TERRA FIRMA

Terra Firma Capital Corporation Reports Fourth Quarter & Full Year 2017 Financial Results

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All amounts are stated in Canadian dollars

TORONTO, March 28, 2018 -- Terra Firma Capital Corporation (TSX-V:TII) ("**Terra Firma**" or the "**Company**"), a real estate finance company, today announced its financial results for the three and twelve month periods ended December 31, 2017.

Q4 2017 Highlights:

- Loan and mortgage investments at December 31, 2017 is $119.0 million, an increase of $23.0 million or 24% from September 30, 2017.
- Revenues decreased by $400,000 to $3.0 million, compared to $3.4 million during the three months ended last year.
- Net income and comprehensive income attributable to common shareholders for the three months ended December 31, 2017 is $900,000, an increase of $600,000, compared to $300,000 for the same period last year. Adjusted net income (a non-IFRS financial measure, see "Non-IFRS Financial Measures" below) for the quarter ended December 31, 2017 amounted to $748,000 ($0.01 on a basic and diluted per share basis) before recognizing a foreign exchange gain, an increase of $759,000, compared to adjusted net loss of $11,000 ($0.00 on a basic and diluted per share basis) for the quarter ended December 31, 2016.
- On December 28, 2017, the Company recorded a gain on conversion of interest in joint operations of a development project in the GTA of $2.4 million.
- During the quarter ended December 31, 2017, the Company has provided a specific impairment loss provision of $931,000 and an allowance for receivables of $1.6 million, relating to certain loan and mortgage investments that are in arrears.

FY 2017 Highlights:

- Loan and mortgage investments at December 31, 2017 amounted to $119.0 million, representing an increase of $24.7 million or 26.2% when compared to December 31, 2016.
- Revenues decreased by $200,000 to $14.7 million, compared to $14.9 million last year.
- Net income and comprehensive income attributable to common shareholders increased by 7.1% to $1.5 million, compared to $1.4 million last year. Basic and diluted earnings per share for the year is $0.02, same as last year. Adjusted net income (a non-IFRS financial measure) for the year ended December 31, 2017 amounted to $2.3 million ($0.04 on a basic and diluted per share basis), before recognizing foreign exchange, an increase of $293,000 compared to adjusted net income of $2.0 million ($0.03 on a basic and diluted per share basis) for the year ended December 31, 2016.
- On August 15, 2017, the Company amended the revolving operating facility credit agreement, primarily to increase the credit limit to $20 million and has, subsequently, extended the maturity date to September 30, 2018.
- In August 2017, the Company completed a non-brokered private placement offering consisting of 5,000,000 units (the "Units") at a purchase price of $0.65 per Unit to GG North America Investments Limited Partnership, a member of the Great Gulf Group of companies ("Great Gulf"), for gross proceeds of $3,250,000. In addition to raising additional capital for the Company the private placement also created a strategic relationship with Great Gulf and it affiliated companies. In connection with the closing of the private placement, Jerry Patava, Great Gulf's Chief Executive Officer, was appointed to Terra Firma's board of directors.

"During the course of 2017, we successfully repositioned our loan book and balance sheet to be stronger and more secure. We now move into 2018 having repaid our convertible debentures, increased our revolving credit facility and substantially clarified a resolution on each of our defaulted loans and a related equity position," commented Glenn Watchorn, President and Chief Executive Officer of Terra Firma Capita Corporation.

"During the year, Terra Firma funded $112 million while $84 million worth of loans were repaid. The fundings show the strength of our pipeline of loan originations, and the loan payoffs are testimony to our conservative underwriting practices. We are very optimistic moving into 2018 as our commitments expected from current closings and letters of intent amount to approximately $45 million, all of which are expected to close before the end of the second quarter. With the addition of our unfunded commitments for a further $47 million, we expect strong asset growth this year," he further said.

Results of operations

Revenue for the three months ended December 31, 2017 totaled $3.0 million, compared to revenue for the three months ended December 31, 2016 of $3.4 million, representing a decrease of $0.4 million on a year-over-year basis. Revenue for the year ended December 31, 2017 totaled $14.7 million, compared to revenue for the year ended December 31, 2016 of $14.9 million, representing a decrease of $0.2 million on a year-over-year basis.

Interest and fee income for the three months ended December 31, 2017 aggregated $3.0 million, a decrease of $0.4 million compared to the $3.4 million in the same period in the previous year. Interest and fee income for the year ended December 31, 2017 aggregated $14.5 million compared to interest and fee income for the year ended December 31, 2016 of $14.7 million, representing a decrease of $0.2 million over last year.

Interest and financing expense for the three months ended December 31, 2017 and 2016 were $1.9 million and $2.0 million, respectively. Interest expense for the year ended December 31, 2017 was $8.6 million, compared to $7.8 million for the year ended December 31, 2016.

On December 28, 2017, the Company converted its interest in joint operations in a development project into a limited partnership interest and entered into an agreement that was structured to provide greater security and liquidity. The Company recognized a gain on conversion of $2.4 million. During the quarter ended December 31, 2017, the Company has provided a specific impairment loss provision of $931,000 and an allowance for receivables of $1.6 million, relating to certain loan and mortgage investments that are in arrears.

Net income and comprehensive income attributable to common shareholders for the three months ended December 31, 2017 was $889,000 or $0.01 per basic and diluted share compared to $252,000 or $0.00 per basic and diluted share for the same period last year. Net income and comprehensive income attributable to common shareholders for the year ended December 31, 2017 was $1.5 million or $0.02 per basic and diluted share compared to $1.4 million or $0.02 per basic share and diluted share for the year ended December 31, 2016.

General and administrative expenses for the year ended December 31, 2017 was $3.3 million compared to $3.0 million for the year ended December 31, 2016.

The principal balance of the Company's loan and mortgage investments increased from $94.3 million at December 31, 2016 to $119.0 million at December 31, 2017, an increase of 26.2%, primarily due to funding of loan and mortgage investments of $111.8 million, which was partially offset by repayments of $87.9 million. The weighted average effective interest rate of the mortgage investment portfolio at December 31, 2017 was 14.1% compared to 15.3% at December 31, 2016.

The principal balance of the Company's loan and mortgage syndications increased from $56.2 million at December 31, 2016 to $63.3 million at December 31, 2017, an increase of $7.1 million or 12.6%. The weighted average effective interest rate of the loan and mortgage syndications at December 31, 2017 was 10.2% compared to 10.8% at December 31, 2016.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the three and twelve month periods ended December 31, 2017 have been filed and are available on SEDAR (www.sedar.com).

About Terra Firma

Terra Firma is a full service, publicly traded real estate finance company that provides real estate financings secured by investment properties and real estate developments in Canada and throughout the United States. The Company focuses on arranging and providing financing with flexible terms to real estate developers and owners who require shorter-term loans to bridge a transitional period of one to five years where they require capital at various stages of development or redevelopment of a property. These loans are typically repaid with lower cost, longer-term debt obtained from other Canadian financial institutions once the applicable transitional period is over or the redevelopment is complete, or from proceeds generated from the sale of the real estate assets. Terra Firma offers a full spectrum of real estate financing under the guidance of strict corporate governance, clarity and transparency. For further information please visit Terra Firma's website at www.tfcc.ca.

Non-IFRS Financial Measures

This press release refers to certain financial measures, such as adjusted net income and adjusted earnings per share, which are not measures defined under International Financial Reporting Standards ("**IFRS**") as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss or other measures of financial performance calculated in accordance with IFRS. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies. These measures have been derived from the Company's financial statements and disclosed herein because the Company believes they are of assistance in the understanding of the operational and financial performance of the Company.

Adjusted net income

Adjusted net income is calculated as net income excluding net foreign exchange gain or loss, net of tax. Adjusted earnings per share, basic or diluted, is calculated as adjusted net income divided by the weighted average number of common shares, basic or diluted. The Company uses adjusted net income and adjusted earnings per share to measure its performance from one period to the next, without the variation caused by the impact net foreign exchange gain or loss. The Company excludes this item because it affects the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Excluding this item does not imply it is necessarily non-recurring.

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

Forward-Looking Information

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

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Terra Firma Capital Corporation
Consolidated Statements of Income and Comprehensive Income
For the three months and years ended December 31, 2017 and 2016
(Unaudited)

	Three months ended		Years ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenue				
Interest and fees	$ 2,990,889	$ 3,384,576	$ 14,528,778	$ 14,701,947
Rental	50,443	50,445	201,775	199,711
	3,041,332	3,435,021	14,730,553	14,901,658
Expenses				
Property operating costs	17,157	17,307	68,802	71,892
General and administrative	1,067,353	854,683	3,328,175	3,027,678
Share based compensation	(103,952)	430,360	456,749	819,714
Interest and financing costs	1,927,763	1,957,033	8,570,815	7,774,172
Provision for loan and mortgage investment loss	931,478	310,493	931,478	423,219

Provision for uncollectible receivable	1,591,883	-	1,591,883	-
Gain on conversion of interest in joint operation	(2,402,996)	-	(2,402,996)	-
Realized and unrealized foreign exchange loss (gain)	(191,422)	(357,375)	1,097,925	858,660
Fair value adjustment - investment property	-	(61,950)	-	(61,950)
Fair value adjustment - portfolio investments	(412,616)	(72,529)	(412,616)	(72,529)
Share of income from investment in associates	(612,428)	-	(612,428)	-
	1,812,220	3,078,022	12,617,787	12,840,856
Income from operations before income taxes	1,229,112	356,999	2,112,766	2,060,802
Income taxes	340,141	104,856	588,961	653,907
Net income and comprehensive income	$ 888,971	$ 252,143	$ 1,523,805	$ 1,406,895
Earnings per share				
Basic	$ 0.01	$ 0.00	$ 0.02	$ 0.02
Diluted	0.01	0.00	0.02	0.02

Terra Firma Capital Corporation
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016

	December 31, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 2,691,049	$ 12,315,242
Funds held in trust	3,014,606	982,353
Deposits	-	3,256,074
Amounts receivable and prepaid expenses	1,463,310	4,865,280
Loan and mortgage investments	117,166,221	93,408,444
Investment property held in joint operations	2,208,694	2,208,694
Land under development held in joint operations	-	23,808,574
Portfolio investments	13,575,623	3,212,084
Investment in associates	2,927,842	2,315,414
Income taxes recoverable	300,667	-
Deferred income tax asset	126,283	328,324
Total assets	$ 143,474,295	$ 146,700,483
Liabilities		
Accounts payable and accrued liabilities	$ 6,236,233	$ 10,647,966
Unearned income	1,505,576	329,340
Income taxes payable	-	22,942
Revolving operating facility	18,965,205	7,467,586
Loan and mortgage syndications	63,299,522	56,180,448
Due to joint operations partner	-	11,163,640
Mortgages payable	1,469,844	1,509,503
Convertible debentures	-	10,754,259
Total liabilities	91,476,380	98,075,684

Equity

Share capital	$	32,864,287	$	31,789,819
Equity component of convertible debentures		-		284,490
Contributed surplus		3,573,406		2,514,073
Retained earnings		15,305,581		13,781,776
Shareholders' equity		51,743,274		48,370,158
Non-controlling interest		254,641		254,641
Total equity		51,997,915		48,624,799
Total liabilities and equity	$	143,474,295	$	146,700,483