TERRA FIRMA

TERRA FIRMA CAPITAL CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2020

MAY 13, 2020

INTERPRETATION

The current and prior-period comparative results for the Terra Firma Capital Corporation (the "Company") reflect the consolidation of the Company and its interests in certain joint operations, investments in associates and portfolio investments in its wholly owned subsidiaries which are controlled by the Company. Unless the context otherwise requires, all references in this Management's Discussion and Analysis ("MD&A") to the "Company" refer to Terra Firma Capital Corporation and its subsidiaries.

The Company's interim condensed consolidated financial statements for the three months ended March 31, 2020 have been prepared in accordance with International Accounting Standard 34 ─ Interim Financial Reporting (IAS 34).

The following MD&A of the financial performance, financial condition, and cash flows of the Company dated May 13, 2020 for the three months ended March 31, 2020 should be read in conjunction with the Company's interim condensed consolidated financial statements and accompanying notes for the same period as well as the Company's annual MD&A for the year ended December 31, 2019 and audited consolidated financial statements for the same period. These documents are available under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at WWW.SEDAR.COM.

FUNCTIONAL AND PRESENTATION CURRENCY

The Financial Statements are presented in United States 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.

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"). Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company's financial performance, financial condition and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations, plans, estimates, projections, beliefs and opinions relating to the future and readers are cautioned that the assumptions related to these plans, estimates, projections, beliefs and opinions may change and such statements may not be appropriate for other purposes. Forward-looking statements in this document include, but are not limited to, statements with respect to market opportunities for the identification and funding of loans, the provision to the Company of a consistent flow of quality investment opportunities, future returns on investments by the Company, as well as other statements under the headings "Recent Developments – Impact of COVID-19 Pandemic" and "Future Outlook", and 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 statements 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 under the

Company's profile at www.sedar.com, including the risks discussed herein at "Risks and Uncertainties" and risks discussed in the Company's Annual Information Form (the "AIF") dated April 2, 2020.

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 ability of the Company to adapt to any changes in government regulation and/or economic conditions; the continued availability of equity and debt financing; and the risks 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. This is not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Some of these and other factors are discussed in more detail in the Company's AIF.

The forward-looking statements contained in this MD&A represent the Company's views only as of the date hereof. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Company's views to change, 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, except to the extent required by applicable Canadian securities laws.

NON-IFRS FINANCIAL MEASURES

The Company prepares and releases audited annual consolidated financial statements and unaudited interim condensed consolidated financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS as prescribed by the International Accounting Standards Board, that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below.

- Adjusted net income and comprehensive income as well as adjusted net income and comprehensive income attributable to common shareholders, adjusted net diluted income and comprehensive income attributable to common shareholders, which in the current periods are equal to adjusted net income and comprehensive income and adjusted earnings per share are calculated by adjusting the following (as applicable), irrespective of materiality:
    - foreign exchange gains/losses related to the Company's non-functional currency denominated net assets;
    - impairment losses/reversals;
    - net gains/losses on the disposal of equity accounted investments;
    - share-based compensation;
    - other unusual one one-time items; and
    - the income tax impact of the items listed above.

For further details, including a reconciliation of adjusted net income and comprehensive income to net income and comprehensive income, see "Financial Performance - Adjusted Net Income and Comprehensive Income". For a reconciliation of adjusted earnings per share to earnings per share, see "Selected Annual and Quarterly Financial Information".

- Adjusted revenue is revenue adjusted for the effect of interest expense incurred on loan and mortgage syndication as applicable. For further details, including a reconciliation of adjusted revenue to revenue, see "Financial Performance – Pre-Tax Profit Margin".

- Adjusted expenses are expenses adjusted for the effect of interest expense incurred on loan and mortgage syndications and other non-operating items, as applicable. For further details, including a reconciliation of adjusted expenses to expenses, see "Financial Performance – Pre-Tax Profit Margin".

- Pre-tax profit margin is the ratio of income from operations before taxes to adjusted revenue. For further details, including a reconciliation of pre-tax profit margin to revenue, see “Financial Performance –Pre-Tax Profit Margin”
- Adjusted total debt is total debt (defined as the aggregate of loan and mortgage syndications, credit facilities and mortgages payables) adjusted for the effect of loan and mortgage syndications as applicable. For further details, see “Shareholders’ Equity - Debt to Equity Ratio”.
- Adjusted debt-to-equity ratio is the ratio of adjusted total debt to shareholders’ equity. For further details, see “Shareholders’ Equity - Debt to Equity Ratio”.
- Total investments (excluding cash) consists of principal balance of loan and mortgage investments, investment in finance leases, Portfolio Investments, Investments in Associates, convertible note receivable and an investment property held in joint operations (collectively, the “Total Investments”). For details regarding the components of the Company’s Investment Portfolio, see “Investments”.
- Loan-to-value (the “LTV”) is a measure of risk determined at the time of loan and mortgage investments underwriting calculated as (i) the sum of advanced and un-advanced loan and mortgage investments commitments on a real estate asset (ii) divided by the estimate of the value of the underlying real estate collateral at that time if already developed or after completion of development in the case of a development project.
- Assets under management (the “AUM”) are the assets managed by the Company on behalf of the Company’s syndicate investors, as well as the Company’s own assets, and include capital commitments that have not yet been drawn.

These non-IFRS measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other issuers. The Company has presented such non-IFRS measures which have been derived from the Company’s financial statements, and applied on a consistent basis, because the Company believes they are of assistance in evaluating the underlying operational and financial performance of the Company. Non-IFRS measures are also commonly used by the financial community to analyze and compare the performance of companies engaged in the same industries. These non-IFRS measures should not be construed as alternatives to financial measures determined in accordance with IFRS as indicators of the Company’s performance.

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 “TSX-V”) under the symbol TII. The registered office of the Company is: 22 St. Clair Avenue East, Suite 200, Toronto, Ontario M4T 2S3.

The objective of the Company is 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 (the “Board”) considers appropriate). In order to achieve this objective, the Company originates, creates and manages a diversified portfolio of loan and equity financings on real properties situated in the United States and Canada.

The principal business of the Company provides real estate financings secured by investment properties and real estate developments throughout the United States and Canada. 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 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 Company syndicates certain of its loan and mortgage investments to investors, each participating in a prescribed manner and governed by loan servicing agreements, which are administered by Terra Firma MA Ltd, a wholly owned subsidiary of the Company which currently holds a license under the *Mortgage Brokerages, Lenders and Administrators Act, 2006 (Ontario)* (the “MBLAA”) which permits it to carry on mortgage brokerage and administrative activities. In these investments, the investors assume the same risks associated with the specific investment transaction as the

Company. Each syndicated loan and mortgage investment have 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 relating to the syndicate investors are recognized in the statements of income and comprehensive income. See "Capital Structure and Debt Profile – Loan and Mortgage Syndications".

The types of real estate assets for which the Company arranges financings include land for residential and commercial development and construction projects, residential buildings and mixed-use properties.

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 which are either subsequently subordinated to construction financing or 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 75%, including all prior encumbrances at the time of underwriting of each loan. In some cases, the loan-to-value ratio could increase to 80%. The "loan-to-value" ratio means the ratio, expressed as a percentage, determined by calculating (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.

The Company also provides land bank financing to regional and national home builders in growth areas in the U.S. Under these arrangements, the Company acquires entitled residential land or lots on behalf of the home builders and simultaneously enters into an option agreement with the residential builder, pursuant to which the residential builder would make a non-refundable initial deposit of up to 20% of the initial land cost plus total development costs towards the acquisition of the land, get exclusive rights to use the property, including making subdivision improvements according to its development plan and purchase smaller parcels of the initial tract from the Company over time at a specified price, until it had purchased the entire land or lots. These investments in the land banking arrangements through the purchase of lands are accounted for by the Company as a finance lease.

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" or "Investments in Associates"). 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.

Management believes that there is a significant market opportunity in the U.S., as a result of financing needs not being met by traditional institutional lenders. Through management's relationships with the U.S. 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 niche markets with an experienced financing team that can provide flexible terms and creative structuring. Management believes its experience with real estate investments and its industry contacts will provide the Company with a consistent flow of quality investment opportunities.

Investment in real estate may be made by way of 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 the loans and/or mortgages advanced by the Company on and secured by real estate (the "Loan Portfolio") while bearing lower risk than equity investments, by structuring its financings primarily in debt or priority structures.

RECENT DEVELOPMENTS

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 and profitability for the first quarter of 2020 due to the Company stopping all travel to the U.S. and loan origination activities. The Company continues to anticipate that the results for the second quarter of 2020 will deteriorate further as the Company received repayments of three loan and mortgage investments totaling $16.8 million, while funding only one investment in finance leases of $7.5 million and closing no new loan originations during the quarter ended March 31, 2020.

As the pandemic began to impact the real estate financing segment, the Company rapidly took steps including postponing the closing or commitment on any new loan originations, a cessation of all employee travel and implementing a work from home policy to protect health and safety of its employees and their families. The Company's IT systems have enabled the Company's team to work seamlessly.

The Company has since provided two amendments on two loan agreements with two separate borrowers, whereby, the Company agreed to extend the maturity date on one loan agreement until August 30, 2020 and to capitalize 50% of the monthly interest obligation for a 3-month period on the other loan agreement. The Company was comfortable allowing for these concessions given that both of the loans had already been paid down substantially since their original closings. The amendments will not have a material impact on the Company's results. Other than these two amendments, none of the Company's borrowers have requested relief from their obligations to the Company as a result of the COVID-19 pandemic and its aftermath.

Except for the loan and mortgage investments to two projects that were in arrears prior to the Covid-19 pandemic and are currently in arrears, there are currently no loans in the Company's loan portfolio that are in arrears.

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 its borrowers and will consider related requests on a case by case basis.

The Company's liquidity position is strong with a cash balance in excess of the $6.3 million reported as at March 31, 2020 and has more than enough capital resources to provide for its funding commitments and working capital needs. With a strong balance sheet and availability under its line of credit (the "LOC"), the Company is considering raising an opportunistic fund to invest in new loans.

The allowance for credit losses and carrying value for the Company's investments measured at fair value through profit and loss ("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 disruption 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. The Company will continue to monitor the situation and adjust estimate, as necessary.

FIRST QUARTER HIGHLIGHTS

The Company reported revenue of $4,025,138 in the first quarter of 2020, as compared to $3,906,439 in the same period in the prior year, representing an increase of $118,699.

Interest and fee income for the first quarter of 2020 aggregated to $3,356,405 as compared to $3,784,016 in the same period in the prior year, representing a decrease of $427,611 while finance income from investments in finance leases for first quarter ended March 31, 2020 aggregated to $631,207 compared to $84,473 in the same period last year, representing an increase of $546,734.

Interest and financing expense for the first quarter of 2020 aggregated $2,278,430, as compared to $2,306,753 in the same period in the prior year, representing a decrease of $28,323.

For the first quarter of 2020, the Company recognized a foreign exchange loss of $795,890 compared to $56,534 for the same period last year.

Net loss and comprehensive loss for the first quarter of 2020 was $126,311 or $(0.02) per basic and diluted share, as compared to a net income and comprehensive income of $297,166 or $0.05 per basic and diluted share in the same period in the prior year, representing a decrease in net income of $423,477.

The principal balance of the Company's loan and mortgage investments at March 31, 2020 was $98.0 million, as compared to $116.8 million at December 31, 2019. The Company had no new loan originations as it stopped all employees travel and loan origination activities in the first quarter of 2020.

INVESTMENTS

The following table presents details of the Company's Total Investments, as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Loan and mortgage investments (1)	$ 98,007,995	$ 116,820,582
Investment in finance leases	24,560,760	17,959,374
Portfolio investments	1,949,565	2,042,937
Investment in associates	3,100,969	3,097,947
Investment property held in Joint Operations	1,570,683	1,700,303
Convertible note receivable	769,327	800,531
Total Investments	$ 129,959,299	$ 142,421,674

(1) Before deducting the allowance for loan and mortgage investment loss at March 31, 2020 and December 31, 2019 of $713,677 and $607,940, respectively.

The decrease in Total Investments during the three months ended March 31, 2020 resulted primarily from the net decrease in loan and mortgage investments of $18.8 million, which aggregate amount was partially offset by the increase in finance leases of $6.6 million. The changes to these investments are discussed below.

The following table presents details of the Company's Total Investments segmented by geography as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Canada	$ 20,714,336	$ 21,787,665
United States	109,244,963	120,634,009
Total Investments	$ 129,959,299	$ 142,421,674

(1) Before deducting the allowance for loan and mortgage investment loss at March 31, 2020 and December 31, 2019 of $713,677 and $607,940, respectively.

LOAN AND MORTGAGE INVESTMENTS

The Company's Loan Portfolio as at March 31, 2020 consisted of the following: (a) 7 loans relating to residential housing developments, located in Phoenix-Arizona, Toronto-Ontario, and Cambridge-Ontario, representing 35.3% of the Loan Portfolio (by investment amount), (b) 6 loans relating to land and lot inventory of real estate assets to be developed, located in Orlando-Florida, Austin-Texas, Jacksonville-Florida, Phoenix-Arizona, Charlotte-North Carolina, Atlanta-Georgia and Savannah-Georgia, representing 59.8% of the Loan Portfolio (by investment amount) and (c) a commercial retail development land located in Palm Springs-California, representing the remaining 4.9% of the Loan Portfolio (by investment amount).

The Company's Loan Portfolio as at December 31, 2019 consisted of the following: (a) 9 loans relating to residential housing developments, located in Phoenix-Arizona, Toronto-Ontario, and Cambridge-Ontario, representing 34.2% of the Loan Portfolio (by investment amount), (b) 8 loans relating to land and lot inventory of real estate assets to be developed, located in Orlando-Florida, Austin-Texas, Jacksonville-Florida, Phoenix-Arizona, Charlotte-North Carolina, Atlanta-Georgia and Savannah-Georgia, representing 61.7% of the Loan Portfolio (by investment amount) and (c) a commercial retail development land located in Palm Springs-California, representing the remaining 4.1% of the Loan Portfolio (by investment amount).

The following table presents details of the Loan Portfolio, before loan and mortgage syndications as at March 31, 2020:

	Weighted Average Effective Interest Rate	Loan and mortgage investments	Allowance for credit losses	Net loan investments (before syndication)	% of net Investments (before syndication)
Performing loan and mortgage investments					
Residential housing developments	13.1%	$ 32,656,585	$ (103,490)	$ 32,553,095	33.4%
Land and lot inventory	12.8%	58,652,946	(322,079)	58,330,867	60.0%
	12.9%	91,309,531	(425,569)	90,883,962	93.4%
Impaired loan and mortgage investments					
Residential housing developments	17.8%	1,943,464	(226,108)	1,717,356	1.8%
Commercial retail development	14.3%	4,755,000	(62,000)	4,693,000	4.8%
Loan Portfolio	13.1%	$ 98,007,995	$ (713,677)	$ 97,294,318	100.0%

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

	Weighted Average Effective Interest Rate	Loan and mortgage investments	Allowance for credit losses	Net loan investments (before syndication)	% of Investments (before syndication)
Performing loan and mortgage investments					
Residential housing developments	13.5%	$ 37,965,218	$ (117,776)	$ 37,847,442	32.6%
Land and lot inventory	12.9%	71,996,517	(259,435)	71,737,082	61.7%
Commercial retail development	14.3%	4,755,000	(4,621)	4,750,379	4.1%
	13.2%	$ 114,716,735	$ (381,832)	$ 114,334,903	98.4%
Impaired loan and mortgage investments					
Residential housing developments	17.8%	2,103,847	(226,108)	1,877,739	1.6%
Loan Portfolio	13.2%	$ 116,820,582	$ (607,940)	$ 116,212,642	100.0%

As at March 31, 2020 and December 31, 2019, the principal balance of the Loan Portfolio was $98,007,995 and $116,820,582, respectively. The decrease in Loan Portfolio during the three months ended March 31, 2020 resulted from the net effect of the repayment of loan investments totaling $17,951,699 (of which $17,058,544 is related to loans that have matured during the period) and the receipt of capitalized interest of $993,782 which were offset by advances against existing loan commitments of $24,692 and capitalized interest of $1,211,446.

As at March 31, 2020, the Company had 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). The syndication of other loan and mortgage investments has not created a subordinate position for the Company.

The following table summarizes the change in the principal balance of the Loan Portfolio for the three months ended March 31, 2020 and 2019:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Balance, beginning of period	$ 116,820,582	$ 122,209,711
Loan portfolio activity during the period		
Advances against existing loans	24,692	2,968,861
Capitalized interest received	(993,783)	-
Repayments of loans	(17,951,699)	(5,396,504)
Interest capitalized	1,211,446	1,296,529
Unrealized foreign exchange gain	(1,103,243)	262,740
Balance, end of period	$ 98,007,995	$ 121,341,337

The weighted average effective interest rate (the “EIR”) of the Loan Portfolio at March 31, 2020 and December 31, 2019, including the average interest rate of loans in default, was 13.1% and 13.2%, respectively. The weighted average term to maturity of the Loan Portfolio at March 31, 2020 and December 31, 2019 was 1.41 years and 1.37 years, respectively. The Company continues to focus on the quality of security through placing its capital in more senior positions in the capital structure and reducing its exposure to unregistered loans. The higher level of security and lower weighted average interest rates have not had significant impact on the Company’s overall profitability given the Company’s focus on the spreads earned on the loan and mortgage syndications. See – “Financial Performance” and “Capital Structure and Debt Profile – Loan and Mortgage Syndications”.

The weighted average EIR of the loan and mortgage investments of residential housing developments at March 31, 2020 and December 31, 2019 was 13.1%and 13.5%, respectively, due to the factors discussed below. The weighted average EIR of the loan and mortgage investments of land and lot inventory at March 31, 2020 and December 31, 2019 were 12.8% and 12.9%, respectively. The weighted average EIR of the commercial retail development at March 31, 2020 and December 31, 2019 were both 14.3%.

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by risk as at March 31, 2020 and December 31, 2019:

	March 31, 2020	% of Investments	December 31, 2019	% of Investments
1st mortgage loans	$ 84,152,620	85.9%	$ 102,493,573	87.8%
2nd mortgage loans	11,480,571	11.7%	12,083,100	10.3%
Unregistered loans	2,374,804	2.4%	2,243,909	1.9%
	$ 98,007,995	100.0%	$ 116,820,582	100.0%

Mortgages are secured by real estate assets 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 principal balances of the Loan Portfolio before syndication segmented by geography as at March 31, 2020:

	Loan and mortgage investments	Allowance for credit losses	Net investments	% of net investments
Canada	$ 13,424,035	$ (303,163)	$ 13,120,872	13.5%
United States	84,583,960	(410,514)	84,173,446	86.5%
	$ 98,007,995	$ (713,677)	$ 97,294,318	100.0%

The following table presents details of the Company's principal balances of the Loan Portfolio before syndication segmented by geography as at December 31, 2019:

	Loan and mortgage investments	Allowance for credit losses	Net investments	% of net investments
Canada	$ 14,186,947	$ (282,490)	$ 13,904,457	12.0%
United States	102,633,635	(325,450)	102,308,185	88.0%
	$ 116,820,582	$ (607,940)	$ 116,212,642	100.0%

Beginning in 2015, the Company foresaw opportunities with better risk adjusted returns in the U.S. and began a gradual program of lending in certain U.S. markets following the same prudent lending standards it has historically employed in Canada. The U.S. market continues to offer good quality lending opportunities while the price competition among lenders in the Canadian market remains quite strong. On a comparative basis, the loan and mortgage investment opportunities in the U.S market have generally offered risk/return profiles as good as or better than those available in the Canadian market. The yields on the land and lot inventory loans in U.S. are high on a risk adjusted basis, ranging between 11% and 12% for LTVs of up to 75%. As such, once the economy is normalized, the Company will continue to focus primarily on providing higher leveraged loans (up to 80% LTV) on development lands in the U.S. The Company has adjusted its marketing efforts in Canada to become more reactive to deals that may present themselves for special situations through existing borrowers or existing contacts rather than taking a proactive approach to generating a greater pipeline of potential transactions.

At March 31, 2020, 86.5% of the loan and mortgage investments are in projects located in the U.S, compared to 88.0% at December 31, 2019. The decrease in the loan and mortgage investments are in projects located in the U.S and was due to repayments of loan investments of $17.9 million during the quarter. The Company expects a continued expansion of loan and mortgage investments to projects located in the U.S.

As at March 31, 2020, there were 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. As at December 31, 2019, there were 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. These loan and mortgage investments are syndicated to certain syndicate investors on a pari-passu basis and these percentages don't represent the Company's exposure on these loans and mortgage investments. For the three months ended March 31, 2020, the Company had loan and mortgage investments in two separate projects in the U.S, before syndication, that accounted for 19.9% and 14.6% of the Company's interest and fees revenue. For the three months ended March 31, 2019, there were loan and mortgage investments to three separate projects in the U.S., before syndication, that accounted for 13.7%, 12.4% and 11.6% of the Company's interest and fees revenue.

Scheduled principal repayments of the Loan Portfolio 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

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

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.

Loan and mortgage investments are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided in the Company's audited consolidated financial statements for the year ended December 31, 2019, under "Significant Accounting Policies and Changes in Accounting Policies". Loan and mortgage investments carried at amortized cost are measured using the EIR method and are presented net of any allowance for credit losses, calculated in accordance with the Company's policy for allowance for credit losses. Interest on loan and mortgage investments is recognized in interest income using the EIR method. The estimated future cash flows used in this calculation include those determined by the contractual term of the loan and mortgage investment and all fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as interest income over the expected term of such loan and mortgage investments using the EIR method. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the consolidated statements of income. Impairment gains or losses recognized on amortized cost investments are loans are recognized at each balance sheet date in accordance with the three-stage impairment model.

The following table presents details the Company's credit exposure on the loan and mortgage investments, before loan and mortgage syndications, for which allowance for credit losses ("ACL") is recognized as at March 31, 2020:

	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
Total	$ 91,309,531	$ -	$ 6,698,464	$ 98,007,995

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

	Stage 1	Stage 2	Stage 3	Total
Canada	$ 11,480,571	$ -	$ 1,943,464	$ 13,424,035
United States	79,828,960	-	4,755,000	84,583,960
Total	$ 91,309,531	$ -	$ 6,698,464	$ 98,007,995

ALLOWANCE FOR LOAN AND MORTGAGE INVESTMENTS LOSS

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

	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

March 31, 2020, loan and mortgage investments in two project totaling $7,092,764 (December 31, 2019 - one project loan investment totaling $2,478,759), including interest receivable on these loans and fees incurred relating to collection of these loan and mortgage investments totaling $394,300 (December 31, 2019 - $374,911), were 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 carried an ACL balance totaling $288,108 and $226,108, respectively, against the loan investments and $187,233 and $202,684, respectively, against other receivables, relating to the loan and mortgage investments.

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

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

INVESTMENT IN FINANCE LEASES

The Company is 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 (land banking). The Company also is 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 of $8,686,812, for development of the land, subject to builders meeting certain funding conditions. Under this arrangement, builders have 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 a non-refundable deposit at each time of the closing of each acquisition. The builder's deposits are applied on a lot-by-lot basis, on acquisition of the lots by the builders.

As 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 (March 31, 2019 - $35,325).

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

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

	Amount
Balance, December 31, 2018	$ 2,819,915
Investments made	472,181
Lease payments received	(82,904)
Finance income recognized	84,473
Balance, March 31, 2019	$ 3,293,665
Investments 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
Investments 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

As at March 31, 2020 and December 31, 2019, the investment in finance leases amounted to $24,560,760 and $17,959,374, respectively. The increase in investment in finance leases during the three months ended March 31, 2020 resulted from advances made to new investment in finance leases of $7,543,892, advances made to existing finance leases in the amount of $3,522,022, and recognition of finance income of $631,207 which were offset by sale of leases of $4,370,191 and receipt of lease payments of $725,544.

The following is a reconciliation of the undiscounted future minimum lease payments receivable and imputed interest 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

PORTFOLIO INVESTMENTS

The following table presents details of the portfolio investments as at December 31, 2019 and 2018:

	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

(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 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.

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 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:

	Amount
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

INVESTMENT IN ASSOCIATES

The following table presents details of the investment in associates as at March 31, 2020 and December 31, 2019:

	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 C$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 loan monitoring 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).

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

	Amount
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
Investment funded	136,647
Income earned	45,461
Distributions received	(8,751)
Foreign exchange	(170,335)
Balance, March 31, 2020	$ 3,100,969

JOINT ARRANGEMENTS

JOINT OPERATIONS

The Company's interests in the following property is subject to joint control and, accordingly, the Company has recorded its proportionate share of the related assets, liabilities, revenue and expenses of the properties following 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%. At March 31, 2020 and December 31, 2019, the Company’s share of net assets in Montreal Street JV was $691,414 and $735,087, respectively.

The financial information in respect of the Company's investment in joint operations March 31, 2020 and December 31, 2019 is as follows:

	March 31, 2020	December 31, 2019
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
Total assets	2,374,310	2,577,422
Accounts payable and accrued liabilities	33,158	35,772
Mortgages payable	978,395	1,067,440
Lease obligations	671,343	739,123
Total liabilities	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 activities:

	Three months ended	
	March 31, 2020	March 31, 2019
Revenue		
Rental	$ 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

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.

As 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 (C$2,208,694) and $1,700,303 (C$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 C$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 C$85,250.

CONVERTIBLE NOTE RECEIVABLE

On January 29, 2019, the Company entered into a loan agreement with an unrelated Ontario corporation that provides web-based crowd funding 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 C$2,000,000. At signing, the Company advanced $752,349 (C$1,000,000) of the C$2,000,000 commitment. The remaining C$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:

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

ASSETS UNDER MANAGEMENT

The Company also manages assets and collects spreads on assets that are shown on the Company's balance sheet. The Company generates, spreads, fees and/or carried interest from certain investments in which the Company and syndicate investors invested and the syndicate investors share of investments are not included in the Company's financial statements. AUM (a non-IFRS measure) as at March 31, 2020 and December 31, 2019 was $184.2 million and $186.1 million, respectively. AUM will fluctuate in value as a result of the funding of new investments and redemption of investments.

FINANCIAL PERFORMANCE

The Company's financial performance for the three months ended March 31, 2020 and 2019 is summarized below:

	Three months ended		
	March 31, 2020	March 31, 2019	Change Increase / (decrease)
Revenue			
Interest and fees earned	$ 3,356,405	$ 3,784,016	$ (427,611)
Finance income	631,207	84,473	546,734
Rental income	37,526	37,950	(424)
Total revenue	4,025,138	3,906,439	118,699
Expenses			
Property operating costs	13,425	13,053	372
General and administrative expenses	739,059	781,238	(42,179)
Share based compensation (recovery)	(209,554)	327,832	(537,386)
Interest and financing costs	2,278,430	2,306,753	(28,323)
Provision for loan and mortgage investment loss	105,737	-	105,737
Provision for uncollectible receivables	-	-	-
Share of income from investment in associates	(45,461)	-	(45,461)
Realized and unrealized foreign exchange loss	795,890	56,534	739,356
	3,677,526	3,485,410	192,116
Income from operations before income taxes	347,612	421,029	(73,417)
Income taxes	473,923	123,863	350,060
Net income (loss) and comprehensive income (loss)	$ (126,311)	$ 297,166	$ (423,477)

Total revenue for the three months ended March 31, 2020 was $4,025,138, compared to $3,906,439, for the same period last year, primarily due to the factors discussed below under "Interest and Fees Earned".

Income from operations before income taxes for the three months ended March 31, 2020 was $347,612 compared to $421,029 for the same period last year. The decrease was primarily due to a foreign exchange loss of $795,890 for the three months ended March 31, 2020 (compared to $56,534 for the three months ended March 31, 2019), recording of provision for loan and mortgage investment loss of $105,737, the results of which were offset by an increase in revenue of $118,699, a decrease in share based compensation expense of $537,386, a decrease in general and administrative expenses of $42,179 and a share of income from investment in associates of $45,461 for the three months ended March 31, 2020. Realized and unrealized foreign exchange gain for the three months ended March 31, 2020, was higher due to the strengthening of the U.S. dollar against the Canadian dollar on the CAD denominated net assets translated to USD.

Net loss and comprehensive loss for the three months ended March 31, 2020 was $126,311 (compared to a net income and comprehensive income of $297,166 for the corresponding period in 2019). The decrease in net income and comprehensive income compared to the same period last year was primarily due to the factors discussed above in the paragraph regarding income from operations before income taxes for the three months ended March 31, 2020 and 2019 and disproportionately higher provision for income taxes for the three months ended March 31, 2020 due to foreign exchange gain recognized by entities report in CAD functional currency.

ADJUSTED NET INCOME AND COMPREHENSIVE INCOME

It is the Company's view that additional income measures linking the Company's financial statements to explanations of its business performance may be useful to give investors greater insight on the financial performance of the Company and how it is managed.

Adjusted net income and comprehensive income assess the income from operations without the effects of certain non-cash items that generally have no current economic impact or other unusual one-time items that are viewed as not directly related to a Company's operating performance.

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors also use adjusted net income and comprehensive income for such purposes. Presenting this measure from period to period helps evaluate trends more readily in comparison with results from prior periods.

The following table provides the calculation of the Company's adjusted net income and comprehensive income for the three months ended March 31, 2020 and 2019:

	Three months ended		
	March 31, 2020	March 31, 2019	Change Increase / (decrease)
Net income and comprehensive income	$ (126,311)	$ 297,166	$ (423,477)
Provision for loan and mortgage investment and uncollectible receivable losses (tax adjusted)	77,717	-	77,717
Share based compensation (recovery)	(154,022)	240,957	(394,979)
Foreign exchange loss (tax adjusted)	961,805	41,552	920,253
Adjusted net income and comprehensive income (1)	$ 759,189	$ 579,675	$ 179,514

(1) Adjusted net income and comprehensive income is a non-IFRS measure. See "Non-IFRS Measures".

Adjusted net income and comprehensive income (a non-IFRS measure) for the three months ended March 31, 2020 was $759,189, an increase of $179,514 from adjusted net income and comprehensive income of $579,675 for the corresponding period in 2019. The increase in adjusted net income and comprehensive income for the three months ended March 31, 2020 compared to the same period last year was primarily due to the after-tax effect of the increase in total revenue by $118,699, decrease in share based compensation by $537,386 and decrease in expenses by $70,502 and income from investments in associates of $45,461.

PRE-TAX PROFIT MARGIN

The Company believes that the pre-tax profit margin (a non-IFRS measure) provides an assessment of the extent the Company is able to earn profit from each dollar of the adjusted revenue (a non-IFRS measure).

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors also use pre-tax profit margin for such purpose. Presenting this measure from period to period helps evaluate trends more readily in comparison with results from prior periods.

The following table provides the calculation of pre-tax profit margin for the three months ended March 31, 2020 and 2019:

	Three months ended	
	March 31, 2020	March 31, 2019
Revenue	$ 4,025,138	$ 3,906,439
Less:		
Interest on loan and mortgage syndications	(2,078,850)	(2,030,992)
Adjusted revenue (1)	1,946,288	1,875,447
Expenses	3,677,526	3,485,410
Add (less):		
Interest on loan and mortgage syndications	(2,078,850)	(2,030,992)
Realized and unrealized foreign exchange loss	(795,890)	(56,534)
Share based compensation	209,554	(327,832)
Provision for loan and mortgage investments	(105,737)	-
Adjusted expenses (1)	906,603	1,070,052
Income from operations before income taxes	$ 1,039,685	$ 805,395
Pre-tax margin (1)	53.4%	42.9%

(1) Adjusted revenue, adjusted expenses and operating margin are non-IFRS Measures. See "Non-IFRS" Measures.

For the three months ended March 31, 2020 and 2019, pre-tax profit margin was 53.4% and 42.9%, respectively.

INTEREST AND FEES EARNED

For the three months ended March 31, 2020, interest and fees earned aggregated to $3,356,405, compared to $3,784,016 in the comparative period last year, representing a decrease of $427,611 or 11.3%, primarily due to a decrease in interest earned on loans repaid of $1,140,351, which is in part increased by an increase in interest earned from existing loans of $186,330 and increase in interest earned from new loans of $526,408 funded after March 31, 2019.

FINANCE INCOME

For the three months ended March 31, 2020, finance income aggregated to $631,207, compared to $84,473 in the comparative period last year, representing an increase of $546,734 or 647.2% primarily due to an increase in investment in finance leases. The composition and changes to the investment in finance leases are discussed under "Investments – Investment in Finance Leases".

RENTAL INCOME AND PROPERTY OPERATING COSTS

The Company's proportionate share of the rental income from investment property in operations jointly controlled by the Company for the three months ended March 31, 2020 and 2019 was $37,526 and $37,950, respectively. The Company's proportionate share of the property operating costs in investment property in operations jointly controlled by the Company for the three months ended March 31, 2020 was $13,425 compared to $13,053 for the same period last year.

INTEREST AND FINANCING COSTS

Interest and financing costs for the three months March 31, 2020 and 2019 were as follows:

	Three months ended		
	March 31, 2020	March 31, 2019	Change Increase / (decrease)
Interest on loan and mortgage syndications	$ 2,078,850	$ 2,030,992	$ 47,858
Interest on credit facilities	187,719	268,032	(80,313)
Interest on Montreal Street JV	11,544	7,729	3,815
Interest on lease obligations	317	-	317
	$ 2,278,430	$ 2,306,753	$ (28,323)

Interest expense for the three months ended March 31, 2020 was $2,278,430 compared to $2,306,753 for the same period last year. This decrease was primarily due to the decrease in loan and mortgage syndications from $79.0 million at March 31, 2019 to $78.1 million at March 31, 2020. See – "Capital Structure and Debt Profile – Loan and Mortgage Syndications" and "Credit Facilities".

GENERAL AND ADMINISTRATIVE EXPENSES

During the three months ended March 31, 2020 and 2019, the Company incurred the following general and administrative expenses:

	Three months ended		
	March 31, 2020	March 31, 2019	Change Increase / (decrease)
Salary and benefits	$ 455,265	$ 394,061	$ 61,204
Professional fees	114,260	279,546	(165,286)
Public company expenses	11,644	2,201	9,443
Directors' fees	38,359	18,701	19,658
Rent	37,362	41,121	(3,759)
Other expenses	82,169	45,608	36,561
	$ 739,059	$ 781,238	$ (42,179)

General and administrative expenses consist mainly of salaries and other personnel costs, professional fees, occupancy costs and other expenses associated with the operation of the Company.

General and administrative expenses for the three months ended March 31, 2020 were $739,059, compared to $781,238 for the same period last year, such decrease primarily due to not incurring legal fees relating to the loan and mortgage investments in arrears, which is partially offset by an increase in directors fee due to payment of directors' fees in cash for the three months ended March 31, 202, due to the amendment to Deferred Share Unit Plan (the "DSU Plan") and an increase in salary and expenses due to annual salary increase and new hires.

SHARE BASED COMPENSATION

The share-based payments that have been recognized for the three months ended March 31, 2020 and 2019 were as follows:

	Three months ended		
	March 31, 2020	March 31, 2019	Change Increase / (decrease)
Share option Plan	$ 13,257	$ 57,475	$ (44,218)
DSU Plan	(222,811)	270,357	(493,168)
	$ (209,554)	$ 327,832	$ (537,386)

Share-based compensation associated with the Company's share option plan (the "Plan") was $13,257 for the three months ended March 31, 2020, compared to $57,475 for the same period last year. The decrease in share-based payments associated with the Plan was primarily due to lower number of options granted in 2019 and the determination of the compensation expense using the graded-vesting accounting method. See "Shareholders Equity – Share-Based Payments".

The share-based compensation associated with the DSU Plan for the three months ended March 31, 2020 was a recovery of $222,811, compared to $270,357 for the same period last year. The recovery of share-based payments was primarily due to the decrease in the Share price from $5.60 per Share at December 31, 2019 to $4.52 per Share at March 31, 2020. See "Shareholders Equity – Share-Based Payments".

FOREIGN EXCHANGE GAIN LOSS

For the three months ended March 31, 2020, the Company recognized a foreign exchange loss of $795,890 compared to a foreign exchange loss of $56,534 for the same period last year, resulting from translation entities with CAD functional currency being translated to USD. During the three months ended March 31, 2020, the US. Dollar strengthened by approximately 8.3% against the Canadian dollar from $1.2990 to $1.4062.

INCOME TAXES

The Company is subject to federal, provincial, and state income taxes in jurisdictions in which it conducts business and is required to estimate the income tax provision in each of these jurisdictions in preparing its consolidated financial statements. The Company's effective consolidated tax rate is influenced by various factors, including the mix of accounting profits or losses before income taxes among tax jurisdictions in which it operates in and the foreign exchange gain or loss. The effective income tax rate for the three months ended March 31, 2020 amounted to 136.3%, compared with 29.4% for the same period last year. The increase resulted primarily from tax and accounting treatment of subsidiaries that have a functional currency of USD and filing income taxes in CAD, while holding assets denominated in USD and CAD. These subsidiaries recognized taxable foreign exchange gains from the strengthening of the USD for Canadian income tax purposes while recording a non-deductible foreign exchange loss resulting from the conversion of CAD transactions and balances to USD in preparing the consolidated financial statements. This resulted in an increase in income tax expense increased by $166,000 and a higher effective income tax rate for the three months ended March 31, 2020.

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 and mortgage syndications, (iii) mortgages payable, (iv) credit facilities, (iv) issuance of unsecured notes payable, (v) issuance of Shares and Debentures, or any combination thereof.

CASH FLOWS

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

	Three months ended,	
	March 31, 2020	March 31, 2019
Cash (used in) provided by operating activities	$ 2,077,761	$ (457,184)
Cash (used in) provided by financing activities	(8,762,859)	1,759,139
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

Cash and cash equivalents at March 31, 2020 and 2019 were $6,270,376 and $10,079,078, respectively.

Operating Activities

Cash provided by operating activities for the three months ended March 31, 2020 of $2,077,761 and cash used in operating activities for the three months ended March 31, 2019 of $457,184 were related primarily to the net cash used in and provided by lending operations. The Company's cash provided by operating activities for the three months ended March 31, 2020 increased despite capitalizing interest of $1,211,446 to loan and mortgage investments. See "Investments – Loan and Mortgage Investments".

Financing Activities

Cash flows from financing activities, as reflected in the interim condensed consolidated statements of cash flows, are summarized in the following table:

	Three months ended, March 31, 2020	Three months ended, March 31, 2019
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)
Payment of lease obligations	(51,138)	(42,280)
Proceeds from credit facilities	6,270,423	1,062,128
Repayments 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 (used in) provided by financing activities	$ (8,762,859)	$ 1,759,139

Investing Activities

Cash flows from investing activities, as reflected in the interim condensed consolidated statements of cash flows, are summarized in the following table:

	Three months ended, March 31, 2020	Three months ended, March 31, 2019
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)
Principal payment received on investment in finance lease	4,370,191	-
Funding of investment in convertible note receivable	-	(752,349)
Increase in funds held in trust	(11,371)	(165,536)
Funding of investment in associates	(136,647)	-
Proceeds from sale of interest in portfolio investment	-	16,500
Funding of portfolio investment	(59,243)	-
Cash provided by investing activities	$ 11,024,023	$ 1,045,744

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Company defines its capital as the aggregate of shareholders' equity, loan and mortgage syndications, Credit Facilities and mortgages payable. 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.

The Company adjusts its capital structure considering general economic conditions and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board, may pay dividends, buy back Shares or undertake other activities as deemed appropriate under the specific circumstances. The Board reviews and approves any material transactions not in the ordinary course of business.

As at March 31, 2020 and December 31, 2019, respectively, the total capital of the Company was as follows:

	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
Shareholders' equity	39,264,100	39,635,372
Total capital	$ 131,539,239	$ 140,831,065

LOAN AND MORTGAGE SYNDICATIONS

The Company enhances the Loan Portfolio through Loan Syndications, Credit Facilities and mortgages payable. 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.

Loans and mortgages payable are funded through one of the following initiatives:

(1) the syndication of certain loan investments to private investors each participating in a prescribed manner on an investment by investment basis – in which cases, the investors rank on a pari-passu basis with the Company's share of Loan and Mortgage Investments; or

(2) conventional construction or permanent financing secured by the project or investment property – in which, the Company is generally in a subordinate position to the conventional construction lenders.

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 syndicated portion of the investments are sold to investors and owned by the investors in a prescribed manner and are governed by loan servicing agreements. The terms of the syndication would typically 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 administered by Terra Firma MA Ltd. (the "TFMA"), a wholly owned subsidiary of the Company, on behalf of the syndicate investors. The security documents are typically registered in the name of the Company and held in trust on behalf of the syndicated investors.

The loan servicing agreement stipulates the ownership interest of the syndicate investors in the loan investments and segregates the ownership of the syndicate investors from 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.

Under IFRS the Company recognizes the loan and mortgage investments and the loan syndications on a gross basis. The interest income earned and related interest expense on the syndicate investors are recognized in the statements of income and comprehensive income. From a legal perspective, the syndicated portion of the loan and mortgage investments are owned by syndicate investors. The Company neither has a beneficial ownership in the syndicated assets nor has any obligation with regards to the syndicated loans.

TFMA administers the Loan Syndications and all funding from and to syndicate investors are funded to and from the trust account held by this entity. 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 and mortgage syndications as at March 31, 2020 and December 31, 2019:

	March 31, 2020				December 31, 2019			
	Weighted Average Effective Interest Rate		Amount	% of Loan and mortgage syndications payable	Weighted Average Effective Interest Rate		Amount	% of Loan and mortgage syndications payable
Residential housing developments	8.3%	$	19,970,474	25.6%	8.2%	$	21,238,552	24.1%
Land and lot inventory	10.1%		54,034,540	69.2%	10.1%		62,960,862	71.3%
Commercial retail development	9.9%		4,050,000	5.2%	9.9%		4,050,000	4.6%
	9.6%	$	78,055,014	100.0%	9.6%	$	88,249,414	100.0%

At March 31, 2020, the weighted average EIR of Loan Syndications was 9.6%, consisting of the syndication of loans pertaining to residential housing developments having a weighted average EIR of 8.3%, land and lot inventory, having a weighted average EIR of 10.1% and commercial retail developments having a weighted average EIR of 9.9%. At March 31, 2020, the weighted average term to maturity of Loan Syndications was 1.43 years.

At December 31, 2019, the weighted average EIR of Loan Syndications was 9.6%, consisting of the syndication of loans pertaining to residential housing developments having a weighted average EIR of 8.2%, land and lot inventory, having a weighted average EIR of 10.1% and commercial retail developments having a weighted average EIT of 9.9%. At December 31, 2019, the weighted average term to maturity of Loan Syndications was 1.46 years.

At March 31, 2020, the Company's syndication activities resulted in $78,055,014 or 79.6% of the Loan Portfolio (by investment amount) being syndicated to investors, yielding a net effective return of 24.4%, and increasing its overall return by 11.3% from its non-leveraged 13.1% return. At December 31, 2019, the Company's syndication activities resulted in $88,249,414 or 75.6% of the Loan Portfolio (by investment amount) being syndicated to investors, yielding a net effective return of 24.4%, and increasing its overall return by 11.2% from its non-leveraged 13.2% return. Overall, returns 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 and Loan Syndications.

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

	Three months ended			
		March 31, 2020		March 31, 2019
Balance, beginning of period	$	88,249,414	$	75,906,550
Loan and mortgage syndication activity during the period				
Additional advances to existing Loan Portfolio		136,096		4,094,378
Interest capitalized		468,171		348,704
Repayments of loan and mortgage syndications		(10,112,736)		(1,514,636)
Unrealized foreign exchange loss (gain)		(685,931)		144,834
Balance, end of period	$	78,055,014	$	78,979,830

The following table sets out, as at March 31, 2020, scheduled principal repayments, and amounts maturing on the Loan Syndications to be paid over each of the next four years and thereafter, are as follows:

	Scheduled principal payments	Loan and mortgage syndications 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

UNSECURED NOTE PAYABLE

During the year ended December 31, 2019, the Company issued an unsecured promissory note payable (the "Unsecured Note") to an unrelated third-party investor for $3,000,000. The Unsecured Note provides the holder with a percentage return on certain of the Company's investments, up to a return equivalent to interest of 15% per annum compounded annually, payable monthly. The repayment of the Unsecured Note is limited to the return and proceeds from these investments and the Unsecured Note has no recourse or risk to the Company. The Unsecured Note matures on December 31, 2022. Proceeds from the Unsecured Note were used to fund certain loan and mortgage investments. The Unsecured Note enabled the Company to increase its overall non-leveraged return on these 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.

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.

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)
Total	$ 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:

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

The following table sets out, scheduled principal and interest repayments and amounts maturing on the mortgages over each of the next three years:

	Scheduled principal payments	Mortgages maturing during the year	Total mortgages payable
Remainder of year	$ 24,887	-	$ 24,887
2021	16,914	939,350	956,264
	$ 41,801	$ 939,350	$ 981,151

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.

(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 LOC with a same lending institution, replacing the Facility Agreement and. 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 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 C$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 presents details of the Credit Facilities as at March 31, 2020 and 2019:

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

The following table summarizes the changes in the Credit Facilities for the three months ended March 31, 2020:

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

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.

LEASE OBLIGATIONS

The Company has a lease commitment on its head office premises located at 22 St. Clair Avenue East, Toronto, Ontario and a land lease on the Montreal Street JV located in Ottawa, Ontario. The future minimum lease payments, which includes estimated operating costs for the next five years and thereafter, are as follows:

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

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 its proportionate share of 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.

SHAREHOLDERS' EQUITY

SHARES

On September 20, 2019, the Company consolidated 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, DSUs and earnings per share data presented in this MD&A have all been adjusted retroactively to reflect the impact of this share consolidation.

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

NORMAL COURSE ISSUER BID

On November 23, 2018, following its prior expiry of the Normal Course Issuer Bid (the "NCIB") on November 6, 2018, the Company renewed the NCIB (the "Renewed NCIB"). Under the terms of the Renewed NCIB, the Company was permitted to acquire up to 4,186,319 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 Renewed NCIB commenced through the TSX-V on November 17, 2018 and concluded on November 26, 2019, the expiry date of the Renewed NCIB.

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 (C$387,353), respectively.

DIVIDENDS

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 C$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.

SHARE-BASED COMPENSATION

Share Option Plan

Pursuant to the Plan, the Company may grant eligible directors, officers, senior management and consultants options to purchase Shares. The exercise price of each 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 Exchange, 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. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods.

On June 12, 2019, the Company granted options to its Ex-Chairman to purchase up to 20,000 common shares of the Company at a price of C$5.60 per share with the expiry date of June 11, 2026. 10,000 options vested immediately, and the remaining 10,000 options vested in equal instalments on a quarterly basis over a 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 C$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:

	Options grant date
	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.

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

	Three months ended March 31, 2020			Year ended December 31, 2019		
	Number of options		Weighted average exercise price in CAD	Number of options		Weighted average exercise price in CAD
Outstanding - beginning of period	351,089	$	6.95	528,500	$	7.00
Granted	-		-	44,000		5.60
Expired				(221,411)		6.86
Cancelled	(80,000)		6.68	-		-
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 share options as at March 31, 2020:

Number of options outstanding	Expiry date	Number of options exercisable	Exercise price in CAD	Market price at date of grant
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		

Deferred Share Unit Plan

The Company has a 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 Shares by awarding DSUs as compensation for services rendered.

Prior to September 30, 2019, 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% of their annual retainer and might elect to receive up to 100% of their annual retainer in DSUs. Employees were eligible 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 elected 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.

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.

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. Directors must retain DSUs until they leave the Board, 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.

The following table presents the changes in DSUs for the three months ended March 31, 2020 and year ended December 31, 2019:

	Number of DSUs	
	Three months ended Mar 31, 2020	Year ended Dec 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).

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 C$8.50 per share, with an expiry date of August 15, 2020.

CONTRIBUTED SURPLUS

The following table presents the details of the changes to the contributed surplus balances as at March 31, 2020 and 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

DEBT TO EQUITY RATIO

IFRS requires that the loan and mortgage syndications be included as part of the assets and offsetting liabilities of the Company. Given that the loan and mortgage syndications have no recourse or risk to the Company, management believes that the loan and mortgage syndications should be subtracted from the Company's debt to provide a better depiction of the Company's debt to equity ratio (a Non-IFRS measure). The significantly lower adjusted debt to equity ratio represents the Company's position with much lower leverage and risk.

Such calculation is represented in the following table provides details of the Company's adjusted debt to equity ratio as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Total debt	$ 92,275,139	$ 101,195,693
Less: loan and mortgage syndications and unsecured note payable	(81,055,014)	(91,249,414)
Adjusted total debt	$ 11,220,125	$ 9,946,279
Shareholders' equity	$ 39,322,900	$ 39,635,372
Debt to equity (1)	2.35:1.00	2.55:1.00
Adjusted debt to equity (1)	0.29:1.00	0.25:1.00

(1) Total debt, adjusted total debt, debt to equity and adjusted debt to equity are non-IFRS Measures. See "Non-IFRS" Measures.

As at March 31, 2020 and December 31, 2019, the adjusted debt to equity ratio was 0.29:1.00 and 0.25:1.00, respectively.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

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.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies and methods of their application as those described in Note 2 to the consolidated financial statements for the year ended December 31, 2018, except for the following changes in accounting policies and disclosures and new standards adopted during the three months ended March 31, 2020, as described below. The Company's consolidated financial statements for the year ended December 31, 2019 can be found under the Company's profile at WWW.SEDAR.COM.

USE OF ESTIMATES

The preparation of the Company's unaudited interim condensed 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.

In making estimates, the Company relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior year and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements.

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 unaudited interim condensed 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.

Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of these unaudited interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the years. 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.

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.

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, the Loan Portfolio, portfolio investments, investment in associates, investment in finance lease, Convertible Note, lease obligation, loan and mortgage syndications, the Master Facility and mortgage payable.

The fair value of interest and other receivables approximate their carrying values due to their short-term maturities.

The fair value of the Loan Portfolio, investment in finance lease, Convertible Note, Loan Syndications, mortgages payable, Unsecured Note and Master Facility approximate their carrying value as they are short-term in nature. There is no quoted price in an active market for the Loan Portfolio or Loan Syndications. The Company makes the determinations of fair value based on its assessment of the current lending market for Loan Portfolio 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 audited 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 property, Portfolio Investments, investment in associates and non-controlling interest are determined by using Level 3 inputs at December 31, 2019 and 2018 and no amounts were transferred between fair value levels during the three months and years ended December 31, 2019 or 2018.

OFF BALANCE SHEET ITEMS

As of March 31, 2020, and December 31, 2019, 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.

MARKET RISK

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market price whether the changes are caused by factors specific to the investment or factors affecting all securities in the market.

The Company's objective of managing this risk is to minimize the volatility of earnings. The Company mitigates this risk by charging interest rates which are significantly above normal banking rates.

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. The amounts receivable includes 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.

As at March 31, 2020, two separate and unrelated 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 loans totaling $394,300 (December 31, 2019 - $374,911), were 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 Company expects to receive these outstanding loan and mortgage investment balances in due course.

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.

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. civil unrest, acts of God, including earthquakes and other natural disasters, acts of terrorism or war and public health crises such as the current outbreak of the novel coronavirus, COVID-19 (discussed below),
ii. changes in national or local economic conditions,
iii. changes in real estate assessed values and taxes payable on such values and other operating expenses,
iv. the inability of developers to sell development land,
v. changes in demand for newly constructed residential units,
vi. changes in real estate assessed values and taxes payable on such values and other operating expenses, or
vii. changes in interest rates and in the availability, cost and terms of any mortgage or other development financing.

Any of the foregoing events could impact the ability of borrowers to timely repay (if at all) loans made by the Company, negatively impact the value or viability of a development project in which the Company has invested or negatively impact the value of portfolio properties of the Company or their ability to generate positive cash flow.

In addition, the Company may be unable to identify and complete investments that fit within its investment criteria. The failure to make a sufficient number of these investments would impair the future growth of the Company.

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

In March 2020, Governments worldwide, including U.S. and Canada, have enacted emergency measures to combat the spread of the COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused a material disruption to businesses resulting in an economic slowdown and may, in the future, have further and larger impacts. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not yet determinable. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on both the Company and its borrowers is not known at this time but could be material. In particular, such enhanced risks associated with COVID-19 include, but are not limited to: a reduction in interest income and an increase in credit loss provisions in the event that financial hardship causes an inability of borrowers to make contractual principal and interest payments to the Company on a timely basis; a deterioration in the ability of the Company to achieve expected values on a timely basis from asset sales in connection with loan realizations and the ability to access capital markets at a reasonable cost.

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of the Company's foreign currency denominated Loan Portfolio, Loan Syndications and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates.

Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. Consequently, the Company is subject to currency fluctuations that may impact its financial position and results. The Company manages its currency risk on Loan Portfolio by syndicating and or borrowing in the same currency.

LIQUIDITY RISK

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient liquidity to meet its liabilities when they come due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's credit worthiness.

The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

If the Company is unable to continue to have access to its loans and mortgages syndications and revolving operating facility, the size of the Company's loan and mortgage investments will decrease and the income historically generated through holding larger investments by utilizing leverage will not be earned.

Contractual obligations as at March 31, 2020 are due as follows:

	Less than 1 year	More than 1 year	Total
Accounts payable and accrued liabilities	$ 4,698,293	$ -	$ 4,698,293
Credit Facilities (face value)	-	10,756,768	10,756,768
Mortgages payable	24,887	956,264	981,151
	$ 4,723,180	$ 11,713,032	$ 16,436,212

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.

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.

REGULATORY RISK

The Government of Ontario has announced plans to transfer responsibility for syndicated mortgage investments from the Financial Services Commission of Ontario to the Ontario Securities Commission. In relation to the foregoing, the Canadian Securities Administrators has published for comment proposed changes to substantially harmonize the regulatory framework for syndicated mortgages in Canada. Under the proposed amendments, prospectus and registration exemptions that currently apply to syndicated mortgages in certain jurisdictions (including Ontario) would be removed. Additionally, the amendments, if adopted, would introduce revisions to the offering memorandum exemption to provide heightened disclosure for investors and, in certain circumstances, issuers would be required to deliver property appraisals prepared by an independent, qualified appraiser. The proposed amendments would also exclude syndicated mortgages from the private issuer exemption. The Company is assessing the proposed regulatory amendments and cannot predict what the final regime will look like and how it will impact on the Company's business and results.

The Government of Ontario made regulatory amendments to Ontario Regulation (O. Reg.) 188/08 Mortgage Brokerages: Standards of Practice under the Mortgage Brokerages, Lenders and Administrators Act, 2006 ("MBLAA"), effective July 1, 2018. The amendments require mortgage brokerages transacting in syndicated mortgages that do not meet the regulatory definition of a qualified syndicated mortgage ("non-qualified syndicated mortgages") to, among other things: (a) the collection and documentation, on Superintendent of the FSCO approved forms, information relating to knowing the client, including information about the financial circumstances, investment needs and objectives, risk tolerance, level of financial knowledge, investment experience and relationship with the mortgage brokerage (if any) of the prospective investor/lender; (b) the completion an assessment of whether or not the proposed non-qualified syndicated mortgage is suitable for the prospective investor/lender given the information about the investor/lender in (a) and the features and risks of the proposed syndicated mortgage investment; and (c) expanded disclosures to each prospective investor/lender regarding, for example, property appraisal and, in cases where the borrower is not an individual, the financial statements of the borrower. In addition, mortgage brokerages are required to update their policies and procedures that are designed to ensure that the mortgage brokerage and its mortgage brokers and agents comply with all the requirements established under the MBLAA to be compliant with the amended regulations to now include how the mortgage brokerage will verify that an investor/lender is eligible to invest in, or make a loan in respect of, a non-qualified syndicated mortgage.

The Company is currently in the process of updating its policies and creating internal procedures along with other market participants to adopt and implement these new requirements. These regulatory amendments are not expected to have a material impact on the Company's business.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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.

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 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 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. Management believes there will be significant opportunities for the Company to expand its presence in the market; however, it continues to be prudent in its approach to selection of new investments and pricing.

Yields in the real estate market in Canada have compressed over the last several years to levels that are not only low from a risk adjusted return perspective but also below the cost of capital of the Company. As a result, the Company has adjusted its marketing efforts in Canada to become more reactive to deals that may present themselves for special situations through existing borrowers or existing contacts versus taking a proactive approach to generating a greater pipeline of potential transaction. Beginning in 2015, the Company began a gradual program of lending in certain U.S. markets following the same prudent lending standards it historically had employed in Canada. The U.S. market represents a logical extension of the Company's existing lending operations. As such, the Company continues to focus primarily on providing higher leveraged loans (up to 80% LTV) on development projects and land banking arrangements in the U.S. Management expects to be able to generate interest rates similar to those reflected in the current portfolio.

The Company's ability to achieve its objective 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. Further, the Company's ability to attract larger sources of lower cost capital will have a significant impact on the growth of its earnings.

The outbreak of COVID-19 in all countries continues to adversely impact global activity and has contributed to significant volatility and negative pressure in financial markets. The global impact of the outbreak has been rapidly evolving, and as cases of the virus have continued to be identified, many countries including the U.S. and Canada have reacted by instituting public health measures, including quarantines and restrictions on travel. The outbreak could have a sustained adverse impact on economic and market conditions and could adversely impact the Company including by causing operating or supply chain delays and disruptions, labour shortages and/or restricted availability of the management team, project delays, an inability to monetize the value of the Company's existing portfolio of investments due to declines in real estate values and/or difficulty accessing debt and equity capital on attractive terms. The occurrence of such events may not release us from performing our obligations to third parties.

While the Company engages in emergency preparedness, including business continuity planning, to mitigate risks, the rapid development and fluidity of this situation limits the Company's ability to predict the ultimate adverse impact of the Coronavirus on the Company. As such, there can be no assurance that our operations and ability to carry on business will not be disrupted. Any of the aforementioned events in isolation or in combination, could have a material negative impact on the Company's performance, financial condition, results of operations and cash flows.

SELECTED ANNUAL AND QUARTERLY FINANCIAL 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, 2019 and 2018 and the unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2020.

The following table shows information for revenues, profit, total assets, total liabilities, shareholders' equity and earnings per share amounts (as restated) for the periods noted therein:

	As at March 31, 2020	As at December 31, 2019	As at December 31, 2018
Total assets	$ 139,086,877	$ 148,231,267	$ 140,145,809
Total liabilities	$ 99,763,977	$ 108,595,895	$ 102,092,783
Total equity	$ 39,322,900	$ 39,635,372	$ 38,053,026
Loan and mortgage investments	$ 98,007,995	$ 116,820,582	$ 122,209,711
Loan and mortgage syndications	$ 78,055,014	$ 88,249,414	$ 75,906,550
Loan and mortgage syndications to loan and mortgage investments	79.6%	75.5%	62.1%

	Three months ended		Years ended		
	March 31, 2020	March 31, 2019	December 31, 2019	December 31, 2018	December 31, 2017
Total revenue	$ 4,025,138	$ 3,906,439	$ 16,656,306	$ 13,448,171	$ 11,442,814
Total expenses	$ 3,677,526	$ 3,485,410	$ 12,569,591	$ 10,379,679	$ 9,800,032
Income from operations before income taxes	$ 347,612	$ 421,029	$ 4,086,715	$ 3,068,492	$ 1,642,782
Net income and comprehensive income attributable to common shareholders	$ (126,311)	$ 297,166	$ 3,077,757	$ 2,215,783	$ 1,186,033
Diluted net income and comprehensive income attributable to common shareholders	$ (126,311)	$ 297,166	$ 3,077,757	$ 2,215,783	$ 1,186,033
Adjusted net income and comprehensive income attributable to common shareholders (1)	$ 759,189	$ 579,675	$ 3,016,978	$ 1,928,889	$ 1,822,597
Adjusted diluted net income and comprehensive income attributable to common shareholders (1)	$ 759,189	$ 579,675	$ 3,016,978	$ 1,928,889	$ 1,822,597
Weighted average number of shares outstanding					
Basic	5,564,968	5,837,958	5,675,671	6,178,067	6,187,532
Diluted	5,565,167	5,838,675	5,675,671	6,185,726	6,225,736
Earnings per share					
Basic	$ (0.02)	$ 0.05	$ 0.54	$ 0.36	$ 0.19
Diluted	$ (0.02)	$ 0.05	$ 0.54	$ 0.36	$ 0.19
Adjusted earnings per share (1)					
Basic	$ 0.14	$ 0.10	$ 0.53	$ 0.31	$ 0.29
Diluted	$ 0.14	$ 0.10	$ 0.53	$ 0.31	$ 0.29

(1) Adjusted net income and diluted net income attributable common shareholders and adjusted earnings per share are non-IFRS Measures. See "Non-IFRS" Measures.

The following table sets out the Company's quarterly results of operations (as restated) for the eight quarterly periods ended March 31, 2020:

	Three months ended							
	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Revenue								
Interest and fees earned	$ 3,356,405	$ 4,046,909	$ 3,588,715	$ 3,583,652	$ 3,784,016	$ 3,671,489	$ 3,560,158	$ 3,187,741
Finance income	631,207	540,835	536,761	335,225	84,473	44,024	59,603	5,082
Rental income	37,526	41,844	38,211	37,715	37,950	38,174	38,597	39,067
	4,025,138	4,629,588	4,163,687	3,956,592	3,906,439	3,753,687	3,658,358	3,231,890
Expenses								
Property operating expenses	13,425	14,235	13,156	12,983	13,053	13,108	13,253	13,415
General and administrative expenses	739,059	1,129,828	670,802	794,121	781,238	950,701	585,571	673,490
Share based compensation	(209,554)	120,594	(61,292)	87,034	327,832	(234,302)	40,320	156,825
Interest and financing costs	2,278,430	2,422,611	2,384,399	2,047,496	2,306,753	2,329,722	2,083,914	1,918,639
Provision for loan and mortgage investment loss	105,737	226,108	-	(151,900)	-	102,039	2,301,143	-
Provision for uncollectible receivables		-	-	-	-	258,707	(123,767)	-
Realized and unrealized foreign exchange (gain) loss	795,890	(114,885)	(88,171)	(10,379)	56,534	(2,238,783)	675,783	(1,720,468)
Loss on sale of portfolio investment		-	-	-	-	-	-	173,646
Fair value adjustment - portfolio investments		(56,124)	-	-	-	(57,413)	-	-
Share of income from investment in associates	(45,461)	(356,435)	-	-	-	-	-	-
	3,677,526	3,385,932	2,918,894	2,779,355	3,485,410	1,123,779	5,576,217	1,215,547
Income (loss) before income taxes	347,612	1,243,656	1,244,793	1,177,237	421,029	2,629,908	(1,917,859)	2,016,343
Income tax provision (recovery)	473,923	359,377	215,934	309,784	123,863	706,539	(467,396)	524,560
Net income (loss) and comprehensive income (loss)	(126,311)	884,279	1,028,859	867,453	297,166	1,923,369	(1,450,463)	1,491,783
Net income (loss) and comprehensive income (loss) attributable to:								
Common shareholders	(126,311)	884,279	1,028,859	867,453	297,166	1,923,369	(1,450,463)	1,541,112
Non-controlling interest		-	-	-	-	-	-	(49,329)
	$ (126,311)	$ 884,279	$ 1,028,859	$ 867,453	$ 297,166	$ 1,923,369	$ (1,450,463)	$ 1,491,783
Diluted net income (loss) attributable to common shareholders	(126,311)	884,279	1,028,859	867,453	297,166	1,923,369	(1,450,463)	1,491,783
Adjusted net income and comprehensive income attributable to common shareholders (1)	759,189	1,054,666	919,633	812,148	579,675	370,801	676,243	470,135
Adjusted diluted net income and comprehensive income attributable to common shareholders (1)	759,189	1,054,666	919,633	812,148	579,675	370,801	676,243	470,135
Weighted average number of shares outstanding								
- basic	5,564,968	5,570,451	5,598,484	5,725,856	5,837,958	6,014,050	6,171,425	6,247,418
- diluted	5,565,167	5,574,020	5,599,454	5,726,320	5,838,675	6,018,276	6,182,314	6,263,000
Earnings (loss) per share								
- basic	$ (0.02)	$ 0.16	$ 0.18	$ 0.15	$ 0.05	$ 0.32	$ (0.24)	$ 0.24
- diluted	$ (0.02)	$ 0.16	$ 0.18	$ 0.15	$ 0.05	$ 0.32	$ (0.24)	$ 0.24
Adjusted earnings per share (2)								
- basic	$ 0.14	$ 0.19	$ 0.16	$ 0.14	$ 0.10	$ 0.06	$ 0.11	$ 0.08
- diluted	$ 0.14	$ 0.19	$ 0.16	$ 0.14	$ 0.10	$ 0.06	$ 0.11	$ 0.08

(1) Adjusted net income and comprehensive income attributable to common shareholders, Adjusted diluted net income and comprehensive income attributable to common shareholders, and adjusted basic and diluted net income per common share are non-IFRS measures and are not defined under IFRS and as a result, may not be comparable to similarly titled measures presented byother publicly traded entities, nor should they be constrrued as an alternative to other earnings measures determined in accordance with IFRS. See "Non-IFRS" Measures.

Additional information relating to the Company, including the Company's management information circular can be found on SEDAR at www.sedar.com.

Dated: May 13, 2020
Toronto, Ontario, Canada