

Terra Firma Capital Corporation Reports First Quarter 2020 Financial Results

All amounts are stated in United States dollars unless otherwise indicated.

Q1 2020 Financial Highlights:

- Revenues increased 3.0% to \$4.0 million
- Adjusted net income and comprehensive income⁽¹⁾ increased 31% to \$759,000
- Adjusted basic and diluted earnings per share⁽¹⁾ increased 40% to \$0.14 (CAD\$0.19⁽²⁾)
- Total Investments⁽³⁾ of \$130.0 million
- Book Value⁽⁴⁾ per share of \$7.07 (CDN\$9.94⁽²⁾)
- Paid CDN\$0.05 in quarterly dividend

Update on COVID-19 Response:

- Enacted measures to protect the health and well-being of Terra Firma's employees.
- Ceased all employee travel and new funding commitments.
- Preserving strong balance sheet and ample liquidity with \$6.3 million of cash and \$20.2 million of available line of credit.

TORONTO, May 14, 2020 -- Terra Firma Capital Corporation (TSX-V: TII) ("**Terra Firma**" or the "**Company**"), a real estate finance company, today announced its financial results for the three months ended March 31, 2020.

For the three-month period ended March 31, 2020, revenues increased 3.0% to \$4.0 million, compared to \$3.9 million during the same period in 2019, primarily due to an increase in finance income from a \$547,000 increase in finance lease investments, an increase in interest earned from existing loans of \$186,000 and an increase in interest earned from new loans of \$526,000 funded after March 31, 2019, which is in partially offset by a decrease in interest earned on \$1,140,000 of loans repaid. Interest and fee income decreased by 11.3% to \$3.4 million compared to \$3.8 million in 2019. Finance income for the three-month period ended March 31, 2020 was \$631,000 compared to \$84,000 in the prior year.

Interest and financing expense for the three-month period ended March 31, 2020 remained relatively unchanged at \$2.3 million compared to \$2.3 million in the same period last year. During the three-month period ended March 31, 2020, the Company provided an allowance for loan and mortgage investment loss of \$106,000.

The net loss and comprehensive loss for the three-month period ended March 31, 2020 was \$126,000 or (\$0.02) per basic and diluted share compared to net income and comprehensive income of \$297,000 or \$0.05 per basic and diluted share for the same period last year. Unrealized foreign exchange losses from the devaluation of the Canadian dollar was responsible for the largest variance both from an expense perspective and a tax perspective given the significant unrealized foreign exchange gains from the increase in the US dollar for the purposes of Canadian taxes.

"We started Q1 on a strong footing with a robust pipeline of originations and were on track to close transactions totaling \$48 million of which we chose to not close \$38 million. Given the impact of the COVID-19 global pandemic on the equity and debt markets as well as overall consumer sentiment, we elected to postpone a number of transactions until the economy returns to a level of normalcy which provides us with an adequate level of comfort to deploy capital into these vetted quality projects," said Glenn Watchorn, CEO of Terra Firma Capital Corporation. "The Company is well positioned to withstand the resulting difficulties presented by this crisis. Our portfolio of assets is well secured primarily in first mortgages and wholly owned positions and is diversified across 10 major markets, most of which are located in the U.S. Our balance sheet and liquidity remain strong due to healthy cash reserves, low debt levels and significant room remaining on our corporate line of credit. In addition, we have more than adequate capital available to satisfy our unfunded commitments. The COVID-19 crisis will certainly lower the Company's growth trajectory in the short term but with adversity often comes opportunity, and given our team's wealth of experience operating successfully in distressed markets, we will be focused on identifying the most opportunistic investments once there is more clarity."

As at March 31, 2020, the Company's Total Investments⁽¹⁾ decreased by 8.8% to \$130.0 million versus \$142.4 million at the end of 2019. The weighted average effective interest rate of the Company's loan and mortgage investments at March 31, 2020 was 13.1% compared to 13.2% at December 31, 2019.

The principal balance of the Company's loan and mortgage syndications decreased from \$88.2 million at December 31, 2019 to \$78.1 million at March 31, 2020, a decrease of \$10.2 million or 11.6%. The weighted average effective interest rate of the Company's loan and mortgage syndications at March 31, 2020 was 9.6% compared to 9.6% at December 31, 2019.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the three months ended March 31, 2020 have been filed and are available on SEDAR (www.sedar.com).

About Terra Firma

Terra Firma is a full service, publicly traded company that provides real estate financings secured by investment properties and real estate developments in Canada and throughout the United States. The Company focuses on arranging and providing

financing with flexible terms to real estate developers and owners who require shorter-term loans to bridge a transitional period of one to five years where they require capital at various stages of development or redevelopment of a property. These loans are typically repaid with lower cost, longer-term debt obtained from other financial institutions once the applicable transitional period is over or the redevelopment is complete, or from proceeds generated from the sale of the real estate assets. Terra Firma offers a full spectrum of real estate financing under the guidance of strict corporate governance, clarity and transparency. For further information please visit Terra Firma's website at www.tfcc.ca.

Non-IFRS Financial Measures

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

1. 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 net U.S. dollar 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. investment property held in joint operations
2. Adjusted basic and diluted earnings per share was translated to CAD using the exchange rate of \$1.3292 and Book value per share was translated to CAD using the exchange rate \$1.4062.
3. Total Investments (excluding cash) consists of the principal balance of loan and mortgage investments, investment in finance leases, portfolio investments, investments in associates, convertible note receivables and an investment property held in joint operations.
4. The Company defines book value per share as total shareholders' equity divided by outstanding common shares.

More information on the non-IFRS measures used by the Company can be found in the Company's MD&A.

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

Forward-Looking Information

This Press Release contains forward-looking statements with respect matters concerning the business, operations, strategy and financial performance of Terra Firma, and Terra Firma's expectations about the impact of the Coronavirus pandemic on the Company's business. These statements generally can be identified by use of forward looking word such as "may", "will", "expects", "estimates", "indicates" "anticipates", "intends", "believe" or "could" or the negative thereof or similar variations. The future business, operations and performance of Terra Firma could differ materially from those expressed or implied by such statements. Such forward-looking statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations, including the matters covered by any non-binding letters of intent that are not completed, as well as risks relating to market factors, competition, and dependence on tenants' financial conditions, environmental and tax related matters, and reliance on key personnel and those risks discussed in the Company's MD&A under the heading "Risks and Uncertainties" and elsewhere in the Company's MD&A and other disclosure documents filed with the applicable Canadian securities regulatory authorities from time to time, including, without limitation, risks related to the Coronavirus. Forward-looking statements are based on a number of assumptions which may prove to be incorrect, including that the general economy, local real estate conditions and interest rates are stable, the absence of significant changes in government regulation, and the continued availability of equity and debt financing. There can be no assurances that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. 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. Accordingly, readers should not place undue reliance on forward-looking statements. The cautionary statements qualify all forward-looking statements attributable to Terra Firma and persons acting on its behalf. Unless otherwise stated, all forward looking statements speak only as of the date of this Press Release and Terra Firma does not assume any obligation to update such statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities laws.

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Terra Firma Capital Corporation
Consolidated Statements of Income and Comprehensive Income
 For the three months ended March 31, 2020 and 2019
 (Unaudited)

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

Terra Firma Capital Corporation
Consolidated Statements of Financial Position
 As at March 31, 2020 and December 31, 2019

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