



TERRA FIRMA CAPITAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

NOVEMBER 5, 2015

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 November 5, 2015 for the three and nine months ended September 30, 2015 should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and accompanying notes for the same period as well as the audited consolidated financial statements for the year ended December 31, 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". 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 will be consistent with the current climate; and the 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 unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2015 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 up to 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 (“Portfolio Investments”). 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 to invest in the form of preferred equity which ranks ahead of the developers’ or owners’ common equity in the project or the entity that carries on the business of real estate development, thereby, providing the Company with the capital protection through subordination.

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 primarily as a debt structure with the debt risk.

INVESTMENTS

LOANS AND MORTGAGE INVESTMENTS

The Company’s Loan Portfolio as at September 30, 2015 consists of (a) loans relating to 27 residential housing developments, comprising 914 high rise units, 886 mixed used developments consisting of low and high rise condominium units and 1,766 low rise condominium and freehold units, representing 84.8% of the Loan Portfolio, (b) one residential income property consisting of 141 rental units in Ottawa, Ontario, representing 1.2% of the Loan Portfolio, (c) lot inventory of real estate assets to be developed, located in Ottawa, Ontario, Markham, Ontario, and Tampa Bay Florida, representing 13.1% of the Loan Portfolio and (d) a commercial retail development located in Mississauga, Ontario, representing the remaining 0.9% 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 in Toronto, Ontario, 798 mixed used developments consisting of low and high rise condominium and freehold units in Toronto and Kitchener, Ontario, and 947 low rise housing units in Toronto, Markham and London, Ontario, representing 90.7% 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) lot inventory of real estate asset to be developed, located in Ottawa, representing 1.7% of the Loan Portfolio and (d) a commercial retail development consisting of 5 units in Kitchener, Ontario, representing the remaining 1.7% of the Loan Portfolio.

The following table presents details of the Loan Portfolio as at September 30, 2015 and December 31, 2014:

| | September 30, 2015 | | | December 31, 2014 | | |
|----------------------------------|---|---------------|---------------------|---|---------------|------------------|
| | Weighted Average Effective Interest Rate | Amount | % of Investments | Weighted Average Effective Interest Rate | Amount | % of Investments |
| Residential housing developments | 20.6% | \$ 69,773,961 | 84.8% | 19.8% | \$ 71,355,076 | 90.8% |
| Lot inventory | 14.1% | 10,758,838 | 13.1% | 23.5% | 1,319,000 | 1.7% |
| Commercial retail development | 16.2% | 770,000 | 0.9% | 16.5% | 1,370,000 | 1.7% |
| Residential income properties | 15.2% | 1,000,000 | 1.2% | 15.8% | 4,591,720 | 5.8% |
| Loan Portfolio | 19.7% | \$ 82,302,799 | 100.0% | 19.6% | \$ 78,635,796 | 100.0% |

As at September 30, 2015 and December 31, 2014, the principal balance of the Loan Portfolio was \$82,302,799 and \$78,635,796, respectively. The Loan Portfolio continued to grow through the funding of the new loan and mortgage investments during the nine months ended September 30, 2015, which was partially offset by the conversion of loan investment into Portfolio Investment. This increase resulted from the funding of loan investments of \$37,934,046, advances against existing loan commitments of \$5,990,183, capitalized interest of \$2,713,849, which aggregate amount was offset by the net effect of receipt of full repayment of 14 loans totaling \$27,647,783, receipt of partial repayment of one loan totaling \$500,000, contractual principal repayments of \$1,980 and conversion of loan investment of \$14,821,312 into portfolio investment.

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The following table summarizes the change in the Loan Portfolio for the nine months ended September 30, 2015:

| | Amount |
|---|---------------|
| Balance, beginning of period | \$ 78,635,796 |
| Loan Portfolio activity during the period | |
| Funding of new loan investments | 37,934,046 |
| Advances against existing loan | 5,990,183 |
| Repayments of loans | (28,147,783) |
| Converted to portfolio investment | (14,821,312) |
| Interest capitalized | 2,713,849 |
| Principal repayment of loans | (1,980) |
| Balance, end of period | \$ 82,302,799 |

Loan and mortgage investments 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 presents details of the Company's loan categories as at September 30, 2015 and December 31, 2014:

| | September 30, 2015 | December 31, 2014 |
|--------------------|-----------------------|----------------------|
| Mortgages | \$ 78,380,655 | \$ 59,671,635 |
| Unregistered loans | 3,922,144 | 18,964,161 |
| | \$ 82,302,799 | \$ 78,635,796 |

The weighted average effective interest rate of the Loan Portfolio at September 30, 2015 and December 31, 2014 was 19.7% and 19.6%, respectively. The weighted average effective interest rates of the loans and mortgage investments of residential housing developments at September 30, 2015 and December 31, 2014 were 20.6% and 19.8%, respectively and the weighted average effective interest rates of the residential income properties at September 30, 2015 and December 31, 2014 were 15.2% and 15.8%, respectively. The weighted average effective interest rates of the lot inventory loans at September 30, 2015 and December 31, 2014 were 14.1% and 23.5%, respectively. The weighted average effective interest rates of the lot inventory at September 30, 2015 was lower primarily due to one significant loan closed at the end of the quarter was yet syndicated to a senior lender. The weighted average effective interest rate of the commercial retail development at September 31, 2015 and December 31, 2014 were 16.2% and 16.5%, respectively.

The weighted average term to maturity at September 30, 2015 and December 31, 2014 was 1.22 years and 0.86 years, respectively. The relatively short term to maturity of the Loan Portfolio allows for reinvestment of the portfolio in response to changing market conditions.

On September 18, 2015, the Company advanced loan investment of \$3,000,000 to a company controlled by the Chairman of the Board of the Company (the "Chairman") at the interest rate of an investment with a similar risk profile. As at September 30, 2015, the loan investment was repaid in full. See - "Related Party Transactions and Arrangements".

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 |
|------------------|------------------------------------|---|---|
| Reminder of year | \$ - | \$ 21,095,655 | \$ 21,095,655 |
| 2016 | - | 24,988,262 | 24,988,262 |
| 2017 | - | 16,103,044 | 16,103,044 |
| 2018 | - | 20,115,838 | 20,115,838 |
| | \$ - | \$ 82,302,799 | \$ 82,302,799 |

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 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 September 30, 2015 amounted to \$11,823,188, including \$6,677,690 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 existing Loan Portfolio at December 31, 2014.

On February 20, 2015, the Company, exercised its right to convert a loan and mortgage investment in a 668 unit high-rise condominium development project located in Toronto, Ontario, into a partnership interest (the “Lan Partnership”) in the development project. The carrying balances of loan and mortgage investment at the time of conversion was \$14,821,812 of which \$11,675,000 was syndicated. Certain of the syndicate investors in the amount of \$6,550,000 elected not to convert their share of interest in the loan investment into the Lan Partnership. The Company received an aggregate amount of \$8,345,000 from new and existing syndicate investors to invest in the Lan Partnership. The Company repaid \$3,600,000 to syndicate investors and the balance of \$2,950,000 was converted by syndicate investors 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 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.

The Company assess a requirement for a collective allowance taking into account (i) data from the Loan Portfolio (such as composition of the Loan Portfolio, borrower's ability to repay, loan defaults and arrears, the estimated value of the underlying collateral (loan to value ratios, average term to maturity), etc.), (ii) general economic and real estate market conditions (including current real estate prices for various real estate types, any near term real estate development fundamentals), and (iii) actual historical loan losses and other relevant factors. The Company to date has not experienced a loan loss. Therefore; modeling and projections based on historical loan losses have not been performed. Management assess a requirement for a collective loss provision using known and inherent risks in the loan investments. The conclusion of these assessments are that no specific or collective allowances are required.

JOINT ARRANGEMENTS

INTERESTS IN 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.

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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 \$2,051,197 bearing interest at 4.2% per annum, is amortized over 25 years and matures September 1, 2016.

Queen Street West JV:

In April 2012, the Company entered into a co-owners' agreement (the "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, 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 the joint operation during prior periods), resulting in a gain on conversion of interest in 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 is as follows:

| | September 30, 2015 | December 31, 2014 |
|--|-----------------------|----------------------|
| Cash and cash equivalents | \$ 1,586 | \$ 3,416 |
| Amounts receivable and prepaid expenses | 11,644 | 11,643 |
| Investment properties | 2,063,654 | 2,062,661 |
| Total assets | 2,076,884 | 2,077,720 |
| Accounts payable and accrued liabilities | 41,569 | 41,182 |
| Loans and mortgages payable | 1,128,158 | 1,151,118 |
| Total liabilities | 1,169,727 | 1,192,300 |
| Net assets | \$ 907,157 | \$ 885,420 |

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The table below details the results of operations for the three and nine months ended September 30, 2015 and 2014, attributable to the Company from its joint operations activities.

| | Three months ended | | Nine months ended | |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| Revenue | | | | |
| Rental | \$ 47,362 | \$ 47,520 | \$ 142,072 | \$ 210,276 |
| Expenses | | | | |
| Property operating costs | 15,268 | 15,225 | 45,790 | 72,526 |
| General and administrative expenses | 760 | 61 | 875 | 1,419 |
| Interest expense | 11,527 | 11,847 | 34,826 | 107,000 |
| | 27,555 | 27,133 | 81,491 | 180,945 |
| Net income | \$ 19,807 | \$ 20,387 | \$ 60,581 | \$ 29,331 |

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 investment properties for the nine months ended September 30, 2014 and 2015:

| | Amount |
|---|--------------|
| Balance, December 31, 2013 | \$ 7,671,452 |
| Change in amount receivable from joint venture partners | (61,700) |
| Additions - capital expenditures | 76,625 |
| Sale of investment property | (5,771,041) |
| Balance, September 30, 2014 | \$ 1,915,336 |
| Change in amount receivable from joint venture partner | (625) |
| Fair value adjustment | 147,950 |
| Balance, December 31, 2014 | \$ 2,062,661 |
| Change in amount receivable from joint venture partner | 993 |
| Balance, September 30, 2015 | \$ 2,063,654 |

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 capitalization rate used in the valuation of the property was 6.5%. At September 30, 2015, the carrying value of this investment approximates its fair value.

As at September 30, 2015, a 25-basis-point decrease in the overall capitalization rate would increase the Company's proportionate share of value of investment property by \$82,500. A 25-basis-point increase in the overall capitalization rate would decrease the Company's proportionate share of the value of investment property by \$76,450.

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

PORTFOLIO INVESTMENT

The Company has invested, through its subsidiary Terra Firma Capital (Hill) Corporation (the "Hill") (78.95% owned), in a partnership interest in 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 at September 30, 2015 is \$954,073 (December 31, 2014 – \$954,073) and the investment of the other partner in the Hill of \$210,655 is included in non-controlling interest. At September 30, 2015 and December 31, 2014, the fair values were determined using the direct comparison method. The fair value of investment at September 30, 2015 and December 31, 2014 was \$1,020,828.

On December 4, 2014, TFCC LanQueen, a subsidiary of the Company, entered into a partnership agreement (the "Agreement") to develop and sell a 66 unit mid-rise condominium development project (the "Queen Partnership"), located in Toronto, Ontario. TFCC LanQueen is committed to invest up to \$1,326,400 in redevelopment project located in Toronto, Ontario. The Agreement allows TFCC 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 monthly on the amount of its investment in the Queen Partnership. As at September 30, 2015, TFCC LanQueen contributed \$724,000 to the Queen Partnership (December 31, 2014 - \$600,000).

On February 20, 2015, the Company, together with certain existing syndicate investors exercised its right to convert a loan and mortgage investment into the 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 project achieved these conditions to the Company's satisfaction, the Company elected to convert. On conversion, the Company invested an additional \$1,360,333 into the Partnership. The Company's share of loan and mortgage investment at the time of conversion, after taking into account of repayment to certain syndicate investors and investments from new syndicate investors was \$5,002,581. The carrying value of the Company interest in the Partnership at the time of conversion approximates its fair value.

In April 2015, the Company syndicated part of its interest in the Lan Partnership to new syndicate investors for \$3,034,116. In September 2015, the Company acquired certain syndicate investors' interest in the Lan Partnership for \$255,000. The carrying value of the Company's interest in the Lan Partnership at the time of syndications approximates its fair value.

The Company acts as a general partner of the Lan Partnership and is entitled to receive a carried interest at 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 total equity in the Lan Partnership, including syndicate investors is \$15,335,516. The Company holds less than 20% of the voting power of the Lan Partnership and is accounting for this investment as a financial asset at fair value through profit and loss. The carrying value of the Company interest in the Lan Partnership at September 30, 2015 approximates its fair value.

The following table summarizes the changes in the Portfolio Investments for the three and nine months ended September 30, 2014 and 2015:

| | Amount |
|--|--------------|
| Balance, December 31, 2013 | \$ 950,000 |
| Investment made | 4,073 |
| Balance, September 30, 2014 | \$ 954,073 |
| Investment made | 600,000 |
| Fair value adjustment | 66,755 |
| Balance, December 31, 2014 | \$ 1,620,828 |
| Investment made, net | 10,692,965 |
| Transfer of interest in partnership to syndicate investors | (8,345,500) |
| Balance, September 30, 2015 | \$ 3,968,293 |

FINANCIAL PERFORMANCE

The Company's financial performance for the three and nine months ended September 30, 2015 and 2014 is summarized below:

| | Three months ended, | | | Nine months ended, | | |
|---|---------------------|-------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|
| | Sept 30, 2015 | Sept 30, 2014 | Change Increase/ (decrease) | Sept 30, 2015 | Sept 30, 2014 | Change Increase/ (decrease) |
| Revenue | | | | | | |
| Interest and fees earned | \$ 4,877,485 | \$ 3,206,862 | \$ 1,670,623 | \$ 13,046,343 | \$ 8,669,218 | \$ 4,377,125 |
| Rental income | 47,362 | 47,520 | (158) | 142,072 | 210,276 | (68,204) |
| Total revenue | 4,924,847 | 3,254,382 | 1,670,465 | 13,188,415 | 8,879,494 | 4,308,921 |
| Expenses | | | | | | |
| Property operating costs | 15,268 | 15,225 | 43 | 45,790 | 72,526 | (26,736) |
| General and administrative expenses | 555,709 | 417,792 | 137,917 | 1,922,564 | 1,301,987 | 620,577 |
| Share based compensation | 345,605 | 116,044 | 229,561 | 1,461,333 | 552,646 | 908,687 |
| Interest and financing costs | 1,375,561 | 1,520,434 | (144,873) | 4,314,631 | 4,450,889 | (136,258) |
| Gain on conversion of interest in joint operation | - | - | - | - | (487,000) | 487,000 |
| | 2,292,143 | 2,069,495 | 222,648 | 7,744,318 | 5,891,048 | 1,853,270 |
| Income from operations before income taxes | 2,632,704 | 1,184,887 | 1,447,817 | 5,444,097 | 2,988,446 | 2,455,651 |
| Income taxes | 768,797 | 270,243 | 498,554 | 1,318,074 | 821,454 | 496,620 |
| Income from continuing operations | 1,863,907 | 914,644 | 949,263 | 4,126,023 | 2,166,992 | 1,959,031 |
| Income from discontinued operations | - | - | - | - | 151,644 | (151,644) |
| Net income and comprehensive income | \$ 1,863,907 | \$ 914,644 | \$ 949,263 | \$ 4,126,023 | \$ 2,318,636 | \$ 1,807,387 |

Total revenue for the three and nine months ended September 30, 2015 experienced significant increase compared to the same period last year. The Company's Loan Portfolio increased from \$70.8 million at September 30, 2014 to \$82.3 million at September 30, 2015.

Income from operations before income taxes for the three months ended September 30, 2015 was \$2,632,704, an increase of \$1,447,817 or 122% compared to the three months ended September 30, 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.

INTEREST AND FEES EARNED

Interest and fees earned for the three months ended September 30, 2015 was \$4.9 million compared to \$3.3 million for the three months ended September 30, 2014 and \$4.2 million for the three months ended June 30, 2015. The increase in interest and fees earned from the same period last year was primarily due to the growth in the Company's Loan Portfolio, favourable U.S. currency impact of \$727,000 and a gain of \$316,408 recognized due to an early repayment of a loan investment.

RENTAL INCOME AND PROPERTY OPERATING COSTS

The Company's proportionate share of the rental income from investment properties in operations jointly controlled by the Company for the three months ended September 30, 2015 was \$47,362, comparable to \$47,520 for the same period last year. The Company's proportionate share of the property operating costs in investment properties in operations jointly controlled by the Company for the three months ended September 30, 2015 was \$15,268 comparable to \$15,225 for the same period last year. The rental income and property operating costs for the three months ended June 30, 2015 were \$47,362 and \$15,268, respectively.

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INTEREST AND FINANCING COSTS

Interest and financing costs for the three and nine months ended September 30, 2015 and 2014 were as follows:

| | Three months ended, | | | Nine months ended, | | |
|---|---------------------|---------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|
| | Sept 30, 2015 | Sept 30, 2014 | Change Increase/ (decrease) | Sept 30, 2015 | Sept 30, 2014 | Change Increase/ (decrease) |
| Interest on loans and mortgages payable | \$ 1,024,467 | \$ 1,323,920 | \$ (299,453) | \$ 3,355,353 | \$ 3,829,135 | \$ (473,782) |
| Interest and financing cost on revolving operating facility | 119,115 | - | 119,115 | 272,066 | - | 272,066 |
| Interest on convertible debentures | 220,452 | 184,667 | 35,785 | 652,386 | 553,620 | 98,766 |
| Montreal Street JV | 11,527 | 11,847 | (320) | 34,826 | 35,799 | (973) |
| Queen Street West JV | - | - | - | - | 32,335 | (32,335) |
| | \$ 1,375,561 | \$ 1,520,434 | \$ (144,873) | \$ 4,314,631 | \$ 4,450,889 | \$ (136,258) |

Interest and financing costs for the three months ended September 30, 2015 was \$1,375,561 compared to \$1,520,434 for the same period last year. Interest and financing costs for the three months ended June 30, 2015 was \$1,436,038. The decrease in interest and financing costs is attributable primarily to repayments of the Loan Syndications which is partially offset by interest on revolving operating facility. See "Capital Structure and Debt Profile".

GENERAL AND ADMINISTRATIVE EXPENSES

During the three and nine months ended September 30, 2015 and 2014, the Company incurred the following general and administrative expenses:

| | Three months ended, | | | Nine months ended, | | |
|---------------------|---------------------|-------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|
| | Sept 30, 2015 | Sept 30, 2014 | Change Increase/ (decrease) | Sept 30, 2015 | Sept 30, 2014 | Change Increase/ (decrease) |
| Salary and benefits | \$ 344,130 | \$ 295,643 | \$ 48,487 | \$ 1,296,264 | \$ 832,892 | \$ 463,372 |
| Professional fees | 87,894 | 57,199 | 30,695 | 234,933 | 162,190 | 72,743 |
| Directors' fees | 25,000 | 25,000 | - | 131,971 | 75,000 | 56,971 |
| Rent | 23,421 | 22,943 | 478 | 70,263 | 68,829 | 1,434 |
| Other | 75,264 | 17,007 | 58,257 | 189,133 | 163,076 | 26,057 |
| | \$ 555,709 | \$ 417,792 | \$ 137,917 | \$ 1,922,564 | \$ 1,301,987 | \$ 620,577 |

General and administrative expenses consist mainly of salaries and benefits, professional fees, office rent and other operating costs associated with the operation of the Company. General and administrative expenses for the three months ended September 30, 2015 were \$555,709, compared to \$419,792 for the three months ended September 30, 2014 and \$568,831 for the three months ended June 30, 2015. The increase was largely driven by the continued growth of the Company, resulting in an increase in payroll related costs, professional fees and public company expenses.

SHARE BASED COMPENSATION

The share-based payments that have been recognized for the three and nine months ended September 30, 2015 and 2014 were as follows:

| | Three months ended | | | Nine months ended | | |
|-------------------|--------------------|-------------------|-----------------------------------|---------------------|-------------------|-----------------------------------|
| | Sept 30, 2015 | Sept 30, 2014 | Change Increase/ (decrease) | Sept 30, 2015 | Sept 30, 2014 | Change Increase/ (decrease) |
| Share option Plan | \$ 249,905 | \$ 30,266 | \$ 219,639 | \$ 945,949 | \$ 155,166 | \$ 790,783 |
| DSU Plan | 95,700 | 85,778 | 9,922 | 515,384 | 397,480 | 117,904 |
| | \$ 345,605 | \$ 116,044 | \$ 229,561 | \$ 1,461,333 | \$ 552,646 | \$ 908,687 |

TERRA FIRMA CAPITAL CORPORATION – MD&A

Share-based payments associated with the Company's share option plan (the "Plan") amounted to \$249,905 for the three months ended September 30, 2015, compared to \$30,266 for the three months ended September 30, 2014. The increase in share-based payments associated with the Plan was primarily due to the granting of 980,889 options in May 2015 and 1,649,115 options in November 2014. Share-based payments associated with the Plan for the nine months ended September 30, 2015 amounted to \$945,949, compared to \$155,166 for the nine months ended September 30, 2014. The increase in share-based payments associated with the Plan was primarily due to the granting of 980,889 options in May 2015 and 1,649,115 options in November 2014. See "Shareholders Equity – Share-Based Payments".

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 three months ended September 30, 2015 amounted to \$95,700, compared to \$85,778 for the three months ended September 30, 2014. Share-based payments associated with the DSU Plan for the nine months ended September 30, 2015 amounted to \$515,384, compared to \$397,480 for the nine months ended September 30, 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) Loan Syndications, (iii) Short-term unsecured notes payable (iv) mortgages payable (v) operating credit facility (vi) issuance of shares and debentures, or any combination thereof.

CASH FLOWS

The following table details the changes in cash for the three month periods ended September 30, 2015 and 2014:

| | Three months ended | | Nine months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| Cash (used in) provided by operating activities | \$ (1,131,703) | \$ 2,077,924 | \$ 1,422,391 | \$ 1,706,704 |
| Cash provided by financing activities | 1,903,386 | 3,135,553 | 13,205,800 | 4,962,389 |
| Cash used in investing activities | (1,909,877) | (10,083,631) | (10,722,210) | (13,975,139) |
| Increase (decrease) in cash and cash equivalents | \$ (1,138,194) | \$ (4,870,154) | \$ 3,905,981 | \$ (7,306,046) |
| Cash and cash equivalents, beginning of period | 6,127,920 | 5,285,223 | 1,083,745 | 7,721,115 |
| Cash and cash equivalents, end of period | \$ 4,989,726 | \$ 415,069 | \$ 4,989,726 | \$ 415,069 |

Cash on hand at September 30, 2015 was \$4,989,726 compared to \$6,127,920 at December 31, 2014 and \$415,069 at September 30, 2014.

Cash used in operating activities for the three months ended September 30, 2015 of \$1,131,703, cash provided by operating activities for the nine months ended September 30, 2015 of \$1,422,391, and cash provided by operating activities for the three and nine months ended September 30, 2014 of \$2,077,924 and \$1,706,704, respectively, are related primarily to the net cash provided by or used in lending operations.

The cash provided by financing activities for the three months ended September 30, 2015 of \$1,903,386 relates primarily to the net proceeds from the Loan Syndications of \$54,728, proceeds from short-term unsecured notes payable of \$4,887,003, proceeds from issuance of Shares pursuant to exercise of broker warrants of \$264,600, which aggregate amount was offset by repayments of the Loan Syndications of \$795,211, repayment of mortgages payable of \$7,734, repayment of short-term unsecured notes payable of \$500,000 and repayment of revolving operating facility of \$2,000,000. The cash provided by financing activities for the three months ended September 30, 2014 of \$3,135,553 relates primarily to the net proceeds from the Loan Syndications of \$13,658,668, proceeds from short-term notes payable of \$5,120,000 and proceeds from issuance of convertible debentures of \$4,545,950, which aggregate amount was offset by repayments of the Loan Syndications of \$15,264,065, repayment of convertible debentures of \$3,925,000 and repayment of short-term note of \$1,000,000.

The cash provided by financing activities during the nine months ended September 30, 2015 of \$13,205,800 relates primarily to the net proceeds from the Loan Syndications of \$13,383,428 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 \$264,600, proceeds from revolving operating facility of \$11,500,000, proceeds from short-term unsecured notes payable of \$5,887,003, which aggregate amount was offset by repayments of the Loan Syndications of \$18,542,747, repayment of mortgages payable of \$22,960, repayment of short-term unsecured notes payable of \$3,950,000 and repayment of revolving operating facility of \$9,500,000.

The cash provided by financing activities during the nine months ended September 30, 2014 of \$4,962,389 relates to the net proceeds from the Loan Syndications of \$20,540,189, proceeds from issuance of Convertible Debentures of \$4,545,950, proceeds from short-term note payable of \$5,120,000 and proceeds from issuance of Shares under the Option Plan of \$30,000, which aggregate amount was offset by repayments of the Loan Syndications of \$20,348,750, repayment of Convertible Debentures of \$3,925,000 and repayment of short-term note payable of \$1,000,000.

The cash used in investing activities during the three months ended September 30, 2015 of \$1,909,877 primarily reflects the funding of Loan Portfolio of \$16,427,965 and funding of Portfolio Investment of \$3,173,384, which aggregate amount was offset by repayment received from Loan Portfolio of \$11,494,423, proceeds from sale of interest in Portfolio Investment of \$5,311,384 and decrease in funds held in trust of \$885,665. The cash used in investing activities during the three months ended September 30, 2014 of \$10,083,631 primarily reflects the funding of Loan Portfolio of \$21,683,591, funding of portfolio investment of \$720,000 and decrease in funds held in trust of \$567,440, which aggregate amount was offset by repayments received from Loan Portfolio of \$12,887,400.

The cash used in investing activities during the nine months ended September 30, 2015 of \$10,722,210 primarily reflects the funding of Loan Portfolio of \$42,935,647 and funding of portfolio investment of \$4,596,653, which aggregate amount was offset by repayment received from Loan Portfolio of \$28,149,763, and proceeds from sale of interest in portfolio investment of \$8,345,500 and decrease in funds held in trust of \$314,827. The cash used in investing activities during the nine months ended September 30, 2014 of \$13,975,139 primarily reflects the funding of Loan Portfolio of \$34,498,525, funding of portfolio investment of \$2,914,161, capital additions to investment properties of \$76,625 and increase in funds held in trust of \$382,973, which aggregate amount was offset by repayments received from Loan Portfolio of \$23,897,145.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Company defines its capital as the aggregate of shareholders' equity, Debentures, revolving operating facility and loan and mortgage syndications. 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.

TERRA FIRMA CAPITAL CORPORATION – MD&A

As at September 30, 2015 and December 31, 2014, respectively, the total capital of the Company was as follows:

| | September 30, 2015 | December 31, 2014 |
|------------------------------------|-----------------------|----------------------|
| Short-term unsecured notes payable | \$ 7,637,003 | \$ 1,500,000 |
| Revolving operating facility | 1,839,645 | - |
| Loan and mortgage syndications | 27,080,063 | 45,390,821 |
| Mortgages payable | 1,128,158 | 1,151,118 |
| Convertible debentures | 10,598,752 | 10,514,431 |
| Non-controlling interest | 210,655 | 210,655 |
| Shareholders' equity | 43,864,798 | 24,341,750 |
| Total capital | \$ 92,359,074 | \$ 83,108,775 |

LOAN AND MORTGAGE SYNDICATIONS

The Company leverages its Loan Portfolio through the loan and mortgage syndications, 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.

Loan Portfolio is financed through the following initiatives:

- (i) The Company's own resources.
- (ii) The syndication of certain loan and mortgage investments 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.

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 September 30, 2015 and December 31, 2014:

| | September 30, 2015 | | | December 31, 2014 | | |
|----------------------------------|---|---------------|-----------------------|---|---------------|-----------------------|
| | Weighted Average Effective Interest Rate | Amount | % of Loans Payable | Weighted Average Effective Interest Rate | Amount | % of Loans Payable |
| Residential housing developments | 13.8% | \$ 24,550,063 | 90.7% | 12.0% | \$ 40,914,961 | 90.1% |
| Lot inventory | 9.7% | 2,530,000 | 9.3% | 12.7% | 1,030,000 | 2.3% |
| Commercial retail development | 0.0% | - | 0.0% | 10.5% | 500,000 | 1.1% |
| Residential income properties | 0.0% | - | 0.0% | 10.7% | 2,945,860 | 6.5% |
| | 13.4% | \$ 27,080,063 | 100.0% | 11.9% | \$ 45,390,821 | 100.0% |

TERRA FIRMA CAPITAL CORPORATION – MD&A

At September 30, 2015 the weighted average effective interest rate of Loan Syndications was 13.4%, consisting of the syndication of loans pertaining to 14 residential housing developments having a weighted average effective interest rate of 13.8%, and lot inventory having a weighted average interest rate of 9.7%.

At December 31, 2014 the weighted average effective interest rate of Loan Syndications was 11.9%, consisting of the syndication of loans pertaining to 19 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%, and one commercial retail development having an interest rate of 10.5%.

At September 30, 2015 the Company's syndication activities resulted in \$27,080,063 or 32.9% of the Loan Portfolio being syndicated to investors, yielding a net effective return of 22.8%, thereby increasing its overall return by 3.1% from its non-leveraged 19.7% 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. 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.

The following table summarizes the changes in the principal balance of Loan Syndications for the nine months ended September 30, 2015:

| | September 30, 2015 |
|---|-----------------------|
| Balance, beginning of period | \$ 45,390,821 |
| Loan and mortgage syndication activity during the period | |
| Proceeds to participate in new Loan Portfolio | 13,133,428 |
| Additional advances to existing Loan Portfolio | 250,000 |
| Repayments of loan and mortgage syndications | (18,542,029) |
| Transferred from short-term unsecured notes payable | 1,500,000 |
| Transferred to short-term unsecured loans payable | (5,700,000) |
| Converted to investment in partnership | (8,725,000) |
| Principal repayment of loan and mortgage syndications | (718) |
| Reduction in loan and mortgage syndication due to early payment | (226,439) |
| Balance, end of period | \$ 27,080,063 |

At September 30, 2015, scheduled principal repayments, and maturity amounts on the Loan Portfolio 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 |
|------------------|------------------------------------|--|--|
| Reminder of year | \$ - | \$ 6,883,333 | \$ 6,883,333 |
| 2016 | - | 9,463,302 | 9,463,302 |
| 2017 | - | 9,233,428 | 9,233,428 |
| 2018 | - | 1,500,000 | 1,500,000 |
| | \$ - | \$ 27,080,063 | \$ 27,080,063 |

MORTGAGES PAYABLE

As at September 30, 2015 and December 31, 2014, the Company's share of the mortgages payable in the joint operations was \$1,128,158 and \$1,151,118, respectively, with a nominal interest rate of 4.2% per annum.

TERRA FIRMA CAPITAL CORPORATION – MD&A

The following table sets out, as at September 30, 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 |
|--------------------------|------------------------------------|--|----------------------------|
| Reminder of year 2016 | \$ 7,844 13,224 | \$ - 1,107,090 | \$ 7,844 1,120,314 |
| | \$ 21,068 | \$ 1,107,090 | \$ 1,128,158 |

SHORT-TERM UNSECURED NOTES PAYABLE

On January 1, 2014, the lender of \$1,500,000 short-term unsecured notes payable elected to convert the short-term unsecured note payable into a loan and mortgage syndications in one of the Company's loan and mortgage investments.

On February 20, 2015, certain syndicate investors of the loan and mortgage investment in the amount of \$2,950,000 elected to convert their interest into a short-term unsecured loan payable at the interest rate at 8% per annum. On March 12, 2015, the Company borrowed \$1,000,000 from a lender at the interest rate of 10% per annum, payable monthly. These loans were repaid in full in April 2015.

During the quarter ended September 30, 2015, the Company issued short-term unsecured notes payable to syndicate investors totalling \$4,887,003. These notes bear annual interest of 7% - 9%, have term of 6 months from issuance, closed for prepayment through the full term, and are convertible in whole or in part, into loan and mortgage 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.

In September 2015, upon repayment of the loan and mortgage investment, certain syndicate investors in the amount of \$2,750,000 elected to convert their investment in the loan and mortgage investment into a short-term unsecured notes payable at the interest rate at 7% per annum. These notes bear annual interest of 7%, have term of 6 months from issuance, closed for prepayment through the full term, and are convertible in whole or in part, into loan and mortgage 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.

Following table summarizes the changes in the short-term unsecured notes payable for the three and nine months ended September 30, 2014 and 2015:

| | Amount |
|--|--------------|
| Balance, December 31, 2013 | \$ - |
| Proceeds from issuance of short-term unsecured notes payable | 5,120,000 |
| Repayments of short-term unsecured notes payable | (1,000,000) |
| Balance, September 30, 2014 | \$ 4,120,000 |
| Repayments of short-term unsecured notes payable | (2,620,000) |
| Balance, December 31, 2014 | \$ 1,500,000 |
| Proceeds from short-term unsecured notes payable | 5,887,003 |
| Transferred from loan and mortgage syndications | 5,700,000 |
| Transferred to loan and mortgage investments | (1,500,000) |
| Repayments of short-term unsecured notes payable | (3,950,000) |
| Balance, September 30, 2015 | \$ 7,637,003 |

REVOLVING OPERATING FACILITY

On April 23, 2015, the Company entered into a Revolving Operating Facility Credit Agreement with a financial 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 and mortgage investments 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 three and nine months ended September 30, 2015, the Company borrowed in total of \$11.5 million and repaid \$9.5 million.

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 three and nine months ended September 30, 2015, amortization of deferred financing costs reported as interest expense and financing costs totaled \$28,449 and \$44,362, respectively .

The following table presents details of the revolving operating facility as at September 30, 2015 and December 31, 2014.

| | September 30, 2015 | December 31, 2014 |
|-----------------------------|-----------------------|----------------------|
| Face value | \$ 2,000,000 | \$ - |
| Unamortized financing costs | (160,355) | - |
| | \$ 1,839,645 | \$ - |

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%.

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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 three and nine months ended September 30, 2014 and 2015:

| | 2011 Debentures | 2014 Debentures | Total |
|--|--------------------|--------------------|---------------|
| Liability component of debentures, December 31, 2013 | \$ 10,125,074 | \$ - | \$ 10,125,074 |
| Interest expensed at EIR of 7.35% for 2011 Debentures and at 8.53% for 2014 Debentures | 549,226 | 4,394 | 553,620 |
| Interest paid | (524,300) | (4,123) | (528,423) |
| Issuance of debentures | - | 10,850,000 | 10,850,000 |
| Repayment of debentures | (10,150,000) | - | (10,150,000) |
| Transaction costs | - | (79,050) | (79,050) |
| Amount classified as equity | - | (284,490) | (284,490) |
| Liability component of debentures, September 30, 2014 | \$ - | \$ 10,486,731 | \$ 10,486,731 |
| Interest expensed at EIR of 7.35% for 2011 Debentures and at 8.53% for 2014 Debentures | - | 219,040 | 219,040 |
| Interest paid | - | (191,340) | (191,340) |
| Liability component of debentures, December 31, 2014 | \$ - | \$ 10,514,431 | \$ 10,514,431 |
| Interest expensed at EIR of 8.53% for 2014 Debentures | - | 652,386 | 652,386 |
| Interest paid | - | (568,065) | (568,065) |
| Liability component of debentures, September 30, 2015 | \$ - | \$ 10,598,752 | \$ 10,598,752 |

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 September 30, 2015 was \$11,823,188 including \$6,677,690 of capitalization of future interest relating to the existing Loan Portfolio. The unfunded loan commitments under the existing Loan Portfolio at December 31, 2014 was \$4,010,043 including \$2,298,304 of capitalization of future interest relating to the existing Loan Portfolio.

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

The Company has a lease commitment on its head office premises located at 5000 Yonge Street, Toronto, Ontario. The minimum rental amount is \$30,693 per annum extending to September 30, 2017. Additional maintenance and utility costs and realty taxes are payable as incurred.

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 three and nine months ended September 30, 2014 and 2015:

| | Shares | Amount |
|--|-------------------|----------------------|
| Outstanding, December 31, 2013 | 30,845,000 | \$ 10,795,790 |
| Issuance of shares pursuant to share option plan | 150,000 | 30,000 |
| Transferred from contributed surplus upon exercise of options | - | 8,385 |
| Outstanding as at September 30, 2014 | 30,995,000 | \$ 10,834,175 |
| Issuance of Shares pursuant to the Oct 2014 Offering | 9,587,300 | 5,190,543 |
| Issuance of Shares pursuant to Private Placement | 1,000,000 | 630,000 |
| Outstanding, December 31, 2014 | 41,582,300 | \$ 16,654,718 |
| Issuance of shares pursuant to the May 2015 Offering | 18,117,783 | \$ 13,838,652 |
| Issuance of shares pursuant to broker warrents | 420,000 | 264,600 |
| Transferred from contributed surplus upon exercise of warrants | - | 79,676 |
| Outstanding as at September 30, 2015 | 60,120,083 | \$ 30,837,646 |

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") consisted 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 \$1,561,463, 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. 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 811,865

Shares to those officers and directors for gross proceeds of \$690,000. See "Related Party Transactions and Arrangements".

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.

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.

As at November 5, 2015, there were 60,120,083 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 nine months ended September 30, 2014 and year ended December 31, 2014 were \$574,732 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 September 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.

TERRA FIRMA CAPITAL CORPORATION – MD&A

For the three months ended September 30, 2015 and 2014, the Company recorded share-based compensation expense with an offsetting increase to contributed surplus of \$249,905 and \$30,266, respectively. For the nine months ended September 30, 2015 and 2014, the Company recorded share-based compensation expense with an offsetting increase to contributed surplus of \$945,949 and \$155,166, respectively.

The following is the summary of changes in the Company's share options for the nine months ended September 30, 2015 and year ended December 31, 2014:

| | September 30, 2015 | | December 31, 2014 | |
|-----------------------------------|--------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding - beginning of period | 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 period | 5,052,338 | \$ 0.61 | 4,071,449 | \$ 0.55 |
| Number of options exercisable | 3,811,893 | \$ 0.54 | 2,495,863 | \$ 0.43 |

The following summarizes the Company's share options as at September 30, 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 | 299,999 | 0.79 | 0.85 |
| 980,889 | May 11, 2015 | 490,445 | 0.85 | 0.85 |
| 5,052,338 | | 3,811,893 | | |

(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.

TERRA FIRMA CAPITAL CORPORATION – MD&A

The following table presents the changes in DSUs for the nine months ended September 30, 2015 and year ended December 31, 2014:

| | Number of DSUs | |
|---------------------------------------|-----------------------|----------------------|
| | September 30, 2015 | December 31, 2014 |
| DSUs outstanding, beginning of period | 747,705 | - |
| Granted | 759,558 | 747,705 |
| Settled | - | - |
| DSUs outstanding, end of period | 1,507,263 | 747,705 |
| Number of DSUs vested | 1,386,389 | 670,642 |

The total cost recognized with respect to DSUs, including the change in fair value of DSUs during the three and nine months ended September 30, 2015, were \$95,700 and \$515,384, respectively. The total cost recognized with respect to DSUs, including the change in fair value of DSUs during the three and nine months ended September 30, 2014, were \$85,778 and \$397,480, respectively.

The carrying amount of the liability, included in the accounts payable and accrued liabilities relating to the DSUs at September 30, 2015 is \$976,721 (December 31, 2014 - \$461,336).

(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 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 the nine months ended September 30, 2014 and 2015:

| | Number of broker warrants outstanding |
|---------------------------------|---|
| Outstanding, December 31, 2013 | - |
| Granted | - |
| Outstanding, September 30, 2014 | - |
| Granted | 560,000 |
| Outstanding, December 31, 2014 | 560,000 |
| Granted | 1,014,713 |
| Exercised | (420,000) |
| Outstanding, September 30, 2015 | 1,154,713 |

TERRA FIRMA CAPITAL CORPORATION – MD&A

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% |

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.

CONTRIBUTED SURPLUS

The following table presents the details of the contributed surplus balances as at September 30, 2014 and September 30, 2015:

| | Amount |
|--|---------------|
| Balance, December 31, 2013 | \$ 603,962 |
| Fair value of share-based compensation | 155,166 |
| Transferred to share capital - exercise of options | (8,385) |
| Balance, September 30, 2014 | \$ 750,743 |
| Fair value of share-based compensation | 192,607 |
| Fair value of broker warrants | 106,235 |
| Balance, December 31, 2014 | \$ 1,049,585 |
| Fair value of share-based compensation | 945,949 |
| Faie value of broker warrants | 347,824 |
| Transferred to share capital - exercise of broker warrants | (79,676) |
| Balance, September 30, 2015 | \$ 2,263,682 |

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

At September 30, 2015 and December 31, 2014, the Chairman of the Board of the Company, indirectly through a wholly owned subsidiary, owned approximately 13% and 20%, respectively, of the issued and outstanding shares of the Company.

LOAN AND MORTGAGE SYNDICATIONS, SHORT-TERM UNSECURED LOANS PAYABLE AND CONVERTIBLE DEBENTURES

Several 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.

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 2014 Debentures are identical to those offered to non-related 2014 Debenture holders. See Capital Structure and Debt Profile – Convertible Debentures.

On September 18, 2015, the Company advanced loan investment of \$3,000,000 a company controlled by the Chairman at the interest rate of an investment with a similar risk profile. As at September 30, 2015, \$2,000,000 of the loan investment remains unpaid. This transaction was incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties.

At September 30, 2015 and December 31, 2014, the Loan Portfolio and 2014 Debentures syndicated and held by officers and directors were \$1,644,848 and \$1,844,848, 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, 2014.

There were no changes in significant accounting policies adopted by the Company in the three and nine months ended September 30, 2015.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED:

There were no new standards issued during the three and nine months period ended September 30, 2015 that are applicable to the Company in future periods. A Description of standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the consolidated financial statements for the year ended December 31, 2014.

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.

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 these 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 and mortgage investments, portfolio investment, accounts payable and accrued liabilities, provision for discontinued operations, loans and mortgages payable, short-term unsecured loan 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 and mortgage syndications, mortgage payable 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 and mortgage syndications or convertible debentures. The Company makes the determinations of fair value based on its assessment of the current lending market for loan and mortgage investments 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 September 30, 2015 and December 31, 2014 and no amounts were transferred between fair value levels during 2015 or 2014.

OFF BALANCE SHEET ITEMS

As of September 30, 2015 and December 31, 2014, the Company did not have any off-balance sheet (statement of financial position) arrangements.

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 occurs, 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.

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of the Company's foreign currency denominated loan and mortgage investments, loan and mortgage syndications and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates. At September 30, 2015, approximately \$635,952 (December 31, 2014 - \$211,115) of the Company's cash and cash equivalents, \$17,075,000 (December 31, 2014 - nil) of the Loan Portfolios, \$295,409 (December 31, 2014 - nil) of the interest receivable and \$5,795,000 of loan and mortgage syndications are denominated in United States dollars. Consequently, the Company is subject to currency fluctuations that may impact its financial position and results. The Company manages its currency risk on loan and mortgage investments by syndicating in the same currency.

A change in exchange rate of the Canadian dollar against the U.S. dollar by 5% would not have a significant impact on the net income and comprehensive income and equity for the year.

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 and mortgage investments, debentures payable, loan and mortgage syndications and mortgages payable.

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.

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.

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.

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 disclosure controls and procedures. Inherent limitations on the ability of the certifying officers to design and implement, on a cost effective basis, disclosure controls and procedures 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 three and nine months ended September 30, 2015.

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.

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.

As at September 30, 2015, the Company has issued letters of intent and/or commitments of \$56.6 million to finance various real estate loans that are subject to certain funding conditions to be fulfilled by borrowers. These loans are expected to close in the fourth quarter of 2015. The Company intends to finance these investments through a combination of the Company's own cash resources, its operating credit facility and its co-investment platform..

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, 2014 and 2013 and the unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2015.

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 September 30, 2015 | As at December 31, 2014 | As at December 31, 2013 | | |
|--|--------------------------------|-------------------------------|-------------------------------|----------------------|----------------------|
| Total assets | \$ 96,805,553 | \$ 86,344,322 | \$ 73,669,821 | | |
| Total liabilities | \$ 52,730,100 | \$ 61,791,917 | \$ 58,944,840 | | |
| Shareholders' equity | \$ 44,075,453 | \$ 24,552,405 | \$ 14,524,981 | | |
| Loan and mortgage investments | \$ 82,302,799 | \$ 78,635,796 | \$ 55,278,303 | | |
| Loan and mortgage syndications, operating credit facility and Debentures | \$ 39,518,460 | \$ 55,905,252 | \$ 53,014,448 | | |
| Loan and mortgage syndications, operating credit facility and Debentures to loan and mortgage investments | 48.0% | 71.1% | 95.9% | | |
| | Three months ended, | Years ended, | | | |
| | September 30, 2015 | September 30, 2014 | December 31, 2014 | December 31, 2013 | December 31, 2012 |
| Total revenue | \$ 4,924,847 | \$ 3,254,382 | \$ 12,385,311 | \$ 8,905,498 | \$ 5,500,623 |
| Total expenses | \$ 2,292,143 | \$ 2,069,495 | \$ 8,246,050 | \$ 6,922,752 | \$ 3,454,010 |
| Income from operations before income taxes | \$ 2,632,704 | \$ 1,184,887 | \$ 4,139,261 | \$ 2,282,746 | \$ 2,046,613 |
| Net income and comprehensive income attributable to common shareholders | \$ 1,863,907 | \$ 914,644 | \$ 3,227,728 | \$ 1,699,827 | \$ 1,251,980 |
| Diluted income and comprehensive income attributable to common shareholders | \$ 2,025,939 | \$ 1,051,345 | \$ 3,795,634 | \$ 2,245,380 | \$ 1,799,173 |
| Weighted average number of shares outstanding | | | | | |
| Basic | 59,996,822 | 30,995,000 | 33,072,348 | 30,737,486 | 30,585,860 |
| Diluted | 76,212,488 | 46,758,152 | 48,549,137 | 45,279,974 | 30,517,541 |
| Earnings per share | | | | | |
| Basic | \$ 0.03 | \$ 0.03 | \$ 0.10 | \$ 0.06 | \$ 0.04 |
| Diluted | \$ 0.03 | \$ 0.02 | \$ 0.08 | \$ 0.05 | \$ 0.04 |

TERRA FIRMA CAPITAL CORPORATION – MD&A

The following table sets out the Company's quarterly results of operations for the eight periods ended September 30, 2015.

| | Three months ended | | | | | | | |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Sep 30, 2015 | Jun 30, 2015 | Mar 31, 2015 | Dec 31, 2014 | Sep 30, 2014 | Jun 30, 2014 | Mar 31, 2014 | Dec 31, 2013 |
| Revenue | | | | | | | | |
| Interest and fees earned | \$ 4,877,485 | \$ 4,208,446 | \$ 3,960,412 | \$ 3,458,498 | \$ 3,206,862 | \$ 2,841,816 | \$ 2,620,540 | \$ 2,964,227 |
| Rental income | 47,362 | 47,362 | 47,348 | 47,319 | 47,520 | 47,319 | 115,437 | 115,419 |
| | 4,924,847 | 4,255,808 | 4,007,760 | 3,505,817 | 3,254,382 | 2,889,135 | 2,735,977 | 3,079,646 |
| Expenses | | | | | | | | |
| Property operating expenses | 15,268 | 15,268 | 15,254 | 15,225 | 15,225 | 15,225 | 42,076 | 35,441 |
| General and administrative expenses | 555,709 | 568,831 | 798,024 | 694,218 | 417,792 | 529,678 | 354,517 | 382,940 |
| Share based compensation | 345,605 | 724,689 | 391,039 | 256,463 | 116,044 | 423,994 | 12,608 | (2,649) |
| Interest and financing costs | 1,375,561 | 1,436,038 | 1,503,032 | 1,603,801 | 1,520,434 | 1,451,536 | 1,478,919 | 1,585,753 |
| Gain on conversion of interest in joint operation | - | - | - | - | - | (487,000) | - | - |
| Fair value adjustment - investment properties | - | - | - | (147,950) | - | - | - | 78,287 |
| Fair value adjustment - portfolio investment | - | - | - | (66,755) | - | - | - | - |
| | 2,292,143 | 2,744,826 | 2,707,349 | 2,355,002 | 2,069,495 | 1,933,433 | 1,888,120 | 2,079,772 |
| Income before income taxes | 2,632,704 | 1,510,982 | 1,300,411 | 1,150,815 | 1,184,887 | 955,702 | 847,857 | 999,874 |
| Income tax provision | 768,797 | 194,304 | 354,973 | 231,068 | 270,243 | 321,563 | 229,648 | 251,848 |
| Income from continuing operations | 1,863,907 | 1,316,678 | 945,438 | 919,747 | 914,644 | 634,139 | 618,209 | 748,026 |
| Income from discontinued operations | - | - | - | - | - | 151,644 | - | - |
| Net income and comprehensive income | 1,863,907 | 1,316,678 | 945,438 | 919,747 | 914,644 | 785,783 | 618,209 | 748,026 |
| Net income and comprehensive income attributable to: | | | | | | | | |
| Common shareholders | 1,863,907 | 1,316,678 | 945,438 | 909,092 | 914,644 | 785,783 | 618,209 | 748,026 |
| Non-controlling interest | - | - | - | 10,655 | - | - | - | - |
| | \$ 1,863,907 | \$ 1,316,678 | \$ 945,438 | \$ 919,747 | \$ 914,644 | \$ 785,783 | \$ 618,209 | \$ 748,026 |
| Diluted net income attributable to common shareholders | 2,025,939 | 1,476,504 | 1,103,083 | 1,069,116 | 1,051,345 | 922,177 | 752,996 | 913,243 |
| Weighted average number of shares outstanding | | | | | | | | |
| - basic | 59,996,822 | 52,930,801 | 41,582,300 | 39,444,563 | 30,995,000 | 30,864,780 | 30,845,000 | 30,842,849 |
| - diluted | 76,212,488 | 69,929,304 | 57,724,943 | 55,670,610 | 46,758,152 | 45,991,447 | 45,775,469 | 45,517,897 |
| Earnings per share | | | | | | | | |
| Basic | \$ 0.03 | \$ 0.03 | \$ 0.02 | \$ 0.02 | \$ 0.03 | \$ 0.03 | \$ 0.02 | \$ 0.03 |
| Diluted | \$ 0.03 | \$ 0.02 | \$ 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.

Dated: November 5, 2015
 Toronto, Ontario, Canada