TERRA FIRMA

Terra Firma Capital Corporation Reports Second Quarter 2020 Financial Results

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

TORONTO, Aug. 12, 2020 -- Terra Firma Capital Corporation (TSX-V: TII) ("**Terra Firma**" or the “**Company**”), a real estate finance company, today released its financial results for the three and six-month periods ended June 30, 2020.

Q2 2020 Financial Highlights:

- Total Investments(1) of $116.9 million, compared to $125.8 million at June 30, 2019.
- Book Value(2) per share of $7.12 (CAD$9.67(4)).
- Paid CAD$0.05 in quarterly dividend.
- Revenues decreased 5.5% to $3.7 million.
- Adjusted net income and comprehensive income(3) decreased 15.4% to $687,000.
- Adjusted basic and diluted earnings per share(3) decreased 14.3% to $0.12 (CAD$0.16(4)).

Update on COVID-19 Response:

- Enacted measures to protect the health and well-being of Terra Firma's employees.
- Ceased all employee travel and new funding commitments.
- Preserving strong balance sheet and ample liquidity with $8.5 million of cash and available line of credit.

“We are pleased with our Q2 2020 financial position and results, especially given the difficulties that the COVID-19 pandemic presented the Company. Terra Firma has taken all the necessary steps to safeguard its employees and its capital in order to weather the storm. While this has meant no new originations during the quarter, the Company’s Adjusted Net Income remained healthy,” said Glenn Watchorn, CEO of Terra Firma Capital Corporation. “It seems somewhat counterintuitive, but the housing market in the U.S. has been very strong during the crisis with many of our borrowers reporting record sales over the months of May, June and July. We believe that this is largely due to record-low mortgage rates, low supply, pent-up demand and the overall health of the housing market prior to the crisis. Consequently, Terra Firma is now actively pursuing new originations. We are also currently working on several transactions that had previously been postponed, which are expected to close by the end of Q3. We do, however, remain cautious as it is yet to be seen what the economy and the housing market will look like after the government stimulus and subsidies end. As such, we will continue to take a defensive approach as it relates to the Company’s financial position and any new transactions.”

For the three-month period ended June 30, 2020, revenues decreased 5.5% to $3.7 million, compared to $4.0 million during the same period in 2019. Interest and fee income decreased by 17.2% to $3.0 million compared to $3.6 million in 2019, primarily due to $1.7 million 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 $934,000 from new loans funded subsequent to June 30, 2019 and $160,000 of additional interest earned from loans existed at June 30, 2019. Finance income increased by 119.9% to 737,000 from $335,000, due to an increase in investment in finance leases.

For the six-month period ended June 30, 2020, revenues decreased 1.2% to $7.8 million, compared to $7.9 million during the same period in 2019. Interest and fee income decreased by 14.2% to $6.3 million compared to $7.4 million in 2019, primarily due to $3.2 million 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 $1.8 million from new loans funded subsequent to June 30, 2019 and $352,000 of additional interest earned from loans existed at June 30, 2019. Finance income increased by 226.0% to $1.4 million from $420,000, due to an increase in investment in finance leases.

Interest and financing expense for the three-month period ended June 30, 2020, remained relatively unchanged at $2.1 million compared to $2.0 million in the same period last year.

Interest and financing expense for the six-month period ended June 30, 2020, remained unchanged at $4.4 million, compared to the same period last year.

General and administrative expenses for the three-month period ended June 30, 2020, was $732,000 compared to $794,000 for the same period last year. The increase in general and administrative expenses was primarily due to the Company not incurring legal fees relating to loans that were in arrears. General and administrative expenses for the six-month period ended June 30, 2020, was $1,471,000 compared to $1,575,000 for the same period last year.

During the three-month period ended June 30, 2020, the Company provided an allowance for uncollectible receivable of $161,000 compared to nil in the same period last year and an allowance for loan and mortgage investment loss of $811,000 compared to a recovery of $152,000 in the same period last year.

During the six-month period ended June 30, 2020, the Company provided an allowance for uncollectible receivable of $161,000 compared to nil in the same period last year and an allowance for loan and mortgage investment loss of $917,000 compared to a recovery of $152,000 in the same period last year.

The net income and comprehensive income for the three-month period ended June 30, 2020, was $324,000 or $0.06 per basic and diluted share compared to net income and comprehensive income of $867,000 or $0.15 per basic and diluted share for the same period last year. The net income and comprehensive income for the six-month period ended June 30, 2020, was $198,000 or $0.04 per basic and diluted share compared to net income and comprehensive income of $1.2 million or $0.20 per basic and diluted share for the same period last year. The net income for the three and six months period was impacted primarily by an additional provision for loan investment and other receivable losses, along with the unrealized foreign exchange losses from the devaluation of the Canadian dollar and a resulting increase in provision for income for the purposes of Canadian taxes.

The Company's Total Investments[(2)] at June 30, 2020, was $116.9, compared to $125.8 million at June 30, 2019, a decrease of 7.1% or $8.9 million, primarily due to net repayments in loan and mortgage investments, which was partially offset by net fundings in investment in finance leases. The Company has ceased all origination activities due to COVID-19 pandemic.

The principal balance of the Company's loan and mortgage syndications from $69.2 million at June 30, 2019 to $73.8 million at June 30, 2020, an increase of $4.6 million or 6.6%.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the three and six months ended June 30, 2020 have been filed and are available under the Company's profile on SEDAR (www.sedar.com).

About Terra Firma

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

Non-IFRS Financial Measures

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

(1) Total Investments (excluding cash) consists of the principal balance of loan and mortgage investments, investment in finance leases, portfolio investments, investments in associates, convertible note receivables and an investment property held in joint operations.

(2) The Company defines book value per share as total shareholders' equity divided by outstanding common shares.

(3) Adjusted net income and comprehensive income, (as well as adjusted net income and comprehensive income attributable to common shareholders, adjusted net diluted income and comprehensive income attributable to common shareholders which in the current periods are equal to adjusted net income and comprehensive income and adjusted earnings per share are calculated by adjusting the following (as applicable), irrespective of materiality:

- foreign exchange gains/losses related to the Company's net U.S. dollar denominated net assets;
- impairment losses/reversals;
- net gains/losses on the disposal of equity accounted investments;
- share based compensation;
- other unusual one one-time items; and
- the income tax impact of the items listed above.

(4) Adjusted basic and diluted earnings per share was translated to CAD using the exchange rate of $1.3859 and Book value per share was translated to CAD using the exchange rate $1.3576.

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

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

Forward-Looking Information

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

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Terra Firma Capital Corporation
Consolidated Statements of Income and Comprehensive Income
For the three and six months ended June 30, 2020 and 2019
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue				
Interest and fees	$ 2,967,009	$ 3,583,652	$ 6,323,414	$ 7,367,668
Finance income	737,218	335,225	1,368,425	419,698
Rental	35,768	37,715	73,294	75,665
	3,739,995	3,956,592	7,765,133	7,863,031
Expenses				
Property operating costs	13,051	12,983	26,476	26,036
General and administrative	731,795	794,121	1,470,854	1,575,359
Share based compensation	113,965	87,034	(95,589)	414,866
Interest and financing costs	2,086,628	2,047,496	4,365,058	4,354,249
Provision for loan and mortgage investment loss	811,234	(151,900)	916,971	(151,900)
Provision for uncollectible receivables	161,428	-	161,428	-
Realized and unrealized foreign exchange gain	(359,638)	(10,379)	436,252	46,155
Share of income from investment in associates	(39,876)	-	(85,337)	-
	3,518,587	2,779,355 -	7,196,113	6,264,765
Income from operations before income taxes	221,408	1,177,237	569,020	1,598,266

Income taxes	(102,501)	309,784	371,422	433,647
Net income and comprehensive income	$ 323,909	$ 867,453	$ 197,598	$ 1,164,619
Earnings per share				
Basic	$ 0.06	$ 0.15	$ 0.04	$ 0.20
Diluted	0.06	0.15	0.04	0.20

Terra Firma Capital Corporation
Consolidated Statements of Financial Position
As at June 30, 2020 and December 31, 2019

	June 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 8,493,697	$ 1,931,451
Funds held in trust	2,704,684	1,805,229
Amounts receivable and prepaid expenses	608,271	1,520,698
Loan and mortgage investments	89,669,011	116,212,642
Investment in finance lease	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
Right of use asset	762,740	912,436
Income taxes recoverable	-	247,719
Total assets	$ 128,969,891	$ 148,231,267
Liabilities		
Accounts payable and accrued liabilities	$ 4,824,688	$ 5,344,792
Lease obligations	771,642	913,129
Unearned income	411,566	692,264
Income taxes payable	41,321	-
Deferred income tax liabilities	677,255	450,017
Short-term unsecured notes payable	3,000,000	3,000,000
Credit facilities	4,813,644	8,878,839
Loan and mortgage syndications	73,813,741	88,249,414
Mortgages payable	1,005,508	1,067,440
Total liabilities	89,359,365	108,595,895
Equity		
Share capital	$ 25,283,343	$ 25,283,343
Contributed surplus	3,618,440	3,440,695
Cumulative translation adjustment	(6,885,398)	(6,885,398)
Retained earnings	17,594,141	17,796,732
Total equity	39,610,526	39,635,372
Total liabilities and equity	$ 128,969,891	$ 148,231,267