

Terra Firma Capital Corporation Reports Results for the Second Quarter Ended June 30, 2018

41% GROWTH IN LOANS AND MORTGAGE INVESTMENTS YEAR OVER YEAR

25% GROWTH IN LOAN AND MORTGAGE SYNDICATIONS YEAR OVER YEAR

All amounts are stated in Canadian dollars.

TORONTO, Aug. 15, 2018 -- Terra Firma Capital Corporation (TSX-V: TII) ("**Terra Firma**" or the "**Company**"), a real estate finance company, today released its financial results for the three and six months ended June 30, 2018.

HIGHLIGHTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018:

- Principal balance of loan and mortgage investments increased by 41% or \$43.9 million from \$105.8 million at June 30, 2017 to \$149.7 million at June 30, 2018.
- Principal balance of loan and mortgage syndications increased by 25% or \$17.7 million from \$70.7 million at June 30, 2017 to \$88.4 million at June 30, 2018.
- Total revenue for the second quarter ended June 30, 2018 amounted to \$4,125,000, an increase of \$108,000 or 2.7%, from the same period in the prior year. Total revenue for the six months ended June 30, 2018 amounted to \$7,622,000, a decrease of \$361,000 or 4.5%, from the same period in the prior year.
- Net income and comprehensive income attributable to common shareholders for the three months ended June 30, 2018 was \$956,000 (\$0.02 on a basic and diluted per share basis), an increase of \$842,000, compared to \$114,000 (\$0.00 on a basic and diluted per share basis) for the same period last year.
- Net income and comprehensive income attributable to common shareholders for the six months ended June 30, 2018 was \$2,213,000 (\$0.04 on a basic and diluted per share basis), an increase of \$1,615,000 compared to \$598,000 (\$0.01 on a basic and diluted per share basis) for the same period last year.

"Second quarter results feature strong overall growth trends in loan and mortgage investments and loan syndications. During the quarter, we funded \$29 million of loan and mortgage investments and raised \$25 million in loan syndications. We anticipate closing of loan originations of \$28 million shortly," commented Glenn Watchorn, Chief Executive Officer of Terra Firma Capital Corporation. "We continue to identify and invest in new attractive opportunities consistent with our investment strategy. Additionally, with our broadened capabilities and relationships through new geographies and products, we expect to not only grow our earnings but also our ability to generate them on a more attractive risk adjusted basis", he further said.

Results of operations – three and six months ended June 30, 2018

Net income attributable to common shareholders in the second quarter ended June 30, 2018 was \$956,000 or \$0.02 per basic and diluted share compared to \$114,000 or \$0.00 per basic and diluted share, in the second quarter ended June 30, 2017. The increase in net income attributable to common shareholders was primarily due to realized and unrealized foreign exchange gains and an increase in interest and fee income, which aggregate amount was partially offset by a realized loss on a sale of a portfolio investment, increase in share based compensation and an increase in general and administrative expenses.

Net income attributable to common shareholders for the six months ended June 30, 2018 was \$2,213,000 or \$0.04 per basic and diluted share compared to \$598,000 or \$0.01 per basic and diluted share for the six months ended June 30, 2017. The increase in net income was primarily due to realized and unrealized foreign exchange gains and decrease in interest and financing costs, which aggregate amount was partially offset by a realized loss on a sale of a portfolio investment, increase in share based compensation and an increase in general and administrative expenses.

Adjusted net income (a non-IFRS measurement) for the quarter ended June 30, 2018 of \$305,000 (\$0.00 on a basic and diluted per share basis) before recognizing a tax adjusted foreign exchange gain of \$651,000, decreased by \$419,000 compared to adjusted net income of \$724,000 (\$0.01 on a basic and diluted per share basis) for the quarter ended June 30, 2017. Adjusted net income (a non-IFRS measurement) for the six months ended June 30, 2018 of \$831,000 (\$0.01 on a basic and diluted per share basis), before recognizing a tax adjusted foreign exchange gain of \$1,383,000, decreased by \$233,000 compared to \$1,064,000 (\$0.02 on a basic and diluted per share basis) in six months ended June 30, 2017.

Interest and fee income for the second quarter ended June 30, 2018 aggregated \$4,125,000, an increase of 2.7% from the \$4,017,000 in the same period in the previous year and an increase of 18.0% from the \$3,497,000 in the first quarter ended March 31, 2018. Interest and fee income for the six months ended June 30, 2018 aggregated \$7,622,000, a decrease of 4.5% from the \$7,983,000 in the same period in the previous year. The average interest rate on the loan and mortgage investments at June 30, 2018 was 14.0%, compared to 14.1% at December 31, 2017 and 15.0% at June 30, 2017.

Interest and financing costs for the second quarter ended June 30, 2018 were \$2,479,000, compared to \$2,448,000 for the comparative period last year. Interest and financing costs for the six months ended June 30, 2018 were \$4,522,000 compared to \$4,775,000 for the comparative period last year. The decrease in interest and financing costs was primarily due to interest saving on repayment of unsecured convertible debentures in September 2017, which aggregate amount was offset by an

increase in interest and financing costs on loan and mortgage syndications and the Company's revolving operating facility used to fund loan and mortgage investments. The weighted average interest rate in the loan and mortgage syndications at June 30, 2018 was 10.4% compared to 10.2% at December 31, 2017 and 11.1% at June 30, 2017.

General and administrative expenses for the second quarter ended June 30, 2018 was \$871,000 compared to \$667,000 for the same period last year. The increase in general and administrative expenses was primarily due to increase in professional fees relating to legal and accounting. General and administrative expenses for the six months ended June 30, 2018 was \$1,589,000 compared to \$1,564,000 for the same period last year.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the three and six months ended June 30, 2018 have been filed and are available under the Company's profile on SEDAR (www.sedar.com).

Non-IFRS Measures

This press release refers to certain financial measures, such as adjusted net income and adjusted net income per share, which are not measures defined under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income or other measures of financial performance calculated in accordance with IFRS. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies. These measures have been derived from the Company's financial statements and disclosed herein because the Company believes they are of assistance in the understanding of the operational and financial performance of the Company. Adjusted net income is calculated as net income plus tax adjusted foreign exchange losses, while adjusted net income per share and adjusted diluted net income per share are calculated as adjusted net income divided by the weighted average number of outstanding common shares of the Company and weighted average diluted number of outstanding common shares of the Company, respectively. For further details of these non-IFRS measures, including a reconciliation to the most directly comparable IFRS financial measures, refer to the Company's Management's Discussion & Analysis and Financial Statements as at and for the three and six months ended June 30, 2018, "Non-IFRS Measures".

About Terra Firma

Terra Firma is a full service, publicly traded real estate finance company that provides real estate financings secured by investment properties and real estate developments throughout Canada and the United States. The Company focuses on arranging and providing financing with flexible terms 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. Terra Firma offers a full spectrum of real estate financing under the guidance of strict corporate governance, clarity and transparency. For further information please visit Terra Firma's website at www.tfcc.ca.

The TSX-V has neither approved nor disapproved the contents of this press release. The TSX-V does not accept responsibility for the adequacy or accuracy of this press release.

This Press Release contains forward-looking statements with respect matters concerning the business, operations, strategy and financial performance of Terra Firma, successful implementation of effective currency exchange hedging strategies, the repayment in full of a restructured loan and realization of matters covered by current letters of intent. These statements generally can be identified by use of forward looking word such as "may", "will", "expects", "estimates", "anticipates", "intends", "believe" or "could" or the negative thereof or similar variations. The future business, operations and performance of Terra Firma could differ materially from those expressed or implied by such statements. Such forward-looking statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations, including the matters covered by the non-binding letter of intent are not completed, as well as risks relating to market factors, competition, and dependence on tenants' financial conditions, environmental and tax related matters, and reliance on key personnel. Forward-looking statements are based on a number of assumptions which may prove to be incorrect, including that the general economy, local real estate conditions and interest rates are stable, the absence of significant changes in government regulation, and the continued availability of equity and debt financing. There can be no assurances that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The cautionary statements qualify all forward-looking statements attributable to Terra Firma and persons acting on its behalf. Unless otherwise stated, all forward looking statements speak only as of the date of this Press Release and Terra Firma does not assume any obligation to update such statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities laws.

For further information, please contact:

Terra Firma Capital Corporation
Glenn Watchorn
Chief Executive Officer
Phone: 416.792.4702
gwatchorn@tfcc.ca

or
Terra Firma Capital Corporation

Y. Dov Meyer
 Executive Vice Chairman
 Phone: 416.792.4709
ydmeyer@fcc.ca
 or

Ali Mahdavi
 Managing Director
 Spinnaker Capital Markets Inc.
 Phone: 416.962.3300
am@spinnakercmi.com

Terra Firma Capital Corporation
Consolidated Statements of Income and Comprehensive Income
 For the three and six months ended June 30, 2018 and 2017
 (Unaudited)

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenue				
Interest and fees	\$ 4,124,624	\$ 4,016,705	\$ 7,621,696	\$ 7,982,949
Rental	50,444	50,444	100,888	100,888
	4,175,068	4,067,149	7,722,584	8,083,837
Expenses				
Property operating costs	17,321	17,157	34,587	34,488
General and administrative	871,144	667,038	1,589,081	1,563,774
Share based compensation	202,493	(72,833)	229,469	207,888
Interest and financing costs	2,479,077	2,447,873	4,521,664	4,774,934
Loss on sale of portfolio investment	224,212	-	224,212	-
Realized and unrealized foreign exchange gain	(885,153)	830,787	(1,881,200)	633,496
	2,909,094	3,890,022	4,717,813	7,214,580
Income from operations before income taxes	1,265,974	177,127	3,004,771	869,257
Income taxes	364,531	63,443	845,937	270,761
Net income and comprehensive income	\$ 901,443	\$ 113,684	\$ 2,158,834	\$ 598,496
Net income and comprehensive income attributable to:				
Common shareholders	956,084	113,684	2,213,475	598,496
Non-controlling interest	(54,641)	-	(54,641)	-
	\$ 901,443	\$ 113,684	\$ 2,158,834	\$ 598,496
Earnings per share				
Basic	\$ 0.02	\$ 0.00	\$ 0.04	\$ 0.01
Diluted	0.02	0.00	0.04	0.01

Terra Firma Capital Corporation
Consolidated Statements of Financial Position
 As at June 30, 2018 and December 31, 2017

	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$ 7,104,310	\$ 2,691,049
Funds held in trust	3,162,007	3,014,606

Amounts receivable and prepaid expenses	1,319,638	1,463,310
Loan and mortgage investments	147,891,390	117,166,221
Investment in finance lease	2,563,498	-
Investment property held in joint operations	2,208,694	2,208,694
Portfolio investments	2,594,126	13,575,623
Investment in associates	2,927,842	2,927,842
Income taxes recoverable	327,454	300,667
Deferred income tax asset	-	126,283
Total assets	\$ 170,098,959	\$ 143,474,295

Liabilities

Accounts payable and accrued liabilities	\$ 6,328,135	\$ 6,236,233
Unearned income	1,628,303	1,505,576
Deferred income taxes payable	270,433	-
Revolving operating facility	18,966,622	18,965,205
Loan and mortgage syndications	88,380,485	63,299,522
Mortgages payable	1,449,530	1,469,844
Total liabilities	117,023,508	91,476,380

Equity

Share capital	\$ 31,869,589	\$ 32,864,287
Contributed surplus	3,686,806	3,573,406
Retained earnings	17,519,056	15,305,581
Shareholders' equity	53,075,451	51,743,274
Non-controlling interest	-	254,641
Total equity	53,075,451	51,997,915
Total liabilities and equity	\$ 170,098,959	\$ 143,474,295