Interim Condensed Consolidated Financial Statements
(In U.S. dollars)

TERRA FIRMA CAPITAL CORPORATION

Three months ended March 31, 2021 and 2020
(Unaudited)

TERRA FIRMA CAPITAL CORPORATION

Interim Condensed Consolidated Statements of Financial Position
(In U.S. dollars)
(Unaudited)

	March 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 2,014,873	$ 3,780,824
Funds held in trust	3,072,540	5,862,799
Amounts receivable and prepaid expenses (note 4)	626,280	596,864
Loan and mortgage investments (note 5)	91,858,536	93,043,813
Investment in finance leases (note 6)	31,150,402	20,489,655
Portfolio investments (note 7)	2,329,599	2,292,991
Investment in associates (note 8)	4,033,842	3,112,395
Investment property held in joint operations (note 9(b))	1,758,234	1,735,712
Convertible note receivable (note 10)	1,133,884	1,080,536
Right-of-use asset (note 15)	1,019,736	1,056,879
	$ 138,997,926	$ 133,052,468
Liabilities and Equity		
Liabilities:		
Unearned income	$ 382,964	$ 391,112
Loan and mortgage syndications (note 5)	70,669,365	71,374,100
Loan payable to Debt Fund I (notes 6, 8 and 12)	9,052,361	–
Mortgages payable (note 9(c))	1,060,166	1,055,379
Accounts payable and accrued liabilities (note 11)	5,941,212	8,670,756
Credit facilities (note 13)	6,589,016	6,700,964
Unsecured note payable (note 14)	1,567,357	1,794,150
Lease obligations (note 15)	1,040,714	1,074,518
Deferred income taxes payable (note 22)	52,387	219,337
Income taxes payable (note 22)	882,246	609,499
	97,237,788	91,889,815
Equity:		
Share capital (note 17(a))	25,283,343	25,283,343
Contributed surplus (note 18)	3,618,440	3,618,440
Foreign currency translation reserve	(6,885,398)	(6,885,398)
Retained earnings	19,743,753	19,146,268
Shareholders' equity	41,760,138	41,162,653
Commitments and contingencies (note 16)		
Related party transactions (notes 17 and 20)		
	$ 138,997,926	$ 133,052,468

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Approved by the Board on May 20, 2021 and signed on its behalf by:

________________________________ Director

________________________________ Director

TERRA FIRMA CAPITAL CORPORATION

Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(In U.S. dollars)
(Unaudited)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenue:		
Interest and fees	$ 2,796,724	$ 3,356,405
Finance income (note 6)	785,963	631,207
Rental (note 9(a))	40,559	37,526
	3,623,246	4,025,138
Expenses (income):		
Property operating costs (note 9(a))	14,837	13,425
General and administrative	737,684	739,059
Share-based compensation (recovery) (note 17(c))	60,071	(209,554)
Interest and financing costs (note 21)	1,985,778	2,278,430
Allowance for (recovery of) loan and mortgage investment loss (note 5)	(46,135)	105,737
Allowance for investment in finance lease loss	103,783	–
Realized and unrealized foreign exchange loss	(77,698)	795,890
Share of income from investment in associates (note 8(b))	(79,627)	(45,461)
	2,698,693	3,677,526
Income from operations before income taxes	924,553	347,612
Income tax expense (note 22)	105,797	473,923
Net income (loss) and comprehensive income (loss)	$ 818,756	$ (126,311)
Earnings (loss) per share (note 19):		
Basic	$ 0.15	$ (0.02)
Diluted	0.15	(0.02)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

TERRA FIRMA CAPITAL CORPORATION

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(In U.S. dollars)

Three months ended March 31, 2021 and 2020
(Unaudited)

	Share capital		Foreign currency translation reserve	Contributed surplus	Retained earnings	Total shareholders' equity
	Number of shares	Amount				
	(note 17 (a))			(note 18)		
Balance, December 31, 2019	5,564,968	$ 25,283,343	$ (6,885,398)	$ 3,440,695	$ 17,796,732	$ 39,635,372
Changes during the period:						
Share-based compensation	–	–	–	13,257	–	13,257
Dividends on common shares (note 17(b))	–	–	–	–	(199,418)	(199,418)
Net loss and comprehensive loss	–	–	–	–	(126,311)	(126,311)
Balance, March 31, 2020	5,564,968	25,283,343	(6,885,398)	3,453,952	17,471,003	39,322,900
Changes during the period:						
Share-based compensation	–	–	–	164,488	–	164,488
Dividends on common shares	–	–	–	–	(620,284)	(620,284)
Net income and comprehensive income	–	–	–	–	2,295,549	2,295,549
Balance, December 31, 2020	5,564,968	25,283,343	(6,885,398)	3,618,440	19,146,268	41,162,653
Changes during the period:						
Dividends on common shares (note 17(b))	–	–	–	–	(221,271)	(221,271)
Net income and comprehensive income	–	–	–	–	818,756	818,756
Balance, March 31, 2021	5,564,968	$ 25,283,343	$ (6,885,398)	$ 3,618,440	$ 19,743,753	$ 41,760,138

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

TERRA FIRMA CAPITAL CORPORATION

Interim Condensed Consolidated Statements of Cash Flows
(In U.S. dollars)
(Unaudited)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash provided by (used in):		
Operating activities:		
Net income (loss) and comprehensive income (loss)	$ 818,756	$ (126,311)
Interest and fees earned	(2,796,724)	(3,356,405)
Finance income earned	(785,963)	(631,207)
Interest expense and financing costs	1,985,778	2,278,430
Unrealized foreign exchange loss (gain)	(61,977)	725,485
Income from investments in associates	(79,627)	(45,461)
Non-cash items:		
Share-based compensation (recovery) (note 17(c))	60,071	(209,554)
Amortization of right-of-use asset	50,439	59,021
Allowance for (recovery of) loan and mortgage investment loss	(46,135)	105,737
Allowance for investment in finance lease loss	103,783	–
Income tax provision	105,797	473,923
Changes in working capital:		
Decrease increase in other receivables	41,798	15,448
Increase in prepaid expenses and deposits	(58,886)	(2,835)
Increase (decrease) in accounts payable and accrued liabilities	(124,438)	303,112
Interest and fees received	2,760,691	3,554,613
Distributions from investment in associates	27,182	8,751
Interest paid	(1,576,494)	(1,906,894)
Income taxes refunded	–	831,908
Cash provided by operating activities	424,051	2,077,761
Financing activities:		
Proceeds from loan and mortgage syndications	2,058,404	136,096
Proceeds from loan payable to Debt Fund I	9,052,361	–
Repayments of loan and mortgage syndications	(3,286,483)	(10,112,736)
Repayments of mortgages payable	(9,353)	(8,555)
Payments on lease obligations	–	(51,138)
Repayment of short-term unsecured loans payable	(226,793)	–
Proceeds from credit facilities	9,000,000	6,270,423
Repayment of credit facilities	(9,000,000)	(4,784,335)
Dividends paid	(218,628)	(212,614)
Cash provided by (used in) financing activities	7,369,508	(8,762,859)
Investing activities:		
Funding of loan and mortgage investments	(3,242,612)	(24,692)
Repayments of loan and mortgage investments	5,272,943	17,951,699
Funding of investment in finance leases	(11,993,256)	(11,065,914)
Proceeds from sale of finance leases	1,247,165	4,370,191
Funding of portfolio investment	–	(59,243)
Funding of associates investment	(843,750)	(136,647)
Increase in funds held in trust	–	(11,371)
Cash provided by (used in) investing activities	(9,559,510)	11,024,023
Increase (decrease) in cash and cash equivalents	(1,765,951)	4,338,925
Cash and cash equivalents, beginning of period	3,780,824	1,931,451
Cash and cash equivalents, end of period	$ 2,014,873	$ 6,270,376

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Reporting entity:

Terra Firma Capital Corporation (the "Company") was incorporated under the Ontario Business Corporations Act on July 26, 2007. The common shares of the Company ("Shares") trade on the TSX Venture Exchange (the "TSX-V") under the symbol TII. The registered office of the Company is located at 22 St. Clair Avenue East, Suite 200, Toronto, Ontario M4T 2S5.

The principal business of the Company is to provide real estate financings secured by investment properties and real estate developments throughout Canada and the U.S. 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 properties, for such development or redevelopment, properties repairs or the purchase of investment properties.

2. Basis of presentation:

(a) Statement of compliance:

The unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 (the "Financial Statements") of the Company have been prepared by management in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The preparation of the Financial Statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as well as Interpretations of International Financial Reporting Interpretations Committee. The Financial Statements do not contain all disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the notes to the Company's audited consolidated financial statements as at and for the year ended December 31, 2020 (the "2020 Annual Financial Statements").

(In United States dollars)

2. Basis of presentation (continued):

(b) Basis of consolidation:

The Company holds interests in certain loan and mortgage investments, investment in finance leases, investment in associates, and portfolio investments in its wholly-owned subsidiaries, which the Company controls. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of these subsidiaries and the Company's proportionate share in joint operations are consolidated with those of the Company, and all intercompany transactions and balances between the Company and its subsidiary entities and joint operations have been eliminated upon consolidation.

The consolidated financial statements include the financial statements of the Company and the following significant entities as at March 31, 2021:

	Country of incorporation	Interest % 2021
TFCC International Ltd.	Canada	100
Terra Firma MA Ltd.	Canada	100
Terra Firma Queen Developments Inc.	Canada	100
TFCC LanQueen Ltd.	Canada	100
Terra Firma (Valermo) Corporation (the "TFVC")	Canada	100
TFCC USA III Holdings Corporation	Canada	100
Terra Firma Senior Debt Fund Corporation	Canada	100
TFCC USA LLC	U.S.A.	100
TFCC Kempston Place LLC	U.S.A.	100
TFCC USA II Corporation	U.S.A.	100
TFCC Saul's Ranch LLC	U.S.A.	100
TFCC Wilson Trace LLC	U.S.A.	100
TFCC Delray Inc.	U.S.A.	100
TFCC San Pablo LLC	U.S.A.	100
TFCC USA III Corporation	U.S.A.	100
TFCC Stafford LLC	U.S.A.	100
TFCC Sterling 5A LLC	U.S.A.	100
TFCC Sterling LLC	U.S.A.	100
TFCC Coburn LLC	U.S.A.	100
TFCC Dunn's Crossing LLC	U.S.A.	100
TFCC Jacksonville LLC	U.S.A.	100
TFCC Trailmark LLC	U.S.A.	100

(In United States dollars)

3. Significant accounting policies:

The Financial Statements have been prepared using the same accounting policies and methods as were used for the Company's 2020 Annual Financial Statements, except as noted below:

Changes in accounting policies:

Application of Interest Rate Benchmark Reform ("IBOR"):

In August 2020, the IASB issued IBOR Reform and the Effects on Financial Reporting – Phase II (amendments to IFRS 9 Financial Intruments ("IFRS 9"), IFRS 7, IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), IFRS 4, Insurance Contracts ("IFRS 4"), and IFRS 16, Leases ("IFRS 16")). The objective of the second phase of the IASB's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of the IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments affect the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures.

The Company has adopted the IBOR in its Financial Statements for the period beginning January 1, 2021. The implementation of the amendments did not have a material impact on the Company's Financial Statements.

4. Amounts receivable and prepaid expenses:

The following table presents details of the amounts receivable, allowance for credit loss (the "ACL") and prepaid expenses as at March 31, 2021:

	Gross carrying amount	ACL	Net carrying amount
Interest receivable	$ 273,727	$ –	$ 273,727
Other receivables	217,288	–	217,288
Prepaid expenses and deposits	135,265	–	135,265
Amounts receivable and prepaid expenses	$ 626,280	$ –	$ 626,280

(In United States dollars)

4. Amounts receivable and prepaid expenses (continued):

At March 31, 2021, a first mortgage loan investment to a project located in the U.S. (the "U.S. Project") is in arrears. Interest receivable and other receivables relating to legal fees incurred on collecting the loan totaling $105,327 (December 31, 2020 - $99,290) is in arrears, of which the syndicated investors' share is $89,711 (December 31, 2020 - $77,968).

The following table presents details of the amount receivable, ACL and prepaid expenses as at December 31, 2020:

	Gross carrying amount	ACL	Net carrying amount
Interest receivable	$ 246,784	$ –	$ 246,784
Other receivables	275,088	–	275,088
Prepaid expenses and deposits	74,992	–	74,992
Amounts receivable and prepaid expenses	$ 596,864	$ –	$ 596,864

Interest and other receivable balance at March 31, 2021 and December 31, 2020, include a non-current balance of $153,298 and $194,186, respectively. The current interest and other receivables are due in the next 12 months in accordance with contract terms.

5. Loan and mortgage investments and loan and mortgage syndications:

As at March 31, 2021 and December 31, 2020, the Company had principal balances of loan and mortgage investments of $92,576,920 and $93,808,332, respectively. The loan and mortgage investments carry a weighted average effective interest rate of 13.2% (December 31, 2020 - 13.0%) and a weighted average term to maturity of 1.41 years (December 31, 2020 - 1.64 years).

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The Company syndicates certain of its loan and mortgage investments to investors, each participating in a prescribed manner and is governed by loan servicing agreements and administered by Terra Firma MA Ltd., the wholly-owned subsidiary of the Company. In these investments, the investors assume the same risks associated with the specific investment transaction as 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. The interest income earned and related interest expense on the syndicate investors are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

Since the loan and mortgage investments are initially advanced by the Company and syndicated at a later date, the Company accounts for loan and mortgage investments on a gross basis. The principal balances of loan and mortgage syndications included in the loan and mortgage investments at March 31, 2021 and December 31, 2020 were $70,669,365 and $71,374,100, respectively. The loan and mortgage syndications carry a weighted average effective interest rate of 10.0% (December 31, 2020 - 10.1%) and a weighted average term to maturity of 1.46 years (December 31, 2020 – 1.72 years).

At March 31, 2021, the Company has a loan and mortgage investment totaling $20,514,794 (December 31, 2020 - $18,382,915) with a participation arrangement with a priority syndicate investor, whereby the priority syndicate investor holds a senior position for $11,347,939 (December 31, 2020 - $10,289,536) and the remainder of the investment is in a subordinated position of $9,166,855 (December 31, 2020 - $8,093,379). The Company syndicated its position on a pari-passu basis with certain syndicate investors for $7,625,000 (December 31, 2020 - $6,625,000) and retains a residual portion of $1,541,855 (December 31, 2020 - $1,468,379).

(In United States dollars)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the loan and mortgage investments, ACL and loan and mortgage syndications as at March 31, 2021:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Performing loans:						
Residential housing developments	$ 30,040,897	$ (2,959)	$ 30,037,938	$ 22,168,812	$ 7,869,126	37.1
Land and lot inventory	57,781,023	(361,662)	57,419,361	44,450,553	12,968,808	61.2
	87,821,920	(364,621)	87,457,299	66,619,365	20,837,934	98.3
Impaired loans:						
Commercial retail developments	4,755,000	(353,763)	4,401,237	4,050,000	351,237	1.7
	$ 92,576,920	$ (718,384)	$ 91,858,536	$ 70,669,365	$ 21,189,171	100.0

The following table presents details of the loan and mortgage investments and loan and mortgage syndications as at December 31, 2020:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Performing loans:						
Residential housing developments	$ 29,391,302	$ (12,999)	$ 29,378,303	$ 20,590,945	$ 8,787,358	40.6
Land and lot inventory	59,662,030	(397,757)	59,264,273	46,733,155	12,531,118	57.8
	89,053,332	(410,756)	88,642,576	67,324,100	21,318,476	98.4
Impaired loans:						
Commercial retail development	4,755,000	(353,763)	4,401,237	4,050,000	351,237	1.6
	$ 93,808,332	$ (764,519)	$ 93,043,813	$ 71,374,100	$ 21,669,713	100.0

5. Loan and mortgage investments and loan and mortgage syndications (continued):

As at March 31, 2021, there are loan and mortgage investments to three separate projects in the U.S. before syndication, that account for 27.5%, 22.2% and 19.0% of the principal balance of loan and mortgage investments. For the three months ended March 31, 2021, the Company has loan and mortgage investments in four separate projects in the U.S. before syndication, that account for 27.3%, 19.6%, 19.4% and 10.6% of the Company's interest and fees revenue. As at March 31, 2020, there are three loan and mortgage investments in the U.S. before syndication, that account for 23.1%, 16.4% and 12.0% of the principal balance of loan and mortgage investments. For the three months ended March 31, 2020, the Company had two loan and mortgage investments in the U.S. before syndication, that account for 19.9% and 14.6% of the Company's total interest and fees revenue. As at December 31, 2020, there are loan and mortgage investments to three separate projects in the U.S., before syndication, that account for 26.4%, 20.1% and 19.6% of the principal balance of loan and mortgage investments.

Certain of the loan and mortgage investments have early repayment rights and, if exercised, would result in repayments in advance of their contractual maturity dates.

During the three months ended March 31, 2021 and 2020, the Company capitalized interest income of $752,201 and $1,211,446, respectively, which is included in loan and mortgage investments.

Pursuant to certain lending agreements, the Company is committed to funding additional loan advances, subject to borrowers meeting certain funding conditions. The unfunded loan commitments under the existing loan and mortgage investments at March 31, 2021, were $12,401,597, including no capitalization of future interest relating to existing loan and mortgage investments (December 31, 2020 - $7,204,207). As at March 31, 2021, the unfunded commitments relating to loan and mortgage investments in two separate projects in the U.S. before syndication that account for 59.9% and 30.9% of the total unfunded commitments. As at December 31, 2020, the unfunded commitments relating to loan and mortgage investments in two separate projects in the U.S. before syndication that account for 82.8% and 15.8% of the total unfunded commitments.

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

(In United States dollars)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by risk as at March 31, 2021:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
1st mortgage loans	$ 87,369,309	$ (717,704)	$ 86,651,605	$ 67,473,493	$ 19,178,112	90.5
2nd mortgage loans	3,675,827	(680)	3,675,147	3,195,872	479,275	2.3
Unregistered loans	1,531,784	–	1,531,784	–	1,531,784	7.2
	$ 92,576,920	$ (718,384)	$ 91,858,536	$ 70,669,365	$ 21,189,171	100.0

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by geography as at March 31, 2021:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Canada	$ 3,675,827	$ (680)	$ 3,675,147	$ 3,195,872	$ 479,275	2.3
U.S.	88,901,093	(717,704)	88,183,389	67,473,493	20,709,896	97.7
	$ 92,576,920	$ (718,384)	$ 91,858,536	$ 70,669,365	$ 21,189,171	100.0

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by risk as at December 31, 2020:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
1st mortgage loans	$ 88,208,729	$ (753,210)	$ 87,455,519	$ 67,697,691	$ 19,757,828	91.2
2nd mortgage loans	4,108,367	(501)	4,107,866	3,676,409	431,457	2.0
Unregistered loans	1,491,236	(10,808)	1,480,428	–	1,480,428	6.8
	$ 93,808,332	$ (764,519)	$ 93,043,813	$ 71,374,100	$ 21,669,713	100.0

(In United States dollars)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by geography as at December 31, 2020:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Canada	$ 4,108,369	$ (501)	$ 4,107,868	$ 3,676,409	$ 431,459	2.0
United States	89,699,963	(764,018)	88,935,945	67,697,691	21,238,254	98.0
	$ 93,808,332	$ (764,519)	$ 93,043,813	$ 71,374,100	$ 21,669,713	100.0

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments by staging as at March 31, 2021:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 30,040,897	$ –	$ –	$ 30,040,897
Land and lot inventory	57,781,023	–	–	57,781,023
Commercial retail - development	–	–	4,755,000	4,755,000
	$ 87,821,920	$ –	$ 4,755,000	$ 92,576,920

The following table presents details of the Company's credit exposure on the carrying amount of loan and mortgage investments, net of loan and mortgage syndications, for which ACL is recognized as at March 31, 2021:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 7,872,085	$ –	$ –	$ 7,872,085
Land and lot inventory	13,330,470	–	–	13,330,470
Commercial retail development	–	–	705,000	705,000
	$ 21,202,555	$ –	$ 705,000	$ 21,907,555

(In United States dollars)

5. **Loan and mortgage investments and loan and mortgage syndications (continued):**

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments segmented by geography, for which ACL is recognized as at March 31, 2021:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 3,675,827	$ –	$ –	$ 3,675,827
U.S.	84,146,093	–	4,755,000	88,901,093
	$ 87,821,920	$ –	$ 4,755,000	$ 92,576,920

The following table presents details of the Company's credit exposure on the carrying amount of loan and mortgage investments net of loan and mortgage syndications, segmented by geography, for which ACL is recognized as at March 31, 2021:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 479,955	$ –	$ –	$ 479,955
U.S.	20,722,600	–	705,000	21,427,600
	$ 21,202,555	$ –	$ 705,000	$ 21,907,555

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments by staging as at December 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 29,391,302	$ –	$ –	$ 29,391,302
Land and lot inventory	59,662,030	–	–	59,662,030
Commercial retail - development	–	–	4,755,000	4,755,000
	$ 89,053,332	$ –	$ 4,755,000	$ 93,808,332

(In United States dollars)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's credit exposure on the carrying amount of loan and mortgage investments, net of loan and mortgage syndications, for which ACL is recognized as at December 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 8,800,357	$ –	$ –	$ 8,800,357
Land and lot inventory	12,928,875	–	–	12,928,875
Commercial retail development	–	–	705,000	705,000
	$ 21,729,232	$ –	$ 705,000	$ 22,434,232

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments by staging as at December 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 4,108,369	$ –	$ –	$ 4,108,369
U.S.	84,944,963	–	4,755,000	89,699,963
	$ 89,053,332	$ –	$ 4,755,000	$ 93,808,332

The following table presents details of the Company's credit exposure on the carrying amount of loan and mortgage investments net of loan and mortgage syndications, segmented by geography, for which ACL is recognized, as at December 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 431,960	$ –	$ –	$ 431,960
U.S.	21,297,272	–	705,000	22,002,272
	$ 21,729,232	$ –	$ 705,000	$ 22,434,232

(In United States dollars)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

Scheduled principal repayments and loan and mortgage investments maturing in the next four years are as follows:

	Scheduled principal payments	Investments maturing during the year	Total loan and mortgage investments
2021, remainder of year	$ –	$ 20,280,505	$ 20,280,505
2022	–	50,715,413	50,715,413
2023	–	20,049,219	20,049,219
2024	–	1,531,783	1,531,783
	$ –	$ 92,576,920	$ 92,576,920

Scheduled principal repayments and maturity amounts of loan and mortgage syndications maturing in the next three years are as follows:

	Scheduled principal payments	Loans maturing during the year	Total loan and mortgage syndications
2021, remainder of year	$ –	$ 11,389,014	$ 11,389,014
2022	–	42,456,898	42,456,898
2023	–	16,823,453	16,823,453
	$ –	$ 70,669,365	$ 70,669,365

(In United States dollars)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

Allowance for loan and mortgage investments loss:

At March 31 2021, a first mortgage loan investment to the U.S. Project, totaling $4,860,327 (December 31, 2020 - $4,854,290), including interest receivable of $46,808 (December 31, 2020 - $46,808) on this loan and mortgage investment and fees incurred relating to collecting this loan and mortgage investment of $58,519 (December 31, 2020 - $52,482), are in arrears. The syndicate investors' share of this loan investment and interest and other receivable is $4,139,710 (December 31, 2020 - $4,127,968). The Company's share of loan investment and interest and other receivables, net of syndication, is $727,217 (December 31, 2020 - $726,322). The Company has commenced the foreclosure process to enforce the security and liquidate this loan investment and related receivables. During the year ended December 31, 2020, the Company recorded a provision for loan losses of $349,142 relating to this loan investment. During the three months ended March 31, 2021, the Company has not recorded a further provision for loan losses relating to this loan investment. As at March 31, 2021 and December 31, 2020, based on the most recent valuations of the underlying assets and management's estimates, the Company carries a net ACL balance of $353,763 relating to this loan investment.

The changes in the ACL on loan and mortgage investments during the three months ended March 31, 2021 were as follows:

	IFRS 9			
	Balance at January 1, 2021	Provision for credit losses	Net write offs	Balance at March 31, 2021
Residential housing developments	$ 12,999	$ (10,040)	$ –	$ 2,959
Land and lot inventory	397,757	(36,095)	–	361,662
Commercial retail development	353,763	–	–	353,763
	$ 764,519	$ (46,135)	$ –	$ 718,384

(In United States dollars)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents the changes in the Company's ACL between the beginning and the end of the period:

	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	$ 410,756	$ –	$ 353,763	$ 764,519
Recovery of credit losses:				
Remeasurement	(46,135)	–	–	(46,135)
Transfer to (from):				
Stage 1	–	–	–	–
Stage 2	–	–	–	–
Stage 3	–	–	–	–
Gross write-offs	–	–	–	–
Recoveries	–	–	–	–
Balance, end of period	$ 364,621	$ –	$ 353,763	$ 718,384

The following table presents details of the Company's ACL on loan and mortgage investments as at March 31, 2021:

	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 2,959	$ –	$ –	$ 2,959
Land and lot inventory	361,662	–	–	361,662
Commercial retail development	–	–	353,763	353,763
	$ 364,621	$ –	$ 353,763	$ 718,384

The following table presents the Company's ACL on loan and mortgage investments segmented by geography as at March 31, 2021:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 680	$ –	$ –	$ 680
U.S.	363,941	–	353,763	717,704
	$ 364,621	$ –	$ 353,763	$ 718,384

(In United States dollars)

6. Investment in finance leases:

As at March 31, 2021, the Company had ten investment in finance leases (December 31, 2020 - nine).

The investment in finance leases is the aggregate of gross lease payments and unearned finance income discounted at the interest rate implicit in the leases. The weighted average rate implicit in the leases is 14.5% per annum and the weighted average term of the leases is 1.93 years. The unearned finance income at March 31, 2021 was $18,438 (December 31, 2020 - $345,725).

The income recognized from finance leases for three months ended March 31, 2021 and 2020, of $785,963 and $631,207, respectively, is included in the finance income in the interim condensed consolidated statements of income (loss) and comprehensive income (loss).

The following table summarizes the changes in the investment in finance leases for the three months ended March 31, 2021 and 2021:

Balance, December 31, 2019	$ 17,959,374
Investment made	11,065,914
Investments sold	(4,370,191)
Lease payments received	(725,544)
Finance income recognized	631,207
Balance, March 31, 2020	24,560,760
Investment made	16,817,548
Investments sold	(20,596,231)
Lease payments received	(2,266,370)
Finance income recognized	2,015,009
Allowance for credit losses	(41,061)
Balance, December 31, 2020	20,489,655
Investment made	11,993,256
Investments sold	(1,247,165)
Lease payments received	(767,524)
Finance income recognized	785,963
Allowance for credit losses	(103,783)
Balance, March 31, 2021	$ 31,150,402

(In United States dollars)

6. Investment in finance leases (continued):

As at March 31, 2021, the Company's certain investment in finance leases totalling $9,052,361 were financed by the limited partnership (the "Debt Fund I"); the Company has 10.69% ownership interest in the Debt Fund I (notes 8 and 12).

The following is a reconciliation of the undiscounted future minimum lease payments receivable and the present value of minimum lease payments receivable thereof:

	Future minimum lease receipts	Finance income	Present value of minimum lease receipts
Less than one year	$ 4,770,855	$ 4,114,706	$ 656,149
Greater than one year but less than 5 years	35,199,925	4,560,828	30,639,097
	$ 39,970,780	$ 8,675,534	$ 31,295,246

As at March 31, 2021, there are three net investments in finance leases that account for 28.5%, 20.4% and 11.9% of the net investments in finance leases. For the three months ended March 31, 2021, the Company has four net investments in finance leases that account for 23.2%, 16.0%, 12.6% and 10.2% of the Company's finance income.

Allowance for finance lease investments loss:

The changes in the ACL on finance lease investments during the three months ended March 31, 2021 were as follows:

	IFRS 9			
	Balance at March 31, 2020	Provision for credit losses	Net write offs	Balance at March 31, 2021
Residential housing developments	$ 41,061	$ 103,783	$ –	$ 144,844
	$ 41,061	$ 103,783	$ –	$ 144,844

(In United States dollars)

6. Investment in finance leases (continued):

The following table presents the changes in the finance lease investment's ACL between the beginning and the end of the period:

	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	$ 41,061	$ –	$ –	$ 41,061
Provision for credit losses:				
Remeasurement	103,783	–	–	103,783
Transfer to (from):				
Stage 1	–	–	–	–
Stage 2	–	–	–	–
Stage 3	–	–	–	–
Gross write-offs	–	–	–	–
Recoveries	–	–	–	–
Balance, end of period	$ 144,844	$ –	$ –	$ 144,844

7. Portfolio investments:

The following table presents details of the portfolio investments as at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Investment in the LanQueen Partnership	$ 2,229,355	$ 2,192,747
Investment in the Savannah Partnership	100,243	100,243
Investment in the Valermo Partnership	1	1
	$ 2,329,599	$ 2,292,991

(a) The Company, through TFCC LanQueen Ltd. entered into a partnership agreement (the "Queen Agreement"), whereby TFCC LanQueen Ltd. is committed to investing in a redevelopment project located in Toronto, Ontario. The fair value of investment at March 31, 2021 and December 31, 2020 was $2,229,356 and $2,192,747, respectively.

(In United States dollars)

7. Portfolio investments (continued):

(b) The Company, through TFCC International Ltd. invested $100,243 in the Savannah Partnership. The fair value of the remaining investment in the Savannah Partnership at March 31, 2021 and December 31, 2020 was $100,243 and $100,243, respectively. Additionally, TFCC International Ltd. funded a loan and mortgage investment of $18,000,000 (December 31, 2020 - $18,000,000) and at March 31, 2021, the Company syndicated $14,309,755 of the loan and mortgage investment to investors (December 31, 2020 - $14,309,755).

(c) The Company, through TFVC, has a limited partnership interest in a partnership in Toronto. The fair value of the investment at March 31, 2021 was $1 (December 31, 2020 - $1).

The following table summarizes the changes in the portfolio investments for the three months ended March 31, 2021 and December 31, 2020:

Balance, December 31, 2019	$ 2,042,937
Investment funded	59,243
Foreign exchange	(152,615)
Balance, March 31, 2020	1,949,565
Fair value adjustment	149,120
Foreign exchange	194,306
Balance, December 31, 2020	2,292,991
Foreign exchange	36,608
Balance, March 31, 2021	$ 2,329,599

(In United States dollars)

8. Investment in associates:

The following table presents details of the investment in associates as at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
(a) Investment in the Lan Partnership	$ 1,971,315	$ 1,945,963
(b) Investment in the TF Royal Palm	1,215,808	1,166,432
(c) Investment in Debt Fund I LP	846,719	–
Balance, March 31, 2021	$ 4,033,842	$ 3,112,395

(a) The Company has a partnership interest in a high-rise condominium development project located in Toronto, Ontario At March 31, 2021 and December 31, 2020, the Company's share of the investment in the Lan Partnership was CAD $2,315,514.

The fair value of the investment in the Lan Partnership at March 31, 2021 and December 31, 2020 was $1,971,315 and $1,945,963, respectively.

(b) The Company, through TFCC International Ltd., invested in the TFCC Royal Palm Beach Inc. During the three months ended March 31, 2021, the Company recorded income of $58,227, respectively, and received distributions of $8,751 from TFCC Royal Palm Beach Inc. The fair value of the investment at March 31, 2021 was $1,215,808 (December 31, 2020 - $1,166,432).

(c) The Company, through its wholly owned subsidiary TFCC USA III Holding Corporation (the "TFCC USA III Holding") and third-party investors, entered into a limited partnership agreement (the "Debt Fund I") whereby the investors and TFCC USA III Holding committed to advance total capital of $29,025,000 and $3,475,000, respectively. Debt Fund I entered into a loan agreement with the wholly-owned subsidiary of the Company TFCC USA III Corporation (the "TFCC USA III"). Debt Fund I also secured a $5,000,000 credit facility with a U.S. bank. Terra Firma Senior Debt Fund Corporation, a wholly-owned subsidiary of the Company, acts as a general partner of Debt Fund I. The Company exerts influence in Debt Fund I and accounts for this investment using the equity method of accounting.

(In United States dollars)

8. Investment in associates (continued):

During the period ended March 31, 2021, Debt Fund I received capital contributions from investors and TFCC USA III Holding totaling $7,281,250 and $843,750, respectively, borrowed $1,086,251 against the credit facility and advanced a loan payable of $9,052,361 to TFCC USA III (note 12). As at March 31, 2021, the Company through TFCC USA III owns 10.69% partnership interest in Debt Fund I. For the three months ended March 31, 2021, the Company recognized its share of income of $21,400 and received distributions of $18,431 from the Debt Fund I.

During the three months ended March 31, 2021 and 2020, the Company recognized a net income from investments associates of $79,627 and $45,461, respectively and received distributions of $27,182 and $8,751, respectively.

The following table summarizes the changes in the portfolio investments for the three months ended March 31, 2021 and 2020:

Balance, December 31, 2019	$ 3,097,947
Investment funded	136,647
Income earned	45,461
Distributions received	(8,751)
Foreign exchange	(170,335)
Balance, March 31, 2020	3,100,969
Loss incurred	(160,955)
Distributions received	(29,170)
Foreign exchange	201,551
Balance, December 31, 2020	3,112,395
Investment funded	843,750
Income earned	79,627
Distributions received	(27,182)
Foreign exchange	25,252
Balance, March 31, 2021	$ 4,033,842

(In United States dollars)

9. Joint arrangements:

(a) Interests in joint operations:

Montreal Street JV:

The Company's ownership interest in the Montreal Street JV is 55.0%.

The financial information in respect of the Company's proportionate share of investments in Montreal Street JV is as follows:

	March 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 107,373	$ 96,799
Amounts receivable and prepaid expenses	86,514	85,045
Investment property	1,758,234	1,735,712
Right-of-use asset	690,204	695,363
	2,642,325	2,612,919
Liabilities		
Accounts payable and prepaid expenses	37,198	36,619
Mortgages payable	1,060,166	1,055,379
Lease obligations	712,354	713,001
	1,809,718	1,804,999
Net assets	$ 832,607	$ 807,920

(In United States dollars)

9. **Joint arrangements (continued):**

The table below details the results of operations for the three months ended March 31, 2021 and 2020, attributable to the Company from Montreal Street JV:

	Three months ended March 31, 2021	March 31, 2020
Revenue:		
Rental revenue	$ 40,559	$ 37,526
Expenses (income):		
Property operating costs	14,837	13,425
General and administrative	(590)	(380)
Interest	12,225	11,544
	26,472	24,589
Net income	$ 14,087	$ 12,937

(b) Investment property:

At March 31, 2021 and December 31, 2020, the carrying value of the Company's proportionate share of investment property in the Montreal Street JV is $1,758,234 (CAD $2,208,694) and $1,735,712 (CAD $2,208,694), respectively. The capitalization rate used in the valuation of the property was 6.25% (December 31, 2020 - 6.25%).

As at March 31, 2021 and December 31, 2020, a 25-basis-point decrease in the overall capitalization rate would increase the Company's proportionate share of value of investment property in the Montreal Street JV by CAD $92,400 and a 25-basis-point increase in the overall capitalization rate would decrease the Company's proportionate share of the value of investment property in the Montreal Street JV by CAD $85,250.

(c) Mortgages payable:

The Company's share of the principal balance of mortgages payable in Montreal Street JV, at March 31, 2021 and December 31, 2020 was $1,061,004 and $1,056,723, respectively. The mortgages bear interest at 3.0% per annum and are amortized over 25 years and mature on July 1, 2021.

(In United States dollars)

9. Joint arrangements (continued):

The details of the mortgages payable in respect of the Company's proportionate share of the Montreal Street JV at March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
Mortgage principal	$ 1,061,004	$ 1,056,723
Unamortized financing costs	(838)	(1,344)
	$ 1,060,166	$ 1,055,379

The following table summarizes the changes in the principal balance of mortgages payable for the three months ended March 31, 2021 and 2020:

Balance, December 31, 2019	$ 1,070,973
Repayments made	(8,555)
Foreign exchange	(81,267)
Balance, March 31, 2020	981,151
Repayments made	(26,365)
Foreign exchange	101,937
Balance, December 31, 2020	1,056,723
Repayments made	(9,353)
Foreign exchange	13,634
Balance, March 31, 2021	$ 1,061,004

Scheduled principal repayments and maturity amounts of mortgages payable at March 31, 2021 are as follows:

	Loans scheduled principal payments	Total maturing during the period	Loans and mortgages payable
Remainder of year	$ 9,488	$ 1,051,516	$ 1,061,004
	$ 9,488	$ 1,051,516	$ 1,061,004

(In United States dollars)

10. Convertible note receivable:

As at March 31, 2021 and December 31, 2020, the Company advanced $949,829 (CAD $1,250,000) of convertible promissory note receivable (the "Convertible Note"). The Convertible Note was receivable by demand any time after January 29, 2021, and was extended for a further 12 months. During the three months ended March 31, 2021, the Company capitalized interest income of $38,551. The fair value of the investment was determined by management. The fair value of the Convertible Note at March 31, 2021, was $1,133,884 (December 31, 2020 - $1,080,536), being the principal amount advanced and capitalized interest.

The following table summarizes the changes in the Convertible Note for the three months ended March 31, 2021:

Balance, December 31, 2020	$ 1,080,536
Interest capitalized	38,551
Foreign exchange	14,797
Balance, March 31, 2021	$ 1,133,884

11. Accounts payable and accrued liabilities:

The following table presents details of the accounts payable and accrued liabilities as at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Interest payable	$ 601,846	$ 513,803
Interest reserve	2,812,045	2,474,686
Accounts payable, accrued liabilities and provisions	837,446	942,876
Funds held in trust	260,495	3,388,113
Share-based compensation payable (note 17(c)(ii))	1,429,380	1,351,278
Accounts payable and accrued liabilities	$ 5,941,212	$ 8,670,756

Accounts payable and accrued liabilities are current and payable in the next 12-month period.

(In United States dollars)

11. Accounts payable and accrued liabilities (continued):

Interest reserve held for the borrowers and trust liabilities payable to syndicate investors are contractual obligations of the wholly-owned subsidiary of the Company that administers loan and mortgage investments. The subsidiary holds cash balances in trust.

At March 31, 2021, the funds held in trust and offsetting trust liabilities payable to investors of $695,878 are not reflected in the Company's Financial Statements.

12. Loan payable to Debt Fund I:

On February 5, 2021, the Company, through TFCC USA III Corporation, entered into a loan agreement with Debt Fund I. Debt Fund I agreed to advance a total of $32,500,000 in loan payable to the Company to invest in certain finance leases. The loan carries an interest rate of 10.25% per annum and matures on February 5, 2024.

As at March 31, 2021, Debt Fund I advanced $9,052,361 to TFCC USA III. The interest and principal on this loan are payable from the proceeds from these investments. During the three months ended March 31, 2021, TFCC USA III incurred an interest expense of $143,920 on this loan.

13. Credit facilities:

At March 31, 2021 and December 31, 2020, the Company's credit facilities (the "Credit Facilities") consist of a $40,000,000 secured line of credit (the "LOC").

The following table presents details of the Credit Facilities as at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Face value	$ 7,000,000	$ 7,000,000
Unamortized financing costs	(410,984)	(299,036)
	$ 6,589,016	$ 6,700,964

(In United States dollars)

13. Credit facilities (continued):

On January 14, 2020, the Company entered into a $40,000,000 secured LOC with the lending institution in the U.S., replacing the $35,000,000 master credit facility (the "Master Facility") the Company had with the same lending institution to finance the loan and mortgage investments funded by the Company. The LOC provides an increase in the borrowing limit to $50,000,000 over time, subject to approval by the lending institution. The LOC carries an interest rate of three-month LIBOR plus three and one-quarter of one percent (3.25%) per annum, with a floor rate of five percent (5.00%) per annum and matures on January 9, 2025. At March 31, 2021 and December 31, 2020, the borrowing limit remained at $40,000,000.

During the three months ended March 31, 2021 and 2020, the Company borrowed an aggregate of $9,000,000 and $6,270,423, respectively, and repaid $9,000,000 and $4,784,333, respectively, against the LOC and the Master Facility, combined.

In connection with the LOC, the Company incurred lender and third-party costs of $244,264. The costs associated with the LOC have been deferred and are being amortized over the term of the LOC as interest expense using the effective-interest amortization method.

The following table summarizes the changes in the principal balance of Credit Facilities for the three months ended March 31, 2021 and 2020:

Balance, December 31, 2019	$ 9,221,447
Proceeds from Credit Facilities	6,270,423
Repayment of Credit Facilities	(4,784,335)
Interest capitalized	49,233
Balance, March 31, 2020	10,756,768
Proceeds from Credit Facilities	16,500,000
Repayment of Credit Facilities	(20,256,768)
Balance, December 31, 2020	7,000,000
Proceeds from Credit Facilities	9,000,000
Repayment of Credit Facilities	(9,000,000)
Balance, March 31, 2021	$ 7,000,000

13. Credit facilities (continued):

For the three months ended March 31, 2021, amortization of deferred financing costs reported as interest and financing costs totaled $88,868 (2020 - $71,834).

The terms of the Credit Facilities require the Company to comply with certain covenants. If the Company fails to comply with these covenants, the lender may declare an event of default. At March 31, 2021, the Company was in compliance with these covenants.

14. Unsecured note payable:

For the three months ended March 31, 2021 and 2020, interest and financing costs relating to the unsecured note payable (the "Unsecured Note"), reported as interest expense and financing costs totaled $46,362 and $113,750, respectively. During the three months ended March 31, 2021, the Company made a repayment of $226,793. The fair value of the Unsecured Note at March 31, 2021 was $1,567,357 (December 31, 2020 - $1,794,150).

15. Lease obligations:

The Company has a lease commitment on its head office premises located at 22 St. Clair Avenue East, Toronto, Ontario, and the land lease on the Montreal Street JV, with a lease term greater than 12 months, resulting in recognition of a right-of-use asset and a corresponding lease liability.

On September 30, 2020, the Company entered into a new lease agreement (the "New Lease") to lease its head office premises located at 22 St. Clair Avenue East, Toronto, Ontario. The New Lease provides the Company to lease the premises for two years and four months commencing on January 1, 2021, under similar terms as the existing lease.

The right-of-use asset represents the Company's right to control the use of the head office premises and the land lease on the Montreal Street JV for the lease term. The right-of-use asset at March 31, 2021 and December 31, 2020 was $1,019,736 and $1,056,879, respectively. The lease obligations represent the present value of the Company's future lease payments on its head office premises and the land lease on the Montreal Street JV over the expected lease term. The lease obligations at March 31, 2021 and December 31, 2020 were $1,040,714 and $1,074,518, respectively.

(In United States dollars)

15. Lease obligations (continued):

The future minimum lease payments, which includes estimated operating costs for the next five years and thereafter, are as follows:

2021 remainder of year	$ 213,746
2022	268,388
2023	131,283
2024	67,863
2025 and thereafter	623,394
	$ 1,304,674

16. Commitments and contingencies:

Pursuant to certain lending agreements, the Company is committed to funding additional loan advances. The unfunded loan commitments under the existing lending agreements on loan and mortgage investments at March 31, 2021 were $12,401,597 (December 31, 2020 - $7,204,207).

At March 31, 2021 and December 31, 2020, the unfunded commitments to make additional investments for the development of the lands under the finance lease arrangements, subject to builders meeting certain funding conditions, were $ 31,239,864 and $33,762,912, respectively. The Debt Fund I is committed to lending an additional $24,053,140 to TFCC USA III to fund certain of these commitments in investments in finance leases.

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

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.

(In United States dollars)

17. Shareholders' equity:

(a) Shares issued and outstanding:

The following table summarizes the changes in Shares for the three months ended March 31, 2021 and 2020:

	Shares	Amount
Outstanding, December 31, 2019	5,564,968	$ 25,283,343
Outstanding, March 31, 2020	5,564,968	25,283,343
Outstanding, December 31, 2020	5,564,968	25,283,343
Outstanding, March 31, 2021	5,564,968	$ 25,283,343

(b) Dividends:

The Board of Directors (the "Board") determines the level of dividend payments. Although the Company does not have a formal dividend policy, it started dividend payments, and it plans to maintain regular quarterly dividends. Dividends are recognized in the period in which they are formally declared by the Board. The Company's dividends are eligible dividends for Canada Revenue Agency purposes.

Quarterly dividends declared to common shareholders during the period ended March 31, 2020 and year ended December 31, 2020 were as follows:

	March 31, 2021		December 31, 2020	
	Per Share in CAD	Amount in CAD	Per Share in CAD	Amount in CAD
March	$ 0.05	$ 221,271	$ 0.05	$ 199,418
June	–	–	0.05	200,771
September	–	–	0.05	208,958
December	–	–	0.05	210,555
	$ 0.05	$ 221,271	$ 0.20	$ 819,702

(In United States dollars)

17. Shareholders' equity (continued):

(c) Share-based payments:

The share-based payments that have been recognized in these Financial Statements are as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Share option plan	$ –	$ 13,257
Deferred share unit plan	60,071	(222,811)
	$ 60,071	$ (209,554)

(i) Share option plan:

The Company has a share option plan (the "Plan") to grant options to purchase shares to eligible directors, officers, senior management and consultants. On June 26, 2020, the Company granted options to one of its employees to purchase up to 25,000 Shares at a price of CAD $4.05 per Share, with the expiry date of June 26, 2027. The options shall vest in equal installments on a quarterly basis over a three-year period.

On April 6, 2020, the Company granted options to its officers and employees to purchase up to 285,000 Shares at a price of CAD $4.28 per Share, with the expiry date of April 6, 2027. The options shall vest in equal installments on a quarterly basis over a three-year period.

On January 6, 2020, the Company granted options to one of its employees to purchase up to 25,000 Shares at a price of CAD $5.70 per Share with the expiry date of January 6, 2027. The options shall vest in equal installments on a quarterly basis over a three-year period.

(In United States dollars)

17. Shareholders' equity (continued):

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

	June 26, 2020	April 6, 2020	January 6, 2020
Average expected life	7.00 years	7.00 years	7.00 years
Average risk-free interest rate	0.41%	0.65%	1.58%
Average expected volatility	27.54%	25.76%	25.95%
Dividend yield	4.94%	4.67%	3.09%

The fair value of options granted on June 26, 2020, April 6, 2020 and January 6, 2020, was $12,940, $151,585 and $26,522, respectively.

The following is the summary of changes in share options for the three months ended March 31, 2021 and the year ended December 31, 2020:

	March 31, 2021		December 31, 2020	
	Number of options	Weighted average exercise price in CAD	Number of options	Weighted average exercise price in CAD
Outstanding, beginning of period	499,000	$ 4.96	351,089	$ 6.95
Granted	–	–	335,000	4.37
Cancelled	–	–	(90,000)	6.70
Expired	–	–	(97,089)	8.50
Outstanding, end of period	499,000	$ 4.96	499,000	4.96
Number of options exercisable	245,832	$ 5.56	217,916	$ 5.71

(In United States dollars)

17. Shareholders' equity (continued):

The following summarizes the Company's outstanding share options as at March 31, 2021:

Number of options outstanding	Expiry date	Number of options exercisable	Exercise price CAD	Market price at date of grant CAD
50,000	June 28, 2023	50,000	5.70	5.20
56,000	December 27, 2023	56,000	6.50	6.50
34,000	December 21, 2024	34,000	6.70	6.70
24,000	June 11, 2026	20,000	5.60	5.60
25,000	January 06, 2027	8,332	5.70	5.70
285,000	April 06, 2027	71,250	4.28	4.28
25,000	June 26, 2027	6,250	4.05	4.28
499,000		245,832		

(ii) Deferred share unit plan:

The Company has a cash-settled deferred share unit plan (the "DSU Plan"). At the beginning of each year, the Board will determine which board members or employees will be eligible to participate in the DSU Plan and the dollar amount that can be contributed to the DSU Plan.

The following is the summary of changes in deferred share units ("DSUs") for the three months ended March 31, 2021 and year ended December 31, 2020:

	March 31, 2021	December 31, 2020
DSUs outstanding, beginning of period	304,344	302,371
Granted	–	14,978
Settled	–	(13,005)
DSUs outstanding, end of period	304,344	304,344
Number of DSUs vested	304,344	304,344

(In United States dollars)

17. Shareholders' equity (continued):

The total cost (recovery) recognized with respect to DSUs, including the change in fair value of DSUs during the three months ended March 31, 2021 and 2020 were $60,071 and ($222,811), respectively.

The carrying amount of the liability, included in accounts payable and accrued liabilities relating to the DSUs at March 31, 2021, is $1,429,380 (December 31, 2020 - $1,351,278).

18. Contributed surplus:

The following table presents the details of the contributed surplus balances as at March 31, 2021 and December 31, 2020:

	Amount
Balance, December 31, 2019	$ 3,440,695
Fair value of share-based compensation	13,257
Balance, March 31, 2020	3,453,952
Fair value of share-based compensation	164,488
Balance, December 31, 2020	3,618,440
Balance, March 31, 2021	$ 3,618,440

(In United States dollars)

19. Earnings per share:

The calculation of earnings per share of the three months ended March 31, 2021, and 2020 is as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Numerator for basic and diluted earnings per share:		
Income attributable to common shareholders	$ 818,756	$ (126,311)
Diluted income attributable to common shareholders	$ 818,756	$ (126,311)
Denominator basic and diluted earnings per share:		
Weighted average number of shares outstanding	5,564,968	5,564,968
Dilutive effect of share based payments	–	199
Weighted average number of diluted shares outstanding	5,564,968	5,565,167
Earnings per share:		
Basic	$ 0.15	$ (0.02)
Diluted	0.15	(0.02)

20. Transactions with related parties:

Except as disclosed elsewhere in the Financial Statements, the following are the related party transactions:

Related party transactions are measured at the exchange amount, which is the amount of consideration established and offered by related parties.

Certain of the Company's loan and mortgage investments 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. At March 31, 2021 and December 31, 2020, the loan and mortgage investments syndicated by officers and directors were $786,897 and $668,752, respectively.

(In United States dollars)

21. Interest and financing costs:

The following table presents the interest incurred for the three months ended March 31, 2021 and 2020:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Interest on loan and mortgage syndications	$ 1,803,434	$ 2,078,850
Interest on credit facilities	158,170	187,719
Montreal Street JV	12,225	11,544
Interest on lease obligations	11,949	317
	$ 1,985,778	$ 2,278,430

22. Income taxes:

The following table specifies the current and deferred tax components of income taxes on continuing operations in the interim condensed consolidated statements of income (loss) and comprehensive income (loss):

	Three months ended March 31, 2021	Three months ended March 31, 2020
Current income tax provision	$ 272,747	$ 268,894
Deferred income tax provision (recovery)	(166,950)	205,029
Total tax provision	$ 105,797	$ 473,923

(In United States dollars)

22. Income taxes (continued):

Income tax expense is different from the amount that would result from applying the combined federal and provincial income tax rates to income before continuing operations before income taxes. These differences result from the following items:

	Three months ended March 31, 2021	March 31, 2020
Income from operations before taxes	$ 924,553	$ 347,612
Combined federal and provincial statutory income taxes	26.50%	26.50%
Income tax provision based on statutory income taxes	245,007	92,117
Increase (decrease) in income tax due to:		
Non-taxable items	574	698
Non-deductible stock-based compensation	–	3,513
Effect of changes in foreign exchange rates	(139,784)	377,595
Total tax provision	$ 105,797	$ 473,923

The composition of the Company's recognized deferred income tax assets and liabilities for the three months ended March 31, 2021 is as follows:

	Opening balance	Recognized in income	Closing balance
Investment property	$ 178,766	$ (2,540)	$ 176,226
Portfolio investments	236,836	13,110	249,946
Incorporation costs	(360)	6	(354)
DSUs	(221,241)	(15,918)	(237,159)
Allowance for credit losses	(295,299)	(42,800)	(338,099)
Unrealized foreign exchange gain	386,772	(116,293)	270,479
Shares and Credit Facilities issue costs	(134,907)	(3,058)	(137,965)
Deferred revenue	68,770	543	69,313
	$ 219,337	$ (166,950)	$ 52,387

(In United States dollars)

22. Income taxes (continued):

The composition of the Company's recognized deferred income tax assets and liabilities for the three months ended March 31, 2020 is as follows:

	Opening balance	Recognized in income	Closing balance
Investment property	$ 167,534	$ 2,616	$ 170,150
Portfolio investments	286,776	–	286,776
Incorporation costs	(384)	6	(378)
DSUs	(194,349)	59,045	(135,304)
Provision for loan and mortgage investment loss	(293,363)	(28,020)	(321,383)
Unrealized foreign exchange loss	591,129	167,872	759,001
Debentures, Shares and revolving operating facility issue costs	(152,876)	(2,243)	(155,119)
Deferred revenue	45,550	5,753	51,303
	$ 450,017	$ 205,029	$ 655,046

23. Capital management:

The Company defines its capital as the aggregate of shareholders' equity, loan and mortgage syndications, Credit Facilities, unsecured note payable, and mortgages payable. The Company's capital management is designed to ensure that the Company has sufficient financial flexibility, short-term and long-term, and to grow cash flow and solidify the Company's long-term creditworthiness and earn a good return for the shareholders.

(In United States dollars)

23. Capital management (continued):

The following table presents the capital structure of the Company as at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Loan and mortgage syndications	$ 70,669,365	$ 71,374,100
Loan payable to Debt Fund I	9,052,361	–
Credit facilities	6,589,016	6,700,964
Unsecured note payable	1,567,357	1,794,150
Mortgages payable	1,060,166	1,055,379
Equity	41,760,138	41,162,653
Total capital	$ 130,698,403	$ 122,087,246

The Company is free to determine the appropriate capital level in context with the cash flow requirements, overall business risks, and potential opportunities. As a result, the Company will make adjustments to its capital structure in response to lending opportunities, the availability of capital and anticipated changes in general economic conditions. The Company's overall strategy with respect to capital remained unchanged during the three months ended March 31, 2021 and 2020.

24. Fair value measurement:

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, Convertible Note, loan and mortgage investments, portfolio investments, lease obligations, loan and mortgage syndications, unsecured note payable, mortgages payable, and Credit Facilities.

24. Fair value measurement (continued):

The fair values of interest and other receivables, funds held in trust and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The fair values of loan and mortgage investments, loan and mortgage syndications and unsecured note payable approximate their carrying values as they are short-term in nature. There is no quoted price in an active market for the loans and mortgage investments, loan and mortgage syndications, Convertible Note, unsecured note payable, mortgages payable or Credit Facilities and the fair values are based on Level 3 of the fair value hierarchy.

The Company uses various methods in estimating the fair values recognized in the 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 techniques for which significant inputs are not based on observable market data.

The fair value of the Company's investment property, portfolio investments, investment in associates and non-controlling interests are determined using Level 3 inputs at March 31, 2021 and December 31, 2020 and no amounts were transferred between fair value levels during the three months ended March 31, 2021 or 2020. Notes 7, 8 and 9 outline the key assumptions used by the Company in determining fair value of its portfolio investments, investment in associates and investment property, respectively.

25. Risk management:

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the 2020 Financial Statements.

(a) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market price, whether the changes are caused by factors specific to the investment or factors affecting all securities in the market. The Company's objective of managing this risk is to minimize the volatility of earnings. The Company mitigates this risk by charging interest rates that are significantly above normal banking rates.

(b) Credit risk:

The Company syndicates its loan and mortgage investments with investors on a pari-passu basis. The syndicated portion of the loan and mortgage investments are owned by syndicate investors. The Company neither has beneficial ownership in the syndicated assets nor has any obligation with regards to the syndicated loans. The Company assesses its credit risk and its ACL on loan and mortgage investments, net of syndication.

As at March 31, 2021, a loan investment to the U.S. Project is in arrears since February 29, 2020 (note 5). Based on the most recent valuations of the underlying asset and management's estimates, the Company carries a net ACL balance of $353,763 against this loan investment.

If the ACL relating to the loan and mortgage investments are presented on a gross basis, the loan and mortgage investments and the corresponding loan and mortgage syndications balances would be lower by $3,138,095 on the consolidated statement of financial position with no impact to the consolidated statements of income (loss) and comprehensive income (loss).

(c) Interest rate risk:

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 and mortgage investments, loan and mortgage syndications, mortgages payable and asset liability matching. Such risk is further mitigated by the general short-term nature of loan and mortgage investments.

25. Risk management (continued):

The Company's LOC carries an interest rate based on London Interbank Offer Rate ("LIBOR"). On March 5, 2021, the Financial Conduct Authority announced that panel bank submissions for certain LIBOR settings would cease as at December 31, 2021 and the remainder on June 30, 2023, after which representative LIBOR rates will no longer be available. The Company holds debt instruments that will be impacted by any potential changes to the June 30, 2023 LIBOR cessation date. The Company plans to amend in-place agreements to a new benchmark or implement appropriate fallback provisions as applicable in response to the IBOR reform prior to or by the June 30, 2023 effective date.

(d) 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.

Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. 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 and or borrowing in the same currency.

(e) 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 syndications and revolving operating facility, 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.

25. Risk management (continued):

(f) General business risk:

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) civil unrest, acts of God, including earthquakes and other natural disasters, acts of terrorism or war and public health crises such as the current outbreak of the novel coronavirus, specifically identified as "COVID-19" (discussed below),

(ii) changes in national or local economic conditions,

(iii) changes in real estate assessed values and taxes payable on such values and other operating expenses,

(iv) the inability of developers to sell development land,

(v) changes in demand for newly constructed residential units,

(vi) changes in real estate assessed values and taxes payable on such values and other operating expenses, or

(vii) changes in interest rates and in the availability, cost and terms of any mortgage or other development financing.

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.

The COVID-19 pandemic has further increased the risk factors described above.

25. Risk management (continued):

The COVID-19 pandemic resulted in broad challenges globally, has contributed to significant volatility in financial markets and continues to adversely impact global activity. Many jurisdictions have re-opened with social distancing measures implemented to curtail the spread of COVID-19, and multiple vaccines have been approved for use. Although the residential development continues to perform well during this time, the Company cannot predict that this will continue. The surges in new cases of COVID-19 and mutated strains of the virus have caused additional quarantines and lockdowns, which could delay any economic recovery. The vaccination program globally is ongoing and its effectiveness remains uncertain. These factors could further materially and adversely affect the Company's results and financial condition. The enhanced risks associated with COVID-19 include, but are not limited to: a reduction in interest income and an increase in credit loss provisions in the event that financial hardship causes an inability of borrowers to make contractual principal and interest payments to the Company on a timely basis; deterioration in the ability of the Company to achieve expected values on a timely basis from asset sales in connection with loan realizations and the ability to access capital markets at a reasonable cost. The Company continues to monitor the COVID-19 pandemic and its impact on its borrowers, lenders, investors and the economy as a whole.