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

TERRA FIRMA CAPITAL CORPORATION

Three months ended March 31, 2020 and 2019
(Unaudited)

TERRA FIRMA CAPITAL CORPORATION

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

	March 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 6,270,376	$ 1,931,451
Funds held in trust	1,784,150	1,805,229
Amounts receivable and prepaid expenses (note 4)	996,785	1,520,698
Loan and mortgage investments (note 5)	97,294,318	116,212,642
Investment in finance leases (note 6)	24,560,760	17,959,374
Portfolio investments (note 7)	1,949,565	2,042,937
Investment in associates (note 8)	3,100,969	3,097,947
Investment property held in joint operations (note 9(b))	1,570,683	1,700,303
Convertible note receivable (note 10)	769,327	800,531
Right-of-use asset (note 14)	789,944	912,436
Income taxes recoverable	–	247,719
	$ 139,086,877	$ 148,231,267
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities (note 11)	$ 4,698,293	$ 5,344,792
Unearned income	487,781	692,264
Income taxes payable (note 21)	853,083	–
Deferred income taxes payable (note 21)	655,046	450,017
Unsecured note payable (note 12)	3,000,000	3,000,000
Credit facilities (note 13)	10,241,730	8,878,839
Lease obligations (note 14)	794,635	913,129
Loan and mortgage syndications (note 5)	78,055,014	88,249,414
Mortgages payable (note 9(c))	978,395	1,067,440
	99,763,977	108,595,895
Shareholders' equity:		
Share capital (note 16(b))	25,283,343	25,283,343
Contributed surplus (note 17)	3,453,952	3,440,695
Foreign currency translation reserve	(6,885,398)	(6,885,398)
Retained earnings	17,471,003	17,796,732
Shareholders' equity	39,322,900	39,635,372
Commitments and contingencies (note 15)		
Subsequent event (note 26)		
	$ 139,086,877	$ 148,231,267

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

Approved by the Board on May 13, 2020 and signed on its behalf by:

"Seymour Temkin" Director

"Dov Meyer" Director

TERRA FIRMA CAPITAL CORPORATION

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

	Three months ended March 31, 2020	Three months ended March 31, 2019
Revenue:		
Interest and fees	$ 3,356,405	$ 3,784,016
Finance income (note 6)	631,207	84,473
Rental (note 9(a))	37,526	37,950
	4,025,138	3,906,439
Expenses (income):		
Property operating costs (note 9(a))	13,425	13,053
General and administrative	739,059	781,238
Share-based compensation (recovery) (note 16(e))	(209,554)	327,832
Interest and financing costs (note 20)	2,278,430	2,306,753
Allowance for loan and mortgage investment loss (note 5)	105,737	–
Realized and unrealized foreign exchange loss	795,890	56,534
Share of income from investment in associates (note 8(b))	(45,461)	–
	3,677,526	3,485,410
Income from operations before income taxes	347,612	421,029
Income tax expense (note 21)	473,923	123,863
Net income (loss) and comprehensive income (loss)	$ (126,311)	$ 297,166
Earnings (loss) per share (note 18):		
Basic	$ (0.02)	$ 0.05
Diluted	(0.02)	0.05

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

TERRA FIRMA CAPITAL CORPORATION

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

Three months ended March 31, 2020 and 2019
(Unaudited)

	Share capital		Foreign currency translation reserve	Contributed surplus	Retained earnings	Total shareholders' equity
	Number of shares	Amount				
	(note 16(a) and (b))			(note 17)		
Balance, December 31, 2018 (as restated - note 2(b))	5,863,584	$ 26,533,950	$ (6,885,398)	$ 3,264,388	$ 15,140,086	$ 38,053,026
Changes during the period:						
Repurchase of shares pursuant to normal course issuer bid	(73,800)	(295,302)	–	–	–	(295,302)
Share-based compensation	–	–	–	57,475	–	57,475
Net income and comprehensive income	–	–	–	–	297,166	297,166
Balance, March 31, 2019	5,789,784	26,238,648	(6,885,398)	3,321,863	15,437,252	38,112,365
Changes during the period:						
Repurchase of shares pursuant to normal course issuer bid	(224,750)	(955,305)	–	–	–	(955,305)
Share-based compensation	–	–	–	118,832	–	118,832
Dividends on common shares	–	–	–	–	(421,111)	(421,111)
Common share consolidation	(66)	–	–	–	–	–
Net income and comprehensive income	–	–	–	–	2,780,591	2,780,591
Balance, December 31, 2019	5,564,968	25,283,343	(6,885,398)	3,440,695	17,796,732	39,635,372
Changes during the period:						
Share-based compensation	–	–	–	13,257	–	13,257
Dividends on common shares (note 16(d))	–	–	–	–	(199,418)	(199,418)
Net loss and comprehensive loss	–	–	–	–	(126,311)	(126,311)
Balance, March 31, 2020	5,564,968	$ 25,283,343	$ (6,885,398)	$ 3,453,952	$ 17,471,003	$ 39,322,900

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

TERRA FIRMA CAPITAL CORPORATION

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

	Three months ended March 31, 2020	March 31, 2019
Cash provided by (used in):		
Operating activities:		
Net income (loss) and comprehensive income (loss)	$ (126,311)	$ 297,166
Interest and fees earned	(3,356,405)	(3,784,016)
Finance income earned	(631,207)	(84,473)
Interest expense and financing costs	2,278,430	2,306,753
Unrealized foreign exchange loss	725,485	56,534
Income from investments in associates	(45,461)	–
Non-cash items:		
Share-based compensation (recovery) (note 16(e))	(209,554)	327,832
Amortization of right-of-use asset	59,021	42,343
Allowance for loan and mortgage investment loss	105,737	–
Income tax provision	473,923	123,863
Changes in working capital:		
Decrease (increase) in other receivables	15,448	(65,929)
Decrease (increase) in prepaid expenses and deposits	(2,835)	17,448
Increase in accounts payable and accrued liabilities	303,112	569,580
Interest and fees received	3,554,613	1,793,164
Distributions from investment in associates	8,751	–
Interest paid	(1,906,894)	(1,801,650)
Income taxes refunded (paid)	831,908	(255,799)
Cash provided by (used in) operating activities	2,077,761	(457,184)
Financing activities:		
Proceeds from loan and mortgage syndications	136,096	4,094,378
Repayments of loan and mortgage syndications	(10,112,736)	(1,514,636)
Repayments of mortgages payable	(8,555)	(8,395)
Payments on lease obligations	(51,138)	(42,280)
Proceeds from credit facilities	6,270,423	1,062,128
Repayment of credit facilities	(4,784,335)	(1,536,754)
Dividends paid	(212,614)	–
Repurchase of shares pursuant to normal course issuer bid	–	(295,302)
Cash provided by (used in) financing activities	(8,762,859)	1,759,139
Investing activities:		
Funding of loan and mortgage investments	(24,692)	(2,968,861)
Repayments of loan and mortgage investments	17,951,699	5,388,171
Funding of investment in finance leases	(11,065,914)	(472,181)
Proceeds from sale of finance leases	4,370,191	–
Funding of investment in convertible note receivable	–	(752,349)
Funding of portfolio investment	(59,243)	–
Funding of associates investment	(136,647)	–
Increase in funds held in trust	(11,371)	(165,536)
Proceeds from sale of interest in portfolio investment	–	16,500
Cash provided by investing activities	11,024,023	1,045,744
Increase in cash and cash equivalents	4,338,925	2,347,699
Cash and cash equivalents, beginning of period	1,931,451	7,731,379
Cash and cash equivalents, end of period	$ 6,270,376	$ 10,079,078

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

1. Reporting entity:

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

The principal business of the Company is to provide real estate financings secured by investment properties and real estate developments throughout Canada and the U.S.. These financings are made to real estate developers and owners who require shorter-term loans to bridge a transitional period of one to five years where they require capital at various stages of development or redevelopment properties, for such development or redevelopment, properties repairs or the purchase of investment properties.

Effective September 20, 2019, the Company completed a share consolidation of its share capital on the basis of one post-consolidation Share for each ten pre-consolidation Shares. As a result of the share consolidation, the Company's 55,650,336 Shares issued and outstanding were consolidated to 5,565,033 Shares. The number of shares, warrants, options, deferred share units (the "DSUs") and earnings per share data presented in these unaudited interim condensed consolidated financial statements have all been adjusted retroactively to reflect the impact of this share consolidation.

2. Basis of presentation:

(a) Statement of compliance:

The unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020 (the "Financial Statements") of the Company have been prepared by management in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The preparation of the Financial Statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as well as Interpretation of International Financial Reporting Interpretations Committee. The Financial Statements do not contain all disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the notes to the Company's audited consolidated financial statements as at and for the year ended December 31, 2019 (the "2019 Annual Financial Statements").

2. Basis of presentation (continued):

(b) Functional and presentation currency:

The Financial Statements are presented in U.S. dollars ("USD"), which is also the Company's functional currency.

Prior to January 1, 2019, the functional and presentation currency of the Company, was the Canadian dollar ("CAD"). The exchange rates used in translation as at December 31, 2018 was $0.7332, and average rate for the year ended December 31, 2018 was $0.7716.

3. Significant accounting policies:

The Financial Statements have been prepared using the same accounting policies and methods as were used for the Company's 2019 Annual Financial Statements, except as noted below:

Changes in accounting policies:

Amendments to References to the Conceptual Framework in IFRS Standards:

On March 29, 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the "Framework"), that underpins IFRS standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to update references in IFRS standards to previous versions of the Framework. Both documents are effective from January 1, 2020 with earlier application permitted.

The Company has adopted the amendments in its financial statements for the period beginning January 1, 2020. The implementation of the amendments did not have a material impact on the Company's Financial Statements.

Definition of Material (Amendments to IAS 1 and IAS 8):

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8. The amendments are effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

(In U.S. dollars)

3. Significant accounting policies (continued):

The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place.

Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company has adopted the amendments to IAS 1 and IAS 8 in its financial statements for the period beginning January 1, 2020. The implementation of the amendments did not have a material impact on the Company's Financial Statements.

4. Amounts receivable and prepaid expenses:

The following table presents details of the amounts receivable, allowance for credit loss (the "ACL") and prepaid expenses as at March 31, 2020:

	Gross carrying amount	ACL	Net carrying amount
Interest receivable	$ 263,161	$ –	$ 263,161
Other receivables	871,594	(187,233)	684,361
Prepaid expenses and deposits	49,263	–	49,263
Amounts receivable and prepaid expenses	$ 1,184,018	$ (187,233)	$ 996,785

(In U.S. dollars)

4. Amounts receivable and prepaid expenses (continued):

The changes in the ACL on amounts receivable during the three months ended March 31, 2020 were as follows:

	Balance at December 31, 2019	Provision for credit losses/ recovery	Net write offs	Foreign exchange	Balance at March 31, 2020
Other receivables	$ 202,684	$ –	$ –	$ (15,451)	$ 187,233

The following table presents details of the amounts receivable, ACL and prepaid expenses as at December 31, 2019:

	Gross carrying amount	ACL	Net carrying amount
Interest receivable	$ 608,049	$ –	$ 608,049
Other receivables	1,064,556	(202,684)	861,872
Prepaid expenses and deposits	50,777	–	50,777
Amounts receivable and prepaid expenses	$ 1,723,382	$ (202,684)	$ 1,520,698

As at March 31, 2020 and December 31, 2019, other receivables relating to legal fees incurred on the collection of loan investments in default to entities controlled by a Canadian borrower are $346,330 and $374,911, respectively.

Interest and other receivable balance at March 31, 2020 and December 31, 2019 include non-current balance of $12,790 and $28,552, respectively. The current interest and other receivables are due in the next 12 months in accordance with contract terms.

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

As at March 31, 2020 and December 31, 2019, the Company had principal balances of loan and mortgage investments of $98,007,995 and $116,820,582, respectively. The loan and mortgage investments carry a weighted average effective interest rate of 13.1% (December 31, 2019 - 13.2%) and a weighted average term to maturity of 1.41 years (December 31, 2019 - 1.37 years).

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

Since the loan and mortgage investments are initially advanced by the Company and syndicated at a later date, the Company accounts for loan and mortgage investments on a gross basis. The principal balances of loan and mortgage syndications included in the loan and mortgage loan investments at March 31, 2020 and December 31, 2019 were $78,055,014 and $88,249,414, respectively. The loan and mortgage syndications carry a weighted average effective interest rate of 9.6% (December 31, 2019 - 9.6%) and a weighted average term to maturity of 1.43 years (December 31, 2019 - 1.46 years).

At March 31, 2020, the Company has a loan and mortgage investment totaling $11,757,000 (December 31, 2019 - $11,757,000) with a participation arrangement with a priority syndicate investor, whereby the priority syndicate investor holds a senior position for $7,000,000 (December 31, 2019 - $7,000,000) and the remainder of the investment is in a subordinated position of $4,757,000 (December 31, 2019 - $4,757,000). The Company syndicated its position on a pari-passu basis with certain syndicate investors for $4,350,000 (December 31, 2019 - $4,350,000), and retains a residual portion of $407,000 (December 31, 2019 - $407,000).

(In U.S. dollars)

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

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

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Performing loans:						
Residential housing developments	$ 32,656,585	$ (103,490)	$ 32,553,095	$ 19,970,474	$ 12,582,621	65.5
Land and lot inventory	58,652,946	(322,079)	58,330,867	54,034,540	4,296,327	22.3
	91,309,531	(425,569)	90,883,962	74,005,014	16,878,948	87.8
Impaired loans:						
Residential housing developments	1,943,464	(226,108)	1,717,356	–	1,717,356	8.9
Commercial retail developments	4,755,000	(62,000)	4,693,000	4,050,000	643,000	3.3
	$ 98,007,995	$ (713,677)	$ 97,294,318	$ 78,055,014	$ 19,239,304	100.0

The following table presents details of the loan and mortgage investments and loan and mortgage syndications as at December 31, 2019:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Performing loans:						
Residential housing developments	$ 37,965,218	$ (117,776)	$ 37,847,442	$ 21,238,552	$ 16,608,890	59.4
Land and lot inventory	71,996,517	(259,435)	71,737,082	62,960,862	8,776,220	31.4
Commercial retail development	4,755,000	(4,621)	4,750,379	4,050,000	700,379	2.5
	114,716,735	(381,832)	114,334,903	88,249,414	26,085,489	93.3
Impaired loans:						
Residential housing developments	2,103,847	(226,108)	1,877,739	–	1,877,739	6.7
	$ 116,820,582	$ (607,940)	$ 116,212,642	$ 88,249,414	$ 27,963,228	100.0

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

As at March 31, 2020, there are loan and mortgage investments to three separate projects in the U.S., before syndication, that account for 23.1%, 16.4% and 12.0% of the principal balance of loan and mortgage investments. For the three months ended March 31, 2020, the Company has loan and mortgage investments in two separate projects in the U.S, before syndication, that account for 19.9% and 14.6% of the Company's interest and fees revenue. For the three months ended March 31, 2019, there are loan and mortgage investments to three separate projects in the U.S., before syndication, that account for 13.7%, 12.4% and 11.6% of the Company's interest and fees revenue. As at December 31, 2019, there are loan and mortgage investments to three separate projects in the U.S., before syndication, that account for 19.1%, 13.9% and 10.1% of the principal balance of loan and mortgage investments.

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

During the three months ended March 31, 2020 and 2019, the Company capitalized interest income of $1,211,446 and $1,296,529, respectively, which is included in the loan and mortgage investments.

Pursuant to certain lending agreements, the Company is committed to fund additional loan advances, subject to borrowers meeting certain funding conditions. The unfunded loan commitments under the existing loan and mortgage investments at March 31, 2020 were $19,008,755, including $683,372 of capitalization of future interest relating to existing loan and mortgage investments (December 31, 2019 - 34,355,724, including $651,602 of capitalization of future interest relating to existing loan and mortgage investments). As at March 31, 2020, the unfunded commitments relating to loan and mortgage investments in two separate projects in the U.S., before syndication, that account for 17.4% and 66.1% of the total unfunded commitments. As at December 31, 2019, the unfunded commitments relating to loan and mortgage investments in two separate projects in the U.S., before syndication, that account for 39.3% and 36.6% of the total unfunded commitments.

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

(In U.S. dollars)

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

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

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
1st mortgage loans	$ 84,152,620	$ (387,602)	$ 83,765,018	$ 69,734,535	$ 14,030,483	73.0
2nd mortgage loans	11,480,571	(77,055)	11,403,516	8,320,479	3,083,037	16.0
Unregistered loans	2,374,804	(249,020)	2,125,784	–	2,125,784	11.0
	$ 98,007,995	$ (713,677)	$ 97,294,318	$ 78,055,014	$ 19,239,304	100.0

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

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Canada	$ 13,424,035	$ (303,163)	$ 13,120,872	$ 8,320,474	$ 4,800,398	25.0
U.S.	84,583,960	(410,514)	84,173,446	69,734,540	14,438,906	75.0
	$ 98,007,995	$ (713,677)	$ 97,294,318	$ 78,055,014	$ 19,239,304	100.0

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by risk as at December 31, 2019:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
1st mortgage loans	$ 102,493,573	$ (325,450)	$ 102,168,123	$ 79,285,569	$ 22,882,554	81.8
2nd mortgage loans	12,083,100	(56,382)	12,026,718	8,963,845	3,062,873	11.0
Unregistered loans	2,243,909	(226,108)	2,017,801	–	2,017,801	7.2
	$ 116,820,582	$ (607,940)	$ 116,212,642	$ 88,249,414	$ 27,963,228	100.0

(In U.S. dollars)

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

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by geography as at December 31, 2019:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Canada	$ 14,186,947	$ (282,490)	$ 13,904,457	$ 8,963,845	$ 4,940,612	17.7
U.S.	102,633,635	(325,450)	102,308,185	79,285,569	23,022,616	82.3
	$ 116,820,582	$ (607,940)	$ 116,212,642	$ 88,249,414	$ 27,963,228	100.0

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

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 32,656,585	$ –	$ 1,943,464	$ 34,600,049
Land and lot inventory	58,652,946	–	–	58,652,946
Commercial retail development	–	–	4,755,000	4,755,000
	$ 91,309,531	$ –	$ 6,698,464	$ 98,007,995

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

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 12,686,111	$ –	$ 1,943,464	$ 14,629,575
Land and lot inventory	4,618,406	–	–	4,618,406
Commercial retail development	–	–	705,000	705,000
	$ 17,304,517	$ –	$ 2,648,464	$ 19,952,981

(In U.S. dollars)

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

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments by staging as at December 31, 2019:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 37,965,218	$ –	$ 2,103,847	$ 40,069,065
Land and lot inventory	71,996,517	–	–	71,996,517
Commercial retail development	4,755,000	–	–	4,755,000
	$ 114,716,735	$ –	$ 2,103,847	$ 116,820,582

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

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 11,480,571	$ –	$ 1,943,464	$ 13,424,035
U.S.	79,828,960	–	4,755,000	84,583,960
	$ 91,309,531	$ –	$ 6,698,464	$ 98,007,995

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

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 3,160,097	$ –	$ 1,943,464	$ 5,103,561
U.S.	14,144,420	–	705,000	14,849,420
	$ 17,304,517	$ –	$ 2,648,464	$ 19,952,981

(In U.S. dollars)

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

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments by staging, segmented by geography, as at December 31, 2019:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 12,083,100	$ –	$ 2,103,847	$ 14,186,947
U.S.	102,633,635	–	–	102,633,635
	$ 114,716,735	$ –	$ 2,103,847	$ 116,820,582

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

	Scheduled principal payments	Investments maturing during the year	Total loan and mortgage investments
2020, remainder of year	$ –	$ 31,370,201	$ 31,370,201
2021	–	29,749,242	29,749,242
2022	–	34,457,212	34,457,212
2023	–	2,431,340	2,431,340
	$ –	$ 98,007,995	$ 98,007,995

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

	Scheduled principal payments	Loans maturing during the year	Total loan and mortgage syndications
2020, remainder of year	$ –	$ 23,577,757	$ 23,577,757
2021	–	23,559,597	23,559,597
2022	–	29,217,660	29,217,660
2023	–	1,700,000	1,700,000
	$ –	$ 78,055,014	$ 78,055,014

(In U.S. dollars)

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

Allowance for loan and mortgage investments loss:

At March 31, 2020, two project loan investments totaling $7,092,764 (December 31, 2019 - one project loan investment totaling $2,478,759), including interest receivable on these loan and mortgage investments and fees incurred relating to collection of these loan and mortgage investments totaling $394,300 (December 31, 2019 - $374,911), are in arrears. As at March 31, 2020 and December 31, 2019, based on the most recent valuations of the underlying assets and management's estimates, the Company carries an ACL balance totaling of $288,108 and $226,108, respectively, against the loan investments and $187,233 and $202,684, respectively against other receivables, relating to these loan and mortgage investments.

The changes in the ACL on loan and mortgage investments during the three months ended March 31, 2020 were as follows:

	IFRS 9				
	Balance at January 1, 2020	Provision for credit losses	Net write offs	Other adjustments	Balance at March 31, 2020
Residential housing developments	$ 343,884	$ (14,286)	$ –	$ –	$ 329,598
Land and lot inventory	259,435	62,644	–	–	322,079
Commercial retail development	4,621	57,379	–	–	62,000
	$ 607,940	$ 105,737	$ –	$ –	$ 713,677

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

	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	$ 381,832	$ –	$ 226,108	$ 607,940
Provision for credit losses:	48,358	–	57,379	105,737
Remeasurement				
Transfer to (from):				
Stage 1	(4,621)	–	4,621	–
Stage 2	–	–	–	–
Stage 3	–	–	–	–
Balance, end of period	$ 425,569	$ –	$ 288,108	$ 713,677

(In U.S. dollars)

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

The following table presents details of the Company's ACL on loan and mortgage investments as at March 31, 2020:

	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 103,490	$ –	$ 226,108	$ 329,598
Land and lot inventory	322,079	–	–	322,079
Commercial retail development	–	–	62,000	62,000
	$ 425,569	$ –	$ 288,108	$ 713,677

The following table presents the Company's ACL on loan and mortgage investments segmented by geography as at March 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 77,055	$ –	$ 226,108	$ 303,163
U.S.	348,514	–	62,000	410,514
	$ 425,569	$ –	$ 288,108	$ 713,677

6. Investment in finance leases:

The Company is a party to fixed term contractual arrangements with builders whereby the Company acquires land for residential housing development from a third party and provides builders with the exclusive right to use and develop the land. The Company is also a party to a fixed price contract with builders to complete all required development of the land based upon a fixed construction budget. The Company is committed to making additional investments for development of the land, subject to builders meeting certain funding conditions. Under this arrangement, builders have the option to acquire the developed land in the form of divided lots, at a pre-determined price and in accordance with the scheduled closing dates to build residential units. Builders provide the Company with a non-refundable deposit at each time of the closing of each acquisition. The builders' deposits are applied on a lot-by-lot basis, on acquisition of the lots by the builders.

(In U.S. dollars)

6. Investment in finance leases (continued):

At March 31, 2020, the Company had five such arrangements with builders (December 31, 2019 - four). The Company determined that the arrangements contain a lease and that all the risks or rewards of ownership of the asset have been transferred to the builders and accounts for these arrangements as finance leases.

The investment in finance leases is the aggregate of gross lease payments and unearned finance income discounted at the interest rate implicit in the leases. The weighted average rate implicit in the leases is 13.2% per annum. The unearned finance income at March 31, 2020 was $94,373 (December 31, 2019 - $96,454).

The finance income recognized from finance leases for the three months ended March 31, 2020 and 2019 of $631,207 and $84,473, respectively, is included in the finance income in the interim condensed consolidated statements of income (loss) and comprehensive income (loss).

The following table summarizes the changes in the investment in finance leases for the three months ended March 31, 2020 and 2019:

Balance, December 31, 2018	$ 2,819,915
Investment made	472,181
Lease payments received	(82,904)
Finance income recognized	84,473
Balance, March 31, 2019	3,293,665
Investment made	23,046,081
Investments sold	(8,282,149)
Lease payments received	(1,511,044)
Finance income recognized	1,412,821
Balance, December 31, 2019	17,959,374
Investment made	11,065,914
Investments sold	(4,370,191)
Lease payments received	(725,544)
Finance income recognized	631,207
Balance, March 31, 2020	$ 24,560,760

(In U.S. dollars)

6. Investment in finance leases (continued):

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

	Future minimum lease receipts	Finance income	Present value of minimum lease receipts
Less than one year	$ 2,055,450	$ 3,093,880	$ (1,038,430)
Greater than one year but less than 5 years	29,464,751	3,865,561	25,599,190
	$ 31,520,201	$ 6,959,441	$ 24,560,760

7. Portfolio investments:

The following table presents details of the portfolio investments as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Investment in the LanQueen Partnership	$ 1,849,321	$ 2,001,936
Investment in the Savannah Partnership	100,243	41,000
Investment in the Valermo Partnership	1	1
	$ 1,949,565	$ 2,042,937

7. Portfolio investments (continued):

(a) The Company, through TFCC LanQueen Ltd. entered into a partnership agreement (the "Queen Agreement"), whereby TFCC LanQueen Ltd. is committed to invest in a redevelopment project located in Toronto, Ontario. The Queen Agreement allows TFCC LanQueen Ltd. to receive a 3% fee at the time of commitment and an amount by way of a preferred return equal to 10% per annum calculated and compounded annually on the amount of its investment in the partnership. TFCC LanQueen Ltd. does not have significant influence in the partnership and is accounting for this investment as a financial asset at fair value through profit or loss ("FVTPL"). As at March 31, 2020, TFCC LanQueen Ltd. contributed $1,264,208 (December 31, 2019 - $1,264,208) to the partnership. At March 31, 2020 and December 31, 2019, the fair value of the investment was determined by management, using the direct comparison method. The fair value of investment at March 31, 2020 and December 31, 2019 was $1,849,321 and $2,001,936, respectively.

(b) The Company, through TFCC International Ltd. entered into a partnership agreement (the "Savannah Agreement"), whereby TFCC International Ltd. is committed to invest $2,000,000 through a partnership interest (the "Savannah Partnership") in a development project (the "Savannah Project") located in Savannah, Georgia. The Savannah Agreement allows TFCC International Ltd. to receive a preferred return equal to 11% per annum calculated and compounded monthly on the amount of its investment in the Savannah Partnership. TFCC International Ltd. is also entitled to receive 50% of the net profit after Savannah Partnership makes distributions to other partners at a rate equal to 11% per annum calculated and compounded monthly. TFCC International Ltd. does not have significant influence in the Savannah Partnership and is accounting for this investment as a financial asset at FVTPL. As at December 31, 2019, the cost of the investment in the Savannah Partnership is $41,000. During the three months ended March 31, 2020, TFCC International Ltd. contributed $59,243 to the Savannah Partnership. At March 31, 2020 and December 31, 2019, the fair value of the investment in the Savannah Partnership was determined by management, using the direct comparison method. The fair value of the remaining investment in the Savannah Partnership at March 31, 2020 and December 31, 2019 was $100,243 and $41,000, respectively.

(In U.S. dollars)

7. Portfolio investments (continued):

TFCC International Ltd. also committed to advance a principal amount of first mortgage loan up to $18,000,000 to the Savannah Project, subject to the Savannah Project meeting certain funding conditions. The loan carries interest at 11.0% per annum calculated and compounded monthly. As at March 31, 2020, TFCC International Ltd. funded a loan and mortgage investment of $18,000,000 (December 31, 2019 - $18,000,000) and at March 31, 2020, the Company syndicated $14,309,761 of the loan and mortgage investment to investors (December 31, 2019 - $14,523,664).

(c) The Company, through Terra Firma Valermo Corporation ("TFVC") has a limited partnership interest in a partnership that developed 98 residential dwelling units in Toronto. TFVC does not have significant influence in the Valermo Partnership and is accounting for this investment as a financial asset at FVTPL. During the year ended December 31, 2018, the Company received a return of capital in the Valermo Partnership of $7,821,269. The fair value of the investment was determined by management, using the direct comparison method. The fair value of the investment at March 31, 2020 was $1 (December 31, 2019 - $1).

The following table summarizes the changes in the portfolio investments for the three months ended March 31, 2020 and 2019:

Balance, December 31, 2018	$ 1,911,574
Sale of investment	(16,500)
Foreign exchange	39,968
Balance, March 31, 2019	1,935,042
Sale of investment	(1,500)
Fair value adjustment	56,124
Foreign exchange	53,271
Balance, December 31, 2019	2,042,937
Investment funded	59,243
Foreign exchange	(152,615)
Balance, March 31, 2020	$ 1,949,565

(In U.S. dollars)

8. Investment in associates:

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

	March 31, 2020	December 31, 2019
Investment in the Lan Partnership	$ 2,057,205	$ 2,227,442
Investment in the TF Royal Palm	1,043,764	870,505
Balance, March 31, 2020	$ 3,100,969	$ 3,097,947

(a) The Company and certain syndicate investors invested in a 668-unit high-rise condominium development project located in Toronto, Ontario, through a partnership interest (the "Lan Partnership"). At March 31, 2020 and December 31, 2019, the Company's share of the investment in the Lan Partnership, was CAD $2,315,514.

At March 31, 2020 and December 31, 2019, the fair value of the investment in the Lan Partnership was determined by management, using the direct comparison method. The fair value of the investment in the Lan Partnership at March 31, 2020 and December 31, 2019 was $2,057,205 and $2,227,442, respectively.

(b) The Company, through Royal Palm Beach Preferred Investment LLC (the "TF Royal Palm") entered into a limited liability company agreement (the "Royal Palm Agreement"), whereby TF Royal Palm is committed to invest up to $7,000,000 in an assisted living development project located in Royal Palm Beach, Florida. The Royal Palm Agreement allows TF Royal Palm to receive a 2% fee at the time of commitment, an annual project management fee of $70,000, and a preferred return on the amount of its investment in the limited liability company. The Company accounts for its investment in TF Royal Palm as an investment in associates using the equity method of accounting. During the quarter ended March 31, 2020, the Company recorded income of $45,461 and received distributions of $8,751 from TF Royal Palm. The carrying value of the investment at March 31, 2020 was $1,043,863 (December 31, 2019 - $870,505).

(In U.S. dollars)

8. Investment in associates (continued):

The following table summarizes the changes in the portfolio investments for the three months ended March 31, 2020 and 2019:

Balance, December 31, 2018	$ 2,146,984
Foreign exchange	46,320
Balance, March 31, 2019	2,193,304
Investment funded	5,143,953
Sale of investment to investors	(4,280,600)
Income earned	356,435
Distributions received	(375,662)
Foreign exchange	60,517
Balance, December 31, 2019	3,097,947
Sale of investment to investors	136,647
Income earned	45,461
Distributions received	(8,751)
Foreign exchange	(170,335)
Balance, March 31, 2020	$ 3,100,969

9. Joint arrangements:

(a) Interests in joint operations:

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

Montreal Street JV:

In July 2009, the Company entered into a co-tenancy agreement (the "Montreal Street JV") with a development partner and 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 55.0%.

(In U.S. dollars)

9. Joint arrangements (continued):

The financial information in respect of the Company's proportionate share of investments in joint operations is as follows:

	March 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 58,932	$ 54,031
Amounts receivable and prepaid expenses	77,440	83,965
Investment property	1,570,683	1,700,303
Right-of-use asset	667,255	739,123
	2,374,310	2,577,422
Liabilities		
Accounts payable and prepaid expenses	33,158	35,772
Mortgages payable	978,395	1,067,440
Lease obligations	671,343	739,123
	1,682,896	1,842,335
Net assets	$ 691,414	$ 735,087

The table below details the results of operations for the three months ended March 31, 2020 and 2019, attributable to the Company from its joint operations:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Revenue:		
Rental revenue	$ 37,526	$ 37,950
Expenses (income):		
Property operating costs	13,425	13,053
General and administrative expenses	(380)	(1,262)
Interest expense	11,544	7,729
	24,589	19,520
Net income	$ 12,937	$ 18,430

9. Joint arrangements (continued):

(b) Investment property:

The Company has interests in investment property 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 property.

At March 31, 2020 and December 31, 2019, the fair value was determined by the Company's management. 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 normalized net operating income at the market capitalization rates. The capitalization rate used in the valuation of property was 6.25% (December 31, 2019 - 6.25%). At March 31, 2020 and December 31, 2019, the carrying value of the Company's proportionate share of investment property in the Montreal Street JV is $1,570,683 (CAD $2,208,694) and $1,700,303 (CAD $2,208,694), respectively.

As at March 31, 2020 and December 31, 2019, a 25-basis-point decrease in the overall capitalization rate would increase the Company's proportionate share of value of investment property in the Montreal Street JV by CAD $92,400 and a 25-basis-point increase in the overall capitalization rate would decrease the Company's proportionate share of the value of investment property in the Montreal Street JV by CAD $85,250.

(c) Mortgages payable:

The Company's share of the principal balance of mortgages payable held in joint operations through the Montreal Street JV, at March 31, 2020 and December 31, 2019 was $981,151 and $1,070,973, respectively. The mortgages bear interest at 3.0% per annum and are amortized over 25 years and mature on July 1, 2021.

(In U.S. dollars)

9. Joint arrangements (continued):

The details of the mortgages payable in respect of the Company's proportionate share of the joint operations at March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
Mortgage principal	$ 981,151	$ 1,070,973
Unamortized financing costs	(2,756)	(3,533)
	$ 978,395	$ 1,067,440

The following table summarizes the changes in the principal balance of mortgages payable for the three months ended March 31, 2020 and 2019:

Balance, December 31, 2018	$ 1,053,274
Repayments made	(8,395)
Foreign exchange	22,761
Balance, March 31, 2019	1,067,640
Repayments made	(25,780)
Foreign exchange	29,113
Balance, December 31, 2019	1,070,973
Repayments made	(8,555)
Foreign exchange	(81,267)
Balance, March 31, 2020	$ 981,151

Scheduled principal repayments and maturity amounts of mortgages payable at March 31, 2020 are as follows:

	Loans scheduled principal payments	Total maturing during the period	Loans and mortgages payable
Remainder of year	$ 24,887	$ –	$ 24,887
2021	16,914	939,350	956,264
	$ 41,801	$ 939,350	$ 981,151

(In U.S. dollars)

10. Convertible note receivable:

On January 29, 2019, the Company entered into a loan agreement with an Ontario corporation that provides web-based crowdfunding services and holds an Exempt Market Dealer license. The loan was provided to assist in expanding its operations. The loan was made in exchange for a convertible promissory note receivable (the "Convertible Note") with a face value of CAD $2,000,000. At signing, the Company advanced $752,349 (CAD $1,000,000) of the CAD $2,000,000 commitment. The remaining CAD $1,000,000 will be advanced in tranches upon the achievement of certain key performance indicators. The Convertible Note bears interest at the rate of 8.0% per annum, calculated and compounded semi-annually. The Company has the option to convert the principal and accrued interest into an equity interest. Unless the note is converted pursuant to the terms, the Convertible Note becomes receivable by demand any time after January 29, 2021, which shall be extended for a further twelve months, under certain conditions. The option to settle payments in common shares represents an embedded derivative in the form of a call option to the Company. The Convertible Note in its entirety is classified as a financial asset at FVTPL. During the three months ended March 31, 2020, the Company capitalized interest income of $31,692. The fair value of the investment was determined by management. The fair value of the Convertible Note at March 31, 2020 was $769,327 (December 31, 2019 - $800,531), being the principal amount and capitalized interest.

The following table summarizes the changes in the Convertible Note receivable for the three months ended March 31, 2020:

Balance, December 31, 2019	$ 800,531
Interest capitalized	31,692
Foreign exchange	(62,896)
Balance, March 31, 2020	$ 769,327

(In U.S. dollars)

11. Accounts payable and accrued liabilities:

The following table presents details of the accounts payable and accrued liabilities as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Interest payable	$ 632,525	$ 721,087
Interest reserve	1,120,953	1,590,814
Accounts payable, accrued liabilities and provisions	1,044,092	1,083,270
Funds held in trust	976,879	658,461
Share-based compensation payable (note 16(e)(ii))	923,844	1,291,160
Accounts payable and accrued liabilities	$ 4,698,293	$ 5,344,792

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

Interest reserve and accounts payable and accrued liabilities include amounts for funds held in trust, payable to syndicate investors.

12. Unsecured note payable:

During the year ended December 31, 2019, the Company issued an unsecured promissory note payable (the "Unsecured Note") to a syndicate investor for $3,000,000. The Unsecured Note provides the holder to receive a percentage of return on the Company's certain investments, up to a return equivalent to interest of 15% per annum compounded annually, payable monthly. The Unsecured Note matures on December 31, 2022. Proceeds from the Unsecured Note were used to fund certain loan and mortgage investments.

For the three months ended March 31, 2020 and 2019, interest and financing costs relating to the Unsecured Note, reported as interest expense and financing costs totaled $113,750 and nil, respectively.

(In U.S. dollars)

13. Credit facilities:

At March 31, 2020 and December 31, 2019, the Company's credit facilities (the "Credit Facilities") consist of a $40,000,000 secured line of credit (the "LOC") and $35,000,000 master credit facility (the "Master Facility"), respectively.

The following table presents details of the Credit Facilities as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Face value	$ 10,756,768	$ 9,221,447
Unamortized financing costs	(515,038)	(342,608)
	$ 10,241,730	$ 8,878,839

(a) Line of credit:

The Company had a Revolving Guidance Facility Agreement (the "Master Facility Agreement") with a lending institution in the U.S. for a $35,000,000 Master Facility to finance the loan and mortgage investments funded by the Company. The Master Facility was available on a project by project basis as a project loan. The Master Facility carried an interest rate of three-month LIBOR plus three percent (3.00%) per annum, with a floor rate of five percent (5.00%) per annum. On January 14, 2020, the Company entered into a $40,000,000 secured the LOC with a same lending institution, replacing the Facility Agreement. The LOC provides for an increase in the borrowing limit to $50,000,000 over time, subject to approval by the lending institution. The LOC carries an interest rate of three-month LIBOR plus three and one-quarter of one percent (3.25%) per annum, with a floor rate of five percent (5.00%) per annum and matures on January 9, 2025.

During the three months ended March 31, 2020 and 2019, the Company borrowed an aggregate of $6,270,423 and $1,062,128, respectively, and repaid $4,784,333 and $1,536,754, respectively, against the Master Facility and LOC, combined.

(In U.S. dollars)

13. Credit facilities (continued):

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

(b) Revolving operating facility:

The Company had a revolving operating facility credit agreement (the "Facility Agreement") with a lending institution for a CAD $20,000,000 secured revolving operating facility (the "Facility"). The Facility carried an interest rate of 9.5% per annum until one month prior to the maturity date and any unpaid balance one month prior to the maturity date would have carried an interest rate of 12% per annum, until repaid. On December 2, 2019, the Company repaid the Facility plus all accrued and unpaid interest in full and terminated the Facility Agreement.

During the three months ended March 31, 2020 and 2019, the Company had no borrowings or repayments, against the Facility.

The following table summarizes the changes in the principal balance of Credit Facilities for the three months ended March 31, 2020 and 2019:

Balance, December 31, 2018	$ 19,803,967
Proceeds from Credit Facilities	1,062,128
Repayment of Credit Facilities	(1,536,754)
Interest capitalized	93,377
Foreign exchange	237,310
Balance, March 31, 2019	19,660,028
Proceeds from Credit Facilities	13,040,359
Repayment of Credit Facilities	(23,853,187)
Interest capitalized	312,737
Foreign exchange	61,510
Balance, December 31, 2019	9,221,447
Proceeds from Credit Facilities	6,270,423
Repayment of Credit Facilities	(4,784,335)
Interest capitalized	49,233
Balance, March 31, 2020	$ 10,756,768

(In U.S. dollars)

13. Credit facilities (continued):

For the three months ended March 31, 2020 and 2019, amortization of deferred financing costs reported as interest expense and financing costs relating to the Credit Facilities totaled $71,834 and $85,435, respectively.

The terms of the Credit Facilities require the Company to comply with certain covenants. If the Company fails to comply with these covenants the lenders may declare an event of default. At March 31, 2020 and 2019, the Company was in compliance with these covenants.

14. Lease obligations:

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

The right-of-use asset represents the Company's right to control the use of the head office premises and the land lease on the Montreal Street JV for the lease term. The right-of-use asset at March 31, 2020 and December 31, 2019 was $789,944 and $912,436, respectively. The lease obligations represent the present value of the Company's future lease payments on its head office premises and the land lease on the Montreal Street JV over the expected lease term. The lease obligations at March 31, 2020 and December 31, 2019 was $794,635 and $913,129, respectively.

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

2020 remainder of year	$ 164,761
2021	54,758
2022	54,758
2023	54,758
2024 and thereafter	617,521
	$ 946,556

15. Commitments and contingencies:

Pursuant to certain lending agreements, the Company is committed to fund additional loan advances. The unfunded loan commitments under the existing lending agreements at March 31, 2020 were $19,008,755 (December 31, 2019 - $33,095,786).

At March 31, 2020 and December 31, 2019, the unfunded commitments to make additional investments, for development of the lands under the finance lease arrangements, subject to builders meeting certain funding conditions were $8,686,812 and $9,143,864, respectively.

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

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

16. Shareholders' equity:

(a) Share consolidation:

On September 20, 2019, the Company consolidated its share capital on the basis of one post-consolidation Share for each ten pre-consolidation Shares. All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

(In U.S. dollars)

16. Shareholders' equity (continued):

(b) Shares issued and outstanding:

The following table summarizes the changes in Shares for the three months ended March 31, 2020 and 2019:

	Shares	Amount
Outstanding, December 31, 2018	5,863,584	$ 26,533,950
Repurchase of shares pursuant to normal course issuer bid	(73,800)	(295,302)
Outstanding, March 31, 2019	5,789,784	26,238,648
Repurchase of shares pursuant to normal course issuer bid	(224,750)	(955,305)
Share consolidation adjustment	(66)	–
Outstanding, December 31, 2019	5,564,968	25,283,343
Outstanding, March 31, 2020	5,564,968	$ 25,283,343

(c) Normal course issuer bid:

On November 23, 2018, the Company renewed the Normal Course Issuer Bid (the "NCIB") to acquire up to 418,631 Shares, being 10% of the public float of common shares issued and outstanding as of November 27, 2018, as defined by the policies of the TSX-V. The NCIB expired on November 26, 2019.

During the three months ended March 31, 2020 and 2019, the Company purchased nil and 738,000 Shares, respectively, on the TSX-V for nil and $295,302 (CAD $387,353), respectively.

(In U.S. dollars)

16. Shareholders' equity (continued):

(d) Dividends:

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

On March 5, 2020, the Board declared a quarterly dividend of CAD $0.05 per common share, payable on April 15, 2020, to shareholders of record as of the close of business on March 31, 2020.

For the three months ended March 31, 2020 and 2019, the Company recorded dividends of $199,418 and nil, respectively.

(e) Share-based payments:

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

	Three months ended March 31, 2020	March 31, 2019
Share option plan	$ 13,257	$ 57,475
DSUs plan	(222,811)	270,357
	$ (209,554)	$ 327,832

(i) Share option plan:

The Company has a share option plan (the "Plan") to grant options to purchase shares to eligible directors, officers, senior management and consultants. The exercise price of an option shall be determined by the Board and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the Board 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 seven years from the date on which it is granted.

(In U.S. dollars)

16. Shareholders' equity (continued):

On June 12, 2019, the Company granted options to its Ex-Chairman of the Board (the "Ex-Chairman") to purchase up to 20,000 common shares of the Company at a price of CAD $5.60 per share with the expiry date of June 11, 2026. Of the 20,000 options granted, 10,000 options vested immediately, and the remaining 10,000 options vested in equal instalments on a quarterly basis over the following six-month period.

On June 12, 2019, the Company granted options to its President and Chief Executive Officer to purchase up to 24,000 common shares of the Company at a price of CAD $5.60 per share with the expiry date of June 11, 2026. The options shall vest in equal installments on a quarterly basis over a three-year period.

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:

	June 12, 2019
Average expected life	7.00 years
Average risk-free interest rate	1.41%
Average expected volatility	74.56%
Average dividend yield	0.00%

The fair value of options granted on June 12, 2019, was $128,293.

(In U.S. dollars)

16. Shareholders' equity (continued):

The following is the summary of changes in share options for the three months ended March 31, 2020 and year ended December 31, 2019:

	March 31, 2020		December 31, 2019	
	Number of options	Weighted average exercise price in USD	Number of options	Weighted average exercise price in USD
Outstanding, beginning of period	351,089	$ 6.95	528,500	$ 7.00
Granted	–	–	44,000	5.60
Cancelled	(80,000)	6.68	–	–
Expired	–	–	(221,411)	6.86
Outstanding, end of period	271,089	7.03	351,089	6.95
Number of options exercisable	250,568	$ 7.11	315,073	$ 7.05

The following summarizes the Company's outstanding share options as at March 31, 2020:

Number of options outstanding	Expiry date	Number of options exercisable	Exercise price CAD	Market price at date of grant CAD
97,089	May 11, 2020	97,089	$ 8.50	$ 8.50
10,000	September 25, 2020	10,000	6.90	6.90
50,000	June 28, 2023	50,000	5.70	5.20
56,000	December 27, 2023	56,000	6.50	6.50
34,000	December 21, 2024	25,479	6.70	6.70
24,000	June 11, 2026	12,000	5.60	5.60
271,089		250,568		

16. Shareholders' equity (continued):

(ii) Deferred share unit plan:

The Company has a cash-settled 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 the future value of the shares.

Effective September 30, 2019, the Board modified the DSU Plan. Employees or the directors no longer can elect to receive their annual bonus or retainer, respectively, in DSUs. The Company will no longer grant additional DSUs to employees or the directors. At the beginning of each year, the Board will determine which board members or employees will be eligible to participate in the DSU Plan and the dollar amount that can be contributed to the DSU Plan. Unless authorized by the Board, the directors and employees will continue to receive their annual retainer and bonus, respectively, in cash.

Prior to the amendment, the Board determined the amount, timing, and vesting conditions associated with each award of DSUs. Except for the Ex-Chairman, directors were obligated to contribute, on the last day of each quarter, a minimum of 50%, and may elect to receive up to 100% of their annual retainer in DSUs. Employees were able to elect to receive up to 25% of their annual bonus in DSUs. DSUs granted pursuant to such an election were fully vested on the date of grant. In addition, when the directors elect to receive more than 50% of their fees in DSUs, the Company granted additional DSUs equal to 50% of the value of the DSUs that were over the 50% minimum received by them. When the employees elected to receive their bonus in DSUs, the Company granted additional DSUs of up to 20% of the value of DSUs granted to them. Of the additional DSUs granted by the Company to the directors, 50% vested in six months from the date of grant and 50% of the additional DSUs vested in 12 months from the date of grant. The additional DSUs granted to the employees vested 33.33% annually.

Each DSU has the same value as one Share (based on the five-day volume weighted average trading price). DSUs must be retained until the director leaves the Board or until termination of employment of officers or employees, 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.

(In U.S. dollars)

16. Shareholders' equity (continued):

The following is the summary of changes in DSUs for the three months ended March 31, 2020 and year ended December 31, 2019:

	March 31, 2020	December 31, 2019
DSUs outstanding, beginning of period	302,371	286,220
Granted	–	18,115
Settled	(13,005)	(1,964)
DSUs outstanding, end of period	289,366	302,371
Number of DSUs vested	287,423	299,511

The total cost recognized with respect to DSUs, including the change in fair value of DSUs during the three months ended March 31, 2020 and 2019 were ($222,811) and $270,357, respectively.

Each DSU has the same value as one Share (based on the five day volume weighted average trading price) and, in the event dividends are paid on the Shares, accrues dividend equivalents in the form of additional DSUs based on the amount of the dividend paid on a Share. The carrying amount of the liability, included in accounts payable and accrued liabilities relating to the DSUs at March 31, 2020 is $923,844 (December 31, 2019 - $1,291,160).

(f) Warrants:

At March 31, 2020 and December 31, 2019, the Company has 500,000 warrants outstanding. Each warrant is exercisable for one share at a price of $8.50 per share, with an expiry date of August 15, 2020.

(In U.S. dollars)

17. Contributed surplus:

The following table presents the details of the contributed surplus balances as at March 31, 2020 and December 31, 2019:

	Amount
Balance, December 31, 2018	$ 3,264,388
Fair value of share-based compensation	57,475
Balance, March 31, 2019	3,321,863
Fair value of share-based compensation	118,832
Balance, December 31, 2019	3,440,695
Fair value of share-based compensation	13,257
Balance, March 31, 2020	$ 3,453,952

18. Earnings (loss) per share:

The calculation of earnings (loss) per share of the three months ended March 31, 2020 and 2019 is as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Numerator for basic and diluted earnings (loss) per share:		
Income (loss) attributable to common shareholders	$ (126,311)	$ 297,166
Diluted income (loss) attributable to common shareholders	$ (126,311)	$ 297,166
Denominator basic and diluted earnings per share:		
Weighted average number of shares outstanding	5,564,968	5,837,958
Dilutive effect of share-based payments	199	717
Weighted average number of diluted shares outstanding	5,565,167	5,838,675
Earnings (loss) per share:		
Basic	$ (0.02)	$ 0.05
Diluted	(0.02)	0.05

(In U.S. dollars)

19. Transactions with related parties:

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

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

Certain of the Company's loan and mortgage investments are syndicated with other investors of the Company, which may include officers or directors of the Company. The Company ranks equally with other members of the syndicate as to payment of principal and interest. At March 31, 2020 and December 31, 2019, the loan and mortgage investments syndicated by officers and directors was $720,003 and $556,466, respectively.

20. Interest and financing costs:

The following table presents the interest incurred for the three months ended March 31, 2020 and 2019:

	Three months ended March 31, 2020	March 31, 2019
Interest on loans and mortgage syndications	$ 2,078,850	$ 2,030,992
Interest on credit facilities	187,719	268,032
Interest on Montreal Street JV	11,544	7,729
Interest on lease obligations	317	–
	$ 2,278,430	$ 2,306,753

(In U.S. dollars)

21. Income taxes:

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

	Three months ended March 31, 2020	March 31, 2019
Current income tax provision	$ 268,894	$ 218,223
Deferred income tax provision (recovery)	205,029	(94,360)
Total tax provision	$ 473,923	$ 123,863
Income taxes paid (refunded)	$ (831,908)	$ 255,799

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

	Three months ended March 31, 2020	March 31, 2019
Income from operations before taxes	$ 347,612	$ 421,029
Combined federal and provincial statutory income taxes	26.50%	26.50%
Income tax provision based on statutory income taxes	92,117	111,573
Increase (decrease) in income tax due to:		
Non-taxable items	698	471
Non-deductible stock-based compensation	3,513	15,162
Effect of changes in foreign exchange rates	377,595	–
Other adjustments	–	(3,343)
Total tax provision	$ 473,923	$ 123,863

(In U.S. dollars)

21. Income taxes (continued):

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

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

The composition of the Company's recognized deferred income tax assets and liabilities for the three months ended March 31, 2019 is as follows:

	Opening balance	Recognized in income	Closing balance
Investment property	$ 178,684	$ (8,207)	$ 170,477
Portfolio investments	262,668	–	262,668
Incorporation costs	(358)	6	(352)
Deferred share units	(273,282)	(71,643)	(344,925)
Allowance for loan and mortgage investment loss	(192,603)	–	(192,603)
Unrealized foreign exchange loss	892,106	(15,481)	876,625
Debentures, Shares and revolving operating facility issue costs	(114,126)	965	(113,161)
	$ 753,089	$ (94,360)	$ 658,729

(In U.S. dollars)

22. Capital management:

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

The following table presents the capital structure of the Company as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Loan and mortgage syndications	$ 78,055,014	$ 88,249,414
Credit facilities	10,241,730	8,878,839
Unsecured note payable	3,000,000	3,000,000
Mortgages payable	978,395	1,067,440
Equity	39,322,900	39,635,372
Total capital	$ 131,598,039	$ 140,831,065

The Company is free to determine the appropriate level of capital in context with the cash flow requirements, overall business risks and potential opportunities. As a result, the Company will make adjustments to its capital structure in response to lending opportunities, the availability of capital and anticipated changes in general economic conditions. The Company's overall strategy with respect to capital remained unchanged during the three months ended March 31, 2020 and 2019.

23. Fair value measurement:

The Company, as part of its operations, carries a number of financial instruments. The Company's financial instruments consist of cash and cash equivalents, funds held in trust, interest and other receivables, Convertible Note, loan and mortgage investments, portfolio investments, lease obligations, loan and mortgage syndications, unsecured note payable, mortgages payable and Credit Facilities.

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

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

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

The fair value of the Company's investment property, portfolio investments, investment in associates and non-controlling interests are determined using Level 3 inputs at March 31, 2020 and December 31, 2019 and no amounts were transferred between fair value levels during the three months ended March 31, 2020 or 2019. Notes 7, 8 and 9 outline the key assumptions used by the Company in determining fair value of its portfolio investments, investment in associates and investment property, respectively.

24. Risk management:

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the 2019 Financial Statements.

Credit risk:

As at March 31, 2020, $7,092,763 (December 31, 2019 - $2,478,759) of the loan and mortgage investments and $394,300 (December 31, 2019 - $374,911) of interest receivable and fees paid on these loans are in arrears. As at March 31, 2020 and December 31, 2019, based on the most recent valuations of the underlying assets and management's estimates, the Company carries an ACL balance totaling of $288,108 and $226,108, respectively, against the loan investments and $187,233 and $202,684, respectively against other receivables, relating to these loan and mortgage investments.

25. Effect of change in presentation currency:

As set out in note 2(b), the Company elected to change its presentation currency to USD, effective January 1, 2019.

For comparative purposes, the consolidated statements of financial position as at December 31, 2018 includes adjustments to reflect the change in the accounting policy resulting from the change in presentation to the USD. The amounts previously reported in CAD as shown below have been translated into USD at December 31, 2018 exchange rates (note 2(b)). The effect of the translation is as follows:

December 31, 2018	USD	CAD
Assets		
Cash and cash equivalents	$ 7,731,379	$ 10,543,289
Funds held in trust	1,095,669	1,494,940
Amounts receivable and prepaid expenses	1,013,935	1,347,626
Loan and mortgage investments	121,675,979	165,929,535
Investment in finance leases	2,819,915	3,845,519
Investment properties	1,619,633	2,208,694
Portfolio investment	1,911,574	2,591,586
Interest in associates	2,146,984	2,927,842
Income taxes recoverable	130,741	178,292
	$ 140,145,809	$ 191,067,323
Liabilities and Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 3,618,067	$ 4,933,963
Unearned income	1,303,162	1,777,129
Deferred income tax liabilities	753,089	1,026,987
Credit facilities	19,464,106	26,560,237
Loan and mortgage syndication	75,906,550	103,513,760
Mortgages payable	1,047,809	1,428,897
	102,092,783	139,240,973
Equity:		
Share capital	26,533,950	29,801,466
Contributed surplus	3,264,388	3,893,731
Cumulative translation adjustment	(6,885,398)	–
Retained earnings	15,140,086	18,131,153
	38,053,026	51,826,350
	$ 140,145,809	$ 191,067,323

26. Impact of COVID-19 Pandemic:

Beginning March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. The COVID-19 pandemic introduces unprecedented uncertainty in the economy, including the risk of a significant employment shock and recessionary conditions, with implications for the health and safety of the Company's employees, delinquency rates, origination volumes, the availability of financing, and the Company's overall operations. COVID-19 related disruptions adversely impacted the Company's operations for the first quarter of 2020 due to the Company stopping all travels to the U.S. and loan origination activities.

As the impact of the pandemic continues to weigh on the U.S. and Canadian economies over the remainder of the year, the Company will continue to monitor the financial and other commitments by the borrowers.

The allowance for credit losses and carrying value for the Company's investments measured at FVTPL at March 31, 2020, reflect its best estimate. Actual results may differ materially from the Company's current estimates as the scope of COVID-19 evolves or if the duration of business disruptions is longer than initially anticipated. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with the Company's future operating assumptions and expectations as compared to prior periods, it is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Company's estimate of allowance for credit losses and investments measured at FVTPL, both in the short term and in the long term.