

Terra Firma Capital Corporation Reports Fourth Quarter & Full Year 2021 Financial Results

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

TORONTO, April 13, 2022 -- Terra Firma Capital Corporation (TSX-V: TII) ("**Terra Firma**" or the "**Company**"), a real estate finance company, today announced its financial results for the three months and year ended December 31, 2021.

Full Year 2021 Financial Highlights:

- Total Assets of \$139.3 million
- Total Investments (a non-IFRS financial measure)⁽¹⁾ of \$115.3 million.
- Total Assets under management ("AUM," a non-IFRS financial measure)⁽⁴⁾ of \$128.5 million and unfunded commitments of \$119.1 million
- Book Value per share increased to \$7.83 (CA\$9.83⁽³⁾) per share
- CA\$0.21 per share paid in dividends
- Total revenue increased by 5.0% to \$16.2 million
- Net income and comprehensive income increased by 54.0% to \$3.3 million
- Adjusted net income and comprehensive income (a non-IFRS financial measure)⁽²⁾ remained relatively consistent at \$2.9 million
- Basic and diluted earnings per share increased by 53.8% to \$0.60 (CA\$0.75⁽³⁾) and 51.3% to \$0.59 (CA\$0.74⁽³⁾), respectively
- Adjusted basic and diluted earnings per share (a non-IFRS financial measure)⁽²⁾ remained relatively consistent at \$0.52 (CA\$0.65⁽³⁾) and \$0.51 (CA\$0.64⁽³⁾), respectively.

Q4 2021 Financial Highlights:

- Total revenue increased by 20.4% to \$4.3 million
- Q4 quarterly cash dividends increased by 20% from CA\$0.05 to CA\$0.06 per common share
- Net income and comprehensive income increased by 62.1% to \$1.4 million
- Adjusted net income and comprehensive income⁽²⁾ increased by 41.1% to \$0.8 million
- Basic and diluted earnings per share increased by 66.7% to \$0.25 (CA\$0.32⁽³⁾) and 60.0% to \$0.24 (CA\$0.30⁽³⁾), respectively
- Adjusted basic and diluted earnings per share⁽²⁾ increased by 30.0% to \$0.13 (CA\$0.16⁽³⁾)

"Terra Firma had a record year for originations having committed to approximately \$145MM of new transactions for the year ended December 31, 2021. Many of these transactions are still in the process of being funded as evidenced by over \$119MM of unfunded commitments at year end," said Glenn Watchorn, President and CEO of Terra Firma. "The Company's significant year end cash balance was primarily due to accelerated repayments from a few large loans at the end of the year and the successful closing of TFCC's second private fund which required rolling-in warehoused seed transactions from TFCC's balance sheet. Given the successful closing of two funds in 2021, an exemplary track record for well over 5 years in the U.S. and the significant volume of transactions over the year, the Company now has the winning conditions in place to attract institutional investors and to accelerate its growth in the coming years. To that end, the Company has now established transactional relationships with three Top 25 U.S. private and public homebuilders (in addition to 2 large regional U.S. land developers) and has Letters of Intent in place with two Top 10 U.S. public homebuilders which in aggregate can potentially increase annual originations."

For the year ended December 31, 2021, total revenue increased 5.0% to \$16.2 million, compared to \$15.5 million during the same period in 2020. The majority of the Company's revenue was derived from loan and mortgage investments and investments in finance leases. The increase in total revenue was primarily due to the Company's increase in finance income by 84.8% to \$4.9 million compared with \$2.6 million in 2020. During the year ended December 31, 2021, the Company's investment in finance leases increased to \$55.8 million as at December 31, 2021 compared with \$20.5 million in the prior year. Partially offsetting the above noted was a decrease in interest and fees revenue due to the repayment of loans and mortgage investments during the year.

For the three months ended December 31, 2021, total revenue increased 20.4% to \$4.3 million, compared to \$3.6 million during the same period in 2020. The change in total revenue was due to the aforementioned increase in the Company's investment in finance leases partially offset by a decrease in interest and fees earned. For the three months ended December 31, 2021, finance income increased 140.6% to \$1.5 million compared to \$0.6 million in the same period in 2020. For the three months ended December 31, 2021, interest and fees earned decreased by 6.0% to \$2.7 million from \$2.9 million in the same period in the prior year.

For the three months and year ended December 31, 2021, the Company recorded interest and financing costs of \$2.2 million and \$8.6 million compared with \$1.8 million and \$8.2 million, respectively in the same periods in the prior year. The increase was primarily due to the new loans payable agreement the Company entered into related to Debt Fund I and Debt Fund II

which had an outstanding balance of \$63.1 million at December 31, 2021. Additionally impacting the variance was an increase in the weighted average interest rate from 10.1% at December 31, 2020 to 10.3% at December 31, 2021. Partially offsetting the increase in interest and financing costs was the repayment of loan and mortgage syndications with a balance of \$22.0 million as at December 31, 2021 compared to \$71.4 million in the prior year.

General and administrative expenses for the year ended December 31, 2021, were \$4.2 million compared to \$3.3 million for the same period in the prior year. The variance was primarily due to an increase in salary and benefits due to annual salary increases and new hires during the year. Additionally, the increase was due to higher professional fees primarily legal fees incurred in the set-up of Debt Fund I and Debt Fund II and tax services. General and administrative expenses for the three months ended December 31, 2021, were \$1.4 million compared to \$1.2 million in the same period in the prior year. The increase in salary and benefits was due to an increase in professional fees.

Net income and comprehensive income attributable to common shareholders for the year ended December 31, 2021, was \$3.3 million (basic and diluted earnings per share of \$0.60 and \$0.59, respectively) compared to \$2.2 million (\$0.39 per basic share and diluted share) in the prior year. The net income and comprehensive income attributable to common shareholders for the three months ended December 31, 2021, was \$1.4 million (basic and diluted earnings per share of \$0.25 and \$0.24, respectively) compared to \$0.8 million (basic and diluted earnings per share of \$0.15) for the same period in the prior year.

As at December 31, 2021, Total Investments⁽¹⁾ were \$115.3 million, compared to \$122.6 million in the prior year, a decrease of 5.9% or \$7.3 million. The decrease was primarily due to net repayments in loan and mortgage investments, partially offset by an increase in net fundings related to investment in finance leases and investment in associates which related to the Company's investment in Debt Fund I and Debt Fund II.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the year ended December 31, 2021, have been filed and are available 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, including adjusted net income and comprehensive income and Total Investments, each as described below, which are not measures defined under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss or other measures of financial performance or financial position 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 performance of the Company. Non-IFRS financial measures are commonly used by the financial community to analyze and compare the performance of companies engaged in the same industries and to help evaluate the trends more readily.

- (1) Total investments consist of the 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) 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), 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-time items; and
 - the income tax impact of the items listed above.
- (3) Adjusted basic and diluted earnings per share for full-year 2021 and Q4 2021 were translated to CA\$ using the exchange rate of \$1.2535 and \$1.2600, respectively. Book Value per share was translated to CA\$ using the exchange rate \$1.2637.
- (4) Assets under management ("AUM") are the assets managed by the Company on behalf of the Company's syndicate investors, as well as the Company's assets, and do not include capital commitments that have not yet been funded.

Note that further information concerning such non-IFRS financial measures, including reconciliations of such non-IFRS financial measures to the most directly comparable measure specified, defined or determined under IFRS for the periods indicated, can be found in the Company's Management's Discussion & Analysis for the year ended December 31, 2021.

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

Forward-Looking Information

This Press Release contains forward-looking statements with respect matters concerning the business, operations, strategy and financial performance of Terra Firma, and include statements concerning Terra Firma's loan originations expected in 2022 and their impact on AUM, and potential significant growth both in AUM and net income in 2022 and beyond. These statements generally can be identified by use of forward-looking word such as "may", "will", "expects", "estimates", "indicates" "anticipates", "intends", "believe", "should" or "could" or the negative thereof or similar variations. The future business, operations and performance of Terra Firma could differ materially from those expressed or implied by such statements. Such forward-looking statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations, including the matters covered by any non-binding letters of intent that are not completed, as well as risks relating to market factors, competition, and dependence on tenants' financial conditions, environmental and tax related matters, and reliance on key personnel, as well as the risks discussed in Terra Firma's most recently filed annual Management's Discussion and Analysis, any subsequently filed interim Management's Discussion and Analysis or Terra Firma's most recently filed Annual Information Form. 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 months and years ended December 31, 2021 and 2020

	Three months ended		Years ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Revenue				
Interest and fees	\$ 2,730,395	\$ 2,904,000	\$ 11,180,082	\$ 12,662,997
Finance income	1,547,442	642,524	4,889,886	2,646,216
Rental	41,930	40,893	171,191	152,571
	4,319,767	3,587,417	16,241,159	15,461,784
Expenses				
Property operating costs	13,113	13,882	58,013	53,896

General and administrative	1,397,956	1,216,807	4,228,189	3,305,565
Share based compensation (recovery)	(112,829)	305,272	127,051	279,224
Interest and financing costs	2,180,521	1,821,066	8,588,981	8,176,246
Provision for (recovery of) loan and mortgage investment loss	(527,837)	-	(683,159)	899,204
Provision for (recovery of) investment in finance lease loss	(231,222)	41,061	79,382	41,061
Provision for (recovery of) uncollectible receivables	(9,776)	-	-	161,428
Realized and unrealized foreign exchange gain	(20,337)	(364,687)	(147,243)	(118,268)
Fair value adjustment loss - investment properties	222,222	-	222,222	-
Fair value adjustment gain - portfolio investments	(259,841)	(149,120)	(259,841)	(149,120)
Share of loss (income) from investment in associates	(159,085)	(57,098)	(444,200)	115,494
	2,492,885	2,827,183	11,769,395	12,764,730

Income from operations before income taxes	1,826,882	760,234	4,471,764	2,697,054
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Income taxes	456,375	(85,809)	1,131,212	527,816
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Net income and comprehensive income	\$ 1,370,507	\$ 846,043	\$ 3,340,552	\$ 2,169,238
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Earnings per share

Basic	\$ 0.25	\$ 0.15	\$ 0.60	\$ 0.39
Diluted	0.24	0.15	0.59	0.39

Terra Firma Capital Corporation Consolidated Statements of Financial Position

As at December 31, 2021 and 2020

	December 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 18,107,159	\$ 3,780,824
Funds held in trust	3,971,799	5,862,799
Amounts receivable and prepaid expenses	817,558	596,864
Loan and mortgage investments	47,007,834	93,043,813
Investment in finance lease	55,728,869	20,489,655
Portfolio investments	676,421	2,292,991
Investment in associates	8,364,711	3,112,395
Investment property held in joint operations	1,747,799	1,735,712
Convertible note receivable	1,572,510	1,080,536
Right of use asset	851,833	1,056,879
Income taxes recoverable	459,474	-
Total assets	\$ 139,305,967	\$ 133,052,468

Liabilities

Unearned income	373,622	391,112
Loan and mortgage syndications	22,043,144	71,374,100
Loans payable	63,053,210	-
Mortgages payable	1,018,183	1,055,379
Accounts payable and accrued liabilities	7,793,961	8,670,756
Credit facilities	(115,321)	6,700,964
Unsecured note payable	289,744	1,794,150
Lease obligations	881,314	1,074,518
Income taxes payable	-	609,499
Deferred income tax liabilities	388,890	219,337
Total liabilities	95,726,747	91,889,815

Equity

Share capital	\$	25,293,007	\$	25,283,343
Contributed surplus		3,617,372		3,618,440
Foreign currency translation reserve		(6,885,398)		(6,885,398)
Retained earnings		21,554,239		19,146,268
Total equity		43,579,220		41,162,653
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Total liabilities and equity	\$	139,305,967	\$	133,052,468