TERRA FIRMA CAPITAL CORPORATION

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

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

AUGUST 11, 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 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 unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 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 August 11, 2020, for the three and six months ended June 30, 2020, should be read in conjunction with the Company’s unaudited 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, were $0.7332, and the 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 diluted net 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 and collectively called other non-operating items), 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 revenue to adjusted 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) consist of a 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 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 creating 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 a first position or second position at the earlier stages of real property development which is 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 the construction phase.

These financings generally represent a 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 overtime 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 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 half of 2020 due to the Company stopping all travel to the U.S. and loan origination activities. The Company commenced origination activities beginning of Q3 2020 and anticipates closing of few transactions by the end of Q3 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 the 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 one loan and mortgage investment to a project in the U.S. that was in arrears prior to the Covid-19 pandemic and is currently in arrears, there are currently no loan and mortgage investments of the Company in arrears.

The Company's liquidity position is strong with a cash balance in excess of the $8.5 million reported as at June 30, 2020, and the Company has more than enough capital resources to provide for its funding commitments and working capital needs. With a strong balance sheet and availability of funds under its line of credit (the "LOC"), the Company is considering raising an opportunistic fund.

The allowance for credit losses and carrying value for the Company's investments measured at fair value through profit and loss ("FVTPL") at June 30, 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, including loan originations. 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 an 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 the estimate as necessary.

HIGHLIGHTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

The Company reported revenue of $3,739,995 in the second quarter of 2020, as compared to $3,956,592 in the same period in the prior year, representing a decrease of $216,597 or 5.5%. Revenue for the six months ended June 30, 2020, was $7,765,133, as compared to $7,863,031 in the same period in the prior year, representing a decrease of $97,898 or 1.2%.

Interest and fee income for the second quarter of 2020 was $2,967,009, as compared to $3,583,652 in the same period in the prior year, representing a decrease of $616,643 or 17.2%, while the Company's proportionate share of the rental income from investment property in operations jointly controlled by the Company for the three months ended June 30, 2020, and 2019 was $35,768 and $37,715, respectively. Finance income for the second quarter of 2020 was $737,218, as compared to $335,225 in the same period in the prior year, representing an increase of $401,993 or 119.9%.

Interest and fee income for the six months ended June 30, 2020, was $6,323,414, as compared to $7,367,668 in the same period in the prior year, representing a decrease of $1,044,254 or 14.2%, while the Company's proportionate share of the rental income from investment property in operations jointly controlled by the Company for the six months ended June 30, 2020, and 2019 was $73,294 and $75,665, respectively. Finance income for the six months ended June 30, 2020, was $1,368,425, as compared to $419,698 in the same period in the prior year, representing an increase of $948,727 or 226.0%.

Interest and financing expense for the second quarter of 2020 was $2,086,628, as compared to $2,047,496 in the same period in the prior year, representing an increase of $39,132 or 1.9%.

Interest and financing expense for the six months ended June 30, 2020, was $4,365,058, as compared to $4,354,249 in the same period in the prior year, representing an increase of $10,809 or 0.2%.

Net income and comprehensive income attributable to common shareholders for the second quarter of 2020 was $323,909 (including realized and unrealized foreign exchange gain of $359,638) or $0.06 per basic and diluted share, as compared to $867,453 (including realized and unrealized foreign exchange gain of $10,379) or $0.15 per basic and diluted share in the same period in the prior year.

Net income and comprehensive income attributable to common shareholders for the six months ended June 30, 2020, was $197,598 (including realized and unrealized foreign exchange loss of $436,252) or ($0.04 on a basic and diluted per share basis), a decrease of $967,021 compared to $1,164,619 (including realized and unrealized foreign exchange loss of $46,155) ($0.20 on a basic and diluted per share basis) for the same period last year.

The Company's Aggregate Investments decreased to $116.9 million at June 30, 2020, as compared to $142.4 million at December 31, 2019, representing a decrease of 17.9%.

The principal balance of the Company's loan and mortgage syndications decreased to $73.8 million at June 30, 2020, as compared to $88.2 million at December 31, 2019, representing a decrease of 16.4%.

INVESTMENTS

The following table presents details of the Company's Total Investments, as at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Loan and mortgage investments [(1)]	$ 90,212,116	$ 116,820,582
Investment in finance leases	19,086,202	17,959,374
Portfolio Investments	2,015,768	2,042,937
Investment in associates	3,205,739	3,097,947
Investment property held in Joint Operations	1,626,911	1,700,303
Convertible note receivable	796,868	800,531
Total Investments	$ 116,943,604	$ 142,421,674

(1) Before deducting the allowance for loan and mortgage investment loss at June 30, 2020 and December 31, 2019 of $543,105 and $607,940, respectively.

Since the start of the COVID-19 pandemic, the Company chose not to commit to fund any new loan and mortgage investments and finance leases. The Total Investments decreased by $24.5M during the six months ended June 30, 2020, resulting from the net effect of the decline in loan and mortgage investments totaling $26.6 million, which aggregate amount was offset, in part by, increase in finance leases of $1.1 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 June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Canada	$ 17,417,106	$ 21,787,665
United States	99,526,498	120,634,009
Total Investments	$ 116,943,604	$ 142,421,674

(1) Before deducting the allowance for loan and mortgage investment loss at June 30, 2020 and December 31, 2019 of $543,105 and $607,940, respectively.

LOAN AND MORTGAGE INVESTMENTS

The Company's Loan Portfolio as at June 30, 2020, consisted of the following: (a) 5 loans relating to residential housing developments, located in Phoenix-Arizona, Toronto-Ontario, and Cambridge-Ontario, representing 34.0% 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 60.7% of the Loan Portfolio (by investment amount) and (c) a commercial retail development land located in Palm Springs-California, representing the remaining 5.3% 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 June 30, 2020:

	Weighted Average Effective Interest Rate	Loan and mortgage investments	Allowance for credit losses	Net Loan Portfolio (before syndication)	% of net Investments (before syndication)
Performing loan and mortgage investments					
Residential housing developments	13.2%	$ 30,717,543	$ (144,079)	$ 30,573,464	34.1%
Land and lot inventory	12.9%	54,739,573	(337,026)	54,402,547	60.7%
	13.0%	85,457,116	(481,105)	84,976,011	94.8%
Impaired loan and mortgage investments					
Commercial retail development	14.3%	4,755,000	(62,000)	4,693,000	5.2%
Loan Portfolio	13.1%	$ 90,212,116	$ (543,105)	$ 89,669,011	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 June 30, 2020 and December 31, 2019, the principal balance of the Loan Portfolio was $90,212,116 and $116,820,582, respectively. The decrease in Loan Portfolio during the six months ended June 30, 2020, resulted from the net effect of the repayment of loan and mortgage investments totaling $26,500,465, of which $18,530,537 is related to loans and mortgage investments that have matured during the period, the write-down of one loan investment of $981,806 and the receipt of capitalized interest of $1,887,478. The decrease was partially offset by funding of advances against existing loans of $1,132,523 and capitalized interest of $2,247,343.

As at June 30, 2020, the Company had a loan and mortgage investment totaling $11,779,403 (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 $4,779,406 (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 $429,406 (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 and six months ended June 30, 2020 and 2019:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Balance, beginning of period	$ 98,007,995	$ 121,341,337	$ 116,820,582	$ 122,209,711
Loan portfolio activity during the period				
Funding of new loan investments	-	3,265,064	-	3,265,064
Advances against existing loans	1,107,831	3,708,381	1,132,523	6,677,242
Write-down of loan investments	(981,806)	-	(981,806)	-
Repayments of loans	(8,548,766)	(27,956,849)	(26,500,465)	(33,353,353)
Interest capitalized	1,035,897	1,258,830	2,247,343	2,555,359
Capitalized interest received	(893,695)	(99,699)	(1,887,478)	(99,699)
Unrealized foreign exchange gain (loss)	484,660	290,519	(618,583)	553,259
Balance, end of period	$ 90,212,116	$ 101,807,583	$ 90,212,116	$ 101,807,583

The weighted average effective interest rate (the "EIR") of the Loan Portfolio at June 30, 2020 and December 31, 2019, including the average interest rate of loan and mortgage investment in default, was 13.1% and 13.2%, respectively. The weighted average term to maturity of the Loan Portfolio at June 30, 2020 and December 31, 2019, was 1.32 years and 1.37 years, respectively. The Company continues to focus on the quality of security by 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 a 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 June 30, 2020 and December 31, 2019 were 13.2% 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 June 30, 2020 and December 31, 2019 were 12.9% and 12.9%, respectively. The weighted average EIR of the commercial retail development at June 30, 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 June 30, 2020 and December 31, 2019:

	June 30, 2020	% of Investments	December 31, 2019	% of Investments
1st mortgage loans	$ 79,151,296	87.8%	$ 102,493,573	87.8%
2nd mortgage loans	9,872,063	10.9%	12,083,100	10.3%
Unregistered loans	1,188,757	1.3%	2,243,909	1.9%
	$ 90,212,116	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 June 30, 2020:

	Loan and mortgage investments	Allowance for credit losses	Net investments	% of net investments
Canada	$ 9,872,063	$ (72,113)	$ 9,799,950	10.9%
United States	80,340,053	(470,992)	79,869,061	89.1%
	$ 90,212,116	$ (543,105)	$ 89,669,011	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. It started a gradual program of lending in specific 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 the U.S. are high on a risk-adjusted basis, ranging between 11% and 12% for LTVs of up to 75%. As such, the Company focuses 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 generate a greater pipeline of potential transactions.

Since the start of the COVID-19 pandemic, the Company adjusted the underwriting criteria of the loan and mortgage investments to reflect the COVID-19 economic environment.

At June 30, 2020, 89.1% of the loan and mortgage investments are in projects located in the U.S, compared to 88.0% at December 31, 2019. The Company expects continued expansion of loan and mortgage investments to projects located in the U.S.

As at June 30, 2020, there were loan and mortgage investments to three separate projects in the U.S., before syndication, that account for 25.9%, 13.6% and, 13.1% 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 six months ended June 30, 2020, the Company had loan and mortgage investments in two separate projects in the U.S, before syndication, accounted for 21.6% and 14.9% of the Company's interest and fees revenue. For the six months ended June 30, 2019, there were loan and mortgage investments to two separate projects in the U.S., before syndication, that accounted for 13.6% and 12.4% 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	$ -	$ 25,279,090	$ 25,279,090
2021	-	26,618,332	26,618,332
2022	-	35,125,937	35,125,937
2023	-	3,188,757	3,188,757
	$ -	$ 90,212,116	$ 90,212,116

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 funding additional loan advances, subject to borrowers meeting certain funding conditions. The unfunded loan commitments under the existing loan and mortgage investments at June 30, 2020, were $17,424,257, including $286,290 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 June 30, 2020, the unfunded commitments relating to loan and mortgage investments in two separate projects in the U.S., before syndication, that account for 72.1% and 16.9% 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 June 30, 2020:

	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 30,717,543	$ -	$ -	$ 30,717,543
Land and lot inventory	54,739,573	-	-	54,739,573
Commercial retail development	-	-	4,755,000	4,755,000
Total	$ 85,457,116	$ -	$ 4,755,000	$ 90,212,116

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 June 30, 2020:

	Stage 1	Stage 2	Stage 3	Total
Canada	$ 9,872,063	$ -	$ -	$ 9,872,063
United States	75,585,053	-	4,755,000	80,340,053
Total	$ 85,457,116	$ -	$ 4,755,000	$ 90,212,116

ALLOWANCE FOR LOAN AND MORTGAGE INVESTMENTS LOSS

The changes in the ACL on loan and mortgage investments during the year ended June 30, 2020, were as follows:

	Balance at January 1, 2020	Provision for credit losses	Net write-offs	Other adjustments	Balance at June 30, 2020
Residential housing developments	$ 343,884	$ 782,001	$ (981,806)	$ -	$ 144,079
Land and lot inventory	259,435	77,591	-	-	337,026
Commercial retail development	4,621	57,379	-	-	62,000
	$ 607,940	$ 916,971	$ (981,806)	$ -	$ 543,105

At June 30, 2020, one loan investment to a project located in California, U.S.A, totaling $4,810,689, including interest and other receivable on this loan and mortgage investment totaling $55,689, is in arrears. The loan investment became in arrears just prior to the COVID-19 pandemic. During the six months ended June 30, 2020, the Company recorded a provision for loan losses of $57,379 relating to this loan investment. As at June 30, 2020, based on the most recent valuations of the underlying assets and management's estimates, the Company carries an ACL balance of $62,000 and nil relating to this loan investment and interest and other receivables, respectively.

At December 31, 2019, one loan investment to a project located in Toronto, Canada, in arrears totaled $2,478,759, including interest receivable on this loan and mortgage investment and fees incurred relating to a collection of this loan and mortgage investment totaling $374,911, was in arrears. As at December 31, 2019, based on the most recent valuations of the underlying assets and management's estimates, the Company carried an ACL balance totaling $226,108 against this loan investment and $202,684 against the other receivables relating to this loan and mortgage investment. During the six months ended June 30, 2020, the Company recognized a foreign exchange loss of $102,444, received repayment of $1,030,397 of related to this loan and mortgage investment. The Company, as a result of an adverse court ruling, determined that the remainder of this loan and mortgage investment be uncollectible and recorded an additional provision for loan losses of $755,698, an additional provision for uncollectible receivable of $161,428, and wrote-off of $981,806 of this loan investment and $351,403 of other receivables relating to this loan and mortgage investment.

The following table presents the changes to the loan investment and related receivables to a project located in Toronto, in arrears, during the six months ended June 30, 2020:

	Loan investment	Other receivable	Total receivable	ACL	Net receivable
Balance, December 31, 2019	$ 2,103,848	$ 374,911	$ 2,478,759	$ (428,792)	$ 2,049,967
Foreign exchange loss recognized	(91,645)	(23,508)	(115,153)	12,709	(102,444)
Repayment of loan investment	(1,030,397)	-	(1,030,397)	-	(1,030,397)
Provision for loan investment other receivable losses	-	-	-	(917,126)	(917,126)
Amounts written-off	(981,806)	(351,403)	(1,333,209)	1,333,209	-
Balance, June 30, 2020	$ -	$ -	$ -	$ -	$ -

During the three and six months ended June 30, 2020 and 2019, the Company recorded a general provision for (recovery of) credit losses of $55,536 and $103,894, respectively and ($151,900) and nil, respectively, relating to 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	103,894	-	813,077	916,971
Remeasurement	-	-	-	-
Transfer to (from)				
Stage 1	(4,621)	-	4,621	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Gross write-offs	-	-	(981,806)	(981,806)
Balance, end of period	$ 481,105	$ -	$ 62,000	$ 543,105

The following table presents details of the Company's ACL on loan and mortgage investments as at June 30, 2020:

	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 144,079	$ -	$ -	$ 144,079
Land and lot inventory	337,026	-	-	337,026
Commercial retail development	-	-	62,000	62,000
	$ 481,105	$ -	$ 62,000	$ 543,105

The following table presents the Company's ACL on loan and mortgage investments segmented by geography as at June 30, 2020:

	Stage 1	Stage 2	Stage 3	Total
Canada	$ 72,113	$ -	$ -	$ 72,113
United States	408,992	-	62,000	470,992
	$ 481,105	$ -	$ 62,000	$ 543,105

INVESTMENT IN FINANCE LEASES

The Company is a party to fixed-term contractual arrangements with builders whereby the Company acquires land for residential housing development from a third party and provides builders with the exclusive right to use and develop the land (land banking). The Company also is a party to a fixed-price contract with builders to complete all required development of the land-based upon a fixed construction budget. The Company is committed to making additional investments for the development of the land, subject to builders meeting certain funding conditions. Under this arrangement, builders have an 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 the acquisition of the lots by the builders.

As at June 30, 2020, the Company had four 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 13.3% per annum. The unearned finance income at June 30, 2020 was $139,749 (December 31, 2019 - $96,454).

The finance income recognized from finance leases for the six months ended June 30, 2020 and 2019 of 1,368,425 and $419,852, respectively, is 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 six months ended June 30, 2020 and 2019:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Balance, beginning of period	$ 24,560,760	$ 3,293,665	$ 17,959,374	$ 2,819,915
Investments made	3,056,217	13,288,266	14,122,131	13,760,447
Investments sold	(8,485,396)	(817,933)	(12,855,587)	(817,933)
Lease payments received	(782,597)	(458,413)	(1,508,141)	(541,317)
Finance income recognized	737,218	335,379	1,368,425	419,852
Balance, end of period	$ 19,086,202	$ 15,640,964	$ 19,086,202	$ 15,640,964

As at June 30, 2020 and December 31, 2019, the investment in finance leases amounted to $19,086,202 and $17,959,374, respectively. The increase in investment in finance leases during the six months ended June 30, 2020, of $3,445,238, resulted from investments made of $14,122,131, comprising advances made to new investment in finance leases of $7,755,343, advances made to existing finance leases in the amount of $6,366,788, and finance income recognized of $1,368,425 which were offset by investments sold of $12,855,587 and lease payments received of $1,508,141.

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	$ 7,164,273	$ 2,381,312	$ 4,782,961
Greater than one year but less than 5 years	17,007,027	2,703,786	14,303,241
	$ 24,171,300	$ 5,085,098	$ 19,086,202

The Company is committed to making additional investments of $5,430,527 for the development of these lands, subject to builders meeting certain funding conditions.

PORTFOLIO INVESTMENTS

The following table presents details of the portfolio investments as at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Investment in the LanQueen Partnership	$ 1,915,524	$ 2,001,936
Investment in the Savannah Partnership	100,243	41,000
Investment in the Valermo Partnership	1	1
	$ 2,015,768	$ 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 investing 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 a significant influence in the partnership and is accounting for this investment as a financial asset at FVTPL. As at June 30, 2020, TFCC LanQueen Ltd. contributed $1,264,208 (December 31, 2019 - $1,264,208) to the partnership. At June 30, 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 June 30, 2020 and December 31, 2019 was $1,915,524 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 investing $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 a 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 six months ended June 30, 2020, TFCC International Ltd. contributed $59,243 to the Savannah Partnership. At June 30, 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 June 30, 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 June 30, 2020, TFCC International Ltd. funded a loan and mortgage investment of $18,000,000 (December 31, 2019 - $18,000,000) and at June 30, 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 a significant influence in the Valermo Partnership and is accounting for this investment as a financial asset at FVTPL. During the year ended December 31, 2019, 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 June 30, 2020 was $1 (December 31, 2019 - $1).

The following table summarizes the changes in the portfolio investments for the six months ended June 30, 2020 and 2019:

	Amount
Balance, December 31, 2018	$ 1,911,574
Investment made	2,084,052
Sale of investment to investors	(18,000)
Fair value adjustment	-
Foreign exchange	76,604
Balance, June 30, 2019	$ 4,054,230
Transferred to investment in associates	(2,084,052)
Fair value adjustment	56,124
Foreign exchange	16,635
Balance, December 31, 2019	$ 2,042,937
Investments made	59,243
Fair value adjustment	-
Foreign exchange	(86,412)
Balance, June 30, 2020	$ 2,015,768

INVESTMENT IN ASSOCIATES

The following table presents details of the investment in associates as at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Investment in the Lan Partnership	$ 2,130,750	$ 2,227,442
Investment in the TF Royal Palm	1,074,989	870,505
	$ 3,205,739	$ 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 June 30, 2020 and December 31, 2019, the Company's share of the investment in the Lan Partnership was CAD $2,315,514.

At June 30, 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 June 30, 2020 and December 31, 2019 was $2,130,750 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 investing 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 June 30, 2020, the Company recorded income of $39,877 and received distributions of $8,751 from TF Royal Palm. The fair value of the investment at June 30, 2020 was $1,074,989 (December 31, 2019 - $870,505).

The following table summarizes the changes in the investment in associates for the six months ended June 30, 2020 and 2019:

	Amount
Balance, December 31, 2018	$ 2,146,984
Foreign exchange	88,778
Balance, June 30, 2019	$ 2,235,762
Investment funded	5,143,953
Sale of investment to investors	(4,280,600)
Income earned	356,435
Distributions received	(375,662)
Foreign exchange	18,059
Balance, December 31, 2019	$ 3,097,947
Investment funded	136,647
Income earned	85,337
Distributions received	(17,502)
Foreign exchange	(96,690)
Balance, June 30, 2020	$ 3,205,739

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 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 June 30, 2020 and December 31, 2019, the Company's share of net assets in Montreal Street JV was $729,125 and $735,087, respectively.

The financial information in respect of the Company's investment in joint operations at June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ 58,932	$ 54,031
Amounts receivable and prepaid expenses	94,835	83,965
Investment property	1,626,911	1,700,303
Right of use asset	678,019	739,123
Total assets	2,458,697	2,577,422
Accounts payable and accrued liabilities	37,644	35,772
Mortgages payable	1,005,508	1,067,440
Lase obligations	686,420	739,123
Total liabilities	1,729,572	1,842,335
Net assets	$ 729,125	$ 735,087

The table below details the results of operations for the three months ended June 30, 2020 and 2019, attributable to the Company from its joint operations activities:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue				
Rental	$ 35,768	$ 37,715	$ 73,294	$ 75,665
Expenses (income)				
Property operating costs	13,051	12,983	26,476	26,036
General and administrative expenses	(1,060)	641	(1,440)	(621)
Interest expense	11,083	8,639	22,627	16,368
	23,074	22,263	47,663	41,783
Net income	$ 12,694	$ 15,452	$ 25,631	$ 33,882

INVESTMENT PROPERTY

The Company has interests in an investment property that is 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 June 30, 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 the property was 6.25% (December 31, 2019 - 6.25%). At June 30, 2020 and December 31, 2019, the carrying value of the Company's proportionate share of investment property in the Montreal Street JV is $1,626,911 (CAD $2,208,694) and $1,700,303 (CAD $2,208,694), respectively.

As at June 30, 2020 and December 31, 2019, a 25-basis-point decrease in the overall capitalization rate would increase the Company's proportionate share of the 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 crowdfunding services and holds an Exempt Market Dealer license. The loan 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 six months ended June 30, 2020, the Company capitalized interest income of $31,692. The fair value of the investment determined by management. The fair value of the Convertible Note at June 30, 2020 and December 31, 2019 was $796,868 and$800,531, respectively.

The following table summarizes the changes in the Convertible Note receivable for the six months ended June 30, 2020:

		June 30, 2020
Balance, December 31, 2019	$	800,531
Interest capitalized		31,692
Foreign exchange		(35,355)
Balance, June 30, 2020	$	796,868

ASSETS UNDER MANAGEMENT

The Company manages assets and collects fees, spreads on assets that are shown on the Company’s balance sheet. The Company generates, spreads, fees and/or carried interest from certain investments (investment in finance leases, investment in associates and portfolio 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 June 30, 2020 and December 31, 2019 were $170.2 million and $186.1 million, respectively. AUM will fluctuate in value as a result of the funding of new investments and redemption of investments. The reduction in AUM from $186.1 at December 31, 2019 to $170.2 at June 30, 2020, is primarily due to the Company ceasing all loan origination activities due to COVID-19 and net repayment of loan and mortgage investments during the six months ended June 30, 2020.

FINANCIAL PERFORMANCE

The Company's financial performance for the three and six months ended June 30, 2020 and 2019 is summarized below:

	Three months ended			Six months ended		
	June 30, 2020	June 30, 2019	Change Increase / (decrease)	June 30, 2020	June 30, 2019	Change Increase / (decrease)
Revenue						
Interest and fees earned	$ 2,967,009	$ 3,583,652	$ (616,643)	$ 6,323,414	$ 7,367,668	$ (1,044,254)
Finance income	737,218	335,225	401,993	1,368,425	419,698	948,727
Rental income	35,768	37,715	(1,947)	73,294	75,665	(2,371)
Total revenue	3,739,995	3,956,592	(216,597)	7,765,133	7,863,031	(97,898)
Expenses						
Property operating costs	13,051	12,983	68	26,476	26,036	440
General and administrative expenses	731,795	794,121	(62,326)	1,470,854	1,575,359	(104,505)
Share based compensation (recovery)	113,965	87,034	26,931	(95,589)	414,866	(510,455)
Interest and financing costs	2,086,628	2,047,496	39,132	4,365,058	4,354,249	10,809
Provision (recovery) for loan and mortgage investment loss	811,234	(151,900)	963,134	916,971	(151,900)	1,068,871
Provision for uncollectible receivables	161,428	-	161,428	161,428	-	161,428
Realized and unrealized foreign exchange loss (gain)	(359,638)	(10,379)	(349,259)	436,252	46,155	390,097
Share of income from investment in associates	(39,876)	-	(39,876)	(85,337)	-	(85,337)
	3,518,587	2,779,355	739,232	7,196,113	6,264,765	931,348
Income from operations before income taxes	221,408	1,177,237	(955,829)	569,020	1,598,266	(1,029,246)
Income taxes (recovery)	(102,501)	309,784	(412,285)	371,422	433,647	(62,225)
Net income and comprehensive income	$ 323,909	$ 867,453	$ (543,544)	$ 197,598	$ 1,164,619	$ (967,021)

Total revenue for the three and six months ended June 30, 2020, was $3,739,995 and $7,765,133, respectively, compared to $3,956,592 and $7,863,031, respectively, 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 June 30, 2020, was $221,408, a decrease of $955,829, compared to $1,177,237 for the three months ended June 30, 2019. The decrease is primarily due to an increase in provision for loan and mortgage investment loss of $963,134 and provision for uncollectible receivables of $161,428, a decrease in interest and fees earned of $616,643. This was partially offset by an increase in finance income of $401,993 and a foreign exchange gain of 359,638 for the three months ended June 30, 2020, compared to a foreign exchange gain of $10,379 for the three months ended June 30, 2019.

Income from operations before income taxes for the six months ended June 30, 2020 was $569,020, a decrease of $1,029,246, compared to $1,598,266 for the six months ended June 30, 2019. This decrease primarily resulted from an increase in provision for loan and mortgage investment loss of $1,068,871 and provision for uncollectible receivables of $161,428, a foreign exchange loss of $436,252 for the six months ended June 30, 2020, compared to a foreign exchange loss of $46,155 for the six months ended June 30, 2019, a decrease in interest and fees earned of $1,044,254. This decrease was partially offset by an increase in finance income of $948,727, recovery of share-based compensation of $510,455, and a decrease in general and administrative expenses of $104,505.

Net income and comprehensive income for the three months ended June 30, 2020 was $323,909, a decrease of $543,544 compared to a net income and comprehensive income of $867,453 for the corresponding period in 2019. Net income and comprehensive income for the six months ended June 30, 2020 was $197,598, a decrease of $967,021 compared to a net income and comprehensive income of $1,164,619 for the corresponding period in 2019. The decrease in net income and comprehensive income compared to the same periods last year was primarily due to the factors discussed above in the paragraph regarding income from operations before income taxes for the three and six months ended June 30, 2020 and 2019.

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 six months ended June 30, 2020 and 2019:

	Three months ended			Six months ended		
	June 30, 2020	June 30, 2019	Change Increase / (decrease)	June 30, 2020	June 30, 2019	Change Increase / (decrease)
Net income and comprehensive income	$ 323,909	$ 867,453	$ (543,544)	$ 197,598	$ 1,164,619	$ (967,021)
Provision for loan and mortgage investment and uncollectible receivable losses (recovery)(tax adjusted)	714,906	(111,647)	826,553	792,623	(111,647)	904,270
Share based compensation (recovery)	83,764	63,970	19,794	(70,258)	304,927	(375,185)
Foreign exchange loss (gain) (tax adjusted)	(435,869)	(7,628)	(428,241)	525,936	33,924	492,012
Adjusted net income and comprehensive income (1)	$ 686,710	$ 812,148	$ (125,438)	$ 1,445,899	$ 1,391,823	$ 54,076

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

Adjusted net income and comprehensive (a non-IFRS measure) income for the three months ended June 30, 2020 was $686,710, a decrease of $125,438 from adjusted net income and comprehensive income of $812,148 for the corresponding period in 2019. The decrease in adjusted 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 June 30, 2020 and 2019.

Adjusted net income and comprehensive income (a non-IFRS measure) for the six months ended June 30, 2020 was $1,445,899, an increase of $54,076 from adjusted net income and comprehensive income of $1,391,823 for the corresponding period in 2019. The increase in adjusted 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 six months ended June 30, 2020 and 2019.

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 and six months ended June 30, 2020 and 2019 were as follows:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue	$ 3,739,995	$ 3,956,592	$ 7,765,133	$ 7,863,031
Less: interest expense on loan and mortgage syndications	(1,890,395)	(1,575,038)	(3,969,245)	(3,399,404)
Adjusted revenue (1)	1,849,600	2,381,554	3,795,888	4,463,627
Expenses	3,518,587	2,779,355	7,196,113	6,264,765
Less: interest expense on loan and mortgage syndications	(1,890,395)	(1,575,038)	(3,969,245)	(3,399,404)
other non-operating items (2)	(726,989)	75,245	(1,419,062)	(309,121)
Adjusted expenses (1)	901,203	1,279,562	1,807,806	2,556,240
Income from operations before income taxes	$ 948,397	$ 1,101,992	$ 1,988,082	$ 1,907,387
Operating margin (1)	51.3%	46.3%	52.4%	42.7%

(1) Adjusted revenue, adjusted expenses and operating margin are non-IFRS Measures. See "Non-IFRS" Measures.
(2) Other non-operating itmes are share based compensation, provision for (recovery of loan and mortgage investment loss, provision for uncollective receivable and realized and unrealized foreign exchange (gain)/loss.

For the three and six months ended June 30, 2020, a pre-tax margin was 51.3% and 52.4%, respectively, compared to 46.3% and 42.7%, respectively for the same period last year.

INTEREST AND FEES EARNED

For the three months ended June 30, 2020, interest and fees earned aggregated $2,967,009, a decrease of $616,643 or 17.2%, compared to $3,583,652 in the same period last year. The decrease is primarily due to $1,710,141 of loss of interest and fees revenue from loan and mortgage investments repaid after June 30, 2019. The decrease was partially offset by an increase in interest and fees of $933,874 from new loans funded subsequent to June 30, 2019, and $159,624 of additional interest earned from loans existed at June 30, 2019.

For the six months ended June 30, 2020, interest and fees earned aggregated $6,323,414, a decrease of $1,044,254 or 14.2%, compared to $7,367,668 in the comparative period in 2019. The decrease was primarily due to $3,157,501 of loss of interest and fees revenue from loan and mortgage investments repaid after June 30, 2019. The decrease was partially offset by an increase in interest and fees of $1,753,875 from new loans funded subsequent to June 30, 2019, and $352,181 of additional interest earned from loans existed at June 30, 2019. The Company's principal balance of the Loan Portfolio decreased by $26.6 million, from $116.8 million at December 31, 2019 to $90.2 million at June 30, 2020, while the weighted average EIR on the Loan Portfolio decreased slightly from 13.2% at December 31, 2019 to 13.1% at June 30, 2020. The composition and changes to the Loan Portfolio are discussed under "Investments – Loan and Mortgage Investments".

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 June 30, 2020 and 2019 was $35,768 and $37,715, 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 June 30, 2020 was $13,051 compared to $12,983 for the same period last year.

The Company's proportionate share of the rental income from investment property in operations jointly controlled by the Company for the six months ended June 30, 2020 and 2019 was $73,294 and $75,665, respectively. The

Company's proportionate share of the property operating costs in investment properties in operations jointly controlled by the Company for the six months ended June 30, 2019 was $26,476 compared to $26,036 for the same period last year.

INTEREST AND FINANCING COSTS

Interest and financing costs for the three and six months ended June 30, 2020 and 2019 were as follows:

	Three months ended			Six months ended		
	June 30, 2020	June 30, 2019	Change Increase / (decrease)	June 30, 2020	June 30, 2019	Change Increase / (decrease)
Interest on loan and mortgage syndications	$ 1,890,395	$ 1,575,038	$ 315,357	$ 3,969,245	$ 3,399,404	$ 569,841
Interest on Credit Facilities	184,413	463,257	(278,844)	372,132	937,264	(565,132)
Montreal Street JV	11,083	8,639	2,444	22,627	16,368	6,259
Lease obligations	737	562	175	1,054	1,213	(159)
	$ 2,086,628	$ 2,047,496	$ 39,132	$ 4,365,058	$ 4,354,249	$ 10,809

Interest expense for the three months ended June 30, 2020 was 1,890,395 compared to $1,575,038 for the same period last year. Interest expense for the six months ended June 30, 2020 was $3,969,245 compared to $3,399,404 for the same period last year. This increase was primarily due to an increase in loan and mortgage syndications from $69.2 million at June 30, 2019 to $73.8 million at June 30, 2020. See – "Capital Structure and Debt Profile – Loan and Mortgage Syndications" and "Credit Facilities".

GENERAL AND ADMINISTRATIVE EXPENSES

During the three and six months ended June 30, 2020 and 2019, the Company incurred the following general and administrative expenses:

	Three months ended			Six months ended		
	June 30, 2020	June 30, 2019	Change Increase / (decrease)	June 30, 2020	June 30, 2019	Change Increase / (decrease)
Salary and benefits	$ 418,868	$ 376,030	$ 42,838	$ 874,133	$ 770,091	$ 104,042
Professional fees	178,944	268,874	(89,930)	293,204	548,420	(255,216)
Public company expenses	8,446	10,550	(2,104)	20,090	12,751	7,339
Directors' fees	38,054	18,692	19,362	76,413	37,393	39,020
Rent	36,333	36,985	(652)	73,695	78,106	(4,411)
Other expenses	51,150	82,990	(31,840)	133,319	128,598	4,721
	$ 731,795	$ 794,121	$ (62,326)	$1,470,854	$1,575,359	$ (104,505)

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 June 30, 2020 were $731,795, compared to $794,121 for the same period last year. General and administrative expenses for the six months ended June 30, 2020 were $1,470,854, a decrease of $104,505, compared to $1,575,359 for the same period last year. Such a decrease for the three and six months ended June 30, 2020. The decrease is primarily due to a reduction in legal fees relating to the loan and mortgage investments in arrears. The decrease is partially offset by an increase in directors fees due to the payment of directors fees in cash, resulting from an amendment to the Deferred Share Unit Plan (the "DSU Plan"), and an increase in salary and benefits due to a new hire and annual salary increases.

SHARE-BASED COMPENSATION

The share-based compensation that has been recognized for the three and six months ended June 30, 2020 and 2019 were as follows:

	Three months ended			Six months ended		
	June 30, 2020	June 30, 2019	Change Increase / (decrease)	June 30, 2020	June 30, 2019	Change Increase / (decrease)
Share option Plan	$ 164,488	$ 48,757	$ 115,731	$ 177,745	$ 106,232	$ 71,513
DSU Plan	(50,523)	38,277	(88,800)	(273,334)	308,634	(581,968)
	$ 113,965	$ 87,034	$ 26,931	$ (95,589)	$ 414,866	$ (510,455)

Share-based payments associated with the Company's share option plan (the "Plan") were $164,488 for the three months ended June 30, 2020, compared to $48,757 for the same period last year. Share-based payments associated with the Company's share option plan (the "Plan") were $177,745 for the six months ended June 30, 2020, compared to $106,232 for the same period last year. The increase in share-based payments associated with the Plan was primarily due to the granting of new options during the six months period ended June 30, 2020, 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 June 30, 2020, was a recovery of $50,523, compared to $38,277 for the same period last year. Share-based compensation associated with the DSU Plan for the six months ended June 30, 2020, was a recovery of $273,334, compared to $308,634 for the same period last year. The recovery of share-based payments was primarily due to the decrease in the Share price from C$5.60 per Share at December 31, 2019 to C$4.25 per Share at June 30, 2020. See "Shareholders Equity – Share-Based Payments".

FOREIGN EXCHANGE LOSS

For the six months ended June 30, 2020, the Company recognized a foreign exchange loss of $436,252 compared to a foreign exchange loss of $46,155 for the same period last year, resulting from the translation of net assets carried in CAD being translated to USD. During the six months ended June 30, 2020, the U.S. Dollar strengthened by approximately 4.5% against the Canadian dollar from $1.2990 to $1.3576.

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 and the foreign exchange gain or loss. The effective income tax rate for the six months ended June 30, 2020, amounted to 65.3%, compared with 27.1% for the same period last year. The increase resulted primarily from tax and accounting treatment of subsidiaries that have a functional currency of CAD and filing income taxes in CAD, while holding certain assets denominated in USD. 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 by $172,784 and a higher effective income tax rate for the six months ended June 30, 2020.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The return on the Loan Portfolio is a crucial 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 and six months ended June 30, 2020 and 2019:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cash (used in) provided by operating activities	$ 1,016,640	$ 3,529,322	$ 3,094,401	$ 3,072,138
Cash (used in) provided by financing activities	(10,753,122)	(12,732,497)	(19,515,981)	(10,973,358)
Cash provided by (used in) investing activities	11,959,803	3,123,330	22,983,826	4,169,074
Increase in cash and cash equivalents	2,223,321	(6,079,845)	6,562,246	(3,732,146)
Cash and cash equivalents, beginning of period	6,270,376	10,079,078	1,931,451	7,731,379
Cash and cash equivalents, end of period	$ 8,493,697	$ 3,999,233	$ 8,493,697	$ 3,999,233

Cash and cash equivalents at June 30, 2020 and June 30, 2019 were $8,493,697 and $3,999,233, respectively.

During the Pandemic, the Company intends to keep the cash balance in the range of $5 million to $6 million. The Company had a higher than average cash balance due to repayment of loan and mortgage investments received at the end of June 30, 2020. Subsequent to June 30, 2020, the Company used the excess cash to repay the LOC in full.

Operating Activities

Cash provided by operating activities for the three months ended June 30, 2020 of $1,016,640 and cash used in operating activities for the three months ended June 30, 2019 of $3,529,322, is related primarily to the net cash used in and provided by lending operations.

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		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Proceeds from loan and mortgage syndications	$ -	$ 8,849,559	$ 136,096	$ 12,943,937
Repayments of loan and mortgage syndications	(5,013,529)	(19,190,280)	(15,126,265)	(20,704,916)
Repayments of mortgages payable	(8,358)	(8,549)	(16,913)	(16,944)
Payment of lease obligations	(33,300)	(42,874)	(84,438)	(85,154)
Proceeds from credit facilities	-	4,785,901	6,270,423	5,848,029
Repayments of credit facilities	(5,500,006)	(6,322,790)	(10,284,341)	(7,859,544)
Dividends paid	(197,929)	-	(410,543)	-
Repurchase of shares pursuant to normal course issuer bid	-	(803,464)	-	(1,098,766)
Cash used in financing activities	$ (10,753,122)	$ (12,732,497)	$ (19,515,981)	$ (10,973,358)

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		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Funding of loan and mortgage investments	$ (1,107,831)	$ (6,973,445)	$ (1,132,523)	$ (9,942,306)
Repayments of loan and mortgage investments	8,548,766	27,965,182	26,500,465	33,353,353
Funding of investment in finance lease	(3,056,217)	(13,288,266)	(14,122,131)	(13,760,447)
Proceeds from sale of finance lease	8,485,396	817,933	12,855,587	817,933
Funding of investment in convertible note receivable	-	-	-	(752,349)
Decrease (increase) in funds held in trust	(910,311)	(3,315,522)	(921,682)	(3,481,058)
Funding of investments in associates	-	-	(136,647)	-
Proceeds from sale of interest in portfolio investment	-	1,500	-	18,000
Funding of portfolio investment	-	(2,084,052)	(59,243)	(2,084,052)
Cash provided by investing activities	$ 11,959,803	$ 3,123,330	$ 22,983,826	$ 4,169,074

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 June 30, 2020 and December 31, 2019, respectively, the total capital of the Company was as follows:

	June 30, 2020	December 31, 2019
Loan and mortgage syndications	$ 73,813,741	$ 88,249,414
Credit Facilities	4,813,644	8,878,839
Mortgages payable	1,005,508	1,067,440
Unsecured note payable	3,000,000	3,000,000
Shareholders' equity	39,610,526	39,635,372
Total capital	$ 122,243,419	$ 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 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 June 30, 2020 and December 31, 2019:

	June 30, 2020			December 31, 2019		
	Weighted Average Effective Interest Rate	Amount	% of Loans Payable	Weighted Average Effective Interest Rate	Amount	% of Loans Payable
Residential housing developments	8.2%	$ 18,837,441	25.5%	8.2%	$ 21,238,552	24.1%
Land and lot inventory	10.1%	50,926,300	69.0%	10.1%	62,960,862	71.3%
Commercial retail development	9.9%	4,050,000	5.5%	9.9%	4,050,000	4.6%
	9.6%	$ 73,813,741	100.0%	9.6%	$ 88,249,414	100.0%

At June 30, 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 8.2%, 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 June 30, 2020, the weighted average term to maturity of Loan Syndications was 1.29 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 June 30, 2020, the Company's syndication activities resulted in $73,813,741 or 81.8% of the Loan Portfolio (by investment amount) being syndicated to investors, yielding a net effective return of 28.9%, and increasing its overall return by 15.8% 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 and six months ended June 30, 2020 and 2019:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Balance, beginning of period	$ 78,055,014	$ 78,979,830	$ 88,249,414	$ 75,906,550
Loan and mortgage syndication activity during the period				
Additional advances to existing Loan Portfolio	-	8,849,559	136,096	12,943,937
Interest capitalized	493,900	407,733	962,071	756,437
Repayments of loan and mortgage syndications	(5,033,013)	(19,210,814)	(15,145,749)	(20,725,450)
Unrealized foreign exchange loss (gain)	297,840	196,597	(388,091)	341,431
Balance, end of period	$ 73,813,741	$ 69,222,905	$ 73,813,741	$ 69,222,905

The following table sets out, as at June 30, 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	$ -	$ 20,203,510	$ 20,203,510
2021	-	22,239,791	22,239,791
2022	-	29,670,440	29,670,440
2023	-	1,700,000	1,700,000
	$ -	$ 73,813,741	$ 73,813,741

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 to receive a percentage return on certain of the Company's investments, up to a percentage return equivalent to an interest rate of 15% per annum compounded annually, payable monthly. The Unsecured Note has recourse only to certain investments of the Company. 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 six months ended June 30, 2020 and 2019, interest and financing costs relating to the Unsecured Note, reported as interest expense and financing costs totaled $220,556 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 June 30, 2020 and December 31, 2019, were $1,007,742 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 June 30, 2020 and December 31, 2019, are as follows.

	June 30, 2020	December 31, 2019
Mortgage principal	$ 1,007,742	$ 1,070,973
Unamortized financing costs	(2,234)	(3,533)
Total	$ 1,005,508	$ 1,067,440

The following table summarizes the changes in the principal balance of the mortgages payable for the six months ended June 30, 2020 and 2019:

		Amount
Balance, December 31, 2018	$	1,053,274
Repayments made		(16,944)
Foreign exchange		43,433
Balance, June 30, 2019	$	1,079,763
Repayments made		(17,231)
Foreign exchange		8,441
Balance, December 31, 2019	$	1,070,973
Repayments made		(15,859)
Foreign exchange		(47,372)
Balance, June 30, 2020	$	1,007,742

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

	Scheduled principal payments	Mortgages maturing during the year	Total mortgages payable
Remainder of year	17,245	-	17,245
2021	17,520	972,977	990,497
	$ 34,765	$ 972,977	$ 1,007,742

CREDIT FACILITIES

At June 30, 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 the same lending institution, replacing the Master Facility Agreement. The LOC provides for an increase in the borrowing limit to $50,000,000 over time, subject to approval by the lending institution. The LOC carries an interest rate of three-month LIBOR plus three and one-quarter of one percent (3.25%) per annum, with a floor rate of five percent (5.00%) per annum and matures on January 9, 2025.

During the six months ended June 30, 2020 and 2019, the Company borrowed an aggregate of $6,270,423 and $1,871,678, respectively, and repaid $10,284,341 and $4,509,304, 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.

The following table presents details of the Credit Facilities as at June 30, 2020 and 2019:

		June 30, 2020		December 31, 2019
Master credit facility				
Face value	$	5,256,762	$	9,221,447
Unamortized financing costs		(443,118)		(342,608)
Total credit facilities	$	4,813,644	$	8,878,839

The following table summarizes the changes in the Credit Facilities for the six months ended June 30, 2020:

		Amount
Balance, December 31, 2018	$	19,803,967
Proceeds from facilities		5,848,029
Repayment of facilities		(7,859,544)
Interest capitalized		187,314
Foreign exchange		419,781
Balance, June 30, 2019	$	18,399,547
Proceeds from facilities		8,254,458
Repayment of facilities		(17,530,397)
Interest capitalized		218,800
Foreign exchange		(120,961)
Balance, December 31, 2019	$	9,221,447
Proceeds from facilities		6,270,423
Repayment of facilities		(10,284,335)
Interest capitalized		49,227
Balance, June 30, 2020	$	5,256,762

For the three and six months ended June 30, 2020, amortization of deferred financing costs reported as interest and financing costs totaled $71,916 and $143,750, respectively (three and six months ended June 30, 2019 - $66,901 and $143,249, 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, resulting in the Credit Facilities becoming repayable. The Company was in compliance with these covenants at June 30, 2020 and December 31, 2019.

Subsequent to June 30, 2020, the Company used the excess cash to repay the LOC in full. The Company continues to maintain it’s ability to draw up to $40,000,000 against the LOC.

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
2020, Remainder of year	$ 113,771
2021	56,718
2022	56,718
2023	56,718
2024 and thereafter	639,627
	$ 923,552

COMMITMENTS AND CONTINGENCIES

Pursuant to certain lending agreements, the Company is committed to funding additional loan advances. The unfunded loan commitments under the existing lending agreements at June 30, 2020 were $17,424,257 (December 31, 2019 - $33,095,786).

At June 30, 2020 and December 31, 2019, the unfunded commitments to make additional investments for the development of the lands under the finance lease arrangements, subject to builders meeting certain funding conditions, were $5,430,527 and $9,143,864, respectively.

The Company is also committed to providing 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 and six months ended June 30, 2020 and 2019:

	Shares	Amount
Outstanding, December 31, 2018	5,863,584	$26,533,950
Repurchase of shares pursuant to normal course issuer bid	(265,100)	(1,098,766)
Outstanding, June 30, 2019	5,598,484	$25,435,184
Repurchase of shares pursuant to normal course issuer bid	(33,450)	(151,841)
Share consolidation adjustment	(66)	-
Outstanding, December 31, 2019	5,564,968	$25,283,343
Outstanding, June 30, 2020	5,564,968	$25,283,343

NORMAL COURSE ISSUER BID

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

During the six months ended June 30, 2020 and 2019, the Company purchased nil and 265,100 Shares, respectively, on the TSX-V for nil and $1,098,766, 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 May 13, 2020, the Board declared a quarterly dividend of CAD $0.05 per common share, payable on July 15, 2020, to shareholders of record as of the close of business on June 30, 2020.

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 six months ended June 30, 2020 and 2019, the Company recorded dividends of $400,189 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 26, 2020, the Company granted options to one of its employees to purchase up to 25,000 Shares at a price of CAD $4.05 per share with the expiry date of June 26, 2027. The options shall vest in equal installments on a quarterly basis over a three-year period.

On April 6, 2020, the Company granted options to its officers and employees to purchase up to 285,000 Shares at a price of CAD $4.28 per Share with the expiry date of April 6, 2027. The options shall vest in equal installments on a quarterly basis over a three-year period.

On January 6, 2020, the Company granted options to one of its employees to purchase up to 25,000 Shares at a price of CAD $5.70 per Share with the expiry date of January 6, 2027. The options shall vest in equal installments on a quarterly basis over a three-year period.

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. Of the options granted on June 12, 2019, 10,000 options vested immediately, and the remaining 10,000 options vested in equal installments 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 the grant, using the Black-Scholes option-pricing model, with the following assumptions:

	Options grant date			
	June 26, 2020	**April 6, 2020**	**January 6, 2020**	**June 12, 2019**
Average expected life	7.00 years	7.00 years	7.00 years	7.00 years
Average risk-free interest rate	0.41%	0.65%	1.58%	1.41%
Average expected volatility	27.54%	25.76%	25.95%	74.56%
Average dividend yield	4.94%	4.67%	3.09%	0.00%

The fair value of options granted during the six months ended June 30, 2020 and 2019 were $191,047 and $128,293, respectively.

The following is the summary of changes in the Company's share options for the six months ended June 30, 2020 and year ended December 31, 2019:

	Six months ended June 30, 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	335,000	4.37	44,000	5.60
Exercised				
Expired	(97,089)	8.50	(221,411)	6.86
Cancelled	(80,000)	6.68		
Outstanding - end of period	509,000	$ 5.00	351,089	$ 6.95
Number of options exercisable	162,393	$ 6.21	315,073	$ 7.05

The following summarizes the Company's share options as at June 30, 2020:

Number of options outstanding	Expiry date	Number of options exercisable	Exercise price in CAD	Market price at date of grant
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	28,310	6.70	6.70
24,000	June 11, 2026	16,000	5.60	5.60
25,000	January 6, 2027	2,083	5.70	5.70
285,000	April 6, 2027	-	4.28	4.28
25,000	June 26, 2027	-	4.05	4.28
509,000		162,393		

Deferred Share Unit Plan

The Company has a DSU Plan to promote 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 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 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 six months ended June 30, 2020 and year ended December 31, 2019:

	Number of DSUs	
	Six months ended June 30, 2020	Year ended December 31, 2019
DSUs outstanding, beginning of period	302,371	286,220
Granted	-	18,115
Settled	(13,005)	(1,964)
DSUs outstanding, end of period	289,366	302,371
Number of DSUs vested	289,366	299,511

The total cost recognized with respect to DSUs, including the change in fair value of DSUs during the three months ended June 30, 2020 and 2019, were $(50,523) and $38,277, respectively. The total cost recognized with respect to DSUs, including the change in fair value of DSUs during the six months ended June 30, 2020 and 2019, were $(273,334) and $308,634, respectively

The carrying amount of the liability, included in accounts payable and accrued liabilities relating to the DSUs at June 30, 2020 and December 31, 2019 are $905,861 and $1,291,160, respectively.

(a) Warrants

At June 30, 2020 and December 31, 2019, the Company has 500,000 Warrants outstanding. Each Warrant is exercisable for one Share at a price of $8.50 per Share, with an expiry date of August 15, 2020.

CONTRIBUTED SURPLUS

The following table presents the details of the changes to the contributed surplus balances as at June 30, 2020 and 2019:

		Amount
Balance, December 31, 2018	$	3,264,388
Fair value of share-based compensation		106,232
Balance, June 30, 2019	$	3,370,620
Fair value of share-based compensation		70,075
Balance, December 31, 2019	$	3,440,695
Fair value of share-based compensation		177,745
Balance, June 30, 2020	$	3,618,440

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 June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Total debt	$ 82,632,893	$ 101,195,693
Less: loan and mortgage syndications and unsecured note payable	(76,813,741)	(91,249,414)
Adjusted total debt	5,819,152	9,946,279
Shareholders' equity	39,610,526	39,635,372
Debt to equity (1)	2.09:1.00	2.55:1.00
Adjusted debt to equity (1)	0.15:1.00	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 June 30, 2020 and December 30, 2019, the adjusted debt to equity ratio was 0.15:1.00 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 June 30, 2020 and December 31, 2019, the loan and mortgage investments syndicated by officers and directors were $603,771 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, 2019, except for the following changes in accounting policies and disclosures and new standards adopted during the six months ended June 30, 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 judgment 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 the 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 the 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 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 June 30, 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 occur, 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 the 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 the 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 the sale of the underlying property is not reasonably assured.

As at June 30, 2020, a loan and investment to a project located in the U.S $4,810,689, including $55,689 (December 31, 2019 - $374,911) of interest receivable and fees paid on these loans are in arrears. As at June 30, 2020, based on the most recent valuations of the underlying asset and management's estimates, the Company carries an ACL balance totaling of $62,000 against the loan investment. 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 generally short-term nature of loan and mortgage investments.

GENERAL BUSINESS RISKS

The Company is subject to general business risks and to risks inherent in 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 the 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; 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 creditworthiness.

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 June 30, 2020, are due as follows:

	Less than 1 year	More than 1 year	Total
Accounts payable and accrued liabilities	$ 4,824,688	$ -	$ 4,824,688
Credit Facilities (face value)		5,256,762	5,256,762
Mortgages payable	17,245	990,497	1,007,742
	$ 4,841,933	$ 6,247,259	$ 11,089,192

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 have 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 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 regard to 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 the 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 a 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 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 limit 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 and six months ended June 30, 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 June 30, 2020	As at December 31, 2019	As at December 31, 2018
Total assets	$ 128,969,891	$ 148,231,267	$ 140,145,809
Total liabilities	$ 89,359,365	$ 108,595,895	$ 102,092,783
Total equity	$ 39,610,526	$ 39,635,372	$ 38,053,026
Loan and mortgage investments	$ 90,212,116	$ 116,820,582	$ 122,209,711
Loan and mortgage syndications	$ 73,813,741	$ 88,249,414	$ 75,906,550
Loan and mortgage syndications to loan and mortgage investments	81.8%	75.5%	62.1%

	Three months ended		Years ended		
	June 30, 2020	June 30, 2019	December 31, 2019	December 31, 2018	December 31, 2017
Total revenue	$ 3,739,995	$ 3,956,592	$ 16,656,306	$ 13,448,171	$ 11,442,814
Total expenses	$ 3,518,587	$ 2,779,355	$ 12,569,591	$ 10,379,679	$ 9,800,032
Income from operations before income taxes	$ 221,408	$ 1,177,237	$ 4,086,715	$ 3,068,492	$ 1,642,782
Net income and comprehensive income attributable to common shareholders	$ 323,909	$ 867,453	$ 3,077,757	$ 2,215,783	$ 1,186,033
Diluted net income and comprehensive income attributable to common shareholders	$ 323,909	$ 867,453	$ 3,077,757	$ 2,215,783	$ 1,186,033
Adjusted net income and comprehensive income attributable to common shareholders (1)	$ 686,710	$ 748,178	$ 3,016,978	$ 1,928,889	$ 1,822,597
Adjusted diluted net income and comprehensive income attributable to common shareholders (1)	$ 686,710	$ 748,178	$ 3,016,978	$ 1,928,889	$ 1,822,597
Weighted average number of shares outstanding					
Basic	5,564,968	5,725,856	5,675,671	6,178,067	6,187,532
Diluted	5,564,968	5,726,320	5,675,671	6,185,726	6,225,736
Earnings per share					
Basic	$ 0.06	$ 0.15	$ 0.54	$ 0.36	$ 0.19
Diluted	$ 0.06	$ 0.15	$ 0.54	$ 0.36	$ 0.19
Adjusted earnings per share (1)					
Basic	$ 0.12	$ 0.13	$ 0.53	$ 0.31	$ 0.29
Diluted	$ 0.12	$ 0.13	$ 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 June 30, 2020:

	Three months ended							
	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
Revenue								
Interest and fees earned	$ 2,967,009	$3,356,405	$ 4,046,909	$ 3,588,715	$ 3,583,652	$ 3,784,016	$ 3,671,489	$ 3,560,158
Finance income	737,218	631,207	540,835	536,761	335,225	84,473	44,024	59,603
Rental income	35,768	37,526	41,844	38,211	37,715	37,950	38,174	38,597
	3,739,995	4,025,138	4,629,588	4,163,687	3,956,592	3,906,439	3,753,687	3,658,358
Expenses								
Property operating expenses	13,051	13,425	14,235	13,156	12,983	13,053	13,108	13,253
General and administrative expenses	731,795	739,059	1,129,828	670,802	794,121	781,238	950,701	585,571
Share based compensation	113,965	(209,554)	120,594	(61,292)	87,034	327,832	(234,302)	40,320
Interest and financing costs	2,086,628	2,278,430	2,422,611	2,384,399	2,047,496	2,306,753	2,329,722	2,083,914
Provision for loan and mortgage investment loss	811,234	105,737	226,108	-	(151,900)	-	102,039	2,301,143
Provision for uncollectible receivables	161,428	-	-	-	-	-	258,707	(123,767)
Realized and unrealized foreign exchange (gain) loss	(359,638)	795,890	(114,885)	(88,171)	(10,379)	56,534	(2,238,783)	675,783
Fair value adjustment - portfolio investments	-	-	(56,124)	-	-	-	(57,413)	-
Share of income from investment in associates	(39,876)	(45,461)	(356,435)	-	-	-	-	-
	3,518,587	3,677,526	3,385,932	2,918,894	2,779,355	3,485,410	1,123,779	5,576,217
Income before income taxes	221,408	347,612	1,243,656	1,244,793	1,177,237	421,029	2,629,908	(1,917,859)
Income tax provision (recovery)	(102,501)	473,923	359,377	215,934	309,784	123,863	706,539	(467,396)
Income from continuing operations	323,909	(126,311)	884,279	1,028,859	867,453	297,166	1,923,369	(1,450,463)
Income from discontinued operations	0	-	-	-	-	-	-	-
Net income (loss) and comprehensive income (loss)	$ 323,909	$ (126,311)	$ 884,279	$ 1,028,859	$ 867,453	$ 297,166	$ 1,923,369	$ (1,450,463)
Diluted net income (loss) attributable to common shareholders	323,909	(126,311)	884,279	1,028,859	867,453	297,166	1,923,369	(1,450,463)
Adjusted net income and comprehensive income attributable to common shareholders (1)	686,710	759,189	1,054,666	919,633	812,148	579,675	370,801	676,243
Adjusted diluted net income and comprehensive income attributable to common shareholders (1)	686,710	759,189	1,054,666	919,633	812,148	579,675	370,801	676,243
Weighted average number of shares outstanding								
- basic	5,564,968	5,564,968	5,570,451	5,598,484	5,725,856	5,837,958	6,014,050	6,171,425
- diluted	5,564,968	5,565,167	5,574,020	5,599,454	5,726,320	5,838,675	6,018,276	6,182,314
Earnings (loss) per share								
Basic	$ 0.06	$ (0.02)	$ 0.16	$ 0.18	$ 0.15	$ 0.05	$ 0.32	$ (0.24)
Diluted	$ 0.06	$ (0.02)	$ 0.16	$ 0.18	$ 0.15	$ 0.05	$ 0.32	$ (0.24)
Adjusted earnings per share (2)								
Basic	$ 0.12	$ 0.14	$ 0.19	$ 0.16	$ 0.14	$ 0.10	$ 0.06	$ 0.11
Diluted	$ 0.12	$ 0.14	$ 0.19	$ 0.16	$ 0.14	$ 0.10	$ 0.06	$ 0.11

(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: August 11, 2020
Toronto, Ontario, Canada