture Exchange (the "Exchange") under the symbol TII. The registered office of the Company is: 5000 Yonge Street, Suite 1502, Toronto, Ontario, M2N 7E9.

The principal business of the Company is to provide real estate financings secured by investment properties and real estate developments throughout Canada and the United States. These financings are made to real estate developers and owners who require shorter-term loans to bridge a transitional period of one to five years where they require capital at various stages of development or redevelopment of a property. These loans are typically repaid with lower cost, longer-term debt obtained from other Canadian financial institutions once the applicable transitional period is over or the redevelopment is complete, or from proceeds generated from the sale of the real estate assets.

The types of real estate assets for which the Company arranges financings include residential buildings, mixed-use properties, and land for residential and commercial development and construction projects.

These loan and mortgage financings generally take the form of:

(i) Land loans registered in first position or second position at the earlier stages of real property development and either subsequently postponing to construction financing or being discharged upon the funding of construction financing, as the project progresses through the development cycle,

(ii) Term mortgages for the purposes of acquiring or re-financing income producing properties, or

(iii) Mezzanine / subordinated debt financings of real property developments that have either progressed to the construction phase or are in the process of approaching construction phase.

These financings generally represent loan to cost and loan-to-value ratios of 80%, including all prior encumbrances at the time of underwriting of each loan. In some cases the loan-to-value ratio could increase to 90%. The "loan-to-value" ratio means the ratio, expressed as a percentage, determined by A/B x 100, where: (A) is the principal amount of the mortgage, together with all other equal and prior ranking mortgages or tranches of mortgages on the real estate; and (B) is the appraised value of the real estate securing the mortgage at the time of funding the mortgage or in a more recent appraisal, if available.

In addition, the Company participates in the development of real estate in Canada and in the United States by providing equity-type financing to developers. These financings provide a minimum return and/or a share of remaining net cash flow from projects, and may be undertaken as a strategic partnership with established developers to pursue the development of real properties ("Joint Arrangements" or "Joint Operations") or an equity investment by the Company in an entity that carries on the business of real estate development, in the form of portfolio investment or investment in associates. The Company generally provides these financings in the form of equity in the entity that holds the real estate asset. When making an equity investment, the Company prefers investing in the form of preferred equity which ranks ahead of the developers' or owners' equity in the project.

The objectives of the Company are to originate, create and maintain diversified portfolio of real estate loans and mortgage investments (the "Loan Portfolio"), to preserve the Company's capital while earning attractive risk-adjusted returns and to create shareholder value over the long-term, through capital appreciation, and payment of dividends (from time to time as the Board of Directors considers appropriate).

Management believes that there is currently a significant market opportunity to identify and fund such loans as a result of financing needs not being met by traditional institutional lenders. Through management's relationships with mortgage lenders, brokers, local sponsors and other market participants, the Company is able to identify real estate opportunities where it can provide financing solutions to borrowers while achieving equity-like returns at reduced risk levels as compared to straight equity ownership. The Company differentiates itself by serving these niches with an experienced financing team which generally can provide more flexible terms and creative structure. Management believes its experience with real estate investments and industry contacts will provide the Company with a consistent flow of quality investment opportunities.

Investment in real estate comprises a variety of "tranches" with highly differentiated risk/return characteristics based on their position in the capital structure and subordination levels. The Company strives to achieve "equity-like" returns on its Loan Portfolio while bearing lower risk than equity investments, by structuring its financings in a debt structures with the debt risk.

INVESTMENTS

LOAN AND MORTGAGE INVESTMENTS

The Company's Loan Portfolio as at December 31, 2015 consisted of (a) loans relating to 21 residential housing developments, comprising 1,647 high rise units, 886 mixed use developments consisting of low and high rise condominium units, and 1,525 low rise houses and condominium units, representing 68.5% of the Loan Portfolio, (b) two residential income properties consisting of 198 rental units in Toronto and Ottawa, Ontario, representing 3.6% of the Loan Portfolio, (c) land and lot inventory of real estate assets to be developed, located in Ottawa, Ontario; Markham, Ontario; Charlotte, North Carolina; and Tampa Bay Florida, representing 26.6% of the Loan Portfolio and (d) a commercial retail development located in Mississauga, Ontario, representing the remaining 1.3% of the Loan Portfolio.

The Company's Loan Portfolio as at December 31, 2014 consisted of (a) loans relating to 24 residential housing developments, comprising 1,611 high rise units, 798 mixed used developments consisting of low and high rise condominium and freehold units, and 947 houses and low rise condominium units, representing 90.8% of the Loan Portfolio, (b) four residential income properties consisting of 546 rental units in Toronto and Ottawa, Ontario, representing 5.8% of the Loan Portfolio, (c) land and lot inventory of real estate assets to be developed located in Ottawa, Ontario, representing 1.7% of the Loan Portfolio and (d) a commercial retail development consisting of 5 units in Kitchener, Ontario; and Mississauga, Ontario, representing the remaining 1.7% of the Loan Portfolio.

The following table presents details of the Loan Portfolio as at December 31, 2015 and 2014:

	2015			2014		
	Weighted Average Effective Interest Rate	Amount	% of Investments	Weighted Average Effective Interest Rate	Amount	% of Investments
Residential housing developments	16.3%	$ 65,417,141	68.5%	19.8%	$ 71,355,076	90.8%
Land and lot inventory	14.5%	25,465,047	26.6%	23.5%	1,319,000	1.7%
Commercial retail development	15.8%	1,270,000	1.3%	16.5%	1,370,000	1.7%
Residential income properties	15.9%	3,461,079	3.6%	15.8%	4,591,720	5.8%
Loan Portfolio	15.8%	$ 95,613,267	100.0%	19.6%	$ 78,635,796	100.0%
Allowance for loan and mortgage investment loss		(478,066)			-	
Net Loan Portfolio		$ 95,135,201			$ 78,635,796	

As at December 31, 2015 and December 31, 2014, the principal balance of the Loan Portfolio was $95,613,267 and $78,635,796, respectively. The Loan Portfolio continued to grow through the funding of the new loans during the year ended December 31, 2015, with an increase of $16,977,471 or 22% from the balance at December 31, 2014. This increase resulted from the net effect of funding 20 loan investments totaling $77,748,449, capitalized interest of $2,692,201, conversion of interest receivable into a loan of $656,750, advances against existing loan commitments of $8,883,679, and unrealized foreign exchange gains of $2,932,904, which aggregate amount was offset by the repayment of nine loans totaling $60,580,258, the conversion of loan of $14,821,313 into an investment in associate, repayments of interest previously capitalized of $532,960 and contractual principal repayments of $1,981.

During the three months ended December 31, 2015, the Company experienced a relatively high level of early repayment of loans totaling $29,336,095. However, new funding of loan and mortgage investments amounted to $42,676,563, such that the Loan Portfolio increased by $12,832,402 during the quarter.

The following table presents details of the Company's principal balances of loan categories as at December 31, 2015 and 2014:

	2015	2014
Mortgages	$ 91,691,123	$ 59,671,635
Unregistered loans	3,922,144	18,964,161
	$ 95,613,267	$ 78,635,796

Mortgages are secured by real estate asset and may include other forms of security. Unregistered loans are not secured by real estate assets, but are secured by other forms of security, such as personal guarantees, or pledge of shares of the borrowing entity.

The following table summarizes the change in the Loan Portfolio for the year ended December 31, 2015:

	2015	2014
Balance, beginning of year	$ 78,635,796	$ 55,278,303
Loan Portfolio activity during the year		
Funding of new loan investments - not including tranch held by senior lenders	76,815,369	39,902,512
Advances against existing loan	8,883,679	790,121
Repayments of principal balance of loans	(60,580,258)	(25,617,203)
Converted to loan investment into investment associate	(14,821,313)	-
Repayments of interest balance of loans	(532,960)	-
Interest receivable converted to loans	656,750	1,666,000
Advanced to interest reserve	933,080	-
Conversion of interest in joint operation	-	2,818,000
Loan investment in joint operation	-	1,000,000
Interest capitalized	2,692,201	2,800,427
Principal repayment of loans	(1,981)	(2,364)
Unrealized foreign exchange gain	2,932,904	-
Balance before provision for loan and mortgage investments loss	$ 95,613,267	$ 78,635,796
Provision for loan and mortgage investment loss	(478,066)	-
Balance, end of year	$ 95,135,201	$ 78,635,796

The weighted average effective interest rate of the Loan Portfolio at December 31, 2015 and December 31, 2014 was 15.8% and 19.6%, respectively. The lower yield is a result from the Company's continuing focus on the quality of security through placing its capital in more senior positions in the capital structure and reducing its exposure to unregistered loans, while maintaining the same level of profitability of the Company. Most importantly, the higher level of security and lower weighted average interest rates have not had significant impact on the Company's overall profitability given the Company's focus on the spreads. See – "Financial Performance" and "Capital Structure and Debt Profile – Loan Syndications".

The weighted average effective interest rate of the loans and mortgage investments of residential housing developments at December 31, 2015 and December 31, 2014 were 16.3% and 19.8%, respectively and the weighted average effective interest rates of the residential income properties at December 31, 2015 and December 31, 2014 were 15.9% and 15.8%, respectively. The weighted average effective interest rates of the loans and mortgage investments of commercial retail development at December 31, 2015 and December 31, 2014 were 15.8%and 16.5%, respectively. The weighted average effective interest rates of the loans and mortgage investments of lot inventory at December 31, 2015 and 2014 were 14.5% and 23.5%, respectively.

The weighted average term to maturity at December 31, 2015 and December 31, 2014 was 1.43 years and 0.86 years, respectively. The relatively short term to maturity of the Loan Portfolio allows for reinvestment of the Loan Portfolio in response to changing market conditions.

The following table presents details of the Company's principal balances of Loan Portfolio segmented by geography as at December 31, 2015:

	2015	2014
Canada	$ 57,551,220	$ 78,635,796
United States	38,062,047	-
	$ 95,613,267	$ 78,635,796

Principal repayments and the Loan Portfolio maturing in the next five years are as follows:

	Scheduled principal payments	Investments maturing during the year	Total loan and mortgage investments
2016	$ -	$ 38,739,876	$ 38,739,876
2017	-	29,402,825	29,402,825
2018	-	22,470,566	22,470,566
2019	-	-	-
2020	-	5,000,000	5,000,000
	$ -	$ 95,613,267	$ 95,613,267

Certain of the loans have early repayment rights which, if exercised, would result in repayments in advance of their contractual maturity dates.

The Loan Portfolio is secured by mortgages registered on title and/or other forms of security including, but not limited to, general security agreements, postponement of specific claims and joint and several guarantees.

Pursuant to certain lending agreements, the Company is committed to fund additional loan advances. The unfunded loan commitments under the existing Loan Portfolio at December 31, 2015 amounted to $18,455,100, including $11,733,451 of capitalization of future interest relating to the existing Loan Portfolio compared to $4,010,043 of commitments, including $2,298,304 of capitalization of future interest relating to the Loan Portfolio at December 31, 2014.

On February 20, 2015, the Company exercised its option to convert a loan and mortgage investment in a 668 unit high-rise condominium development project (the “Lan Project”) located in Toronto, Ontario, into a partnership interest (the “Lan Partnership”) in the development project. The carrying balance of loan and mortgage investment at the time of conversion was $14,821,312 of which $11,675,000 was syndicated. Certain of the syndicate investors in the amount of $5,125,000 elected not to convert their share of interest in the loan investment into a LP interest in the Lan Partnership and syndicate investors in the amount of $6,550,000 converted their share of interest in the loan investment into a short-term unsecured notes payable. See – “Investments – Portfolio Investments” and “Capital Structure and Debt Profile – Short-term unsecured notes payable”.

The investments comprising the Loan Portfolio are classified as financial assets and categorized as loans and receivables. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less any provision for impairment. The Loan Portfolio is reviewed on a quarterly basis to determine any such impairment.

The Company assesses individually all investments at each reporting date to determine whether there is objective evidence of impairment. The Company uses judgement, taking into account the loan to value of the security, credit quality, payments in arrears, financial difficulty of the underlying asset, as applicable, financial difficulty of the borrower and/or guarantor, and general economic and real estate market conditions for reasonable assurance of timely collection of the full amount of principal and interest and to determine whether any future losses are expected to occur in order to recognize a specific loan provision. As at December 31, 2015, the Company has concluded that there is no objective evidence of impairment on any individual loan and mortgage investments.

The Company also assesses collectively for impairment to identify potential future losses by grouping the loan and mortgage investments 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 Company used judgment to determine whether or not the actual future losses are expected to be greater or less than the amounts calculated. As at December 31, 2015, the Company has recognized a collective impairment provision of $478,066 (2014 - nil).

The changes in the allowance for mortgage investments loss during the years ended December 31, 2015 and 2014 was as follows:

	2015	2014
Balance, beginning of year	$ -	$ -
Provision for loan and mortgage investments loss	478,066	-
Balance, end of year	$ 478,066	$ -

JOINT ARRANGEMENTS

JOINT OPERATIONS

Where the Company's interests in the properties are subject to joint control, the Company records its proportionate share of the related assets, liabilities, revenue and expenses of the properties using the proportionate consolidation method.

Montreal Street JV:

In July 2009, the Company entered into a co-tenancy agreement (the "Montreal Street JV") with a development partner and subsequently developed a retail property in Ottawa, Ontario. The land on which the store was developed is subject to a 20 year land lease, with five renewal options of five years each. The Company's ownership interest in the Montreal Street JV is 52.5%. The Montreal Street JV carries a loan of $2,036,935 at December 31, 2015, bearing interest at 4.2% per annum, is amortized over 25 years and matures June 1, 2016.

Queen Street West JV:

In April 2012, the Company entered into a co-owners' agreement ("Queen Street West JV") and acquired a land parcel with a development partner to develop a mid-rise residential condominium building in Toronto, Ontario, having a development potential of approximately 100,000 square feet of gross floor area. Under the terms of the co-owners' agreement, the Company has agreed to contribute 75% of the capital required during the course of the development, in exchange for a 50% ownership interest.

On April 1, 2014, the Company and the co-owner of the joint operation entered into an agreement whereby the Company converted its interest in the joint operation into a loan receivable of $2,818,000 (the Company's original investment in the joint operation), secured by the property. The carrying value of the Company's interest in joint operation at the time of conversion was $2,331,000 (after recognizing operating losses from joint operations during prior periods), resulting in a gain on conversion of interest joint operation of $487,000.

The following table presents the carrying value of assets in joint operations transferred on conversion:

	Total
Investment property	$ 5,771,041
Other receivables	46,890
Prepaid expenses and deposits	137,469
Accounts payable and accrued liabilities	(124,400)
Loan and mortgage investment	(1,000,000)
Mortgage payable	(2,500,000)
Value of net assets transferred on conversion	$ 2,331,000

The financial information in respect of the Company's investment in jointly controlled operations at December 31, 2015 and 2014 are as follows:

	2015	2014
Cash and cash equivalents	$ 4,028	$ 3,416
Amounts receivable and prepaid expenses	11,644	11,643
Investment properties	2,143,794	2,062,661
Total assets	2,159,466	2,077,720
Accounts payable and accrued liabilities	41,828	41,182
Loans and mortgages payable	1,120,314	1,151,118
Total liabilities	1,162,142	1,192,300
Net assets	$ 997,324	$ 885,420

The table below details the results of operations for the three months and years ended December 31, 2015 and 2014, attributable to the Company from its joint operations activities.

	Three months ended		Years ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Revenue				
Rental	$ 47,362	$ 47,319	$ 189,434	$ 257,595
Expenses				
Property operating costs	15,269	15,225	61,059	87,751
General and administrative expenses	46	47	921	1,466
Interest expense	11,432	11,766	46,258	118,766
Fair value adjustment - investment properties	(82,500)	(147,950)	(82,500)	(147,950)
	(55,753)	(120,912)	25,738	60,033
Net income	$ 103,115	$ 168,231	$ 163,696	$ 197,562

INVESTMENT PROPERTIES

The Company has interests in investment properties that are subject to joint control and accordingly, the Company has recorded its proportionate share of the related assets, liabilities, revenue and expenses of the properties.

The following table summarizes the changes in the Company's proportionate share of the rental properties for the years ended December 31, 2015 and 2014:

	2015	2014
Balance, beginning of year	$ 2,062,661	$ 7,671,452
Change in amount receivable from joint operations partners	(1,367)	(62,325)
Capital expenditures	-	76,625
Sale of investment properties	-	(5,771,041)
Change in unrealized appreciation	82,500	147,950
Balance, end of year	$ 2,143,794	$ 2,062,661

The Company determined the fair value of investment property in the Montreal Street JV using the direct capitalization method. Under the direct capitalization method, fair values were determined by capitalizing the estimated future net operating income at the market capitalization rates. The proportionate share of investment property in the Montreal Street JV with an aggregate value of $2,143,794 was valued by the Company's management. The capitalization rate used in the valuation of investment property was 6.25% (2014 – 6.50%).

As at December 31, 2015, a 25-basis-point decrease in the overall capitalization rate would increase the Company's proportionate share of value of investment property by $89,600 (2014 - $82,500) and a 25-basis-point increase in the overall capitalization rate would decrease the Company's proportionate share of the value of investment property by $82,500 (2014 - $76,450).

On April 1, 2014, the Company converted its interest in the Queen Street West investment property. On that date, the carrying value of Queen Street West investment property approximates its fair value.

PORTFOLIO INVESTMENTS

The Company has invested, through its subsidiary Terra Firma Capital (Hill) Corporation (the "Hill") (79.05% owned), in a partnership interest of a 94 unit mid-rise condominium development project located in Toronto, Ontario. The Company does not have significant influence in the partnership and is accounting for its investment as a financial asset at fair value through profit and loss. The carrying value of the investment is $954,630 (2014 – $954,073) and the investment of the other partner's $254,641 investment in the Hill is included in non-controlling interest. At December 31, 2015 and 2014, the fair values were determined using the direct comparison method. The fair value of investment at December 31, 2015 was $1,174,212 (2014 - $1,020,828).

The Company has, through its subsidiary TFCC LanQueen Ltd. (the "LanQueen"), entered into a partnership agreement (the "Agreement"), whereby LanQueen is committed to invest up to $1,326,400 in a redevelopment project located in Toronto, Ontario. The Agreement allows LanQueen to receive a 3% fee at the time of commitment and an amount by way of a preferred return equal to 10% per annum calculated and compounded annually on the amount of its investment in the partnership. As at December 31, 2015, LanQueen contributed $924,000 to the partnership (December 31, 2014 - $600,000). At December 31, 2015, the fair value of the investment was determined by the management, using the direct comparison method. The fair value of investment at December 31, 2015 was $1,165,343 (2014 - $600,000).

The following table summarizes the changes in the Portfolio Investments for the years ended December 31, 2015 and 2014:

	2015	2014
Balance, beginning of year	$ 1,620,828	$ 954,073
Investment made, net	324,557	600,000
Fair value adjustment	394,170	66,755
Balance, end of year	$ 2,339,555	$ 1,620,828

INVESTMENT IN ASSOCIATES

On February 20, 2015, the Company, together with certain existing and new syndicate investors, exercised its option to convert a loan and mortgage investment into an equity investment in the Lan Project through equity in the Lan Partnership. The subject loan was funded in February 2013 and the conversion was subject to the project achieving a level of presales, zoning and construction financing. As the Lan Project achieved these conditions to the Company's satisfaction, the Company elected to convert. On conversion, the Company funded $1,360,333 to the Lan Partnership.

At December 31, 2015, the Lan Partnership has invested $13,333,333 in the Lan Project. The Company acts as a general partner of the Lan Partnership and is entitled to receive a carried interest at 10% the end of the Lan Partnership's life. The Company does not earn carried interest until the limited partners in the Lan Partnership have achieved cumulative investment returns on invested capital in excess of a 10% hurdle rate. The Company exerts influence in the Lan Partnership and accounts for its investment using the equity method of accounting.

The share of income from Lan Partnership for the year ended December 31, 2015, was $91,949. At December 31, 2015, the Company's share of investment in the Lan Partnership, after taking into account of sale of its interest in Lan Partnership, was $2,315,414. At December 31, 2015, the fair value of the investment in the Lan Partnership was determined by the management, using the direct comparison method.

The following table summarizes the changes to the carrying value of investment in associate for the years ended December 31, 2015 and 2014:

	2015	2014
Balance, beginning of year	$ -	$ -
Loan and mortgage investment converted	14,821,313	-
Loan syndications converted in to equity interest in partnership	(5,125,000)	-
Sale of interest in Lan partnership to investors	(8,845,500)	-
Contribution to Lan Partnership	1,372,652	-
Share of income from Lan Partnership	91,949	-
Balance, end of year	$ 2,315,414	$ -

FINANCIAL PERFORMANCE

The Company's financial performance for the three months and years ended December 31, 2015 and 2014, respectively, is summarized below.

	Three months ended,			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change Increase/ (decrease)	Dec 31, 2015	Dec 31, 2014	Change Increase/ (decrease)
Revenue						
Interest and fees earned	$ 5,104,378	$ 3,458,498	$ 1,645,880	$ 17,162,141	$ 12,127,716	$ 5,034,425
Unrealized foreign exchange gain	1,097,599	-	1,097,599	2,041,443	-	2,041,443
Realized foreign exchange gain	(7,391)	-	(7,391)	37,345	-	37,345
Rental	47,362	47,319	43	189,434	257,595	(68,161)
Total revenue	6,241,948	3,505,817	2,736,131	19,430,363	12,385,311	7,045,052
Expenses						
Property operating costs	15,269	15,225	44	61,059	87,751	(26,692)
General and administrative expenses	1,303,935	694,218	609,717	3,226,499	1,996,205	1,230,294
Share-based compensation	321,389	256,463	64,926	1,782,722	809,109	973,613
Interest and financing costs	1,613,844	1,603,801	10,043	5,928,475	6,054,690	(126,215)
Provision for loan losses	478,066	-	478,066	478,066	-	478,066
Gain on conversion of interest in joint operation	-	-	-	-	(487,000)	487,000
Fair value adjustment - investment properties	(82,500)	(147,950)	65,450	(82,500)	(147,950)	65,450
Fair value adjustment - portfolio investments	(394,170)	(66,755)	(327,415)	(394,170)	(66,755)	(327,415)
Share of income from investment in associate	(91,949)	-	(91,949)	(91,949)	-	(91,949)
	3,163,884	2,355,002	808,882	10,908,202	8,246,050	2,662,152
Income from operations before income taxes	3,078,064	1,150,815	1,927,249	8,522,161	4,139,261	4,382,900
Income taxes	1,138,177	231,068	907,109	2,456,251	1,052,522	1,403,729
Income from continuing operations	1,939,887	919,747	1,020,140	6,065,910	3,086,739	2,979,171
Income from discontinued operations	-	-	-	-	151,644	(151,644)
Net income and comprehensive income	$ 1,939,887	$ 919,747	$ 1,020,140	$ 6,065,910	$ 3,238,383	$ 2,827,527

Total revenue for the three months and year ended December 31, 2015 experienced significant increases compared to the same periods last year.

Income from operations before income taxes for the year ended December 31, 2015 was $8,522,161, an increase of $4,382,900 or 106% compared to the year ended December 31, 2014. Income from continuing operations before income taxes for the three months ended December 31, 2015 was $3,078,064, an increase of $1,927,249 or 167% compared to the same period last year. Return on equity before taxes was 23.2% for the year ended December 31, 2015, compared with 23.9% for the corresponding 2014 period. . See – "Investments – Portfolio Investments".

Income from continuing operations for the year ended December 31, 2015 was $6,065,910, an increase of $2,979,171 or 97% compared to income from continuing operations for the year ended December 31, 2014. Income from continuing operations for the three months ended December 31, 2015 was $1,939,887, an increase of $1,020,140 or 1111% compared to the three months ended December 31, 2014.

Increase in income from continuing operations was primarily due to the increase in size of the Company's Loan Portfolio together with the related financial leverage created through its syndication activities and revolving operating facility.

INTEREST AND FEES EARNED

Interest and fees earned for the year ended December 31, 2015 was $17,162,141 compared to $12,127,716 for the year ended December 31, 2014. Interest and fees earned for the three months ended December 31, 2015 was $5,104,378 compared to $3,458,498 for the comparable period last year. The increase in interest and fees earned was primarily due to the increase in the size of the Company's Loan Portfolio over the comparable periods.

RENTAL INCOME AND PROPERTY OPERATING COSTS

The Company's proportionate share of the rental income from investment properties jointly controlled by the Company for the year ended December 31, 2015 was $189,434 compared to $257,595 for the same period last year. The rental income for the three months ended December 31, 2015 was $47,362 compared to $47,319 for comparable period last year. The Company's proportionate share of the property operating costs in investment properties jointly controlled by the Company for the year ended December 31, 2015 was $61,059 compared to $87,751 for the same period last year. The property operating costs for the three months ended December 31, 2015 was $15,269 compared to $15,225 for comparable period last year. The reduction in the rental income and property operating expenses was mainly due to the sale of investment property on the conversion of the Company's interest in the Queen Street West JV to the co-owner of the joint operation into a loan.

INTEREST EXPENSE

Interest expense for the three months and years ended December 31, 2015 and 2014 were as follows:

	Three months ended,			Years ended,		
	Dec 31, 2015	Dec 31, 2014	Change Increase/ (decrease)	Dec 31, 2015	Dec 31, 2014	Change Increase/ (decrease)
Loans and mortgages syndications	$1,335,508	$1,373,468	$ (37,960)	$4,690,861	$5,202,603	$ (511,742)
Revolving operating facility	45,920	219,041	(173,121)	317,986	-	317,986
Convertible debentures	220,984	11,292	209,692	873,370	772,661	100,709
Montreal Street JV	11,432	-	11,432	46,258	47,091	(833)
Queen Street West JV	-	-	-	-	32,335	(32,335)
	$1,613,844	$1,603,801	$ 10,043	$5,928,475	$6,054,690	$ (126,215)

Interest expense for the year ended December 31, 2015 was $5,928,475 compared to $6,054,690 for the year ended December 31, 2014. Interest expense for the three months ended December 31, 2015 was $1,613,844 compared to $1,603,801 for the comparable period last year. The decrease in interest expense is attributable primarily to lower weighted average effective interest rate on the loan and mortgage syndications (the "Loan Syndications"). See – "Capital Structure and Debt Portfolio – Convertible Debentures".

GENERAL AND ADMINISTRATIVE EXPENSES

During the three months and years ended December 31, 2015 and 2014, the Company incurred the following general and administrative expenses:

	Three months ended,			Years ended,		
	Dec 31, 2015	Dec 31, 2014	Change Increase/ (decrease)	Dec 31, 2015	Dec 31, 2014	Change Increase/ (decrease)
Salary and benefits	$ 1,004,145	$ 459,950	$ 544,195	$ 2,300,409	$ 1,292,842	$ 1,007,567
Professional fees	78,915	81,128	(2,213)	313,848	243,318	70,530
Directors' fees	25,001	29,375	(4,374)	156,972	104,375	52,597
Rent	101,780	23,103	78,677	172,043	91,932	80,111
Other	94,094	100,662	(6,568)	283,227	263,738	19,489
	$ 1,303,935	$ 694,218	$ 609,717	$ 3,226,499	$ 1,996,205	$ 1,230,294

General and administrative expenses for the year ended December 31, 2015 were $3,226,499, compared to $1,996,205 for the year ended December 31, 2014. General and administrative expenses for the three months ended December 31, 2015 were $1,303,935, compared to $694,218 for the three months ended December 31, 2014. General and administrative expenses for the years and three months ended December 31, 2015 and 2014 consisted mainly of salaries and benefits, professional fees, office rent and other operating costs associated with the operation of the Company. The increase in general and administrative expenses of $1,230,294 and $609,717 for the year and three months ended December 31, 2015, respectively, is primarily due to recording of performance bonus for the year ended December 31, 2015 and other costs due to the addition of employees to support the growth in the Company's operations.

SHARE-BASED PAYMENTS

The share-based payments that have been recognized for the three months and years ended December 31, 2015 and 2014 were as follows:

	Three months ended			Years ended		
	Dec 31, 2015	Dec 31, 2014	Change Increase/ (decrease)	Dec 31, 2015	Dec 31, 2014	Change Increase/ (decrease)
Share option Plan	$ 123,452	$ 192,607	$ (69,155)	$1,069,401	$ 347,773	$ 721,628
DSU Plan	197,937	63,856	134,081	713,321	461,336	251,985
	$ 321,389	$ 256,463	$ 64,926	$1,782,722	$ 809,109	$ 973,613

Share-based payments associated with the Company's share option plan (the "Plan") amounted to $1,069,401 and $123,452 for the year and three months ended December 31, 2015, respectively, compared to $347,773 and $192,607 for the year and three months ended December 31, 2014, respectively. The increase in share-based payments associated with the Plan was primarily due to the granting of 980,889 options during the year ended December 31, 2015 and 1,649,115 options in November 2014. (See "Shareholders Equity – Share-Based Compensation").

In May 2014, the Company established a Deferred Share Unit Plan (the "DSU Plan") to promote a greater alignment of interests between directors, officers and employees and the shareholders of the Company by linking a portion of the annual director retainer and annual bonus to officers or employees to the future value of the Company's Shares by awarding Deferred Share Units (the "DSUs") as compensation for services rendered.

Share-based payments associated with the DSU Plan for the year ended December 31, 2015 amounted to $713,321, compared to $461,336 for the year ended December 31, 2014. Share-based payments associated with the DSU Plan for the three months ended December 31, 2015 amounted to $197,937, compared to $63,856 for the three months ended December 31, 2014. (See "Shareholders Equity – Share-Based Payments").

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The return on the Loan Portfolio is an important component of the Company's financial results. The Company's investment strategy focuses on the total return of assets needed to support the underlying liabilities, asset-liability management and achieving an appropriate return on capital. The Company's continued focus is to manage risks and returns and to position its Loan Portfolio to take advantage of market opportunities while attempting to mitigate adverse effects. Material changes in market conditions may adversely affect the Company's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The Company expects to be able to meet all of its obligations as they become due and to provide for the future growth of the business. The Company has a number of financing sources to fulfill its commitments including (i) cash flow from its operating activities, (ii) issuance of loans and mortgages payable, (iii) issuance of Shares and debentures, or any combination thereof.

CASH FLOWS

The following table details the changes in cash for the three months and years ended December 31, 2015 and 2014:

	Three months ended		Years ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Cash (used in) provided by operating activities	$ 3,113,247	$ (2,803,817)	$ 4,535,638	$ (1,097,113)
Cash provided by financing activities	23,841,397	5,197,584	37,047,197	10,159,973
Cash used in investing activities	(20,220,820)	(1,725,091)	(30,943,030)	(15,700,230)
Increase (decrease) in cash and cash equivalents	$ 6,733,824	$ 668,676	$ 10,639,805	$ (6,637,370)
Cash and cash equivalents, beginning of period	4,989,726	415,069	1,083,745	7,721,115
Cash and cash equivalents, end of period	$ 11,723,550	$ 1,083,745	$ 11,723,550	$ 1,083,745

Cash on hand at December 31, 2015 was $11,723,550 compared to $1,083,745 at December 31, 2014. In December, a borrower elected to repay the Loan and Mortgage Investment totalling $15,442,972 ahead of maturity causing the Company to finish the year with unexpectedly high amount of cash. Subsequent to year end, the Company has effectively deployed the cash into the Loan Portfolio.

Cash (used in) or provided by operating activities for the years ended December 31, 2015 and 2014 of 4,535,638 and $($1,097,113), respectively and for the three months ended December 31, 2015 and 2014 of $3,113,247 and ($2,803,817), respectively are related primarily to the net cash provided by or (used in) lending activities.

The cash provided by financing activities for the year ended December 31, 2015 of $37,047,197 relates primarily to the net proceeds from the Loan Syndications of $30,484,556 and net proceeds from issuance of Shares pursuant to the offering of $13,161,476, proceeds from issuance of Shares pursuant to private placement of $1,025,000, proceeds from issuance of Shares pursuant to exercise of broker warrants of $352,799, proceeds from revolving operating facility of $19,500,000, proceeds from short-term unsecured notes payable of $9,755,497, which aggregate amount was offset by repayments of the Loan Syndications of $20,251,327, repayment of mortgages payable of $30,804, repayment of short-term unsecured notes payable of $7,450,000 and repayment of revolving operating facility of $9,500,000.

Cash provided by financing activities for the year ended December 31, 2014 of $10,159,973 relates primarily to the net proceeds from the Loan Syndications of $25,740,188, net proceeds from issuance of Shares, pursuant to the Offering of $5,296,778, issuance of Shares pursuant to private placement of $630,000 and proceeds from issuance of Shares under the Plan of $30,000, proceeds from short-term unsecured notes payable of $5,120,000 and net proceeds from issuance of convertible debentures of $4,545,950, which aggregate amount was offset by repayments of the Loan Syndications of $23,628,514, repayment of mortgages payable of $29,429, repayment of convertible debentures of $3,925,000 and repayment of short-term unsecured notes of $3,620,000.

The cash provided by financing activities for the three months ended December 31, 2015 of $23,841,397 relates primarily to the net proceeds from the Loan Syndications of $17,101,128, proceeds from issuance of Shares pursuant to exercise of broker warrants of $88,199, proceeds from revolving operating facility of $8,000,000, proceeds from short-term unsecured notes payable of $3,868,494, which aggregate amount was offset by repayments of the Loan Syndications of $1,708,580, repayment of mortgages payable of $7,844 and repayment of short-term unsecured notes payable of $3,500,000. The cash provided by financing activities during the three months ended December 31, 2014 of $5,197,584 relates primarily to the proceeds from the Loan Syndications of $5,199,999, net proceeds from issuance of Shares, pursuant to the Offering of $5,296,778, issuance of Shares pursuant to private placement of $630,000, which aggregate amount was offset by repayments of the Loan Syndications of $3,301,709, repayment of mortgages payable of $7,484 and repayment of short-term unsecured notes payable of $2,620,000.

The cash used in investing activities during the year ended December 31, 2015 of $30,943,030, primarily reflects the funding of the Loan Portfolio of $85,699,048, the funding of investment in associates of $1,372,652, the funding of portfolio investments of $324,557, a deposit made for loan and mortgage investment of $11,747,370 and an increase in funds held in trust of $1,227,142, which aggregate amount was offset by repayment received from the Loan Portfolio of $60,582,239, and proceeds from sale of interest in portfolio investment of $8,845,500. The cash used in investing activities during the year ended December 31, 2014 of $15,700,230, primarily reflects the funding of the Loan Portfolio of $40,192,633, the decrease in funds held in trust of $450,539, capital additions to investment properties of $76,625 and the Portfolio Investment of $600,000, which aggregate amount was offset by repayments received from Loan Portfolio of $25,619,567.

The cash used in investing activities during the three months ended December 31, 2015 of $20,220,820, primarily reflects the funding of Loan Portfolio of $42,763,401, a deposit made for loan and mortgage investment of $11,747,370 and an increase in funds held in trust of $1,541,969, which aggregate amount was offset by repayment received from Loan Portfolio of $32,432,476 and proceeds from sale of interest in investment in associates of $2,850,000. The cash provided in investing activities for the three months ended December 31, 2014 of $1,725,091 primarily reflects the funding of the Loan Portfolio of $2,779,947, the funding of Portfolio Investment of $600,000 and an increase in funds held in trust of $67,566, which aggregate amount was offset by repayments received from the Loan Portfolio of $1,722,422.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Company defines its capital as the aggregate of shareholders' equity, convertible debentures and loans and mortgages payable. The Company's capital management is designed to ensure that the Company has sufficient financial flexibility, in the short-term and long-term and to grow cash flow and solidify the Company's long-term creditworthiness, as well as to ensure a positive return for the shareholders.

As at December 31, 2015 and December 31, 2014, respectively, the total capital of the Company was as follows:

	2015	2014
Short-term unsecured notes payable	$ 9,286,000	$ 1,500,000
Revolving operating facility	9,865,144	-
Loan and mortgage syndications	45,691,948	45,390,821
Mortgages payable	1,120,314	1,151,118
Convertible debentures	10,628,301	10,514,431
Non-controlling interest	254,641	210,655
Shareholders' equity	46,277,350	24,341,750
Total capital	$ 123,123,698	$ 83,108,775

LOAN AND MORTGAGE SYNDICATIONS

The Company leverages its Loan Portfolio through the Loan Syndications, short-term unsecured notes payable, revolving operating facility and the convertible debentures. These financial liabilities are designed to increase the Company's overall returns through the issuance of specific debt instruments bearing lower effective interest rates than those being realized on the Loan Portfolio itself, while lowering the Company's overall risk profile.

Loans and mortgages payable are sourced through the following initiatives:

(i) The syndication of certain Loan Portfolio to private investors each participating in a prescribed manner on an investment by investment basis. In these cases, the investors assume the same risks associated with the specific investment transaction as the Company.

(ii) Conventional construction or permanent financing secured by the project or investment property. In these cases, the Company is generally in second position to the conventional construction lenders.

The Loan Portfolio that may initially be funded by the Company may then be syndicated to other lenders sourced by the Company on a pari passu basis. The terms of the syndication would mirror the terms of the loan with the exception of the interest rate paid to syndicated investors. In addition the Company would retain any commitment fee and certain other fees earned from the borrower. Management of the mortgage origination, funding, payouts and delinquency (if applicable) are all handled by the Company on behalf of the syndicate investors. The Company will be registered on the title documentation of the property and the syndicated investors will be secured through a loan servicing agreement with the Company.

Each syndicated Loan and Mortgage Investment has a designated rate of return that the syndicated investors expect to earn from that Loan and Mortgage Investment. This specific rate will vary from mortgage to mortgage depending on the Loan-to-Value, mortgage position, location, term, and exit strategy.

The Loan Syndications have no recourse to the Company and there is no obligation of the Company to fund any principal or interest shortfalls.

The following table presents details of the Loan Syndications as at December 31, 2015 and 2014:

	December 31, 2015			December 31, 2014		
	Weighted Average Effective Interest Rate	Amount	% of Loans Payable	Weighted Average Effective Interest Rate	Amount	% of Loans Payable
Residential housing development	10.9%	$ 37,678,182	82.5%	12.0%	$ 40,914,961	90.1%
Land and lot inventory	8.8%	7,813,766	17.1%	12.7%	1,030,000	2.3%
Commercial retail development	0.0%	-	0.0%	10.5%	500,000	1.1%
Residential income properties	10.4%	200,000	0.4%	10.7%	2,945,860	6.5%
	10.5%	$ 45,691,948	100.0%	11.9%	$ 45,390,821	100.0%

At December 31, 2015, the weighted average effective interest rate of Loan Syndications was 10.5%, consisting of the syndication of loans pertaining to 13 residential housing developments having a weighted average effective interest rate of 10.9%, a residential income property, having a weighted average effective interest rate of 10.4%, and lot inventory, having a weighted average effective interest rate of 8.8%.

At December 31, 2014, the weighted average effective interest rate of Loan Syndications was 11.9%, consisting of the syndication of loans pertaining to 18 residential housing developments having a weighted average effective interest rate of 12.0%, three residential income properties, having a weighted average effective interest rate of 10.7%, one commercial retail development having a weighted average effective interest rate of 10.5% and two parcels of land having a weighted average interest rate of 12.7%. The reduction of weighted average interest rate in the Loan Syndications, corresponds to the reduction in weighted Average interest rate on the Loan Portfolio.

At December 31, 2015, the Company's syndication activities resulted in $45,691,948 or 48.0% of the Loan Portfolio being syndicated to investors, yielding a net effective return of 20.7%, thereby increasing its overall return by 4.9% from its non-leveraged 15.8% return compared to $45,390,821 or 57.7% of the Loan Portfolio being syndicated to investors, yielding a net effective return of 30.1%, thereby increasing its overall return by 10.5% from its non-leveraged 19.6% return, at December 31, 2014. The decrease in overall yield is primarily due to loans completed near the end of the year not yet being syndicated. Overall return may fluctuate significantly due to changes in the relative dollar amounts and the relative change in the weighted average effective interest rates within the Loan Portfolio and Loan Syndications.

The following table summarizes the changes in the principal balance of Loan Syndications for the years ended December 31, 2015 and 2014:

	2015	2014
Balance, beginning of year	$ 45,390,821	$ 42,889,374
Loan and mortgage syndication activities during the period		
Proceeds from loan mortgage syndications on new Loan Portfolio	30,234,556	25,365,188
Additional advances from loan and mortgage syndication on existing Loan Portfolio	250,000	375,000
Conversion of interest payable to a loan and mortgage syndications	-	389,773
Repayments of Loan Syndications	(20,250,609)	(23,627,332)
Transferred from short-term unsecured notes payable	6,820,000	-
Transferred to short-term unsecured loans payable	(12,144,753)	-
Loan and mortgage syndications converted to interest in Limited partnership	(5,125,000)	-
Principal repayment of Loan Syndications	(718)	(1,182)
Reduction in loan and mortgage syndications due to early payment	(226,439)	-
Exchange loss	744,090	-
Balance, end of year	$ 45,691,948	$ 45,390,821

At December 31, 2015, scheduled principal repayments, and maturity amounts on the Loan Syndications to be paid over each of the next five fiscal years, are as follows:

	Scheduled principal payments	Loan and mortgage syndications maturing during the year	Total loan and mortgage syndications
2016	$ -	$ 23,388,302	$ 23,388,302
2017	-	7,367,200	7,367,200
2018	-	11,136,446	11,136,446
2019	-	-	-
2020	-	3,800,000	3,800,000
	$ -	$ 45,691,948	$ 45,691,948

MORTGAGES PAYABLE

As at December 31, 2015 and 2014, the Company's share of the mortgages payable in the joint operations was $1,120,314 and $1,151,118, respectively with a nominal interest rate of rate of 4.2% per annum.

The following table presents details of the mortgages payable as at December 31, 2015 and 2014:

	December 31, 2015			December 31, 2014		
	Interest Rate	Amount	% of mortgages payable	Interest Rate	Amount	% of mortgages payable
Montreal Street JV	4.2%	$ 1,120,314	100.0%	4.2%	$ 1,151,118	100.0%
	4.2%	$ 1,120,314	100.0%	4.2%	$ 1,151,118	100.0%

The following table sets out, as at December 31, 2015, scheduled principal and interest repayments and amounts maturing on the mortgages over each of the next five fiscal years:

	Scheduled principal payments	Mortgages maturing during the year	Total mortgages payable
2016	$ 13,224	$ 1,107,090	$ 1,120,314
	$ 13,224	$ 1,107,090	$ 1,120,314

SHORT-TERM UNSECURED NOTES PAYABLE

During the year, the Company issued short-term unsecured notes payable to syndicate investors totaling $21,900,250, including those investors of the Loan Portfolio in the amount of $12,144,753 electing to convert their interest into short-term unsecured notes payable. These notes bear annual interest in the range of 7% - 9%, have a term of 6 months from issuance are closed for prepayment through the full term, and are convertible in whole or in part, into Loan Syndications on the terms and conditions to be agreed by the holders and the Company. At any time prior to the maturity date, the Company may elect to extend these notes by three months.

During the year, holders of short-term unsecured notes payable totaling $6,820,000 elected to convert their notes into syndications in the loan and mortgage investments and the Company repaid $7,450,000 of short-term unsecured notes payable.

In August 2014, the Company entered into formal short-term loan agreements with three lenders to borrow $5,120,000, of which an agreement for $1,000,000 is with the Chairman of the Board of the Company (the "Chairman"). The interest rate is 10% annum, payable monthly. These loans are repayable by the Company anytime, without penalty. Proceeds from these loans were used to fund certain Loan Portfolio. In September 2014, the Company repaid the loan received from the Chairman in full with interest of $6,849. See "Related Party Transactions and Arrangements".

Following table summarizes the changes in the short-term unsecured notes payable for the years ended December 31, 2015 and 2014:

	2015	2014
Balance, beginning of year	$ 1,500,000	$ -
Proceeds from issuance of short-term unsecured notes payable	9,755,497	5,120,000
Transferred from loan and mortgage syndications	12,144,753	-
Transferred to loan and mortgage investments	(6,820,000)	-
Repayments of short-term unsecured notes payable	(7,450,000)	(3,620,000)
Unrealized foreign exchange loss	155,750	-
Balance, end of year	$ 9,286,000	$ 1,500,000

For the years ended December 31, 2015 and 2014, the Company recorded interest expense of $233,771 and $118,039, respectively.

Included in short-term unsecured notes payable are U.S. dollar denominated balance of Canadian $4,152,000 (U.S. $3,000,000) (2014 - Cdn. $nil, U.S. $nil)

REVOLVING OPERATING FACILITY

On April 23, 2015, the Company entered into a Revolving Operating Facility Credit Agreement with a lending institution for a $10 million secured revolving loan facility (the "Facility") with a 24 month term. Interest on advanced funds under the Facility will be 9.5% per annum for the first twenty three months and 12.0% thereafter. The Facility is subject to a redetermination of a borrowing base, calculated as a percentage of eligible Loan Portfolio and subject to certain adjustments. As security for its obligations under the Facility, the Corporation has entered into certain security documents, including a general security agreement, a specific assignment of the Company's current and future participating loan interests in certain real estate investments located throughout Canada and the United States. The Facility allows the Company to fund and warehouse new investments while raising syndicate on and/or co-investment capital.

During the year ended December 31, 2015, the Company borrowed a total of $19.5 million and repaid $9.5 million against the facility.

In connection with the Facility, the Company incurred lender and other third-party costs of $204,717. The costs associated with the credit facility have been deferred and are being amortized over the term of the credit facility as interest expense using the effective-interest amortization method for the term loan facility and the straight-line method for the revolving credit facility.

For the years ended December 31, 2015 and 2014, amortization of deferred financing costs reported as interest expense and financing costs totaled $69,861 and $nil, respectively .

The following table presents details of the revolving operating facility as at December 31, 2015 and 2014:

	2015	2014
Face falue	$ 10,000,000	$ -
Unamortized financing costs	(134,856)	-
	$ 9,865,144	$ -

Convertible Debentures

On September 29, 2014, the Company refinanced by way of a private placement, the unsecured subordinated convertible debentures in the principal amount of $10,150,000 with an original maturity date of September 27, 2014 (the “2011 Debentures”), with the issuance of new unsecured subordinated convertible debentures (the “2014 Debentures”) in the principal amount of $10,850,000. The net cash proceeds of the refinancing was used to enhance the Company’s liquidity position, to fund the Company’s business activities and for other general corporate purposes. Holders of aggregate $6,225,000 principal amount of the 2011 Debentures elected to subscribe to 2014 Debentures.

The 2014 Debentures bear interest at an annual rate of 7%, payable quarterly on the last business day of each calendar quarter commencing December 31, 2014, and mature on September 27, 2017. The 2014 Debentures are convertible into Shares of the Company in whole or in part, at the option of the holder at any time up to maturity at a conversion price of $0.72 per Share. The Company may, at any time prior to the maturity date and upon giving notice, prepay the 2014 Debentures in full or in part by paying the holders thereof the outstanding principal amount plus all accrued and unpaid interest, provided that the market price per Share on the date on which the redemption notice is provided is at least 125% of the conversion price.

The fair value of the liability component of the 2014 Debentures was calculated by discounting the stream of future principal and interest payments at the rate of 8.0% which represents the rate of interest prevailing at the date of issue for instruments of similar terms and risks. The debt component was assigned a value of $10,486,460 (net of transaction costs of $76,962) and the equity component was assigned a value of $284,490 (net of transaction costs of $2,088). The effective interest rate of the 2014 Debentures is 8.53%.

Certain directors and officers hold 2014 Debentures in an aggregate principal amount of $1,330,000. Certain directors and officers held 2011 Debentures in an aggregate principal amount of $800,000. See “Related Party Transactions and Arrangements”.

The following table summarizes the changes in the Debentures for the years ended December 31, 2015 and 2014:

	2015	2014
Liability component of debentures, beginning of year	$ 10,514,431	$ 10,125,074
Interest expensed at EIR of 8.53%	873,370	772,660
Interest paid	(759,500)	(719,763)
Issuance of 2014 Debentures	-	10,850,000
Repayment of 2011 Debentures	-	(10,150,000)
Transaction costs	-	(79,050)
Amount classified as equity	-	(284,490)
Liability component of debentures, end of year	$ 10,628,301	$ 10,514,431

COMMITMENTS AND CONTINGENCIES

Pursuant to certain lending agreements, the Company is committed to fund additional loan advances. The unfunded loan commitments under the existing Loan Portfolio at December 31, 2015 was $18,455,100 including $11,733,451 of capitalization of future interest relating to the existing Loan Portfolio. The unfunded loan commitments under the existing Loan Portfolio at December 31, 2014 were $4,010,043 including $2,298,304 of capitalization of future interest relating to the existing Loan Portfolio. The unfunded capital commitments under the Agreement at December 31, 2015 and 2014 was $402,400 and $726,400.

The Company is also committed to providing additional capital to joint operations in accordance with contractual agreements.

The Company has a lease commitment on its head office premises located at 22 St. Clair Avenue East, Toronto, Ontario and its previous head office premises located at 5000 Yonge Street, Toronto, Ontario. The future minimum lease payments, which includes estimated operating costs of the office spaces as at December 31, 2015, are as follows.

	Amount
2016	$ 267,997
2017	208,217
2018	221,785
2019	221,785
2020	221,785
	$ 1,141,569

The Company, from time to time, may be involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Company.

SHAREHOLDERS' EQUITY

SHARES

The following table summarizes the changes in Shares for the years ended December 31, 2014 and December 31, 2015.

	Shares	Amount
Outstanding, December 31, 2013	30,845,000	$ 10,795,790
Issurance of Shares pursuant to the Oct 2014 Offering	9,587,300	5,190,543
Isurrance of Shares pursuant to Private Placement	1,000,000	630,000
Issuance of shares pursuant to share option plan	150,000	30,000
Transferred from contributed surplus upon exercise of options	-	8,385
Outstanding, December 31, 2014	41,582,300	$ 16,654,718
Issurance of shares pursuant to the May 2015 Offering	16,911,900	13,118,652
Isurrance of Shares pursuant to Private Placement	1,205,883	1,025,000
Issuance of shares pursuant to broker warrents	560,000	352,800
Transferred from contributed surplus upon exercise of warrants	-	106,234
Outstanding, December 31, 2015	60,260,083	$ 31,257,404

On October 14, 2015, 140,000 broker warrants to purchase the Company's Shares at $0.63 per share with the expiry date of October 16, 2015 granted to underwriters were exercised. The total consideration received on the exercise of broker warrants was $88,199.

On July 29, 2015, 420,000 broker warrants to purchase the Company's Shares at $0.63 per share with the expiry date of October 16, 2015 granted to underwriters were exercised. The consideration received on the exercise of broker warrants of $264,600 was recorded as share capital and the related contributed of $79,676 was transferred to share capital.

On May 5, 2015, the Company completed a bought deal prospectus offering (the "May 2015 Offering") consisting of 16,911,900 Shares including fully exercised over-allotment Shares, at a price of $0.85 per Share, for gross proceeds of $14,375,115. As part of the May 2015 Offering, the Company issued 1,014,714 broker warrants as additional compensation. Each broker warrant entitles the holder to purchase one common share at an exercise price of $0.85 until May 4, 2017. Share issuance costs amounted to $1,256,463, consisting of cash costs of $1,213,639 and non-cash costs of $347,824 relating to the value attributable to broker warrants issued to underwriters, offset by deferred tax credit of $305,000. Concurrent with the closing of the May 2015 Offering, the Company also completed a non-brokered private placement of 1,205,883 Shares, at the same price as the Shares issued pursuant to the May 2015 Offering, for aggregate gross proceeds of $1,025,000. Certain officers and directors participated in the private placement and the Company issued 811,765 Shares to those officers and directors for gross proceeds of $690,000. See "Related Party Transactions and Arrangements".

On November 24, 2014, the Company, on a non-brokered private placement basis, issued 1,000,000 Shares at $0.63 per Share to the President and Chief Operating Officer of the Company, for gross proceeds of $630,000, (see "Related Party Transactions and Arrangements"). The proceeds from the private placement were used to fund the Company's loan business activities and for general corporate purposes.

On October 15, 2014, the Company completed a bought deal offering (the "Oct 2014 Offering") of 8,000,000 Shares at a price of $0.63 per Share, for gross proceeds of $5,040,000. As part of the Oct 2014 Offering, the Company issued 560,000 broker warrants to the underwriters as additional compensation. Each broker warrant entitles the holder to purchase one Share of the Company at an exercise price of $0.63 per Share, until October 15, 2015. Share issuance costs amounted to $849,456, consisting of cash costs of $743,221 and non-cash costs of $106,235 relating to the value attributable to broker warrants issued to the underwriters. Concurrently with the Oct 2014 Offering, the Company issued 1,587,300 Shares through private placement at a price of $0.63 per Share to the Chairman and the Chief Executive Officer of the Company (the "CEO"), for gross proceeds of $999,999. See "Related Party Transactions and Arrangements". The net cash proceeds from the Oct 2014 Offering and private placement were used to fund the Company's loan business activities and for general corporate purposes.

As at March 24, 2016, there were 60,260,083 Shares issued and outstanding.

SHARE-BASED PAYMENTS

(a) Share Option Plan

The Company has a Share Option Plan (the “Option Plan”) to grant eligible directors, officers, senior management and consultants options to purchase Shares. The exercise price of each option shall be determined by the board of directors and in accordance with the Option Plan and the policies of the Exchange. Subject to the policies of the Exchange, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist, provided that no option shall be exercisable after five years from the date on which it is granted.

Pursuant to the employment agreement between the Company and the CEO, the CEO is eligible to receive options equal to 5% of the Shares issued outstanding through to December 31, 2015, at the price determined by the Board.

On May 11, 2015, the Company granted share options to officers and employees of the Company to purchase an aggregate of 980,889 Shares at $0.85 per share. 25% of the share options vested immediately upon grant, with an additional 25% vesting each 90-day period thereafter.

On November 28, 2014, the Company granted share options to certain officers and a consultant of the Company to purchase an aggregate of 1,050,000 Shares at $0.79 per Share and an aggregate of 599,115 Shares at $0.68 per Share. Except for the 1,000,000 options granted to an officer, which shall vest in equal instalments on a quarterly basis over the three-year period, the options vest in four instalments, with the first 25% of the share options having vested immediately upon grant and an additional 25% vesting each 90-day period thereafter.

On May 20, 2014, the Company granted share options to directors, officers and employees of the Company to purchase an aggregate of 565,000 Shares at $0.50 per Share. Except for the 210,000 options granted to employees, which vested immediately, the options vest in four instalments, with the first 25% of the share options vested immediately upon grant, with an additional 25% vesting each 90-day period thereafter.

On February 24, 2014, the Company granted share options to consultants of the Company to purchase an aggregate of 100,000 Shares at $0.50 per Share which shall vest in equal instalments on a quarterly basis over the three-year period, the options vest in four instalments, with the first 25% of the share options having vested immediately upon grant and an additional 25% vesting each 90-day period thereafter.

The fair value of the share options granted was estimated on each of the dates of grant, using the Black-Scholes option pricing model, with the following assumptions:

	Options grant dates			
	May 11, 2015	November 28, 2014	May 20, 2014	February 24, 2014
Average expected life	5.00 years	3.06 years	2.62 years	2.68 years
Average risk-free interest rate	0.80%	1.20%	1.05%	0.98%
Average expected volatility	89.50%	90.00%	96.00%	98.29%
Average dividend yield	0.00%	0.00%	0.00%	0.00%

The fair value of options granted during the years ended December 31, 2015 and 2014 were $574,801 and $1,029,949, respectively.

In 2014, directors and officers exercised 150,000 Options that had been formally granted to purchase the Company’s Shares at $0.20 with an expiry date of June 22, 2014. The consideration of $30,000, received on exercising the Options was recorded as share capital and the related contributed surplus of $8,385 was transferred to share capital.

For the three months ended December 31, 2015 and 2014, the Company recorded share-based compensation expense relating to the Option Plan, with an offsetting increase to contributed surplus of $123,452 and $192,607, respectively. For the year ended December 31, 2015 and 2014, the Company recorded share-based compensation expense relating to the Option Plan, with an offsetting increase to contributed surplus of $1,069,401 and $347,773, respectively.

The following is the summary of changes in the Company's share options for the years ended December 31, 2015 and 2014:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding - beginning of year	4,071,449	$ 0.55	1,932,334	$ 0.37
Granted	980,889	0.85	2,314,115	0.68
Exercised	-	-	(150,000)	0.20
Cancelled	-	-	(25,000)	0.50
Outstanding - end of year	5,052,338	$ 0.61	4,071,449	$ 0.55
Number of options exercisable	4,140,447	$ 0.56	2,495,863	$ 0.43

The following summarizes the Company's share options as at December 31, 2015:

Number of options outstanding	Expiry date	Number of options exercisable	Exercise price	Market price at date of grant
895,000	January 24, 2016	895,000	$ 0.30	$ 0.28
138,667	December 19, 2016	138,667	0.50	0.40
585,000	April 16, 2017	585,000	0.50	0.30
138,667	April 17, 2018	138,667	0.30	0.25
100,000	February 23, 2019	100,000	0.50	0.42
565,000	May 20, 2019	565,000	0.50	0.47
599,115	November 28, 2019	599,115	0.68	0.85
1,050,000	November 28, 2019	383,332	0.79	0.85
980,889	May 11, 2020	735,666	0.85	0.85
5,052,338		4,140,447		

(b) Deferred Share Unit Plan

In May 2014, the Company established the "DSU Plan to promote a greater alignment of interests between directors, officers and employees and the shareholders of the Company by linking a portion of the annual director retainer and annual bonus to officers or employees to the future value of the Company's Shares by awarding DSUs as compensation for services rendered.

The Board determines the amount, timing, and vesting conditions associated with each award of DSUs. Directors may elect to receive, on the last day of each quarter, a minimum of 50% and up to 100% of their annual retainer in DSUs and employees may elect to receive up to 100% of their annual bonus in DSUs. DSUs granted pursuant to such an election are fully vested on the date of grant. In addition, when the Directors or employees elect to receive 50% or more of their fees or annual bonus in DSUs, the Company will grant additional DSUs of up to 50% of the value of the DSUs granted to employees and directors. 50% of the additional DSUs granted by the Company vest in 6 months from the date of grant and 50% of the additional DSUs vest in twelve months from the date of grant.

Each DSUs has the same value as one Share (based on the five day volume weighted average trading price). Directors must retain DSUs until they leave the Board of Directors, or in the case of officers or employees, until their employment is terminated, at which time the redemption payment equal to the value of the DSUs, calculated as the volume weighted average closing price of the Shares for the last five days preceding the redemption date, net of applicable taxes are paid out.

The following table presents the changes in DSUs for the years ended December 31, 2015 and 2014:

	Number of DSUs	
	2015	2014
DSUs outstanding, beginning of period	747,705	-
Granted	1,009,296	747,705
Settled	-	-
DSUs outstanding, end of period	1,757,001	747,705
Number of DSUs vested	1,525,530	670,642

The total cost recognized with respect to DSUs, including the change in fair value of DSUs during the three months ended December 31, 2015 and 2014, were $197,937 and $63,856, respectively. The total cost recognized with respect to DSUs, including the change in fair value of DSUs during the years ended December 31, 2015 and 2014, were $713,321 and $461,336, respectively.

The carrying amount of the liability, included in the accounts payable and accrued liabilities relating to the DSUs at December 31, 2015 and 2014 is $1,174,657 and $461,336, respectively.

(c) Broker warrants

As part of the May 2015 Offering, the Company granted 1,014,713 broker warrants to underwriters as partial consideration for their services associated with the Offering. Each broker warrant entitles the holder to acquire one Share of the Company at an exercise price of $0.85 per Share, with an expiry date of May 5, 2017.

As part of the Oct 2014 Offering, the Company granted 560,000 broker warrants to the underwriters as partial consideration for their services associated with the Offering. Each broker warrant entitles the holder to acquire one Share of the Company at an exercise price of $0.63 per Share, with an expiry date of October 15, 2015.

On October 14, 2015, 140,000 broker warrants to purchase the Company's Shares at $0.63 per share with the expiry date of October 16, 2015 granted to underwriters were exercised. The total consideration received on the exercise of broker warrants was $88,200.

On July 29, 2015, 420,000 broker warrants to purchase the Company's Shares at $0.63 per Share with the expiry date of October 16, 2015 granted to underwriters were exercised. The consideration received on the exercise of broker warrants of $264,600 was recorded as share capital and the related contributed capital of $79,676 was transferred to share capital.

The following is the summary of changes in broker warrants for years ended December 31, 2014 and 2015:

	Number of broker warrants outstanding	Fair value	Exercise price
Outstanding, December 31, 2013	-	$ -	$ -
Granted	560,000	106,235	0.63
Outstanding, December 31, 2014	560,000	106,235	0.63
Granted	1,014,713	347,824	0.85
Exercised	(560,000)	(106,235)	0.63
Outstanding, December 31, 2015	1,014,713	$ 347,824	$ 0.85

The fair value of broker warrants was estimated as at the grant date using the Black-Scholes option-pricing model with the following assumptions:

	May 5, 2015	October 15, 2014
Average expected life	2.00 year	1.00 year
Average risk-free interest rate	0.67%	1.13%
Average expected volatility	73.96%	73.50%
Average dividend yield	0.00%	0.00%

CONTRIBUTED SURPLUS

The following table presents the details of the contributed surplus balances as at December 31, 2015 and 2014:

	2015	2014
Balance, beginning of year	$ 1,049,585	$ 603,962
Fair value of share-based compensation	1,069,401	347,773
Fair value of broker warrants	347,824	106,235
Transferred to share capital - exercise of options	-	(8,385)
Transferred to share capital - exercise of broker warrants	(106,235)	-
Balance, end of year	$ 2,360,575	$ 1,049,585

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

At December 31, 2015 and 2014, the Chairman, indirectly through a wholly owned subsidiary, owned approximately 11% and 18%, respectively, of the issued and outstanding Shares of the Company.

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Company include the Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, Managing Director and the Board of Directors.

During the years ended December 31, 2015 and 2014, no key management personnel were indebted to the Company.

Aggregate compensation for key management personnel for years ended December 31, 2015 and 2014 was as follows:

	2015	2014
Short-term employee benefits	$ 2,083,277	$ 1,135,434
Share-based compensation	1,712,423	763,638
	$ 3,795,700	$ 1,899,072

LOANS AND MORTGAGES PAYABLE, SHORT-TERM UNSECURED NOTES PAYABLE AND CONVERTIBLE DEBENTURES

Several of the Company's Loan Portfolio are syndicated with other investors of the Company, which may include officers or directors of the Company. The Company ranks equally with other members of the syndicate as to payment of principal and interest.

On June 18, 2015, the Company advanced loan investment of $3,000,000 to a company controlled by the Chairman of the Company at the interest rate 12% annum and recognized interest and fees revenue of $89,353 during the year. In September 2015, the loan was repaid in full. (see Capital Structure and Debt Profile – Short Term Unsecured Notes Payable)

In August 2014, the Company borrowed $1,000,000 in the form of a short-term unsecured loan from the Chairman. The loan was repaid in full with interest of $6,849 for the year. (see Capital Structure and Debt Profile – Short Term Unsecured Notes Payable).

In connection with the financing of the 2014 Debentures, certain directors and officers of the Company subscribed for an aggregate principal amount of $1,330,000 of the 2014 Debentures. The terms offered to related parties for the 2015 Debentures are identical to those offered to non-related 2014 Debenture holders. (see Capital Structure and Debt Profile – Convertible Debentures).

At December 31, 2015 and 2014, the Loan Portfolio and convertible debentures syndicated to officers and directors were $1,745,000 and $1,844,848, respectively. No loans or investments were issued to borrowers controlled by or related to officers or directors of the Company.

At December 31, 2015 and 2014, certain directors and officers of the Company invested in Lan Partnership for an aggregate principal amount of $393,000 and $nil, respectively.

SHAREHOLDERS' EQUITY

On May 5, 2015, concurrent with the closing of the May 2015 Offering, the Company issued 811,765 Shares through a non-brokered private placement at a price of $0.85 per Share to certain officers and Directors of the Company, for gross proceeds of $690,000.

On October 15, 2014, the Company issued 1,587,300 Shares through a private placement at a price of $0.63 per Share to the Chairman and the CEO of the Company, for gross proceeds of $999,999.

On November 24, 2014, the Company issued 1,000,000 Shares at $0.63 per Share to the President and Chief Operating Officer of the Company, for gross proceeds of $630,000.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended December 31, 2015.

USE OF ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the year. Actual results may differ from these estimates.

In making estimates, the Company relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in the consolidated financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are disclosed separately. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could also differ from those estimates under different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

FINANCIAL INSTRUMENTS

The Company, as part of its operations, carries a number of financial instruments. The Company's financial instruments consist of cash and cash equivalents, funds held in trust, interest and other receivables, Loan Portfolio, portfolio investment, accounts payable and accrued liabilities, provision for discontinued operations, loans and mortgages payable, short-term unsecured notes payable and the liability component of convertible debentures.

The fair value of interest and other receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The fair value of loans and mortgage investments, Loan Syndications, mortgages payable, unsecured-notes payable, revolving operating facility and convertible debentures approximate their carrying value as they are short-term in nature. There is no quoted price in an active market for the loans and mortgage investments, Loan Syndications or convertible debentures. The Company makes the determinations of fair value based on its assessment of the current lending market for Loan Portfolio of same or similar terms. As a result, the fair value is based on Level 3 on the fair value hierarchy.

The Company uses various methods in estimating the fair values recognized in the consolidated financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the Company’s investment properties, Portfolio Investments and non-controlling interest are determined by using Level 3 inputs at December 31, 2015 and 2014 and no amounts were transferred between fair value levels during 2015 or 2014.

OFF BALANCE SHEET ITEMS

As of December 31, 2015 and 2014, the Company did not have any off-balance sheet (statement of financial position) arrangements.

FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Certain new standards, amendments and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2016 or later periods that the Company has decided not to early adopt. The following are standards, amendments and interpretations that may be relevant to the Company in preparing its consolidated financial statements in future periods.

IFRS 9 *FINANCIAL INSTRUMENTS* (“IFRS 9”)

IFRS 9 was issued to replace IAS 39, *“Financial Instruments: Recognition and Measurement”*. IFRS 9 has two measurement categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest; otherwise, it is measured at fair value through profit and loss. This standard is effective for years beginning on or after January 1, 2018. The extent of impact of adoption of IRFS 9 has not been determined.

IFRS 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS (*“IFRS 15”)

IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017 and is to be applied retrospectively. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 16 LEASES ("IFRS 16")

IFRS 16 will replace existing lease guidance in IFRS and related interpretations, and requires companies to bring most leases on-balance sheet. The financial reporting impact of adopting IFRS 16 is being assessed and is effective for years beginning on or after January 1, 2019. Early adoption will be permitted only if the company has adopted IFRS 15 Revenue from Contracts with Customers. The extent of the impact of adoption of the standard has not been determined.

AMENDMENTS TO IAS 1, PRESENTATION OF FINANCIAL STATEMENTS ("IAS 1")

IFRS issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

None of the new standards, interpretations and amendments, which are effective for the Company's accounting periods beginning after January 1, 2016 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities of the Company and in the activities of the Company, including the following, which current and prospective holders of securities of the Company should carefully consider. If any of the following or other risks materialize, the Company's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of the securities of the Company could decline and investors could lose all or part of their investment in such securities. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

GENERAL BUSINESS RISKS

The Company is subject to general business risks and to risks inherent in the commercial and residential real estate lending, including both the making of loans secured by real estate and the development and ownership of real property. Income and gains from the Company's investments may be adversely affected by:

i. changes in national or local economic conditions,
ii. changes in demand for newly constructed residential units,
iii. the inability of property owners to secure and retain tenants,
iv. the financial inability of tenants to meet their lease obligations,
v. changes in interest rates and in the availability, cost and terms of any mortgage or other financing,
vi. the impact of present or future environmental legislation and compliance with environmental laws,
vii. changes in real estate assessed values and taxes payable on such values and other operating expenses, or
viii. civil unrest, acts of God, including earthquakes and other natural disasters and acts of terrorism or war (which may result in uninsured losses).

Any of the foregoing events could impact the ability of borrowers to timely repay (if at all) loans made by the Company, negatively impact the value or viability of a development project in which the Company has invested or negatively impact the value of portfolio properties of the Company or their ability to generate positive cash flow.

In addition, the Company may be unable to identify and complete investments that fit within its investment criteria. The failure to make a sufficient number of these investments would impair the future growth of the Company.

CREDIT RISK

Credit risk is the risk of financial loss from the failure of a borrower, for any reason, to fully honour its financial or contractual obligations to the Company, primarily arising from the Company's loan and mortgage investment activities.

Fluctuations in real estate values may increase the risk of default and may also reduce the net realizable value of the collateral property to the Company. Credit losses occur when a borrower fails to meet its obligations to the Company and the value realized on the sale of the underlying security deteriorates below the carrying amount of the exposure.

The Company is exposed to credit risk on all of its financial assets and its exposure is generally limited to the carrying amount on the consolidated statements of financial position.

Cash and cash equivalents are held with financial institutions that management believes are of high credit quality.

The Company mitigates the risk of credit losses on its Loan Portfolio by maintaining strict credit policies and conducting thorough investment due diligence, ensuring loans and mortgages have risk-adjusted loan to value, together with personal guarantees by the borrowers and parties related to the borrowers, reviewing and approving new loans and mortgages and continually monitoring change in value of underlying collateral.

The Company regularly reviews the Loan Portfolio and interest receivable listing for balances in arrears and follows up with clients as needed regarding payment. For individual accounts in arrears where discussion with the client has not succeeded, foreclosure proceedings commence. Balances receivable include accrued interest and legal and other costs related to attempts at collection. Where the loan investments are collateralized by real property and losses are recognized to the extent that recovery of the balance through sale of the underlying property is not reasonably assured.

As at December 31, 2015 and 2014, $nil and $124,131 of interest receivable are in arrears over 60 days, respectively and $nil and $3,923,438 of the Loan Portfolio are in arrears over 30 days, respectively.

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of the Company's foreign currency denominated Loan Portfolio, Loan Syndications and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates.

The following table presents the amounts denominated in United States dollars as at December, 2015 and 2014:

	2015	2014
Cash and cash equivalents	$ 5,654,478	$ 211,115
Amounts receivable and prepaid expenses	750,357	-
Loan and mortgage investments	27,501,479	-
Accounts payable and accrued liabilities	(378,403)	-
Short-term unsecured notes payable	(3,000,000)	-
Loan and mortgage syndications	(10,262,750)	-
	$ 20,265,161	$ 211,115

Consequently, the Company is subject to currency fluctuations that may impact its financial position and results. The Company manages its currency risk on Loan Portfolio by syndicating in the same currency.

A change in exchange rate of the Canadian dollar against the U.S. dollar by 5% will change the net income and comprehensive income and equity for the year by $1,402,349**.**

INTEREST RATE RISK

Interest rate risk arises due to exposure to the effects of future changes in the prevailing level of interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates primarily on its Loan Portfolio, Convertible Debentures, unsecured notes payable, revolving operating facility and Loan Syndications.

The Company mitigates its exposure to this risk by entering into contracts having either fixed interest rates or interest rates pegged to prime for its Loan Portfolio and Loan Syndications and asset liability matching. Such risk is further mitigated by the general short term nature of the Loan Portfolio and respective Loan Syndications.

The Company has no floating rate financial liabilities. At December 31, 2015, if interest rates had been 100-basis-points lower or higher, with all other variables held constant will change the net income and comprehensive income and equity for the year by $956,133.

LIQUIDITY RISK

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company'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 Company's credit worthiness.

The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

If the Company is unable to continue to have access to its loans and mortgages payable and convertible debentures, the size of the Company's loan and mortgage investments will decrease and the income historically generated through holding larger investments by utilizing leverage will not be earned.

Contractual obligations as at December 31, 2015 are due as follows:

	Less than 1 year	2 years	Total
Accounts payable and accrued liabilities	$ 5,980,560	$ -	$ 5,980,560
Income taxes payable	322,046	-	322,046
Short-term unsecured notes payable	9,286,000	-	9,286,000
Revolving operating facility	-	10,000,000	10,000,000
Mortgages payable	1,120,314	-	1,120,314
Convertible debentures	-	10,850,000	10,850,000
	$ 16,708,920	$ 20,850,000	$ 37,558,920

SUBORDINATED DEBT FINANCING

Subordinated financings that are carried on by the Company would generally be considered riskier than primary financing because the Company will not have a first-ranking charge on the underlying property. When a charge on a property is in a position other than first-ranking, it is possible for the holder of a prior charge on the property to realize on the security given for the loan, in priority to and to the detriment of the Company's security interest in such property or security.

SYNDICATION OF LOANS

The Company has, from time to time, enter into strategic relationships to syndicate certain loans as part of its strategy to diversify and manage risks associated with its loan portfolio, its liquidity position and to enhance its revenue. This also affords the Company the opportunity to participate in transactions in which it otherwise would not be able to participate.

No assurance can be given that such existing strategic relationships will continue or that the terms and conditions of such relationships will not be modified in a way that renders them uneconomic. Furthermore, there can be no assurance that the Company will be able to enter into such relationships in the future. The inability to do so may adversely affect the Company's ability to continue to service existing and prospective clients and manage its liquidity position.

DEVELOPMENT STRATEGY

Any development projects in which the Company invests are subject to a number of risks, including, but not limited to:

(i) construction delays or cost overruns that may increase project costs,

(ii) financing risks,

(iii) the failure to meet anticipated occupancy or rent levels,

(iv) failure to meet anticipated sale levels or prices,

(v) failure to receive required zoning, land use and other governmental permits and authorizations and/or

(vi) changes in applicable zoning and land use laws.

INVESTMENTS IN JOINT OPERATIONS

In any joint operations in which the Company invests, the Company may not be in a position to exercise sole decision-making authority. Investments in joint operations may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint operations partners might become bankrupt or fail to fund their share of required capital contributions. Joint operations partners may have business interests or goals that are inconsistent with the Company's business interests or goals and may be in a position to take actions contrary to the Company's policies or objectives. Any disputes that may arise between the Company and its joint operations partners could result in litigation or arbitration that could increase the Company's expenses and distract its officers and/or directors from focusing their time and effort on the Company's business. In addition, the Company might in certain circumstances be liable for the actions of its joint operations partners.

For a full discussion of the risks and uncertainties affecting the Company, please also refer to the "Risk Factors" section of the Company's AIF for the year ended December 31, 2015 which can be found on the SEDAR website at WWW.SEDAR.COM.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's CEO and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure. As of the end of the period covered by this MD&A, the Company's CEO and CFO evaluated the Company's disclosure controls and procedures and, based upon that review and evaluation, concluded that those disclosure controls and procedures are effective.

The Company is not required to certify the design and evaluation of its internal control over financial reporting and has not completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and maintain, on a cost effective basis, internal control over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Given the small size of the Company, and, consequently, limited staff levels, certain duties within the accounting and finance department cannot be properly segregated. However, none of the segregation deficiencies is likely to result in a misstatement to the consolidated financial statements as the Company relies on certain compensating controls, including the detailed monitoring of operations and transactions by the CEO and CFO. No material changes were made in the Company's internal control over financial reporting during the year ended December 31, 2015.

FUTURE OUTLOOK

The following section includes certain forward looking statements, including in regards of the Company's objectives and priorities. Please refer to the section titled "Caution Regarding Forward Looking Statements" on page 1 of this MD&A.

The objective of the Company is to provide attractive returns to shareholders over the long-term, through appreciation in net book value. Management believes that there is currently a significant market opportunity to significantly increase the book value by providing loans for financing needs not being met by traditional institutional lenders. Management believes there will be significant opportunities for the Company to expand its presence both in the U.S. and Canadian markets; however, it continues to be prudent in its approach to selection of new investments and pricing.

The Company's ability to achieve its objectives is dependent on management's ability to execute on its business strategy as described while also successfully mitigating business risks as discussed in this MD&A.

SELECTED ANNUAL AND QUARTERLY INFORMATION

The following selected financial information should be read in conjunction with the Company's MD&A, audited consolidated financial statements and accompanying notes for the years ended December 31, 2015 and 2014 and the unaudited condensed consolidated interim financial statements and accompanying notes.

The following table shows information for revenues, profit, total assets, total liabilities, shareholders' equity and earnings per share amounts for the periods noted therein.

	As at December 31, 2015	As at December 31, 2014	As at December 31, 2013
Total assets	$ 129,746,068	$ 86,344,322	$ 73,669,821
Total liabilities	$ 83,214,077	$ 61,791,917	$ 58,944,840
Shareholders' equity	$ 46,531,991	$ 24,552,405	$ 14,524,981
Loan and mortgage investments	$ 95,135,201	$ 78,635,796	$ 55,278,303
Loan and mortgage syndications, operating credit facility and Debentures	$ 66,185,393	$ 55,905,252	$ 53,014,448
Loan and mortgage syndications, operating credit facility and Debentures to loan and mortgage investments	69.6%	71.1%	95.9%

	Three months ended,		Years ended,		
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2013
Total revenue	$ 6,241,948	$ 3,505,817	$ 19,430,363	$ 12,385,311	$ 8,905,498
Total expenses	$ 3,163,884	$ 2,355,002	$ 10,908,202	$ 8,246,050	$ 6,922,752
Income from operations before income taxes	$ 3,078,064	$ 1,150,815	$ 8,522,161	$ 4,139,261	$ 2,282,746
Net income and comprehensive income attributable to common shareholders	$ 1,895,901	$ 909,092	$ 6,021,924	$ 3,227,728	$ 1,699,827
Diluted income and comprehensive income attributable to common shareholders	$ 2,058,325	$ 1,069,116	$ 6,663,851	$ 3,795,634	$ 2,245,380
Weighted average number of shares outstanding					
Basic	60,237,257	39,444,563	53,721,933	33,072,348	30,737,486
Diluted	76,522,023	55,670,610	69,987,615	48,549,137	45,279,974
Earnings per share					
Basic	$ 0.03	$ 0.02	$ 0.11	$ 0.10	$ 0.06
Diluted	$ 0.03	$ 0.02	$ 0.10	$ 0.08	$ 0.05

The following table sets out the Company's quarterly results of operations for the eight periods ended December 31, 2015.

	Three months ended							
	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Revenue								
Interest and fees earned	$ 5,104,378	$ 4,140,615	$ 3,956,736	$ 3,960,412	$ 3,458,498	$ 3,206,862	$ 2,841,816	$ 2,620,540
Unrealized foreign exchange gain	1,097,599	736,870	251,710	-	-	-	-	-
Realized foreign exchange gain	(7,391)	-	-	-	-	-	-	-
Rental income	47,362	47,362	47,362	47,348	47,319	47,520	47,319	115,437
	6,241,948	4,924,847	4,255,808	4,007,760	3,505,817	3,254,382	2,889,135	2,735,977
Expenses								
Property operating expenses	15,269	15,268	15,268	15,254	15,225	15,225	15,225	42,076
General and administrative expenses	1,303,935	555,709	568,831	798,024	694,218	417,792	529,678	354,517
Share based compensation	321,389	345,605	724,689	391,039	256,463	116,044	423,994	12,608
Interest and financing costs	1,613,844	1,375,561	1,436,038	1,503,032	1,603,801	1,520,434	1,451,536	1,478,919
Provision for loan and mortgage investment loss	478,066	-	-	-	-	-	-	-
Gain on conversion of interest in joint operation	-	-	-	-	-	-	(487,000)	-
Fair value adjustment - investment properties	(82,500)	-	-	-	(147,950)	-	-	-
Fair value adjustment - portfolio investments	(394,170)	-	-	-	(66,755)	-	-	-
Share of income from investment in associates	(91,949)	-	-	-	-	-	-	-
	3,163,884	2,292,143	2,744,826	2,707,349	2,355,002	2,069,495	1,933,433	1,888,120
Income before income taxes	3,078,064	2,632,704	1,510,982	1,300,411	1,150,815	1,184,887	955,702	847,857
Income tax provision	1,138,177	768,797	194,304	354,973	231,068	270,243	321,563	229,648
Income from continuing operations	1,939,887	1,863,907	1,316,678	945,438	919,747	914,644	634,139	618,209
Income from discontinued operations	-	-	-	-	-	-	151,644	-
Net income and comprehensive income	1,939,887	1,863,907	1,316,678	945,438	919,747	914,644	785,783	618,209
Net income and comprehensive income attributable to:								
Common shareholders	1,895,901	1,863,907	1,316,678	945,438	909,092	914,644	785,783	618,209
Non-controlling interest	43,986	-	-	-	10,655	-	-	-
	$ 1,939,887	$ 1,863,907	$ 1,316,678	$ 945,438	$ 919,747	$ 914,644	$ 785,783	$ 618,209
Duluted net income attributable to common shareholders	2,058,325	2,025,939	1,476,504	1,103,083	1,069,116	1,051,345	922,177	752,996
Weighted average number of shares outstanding								
- basic	60,237,257	59,996,822	52,930,801	41,582,300	39,444,563	30,995,000	30,864,780	30,845,000
- diluted	76,522,023	76,212,488	69,929,304	57,724,943	55,670,610	46,758,152	45,991,447	45,775,469
Earnings per share								
Basic	$ 0.03	$ 0.03	$ 0.03	$ 0.02	$ 0.02	$ 0.03	$ 0.03	$ 0.02
Diluted	$ 0.03	$ 0.03	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02	$ 0.02

Additional information relating to the Company, including the Company's management information circular can be found on the SEDAR at [WWW.SEDAR.COM](http://www.sedar.com).

Dated: March 24, 2016
Toronto, Ontario, Canada