



Interim Condensed Consolidated Financial Statements  
(In U.S. dollars)

# **TERRA FIRMA CAPITAL CORPORATION**

Three months ended March 31, 2022 and 2021  
(Unaudited)

# TERRA FIRMA CAPITAL CORPORATION

Interim Condensed Consolidated Statements of Financial Position

(In U.S. dollars)

(Unaudited)

	March 31, 2022	December 31, 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 21,122,216	\$ 18,107,159
Funds held in trust	4,653,775	3,971,799
Amounts receivable and prepaid expenses (note 3)	768,805	817,558
Loan and mortgage investments (note 4)	40,229,047	47,007,834
Investment in finance leases (note 5)	59,631,708	55,728,869
Portfolio investments (note 6)	305,310	676,421
Investment in associates (note 7)	8,441,951	8,364,711
Investment property held in joint operations (note 8(b))	1,766,249	1,747,799
Convertible note receivable (note 9)	1,647,701	1,572,510
Right-of-use asset (note 14)	807,163	851,833
Income taxes recoverable (note 21)	349,374	459,474
	<b>\$ 139,723,299</b>	<b>\$ 139,305,967</b>

## Liabilities and Shareholders' Equity

<b>Liabilities:</b>		
Unearned income	\$ 315,172	\$ 373,622
Loan and mortgage syndications (note 4)	20,539,227	22,043,144
Loans payable (note 11)	64,306,573	63,053,210
Mortgages payable (note 8(c))	1,014,370	1,018,183
Accounts payable and accrued liabilities (note 10)	8,547,903	7,793,961
Credit facilities (note 12)	(61,379)	(115,321)
Unsecured note payable (note 13)	–	289,744
Lease obligations (note 14)	839,574	881,314
Deferred income taxes payable (note 21)	332,387	388,890
	<b>95,833,827</b>	<b>95,726,747</b>
<b>Shareholders' equity:</b>		
Share capital (note 16(a))	25,293,007	25,293,007
Contributed surplus (note 17)	3,617,372	3,617,372
Foreign currency translation reserve	(6,885,398)	(6,885,398)
Retained earnings	21,864,491	21,554,239
Shareholders' equity	<b>43,889,472</b>	<b>43,579,220</b>
Commitments and contingencies (note 15)		
Related party transactions (notes 16 and 19)		
	<b>\$ 139,723,299</b>	<b>\$ 139,305,967</b>

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

The interim condensed consolidated financial statements were approved by the Board on May 17, 2022 and signed on its behalf by:

"Seymour Temkin" Director

"Dov Meyer" Director

# TERRA FIRMA CAPITAL CORPORATION

Interim Condensed Consolidated Statements of Income and Comprehensive Income

(In U.S. dollars)

(Unaudited)

	Three months ended	
	March 31, 2022	March 31, 2021
<b>Revenue:</b>		
Interest and fees	\$ 1,760,406	\$ 2,796,724
Finance income (note 5)	2,026,538	785,963
Rental (note 8(a))	43,413	40,559
	<u>3,830,357</u>	<u>3,623,246</u>
<b>Expenses (income):</b>		
Property operating costs (note 8(a))	15,071	14,837
General and administrative	1,103,536	737,684
Share-based compensation (recovery) (note 16(c))	(134,187)	60,071
Interest and financing costs (note 20)	2,515,709	1,985,778
Allowance for (recovery of) loan and mortgage investment loss (note 4)	(25,766)	(46,135)
Allowance for investment in finance lease loss	(17,346)	103,783
Realized and unrealized foreign exchange gain	(22,763)	(77,698)
Share of income from investment in associates (note 7)	(235,070)	(79,627)
	<u>3,199,184</u>	<u>2,698,693</u>
Income from operations before income taxes	631,173	924,553
Income tax expense (note 21)	53,597	105,797
<b>Net income and comprehensive income</b>	<b>\$ 577,576</b>	<b>\$ 818,756</b>
<b>Earnings per share (note 18):</b>		
Basic	\$ 0.10	\$ 0.15
Diluted	0.10	0.15

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

# TERRA FIRMA CAPITAL CORPORATION

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity  
(In U.S. dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

	Share capital		Foreign currency translation reserve	Contributed surplus (note 17)	Retained earnings	Total shareholders' equity
	Number of shares (note 16 (a))	Amount				
Balance, December 31, 2020	5,564,968	\$ 25,283,343	\$ (6,885,398)	\$ 3,618,440	\$ 19,146,268	\$ 41,162,653
Changes during the period:						
Dividends on common shares (note 16(b))	–	–	–	–	(221,271)	(221,271)
Net loss and comprehensive loss	–	–	–	–	717,379	717,379
Balance, March 31, 2021	5,564,968	25,283,343	(6,885,398)	3,618,440	19,642,376	41,658,761
Changes during the period:						
Issuance of shares	2,500	9,664	–	(1,068)	–	8,596
Dividends on common shares	–	–	–	–	(711,310)	(711,310)
Net income and comprehensive income	–	–	–	–	2,623,173	2,623,173
Balance, December 31, 2021	5,567,468	25,293,007	(6,885,398)	3,617,372	21,554,239	43,579,220
Changes during the period:						
Dividends on common shares (note 16(b))	–	–	–	–	(267,324)	(267,324)
Net income and comprehensive income	–	–	–	–	577,576	577,576
Balance, March 31, 2022	5,567,468	\$ 25,293,007	\$ (6,885,398)	\$ 3,617,372	\$ 21,864,491	\$ 43,889,472

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

# TERRA FIRMA CAPITAL CORPORATION

Interim Condensed Consolidated Statements of Cash Flows

(In U.S. dollars)

(Unaudited)

	Three months ended	
	March 31, 2022	March 31, 2021
Cash provided by (used in):		
Operating activities:		
Net income and comprehensive income	\$ 577,576	\$ 818,756
Interest and fees earned	(1,760,406)	(2,796,724)
Finance income earned	(2,026,538)	(785,963)
Interest expense and financing costs	2,515,709	1,985,778
Unrealized foreign exchange gain	(14,238)	(61,977)
Income from investments in associates	(235,070)	(79,627)
Non-cash items:		
Share-based compensation (recovery) (note 16(c))	(134,187)	60,071
Amortization of right-of-use asset	52,999	50,439
Recovery of loan and mortgage investment loss	(25,766)	(46,135)
Provision (recovery of) for investment in finance lease loss	(17,346)	103,783
Income tax provision	53,597	105,797
Changes in working capital:		
Decrease (increase) in other receivables	(84,425)	41,798
Decrease (Increase) in prepaid expenses and deposits	11,520	(58,886)
Decrease in accounts payable and accrued liabilities	(42,921)	(124,438)
Interest and fees received	3,107,684	2,760,691
Distributions from investment in associates	166,182	27,182
Interest paid	(1,937,171)	(1,576,494)
Cash provided by operating activities	207,199	424,051
Financing activities:		
Proceeds from loan and mortgage syndications	3,483,692	2,058,404
Proceeds from loans payable	9,500,247	9,052,361
Repayments of loan and mortgage syndications	(5,352,978)	(3,286,483)
Repayment of loans payable	(8,246,884)	-
Repayments of mortgages payable	(14,396)	(9,353)
Repayment of short-term unsecured loans payable	(289,744)	(226,793)
Proceeds from credit facilities	-	9,000,000
Repayment of credit facilities	-	(9,000,000)
Dividends paid	(264,781)	(218,628)
Cash provided by (used in) financing activities	(1,184,844)	7,369,508
Investing activities:		
Funding of loan and mortgage investments	(7,500,332)	(3,242,612)
Repayments of loan and mortgage investments	14,919,082	5,272,943
Funding of investment in finance leases	(8,790,053)	(11,993,256)
Proceeds from sale of finance leases	4,987,384	1,247,165
Return of capital of portfolio investment	376,621	-
Funding of investment in associates	-	(843,750)
Cash provided by (used in) investing activities	3,992,702	(9,559,510)
Increase (decrease) in cash and cash equivalents	3,015,057	(1,765,951)
Cash and cash equivalents, beginning of period	18,107,159	3,780,824
Cash and cash equivalents, end of period	\$ 21,122,216	\$ 2,014,873

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 1. Reporting entity:

Terra Firma Capital Corporation (the "Company") was incorporated under the Ontario Business Corporations Act 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 located at 22 St. Clair Avenue East, Suite 200, Toronto, Ontario M4T 2S5.

The principal business of the Company is to provide real estate financings secured by investment properties and real estate developments throughout Canada and the U.S. 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 properties, for such development or redevelopment, properties repairs or the purchase of investment properties.

## 2. Basis of presentation:

### (a) Statement of compliance:

The unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 (the "Financial Statements") of the Company have been prepared by management in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The preparation of the Financial Statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as well as Interpretations of International Financial Reporting Interpretations Committee. The Financial Statements do not contain all disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the notes to the Company's audited consolidated financial statements as at and for the year ended December 31, 2021 (the "2021 Annual Financial Statements").

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 2. Basis of presentation (continued):

### (b) Basis of consolidation:

The Company holds interests in certain loan and mortgage investments, investment in finance leases, investment in associates, and portfolio investments in its wholly-owned subsidiaries, which the Company controls. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of these subsidiaries and the Company's proportionate share in joint operations are consolidated with those of the Company, and all intercompany transactions and balances between the Company and its subsidiary entities and joint operations have been eliminated upon consolidation.

The interim condensed consolidated financial statements include the financial statements of the Company and the following significant entities as at March 31, 2022:

	Country of incorporation	Interest % 2022
TFCC International Ltd.	Canada	100
Terra Firma MA Ltd.	Canada	100
Terra Firma Queen Developments Inc.	Canada	100
TFCC LanQueen Ltd.	Canada	100
Terra Firma (Valermo) Corporation (the "TFVC")	Canada	100
TFCC USA III Holdings Corporation	Canada	100
Terra Firma (Crowdfund) Corporation	Canada	100
TFCC USA LLC	U.S.A.	100
TFCC USA II Corporation	U.S.A.	100
TFCC Delray Inc.	U.S.A.	100
TFCC USA III Corporation	U.S.A.	100
TFCC Stafford LLC	U.S.A.	100
TFCC Sterling 5A LLC	U.S.A.	100
TFCC Sterling LLC	U.S.A.	100
TFCC Coburn LLC	U.S.A.	100
TFCC Dunn's Crossing LLC	U.S.A.	100
TFCC Jacksonville LLC	U.S.A.	100
TFCC Trailmark LLC	U.S.A.	100
TFCC Allen Farm LLC	U.S.A.	100
TFCC Arroyo LLC	U.S.A.	100
TFCC Scotland Heights LLC	U.S.A.	100
TFCC Cambridge Angier LLC	U.S.A.	100
TFCC USA IV Corporation	U.S.A.	100

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

### 3. Amounts receivable and prepaid expenses:

The following table presents details of the amounts receivable, allowance for credit loss (the "ACL") and prepaid expenses as at March 31, 2022:

	Gross carrying amount	ACL	Net carrying amount
Interest receivable	\$ 390,010	\$ –	\$ 390,010
Other receivables	309,889	–	309,889
Prepaid expenses	68,906	–	68,906
Amounts receivable and prepaid expenses	\$ 768,805	\$ –	\$ 768,805

The following table presents details of the amount receivable, ACL and prepaid expenses as at December 31, 2021:

	Gross carrying amount	ACL	Net carrying amount
Interest receivable	\$ 492,875	\$ –	\$ 492,875
Other receivables	243,669	–	243,669
Prepaid expenses and deposits	81,014	–	81,014
Amounts receivable and prepaid expenses	\$ 817,558	\$ –	\$ 817,558

Interest and other receivable balance as at March 31, 2022, include a non-current balance of \$233,200 (December 31, 2021 - \$194,186). The current interest and other receivables are due in the next 12 months in accordance with contract terms.



# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 4. Loan and mortgage investments and loan and mortgage syndications:

The following table presents details of the loan and mortgage investments, ACL and loan and mortgage syndications as at March 31, 2022:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Performing loans:						
Residential housing developments	\$ 9,755,571	\$ (12,971)	\$ 9,742,600	\$ 4,052,981	\$ 5,689,619	28.9
Land and lot inventory	30,529,070	(42,623)	30,486,447	16,486,246	14,000,201	71.1
	\$ 40,284,641	\$ (55,594)	\$ 40,229,047	\$ 20,539,227	\$ 19,689,820	100.0

The following table presents details of the loan and mortgage investments, ACL and loan and mortgage syndications as at December 31, 2021:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Performing loans:						
Residential housing developments	\$ 6,285,220	\$ (13,342)	\$ 6,271,878	\$ 2,502,485	\$ 3,769,393	15.1
Land and lot inventory	40,803,974	(68,018)	40,735,956	19,540,659	21,195,297	84.9
	\$ 47,089,194	\$ (81,360)	\$ 47,007,834	\$ 22,043,144	\$ 24,964,690	100.0

The loan and mortgage investments carry a weighted average effective interest rate of 13.3% (December 31, 2021 -13.7%) and a weighted average term to maturity of 1.08 years (December 31, 2021 - 1.10 years).

The loan and mortgage syndications carry a weighted average effective interest rate of 10.2% (December 31, 2021 - 10.3%) and a weighted average term to maturity of 0.89 years (December 31, 2021 - 0.98 years).

At March 31, 2022, the Company has a loan and mortgage investment totaling \$6,068,946 (December 31, 2021 - \$2,014,805) with a participation arrangement with a priority syndicate investor, whereby the priority syndicate investor holds a senior position for \$3,013,399 (December 31, 2021 - \$1,473,760) and the remainder of the investment is in a subordinated position of \$3,055,547 (December 31, 2021 - \$541,045). The Company retains a residual portion of \$3,055,547 (December 31, 2021 - \$541,045).

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 4. Loan and mortgage investments and loan and mortgage syndications (continued):

As at March 31, 2022, there are loan and mortgage investments to two separate projects in the U.S. before syndication, that account for 40.5% and 15.1% of the principal balance of loan and mortgage investments. As at December 31, 2021, there are loan and mortgage investments to three separate projects in the U.S., before syndication, that account for 34.9%, 13.5% and 13.4% of the principal balance of loan and mortgage investments. For the three months ended March 31, 2022, the Company has loan and mortgage investments in four separate projects in the U.S. before syndication, that account for 29.3%, 21.9%, 11.0% and 10.2% of the Company's interest and fees revenue. For the three months ended March 31, 2021, the Company had two loan and mortgage investments in the U.S. before syndication, that account for 19.9% and 14.6% of the Company's total interest and fees revenue.

During the three months ended March 31, 2022, the Company capitalized interest income of \$600,414 (three months ended March 31, 2021 - \$752,201) which is included in loan and mortgage investments.

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 March 31, 2022, were \$38,537,932 (December 31, 2021 - \$46,038,263). As at March 31, 2022, the unfunded commitments relating to loan and mortgage investments in two separate projects in the U.S. before syndication that account for 63.0% and 30.4% of the total unfunded commitments. As at December 31, 2021, the unfunded commitments relating to loan and mortgage investments in two separate projects in the U.S., before syndication, account for 52.7% and 40.0% of the total unfunded commitments.

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by risk as at March 31, 2022:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
1st mortgage loans	\$ 37,216,549	\$ (47,010)	\$ 37,169,539	\$ 19,499,643	\$ 17,669,896	89.7
2nd mortgage loans	1,319,472	(44)	1,319,428	1,039,584	279,844	1.4
Unregistered loans	1,748,620	(8,540)	1,740,080	–	1,740,080	8.9
	<b>\$ 40,284,641</b>	<b>\$ (55,594)</b>	<b>\$ 40,229,047</b>	<b>\$ 20,539,227</b>	<b>\$ 19,689,820</b>	<b>100.0</b>

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 4. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by geography as at March 31, 2022:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Canada	\$ 1,319,472	\$ (44)	\$ 1,319,428	\$ 1,039,584	\$ 279,844	1.4
U.S.	38,965,169	(55,550)	38,909,619	19,499,643	19,409,976	98.6
	\$ 40,284,641	\$ (55,594)	\$ 40,229,047	\$ 20,539,227	\$ 19,689,820	100.0

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by risk as of December 31, 2021:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
1 <sup>st</sup> mortgage loans	\$ 44,081,171	\$ (73,003)	\$ 44,008,168	\$ 21,014,419	\$ 22,993,749	92.1
2 <sup>nd</sup> mortgage loans	1,305,690	(43)	1,305,647	1,028,725	276,922	1.1
Unregistered loans	1,702,333	(8,314)	1,694,019	–	1,694,019	6.8
	\$ 47,089,194	\$ (81,360)	\$ 47,007,834	\$ 22,043,144	\$ 24,964,690	100.0

The following table presents details of the Company's loan and mortgage investments segmented by geography as at December 31, 2021:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Canada	\$ 1,305,690	\$ (43)	\$ 1,305,647	\$ 1,028,725	\$ 276,922	1.1
U.S.	45,783,504	(81,317)	45,702,187	21,014,419	24,687,768	98.9
	\$ 47,089,194	\$ (81,360)	\$ 47,007,834	\$ 22,043,144	\$ 24,964,690	100.0

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 4. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments by staging as at March 31, 2022:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	\$ 9,755,571	\$ –	\$ –	\$ 9,755,571
Land and lot inventory	30,529,070	–	–	30,529,070
	\$ 40,284,641	\$ –	\$ –	\$ 40,284,641

The following table presents details of the Company's credit exposure on the carrying amount of loan and mortgage investments, net of loan and mortgage syndications, for which ACL is recognized as at March 31, 2022:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	\$ 5,702,590	\$ –	\$ –	\$ 5,702,590
Land and lot inventory	14,042,824	–	–	14,042,824
	\$ 19,745,414	\$ –	\$ –	\$ 19,745,414

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments segmented by geography, for which ACL is recognized as at March 31, 2022:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	\$ 1,319,472	\$ –	\$ –	\$ 1,319,472
U.S.	38,965,169	–	–	38,965,169
	\$ 40,284,641	\$ –	\$ –	\$ 40,284,641

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

#### 4. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's credit exposure on the carrying amount of loan and mortgage investments net of loan and mortgage syndications, segmented by geography, for which ACL is recognized as at March 31, 2022:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	\$ 279,888	\$ –	\$ –	\$ 279,888
U.S.	19,465,526	–	–	19,465,526
	\$ 19,745,414	\$ –	\$ –	\$ 19,745,414

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments by staging as at December 31, 2021:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	\$ 6,285,220	\$ –	\$ –	\$ 6,285,220
Land and lot inventory	40,803,974	–	–	40,803,974
	\$ 47,089,194	\$ –	\$ –	\$ 47,089,194

The following table presents details of the Company's credit exposure on the carrying amount of loan and mortgage investments, net of loan and mortgage syndications, for which ACL is recognized as at December 31, 2021:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	\$ 3,782,735	\$ –	\$ –	\$ 3,782,735
Land and lot inventory	21,263,315	–	–	21,263,315
	\$ 25,046,050	\$ –	\$ –	\$ 25,046,050

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

#### 4. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments segmented by geography, for which ACL is recognized as at December 31, 2021:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	\$ 1,305,771	\$ –	\$ –	\$ 1,305,771
U.S.	45,783,423	–	–	45,783,423
	\$ 47,089,194	\$ –	\$ –	\$ 47,089,194

The following table presents details of the Company's credit exposure on the carrying amount of loan and mortgage investments net of syndication, segmented by geography, for which ACL is recognized as at December 31, 2021:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	\$ 277,046	\$ –	\$ –	\$ 277,046
U.S.	24,769,004	–	–	24,769,004
	\$ 25,046,050	\$ –	\$ –	\$ 25,046,050

Scheduled principal repayments and loan and mortgage investments maturing in the next four years are as follows:

	Scheduled principal payments	Investments maturing during the year
2022, remainder of year	\$ –	\$ 18,990,144
2023	–	12,357,926
2024	–	7,817,567
2025	–	1,119,004
	\$ –	\$ 40,284,641

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

#### 4. Loan and mortgage investments and loan and mortgage syndications (continued):

Scheduled principal repayments and maturity amounts of loan and mortgage syndications maturing in the next three years are as follows:

	Scheduled principal payments	Loans maturing during the year
2022, remainder of year	\$ –	\$ 13,651,258
2023	–	3,874,570
2024	–	3,013,399
	\$ –	\$ 20,539,227

Allowance for loan and mortgage investments loss:

The changes in the ACL on loan and mortgage investments during the three months ended March 31, 2022 were as follows:

	IFRS 9			
	Balance at January 1, 2022	Provision for credit losses	Net write offs	Balance at March 31, 2022
Residential housing developments	\$ 13,342	\$ (371)	\$ –	\$ 12,971
Land and lot inventory	68,018	(25,395)	–	42,623
	\$ 81,360	\$ (25,766)	\$ –	\$ 55,594

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 4. Loan and mortgage investments and loan and mortgage syndications (continued):

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	\$ 81,360	\$ –	\$ –	\$ 81,360
Recovery of credit losses:				
Remeasurement	(25,766)	–	–	(25,766)
Transfer to (from):				
Stage 1	–	–	–	–
Stage 2	–	–	–	–
Stage 3	–	–	–	–
Gross write-offs	–	–	–	–
Recoveries	–	–	–	–
<b>Balance, end of period</b>	<b>\$ 55,594</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 55,594</b>

The following table presents details of the Company's ACL on loan and mortgage investments as at March 31, 2022:

	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	\$ 12,971	\$ –	\$ –	\$ 12,971
Land and lot inventory	42,623	–	–	42,623
	\$ 55,594	\$ –	\$ –	\$ 55,594

The following table presents the Company's ACL on loan and mortgage investments segmented by geography as at March 31, 2022:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	\$ 44	\$ –	\$ –	\$ 44
U.S.	55,550	–	–	55,550
	\$ 55,594	\$ –	\$ –	\$ 55,594



# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

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(Unaudited)

## 5. Investment in finance leases:

As at March 31, 2022, the Company had 15 investment in finance leases (December 31, 2021 - 15). The following table represents details of the investment in finance leases and ACL as at March 31, 2021:

	March 31, 2022	December 31, 2021
Investment in finance leases	\$ 59,734,805	\$ 55,849,312
Allowance for credit losses	(103,097)	(120,443)
Balance, at period end	\$ 59,631,708	\$ 55,728,869

Investment in finance leases of \$54,760,253 are financed through loans payable (note 12) (December 31, 2021 - \$51,003,555).

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 14.0% per annum and the weighted average term of the leases is 2.03 years. The unearned finance income at March 31, 2022 was \$82,266 (December 31, 2021 - \$139,376).

The income recognized from finance leases for three months ended March 31, 2022, of \$2,026,538 (three months ended March 31, 2021 - \$785,963) was included within finance income in the interim condensed consolidated statements of income and comprehensive income.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 5. Investment in finance leases (continued):

The following table summarizes the changes in the investment in finance leases for the three months ended March 31, 2022 and 2021:

Balance, December 31, 2020		\$ 20,489,655
Investment made		11,993,256
Investments sold		(1,247,165)
Lease payments received		(767,524)
Finance income recognized		785,963
Allowance for credit losses		(103,783)
Balance, March 31, 2021		31,150,402
Investment made		41,904,076
Investments sold		(17,192,362)
Lease payments received		(4,261,571)
Finance income recognized		4,103,923
Allowance for credit losses		24,401
Balance, December 31, 2021		55,728,869
Investment made		8,790,053
Investments sold		(4,987,384)
Lease payments received		(1,943,714)
Finance income recognized		2,026,538
Recovery of credit losses		17,346
Balance, March 31, 2022		\$ 59,631,708

The following is a reconciliation of the undiscounted future minimum lease payments receivable 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	\$ 19,669,664	\$ 9,550,328	\$ 10,119,336
Greater than one year but less than 5 years	60,457,993	10,842,524	49,615,469
	\$ 80,127,657	\$ 20,392,852	\$ 59,734,805

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 5. Investment in finance leases (continued):

As at March 31, 2022, there are three net investments in finance leases that account for 13.7%, 12.8% and 10.4% of the net investments in finance leases. For the three months ended March 31, 2022, the Company has two net investments in finance leases that account for 11.4% and 10.4% of the Company's finance income.

Allowance for finance lease investments loss:

The changes in the ACL on finance lease investments during the three months ended March 31, 2022 were as follows:

	IFRS 9			Balance at March 31, 2022
	Balance at December 31, 2021	Provision for credit losses	Net write offs	
Residential housing developments	\$ 120,443	\$ (17,346)	\$ –	\$ 103,097

The following table presents the changes in the finance lease investment's ACL between the beginning and the end of the period:

	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of period	\$ 120,443	\$ –	\$ –	\$ 120,443
Provision for credit losses:				
Remeasurement	(17,346)	–	–	(17,346)
Transfer to (from):				
Stage 1	–	–	–	–
Stage 2	–	–	–	–
Stage 3	–	–	–	–
Gross write-offs	–	–	–	–
Recoveries	–	–	–	–
Balance, end of period	\$ 103,097	\$ –	\$ –	\$ 103,097

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 6. Portfolio investments:

The following table presents details of the portfolio investments as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Investment in the LanQueen Partnership	\$ 150,781	\$ 521,892
Investment in the Savannah Partnership	154,528	154,528
Investment in the Valermo Partnership	1	1
	<u>\$ 305,310</u>	<u>\$ 676,421</u>

- (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 fair value of investment at March 31, 2022 was \$150,781 (December 31, 2021 - \$521,892).
- (b) The Company, through TFCC International Ltd. invested in the Savannah Partnership and the fair value of the remaining investment in the Savannah Partnership at March 31, 2022 was \$154,528 (December 31, 2021 - \$154,528). 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. As at March 31, 2022, the principal balance outstanding to be repaid on the above noted loan and mortgage investment was \$16,297,344 (December 31, 2021 - \$16,451,611). The syndicated principal loan and mortgage investment balance outstanding to be repaid was \$11,784,419 (December 31, 2021 - \$11,993,074).
- (c) The Company, through TFVC, has a limited partnership interest in a partnership in Toronto. The fair value of the investment at March 31, 2022 was \$1 (December 31, 2021 - \$1).

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 6. Portfolio investments (continued):

The following table summarizes the changes in the portfolio investments for the three months ended March 31, 2022 and December 31, 2021:

Balance, December 31, 2020	\$ 2,292,991
Foreign exchange	36,608
Balance, March 31, 2021	2,329,599
Return of investment	(1,912,794)
Fair value adjustment	259,841
Foreign exchange	(225)
Balance, December 31, 2021	676,421
Return of investment	(376,621)
Foreign exchange	5,510
Balance, March 31, 2022	\$ 305,310

## 7. Investment in associates:

The following table presents details of the investment in associates as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31 2021
Investment in the Lan Partnership	\$ 799,533	\$ 791,181
Investment in the TFCC Royal Palm Beach Inc.	1,443,589	1,383,346
Investment in Debt Fund I	2,176,818	2,174,053
Investment in Debt Fund II	4,022,011	4,016,131
	\$ 8,441,951	\$ 8,364,711

- (a) The Company has a partnership interest in a high-rise condominium development project located in Toronto, Ontario. The fair value of the investment in the Lan Partnership at March 31, 2022 was \$799,533 (December 31, 2021 - \$791,181).

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 7. Investment in associates (continued):

- (b) The Company, through TFCC International Ltd., invested in the TFCC Royal Palm Beach Inc. During the three months ended March 31, 2022, the Company recorded income of \$68,994 and received distributions of \$8,751 from TFCC Royal Palm Beach Inc. The fair value of the investment at March 31, 2022 was \$1,443,589 (December 31, 2021 - \$1,383,346).
- (c) The Company, through its wholly owned subsidiary TFCC USA III Holding Corporation (the "TFCC USA III Holding") and third-party investors, entered into a limited partnership agreement (the "Debt Fund I") whereby the investors and TFCC USA III Holding committed to advance total capital of \$29,025,000 and \$3,475,000, respectively. As at March 31, 2022, Debt Fund I received capital contributions from investors and TFCC USA III Holding totaling \$17,995,500 and \$2,154,500, respectively. Debt Fund I entered into a loan agreement with the wholly-owned subsidiary of the Company TFCC USA III Corporation (the "TFCC USA III"). Debt Fund I also secured a \$10,000,000 credit facility with a U.S. bank. Terra Firma Senior Debt Fund Corporation, a wholly-owned subsidiary of the Company, acts as a general partner of Debt Fund I. The Company exerts influence in Debt Fund I and accounts for this investment using the equity method of accounting. As at March 31, 2022, the Company through TFCC USA III Holding owns 10.69% partnership interest in Debt Fund I.

As at March 31, 2022, Debt Fund I had an outstanding balance of \$7,455,026 against the credit facility and a loan payable balance of \$27,483,307 to TFCC USA III (note 11). For the three months ended March 31, 2022, the Company recognized its share of income of \$57,974 (three months ended March 31, 2021 - \$21,400) and received distributions of \$55,209 (three months ended March 2021 - \$18,431) from Debt Fund I.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 7. Investment in associates (continued):

- (d) On December 7, 2021, the Company, through its wholly owned subsidiary TFCC USA III Holding and third-party investors, entered into a limited partnership agreement ("Debt Fund II"). As at March 31, 2022, the investors and TFCC USA III Holding committed to advance total capital of \$33,587,000 and \$4,000,000, respectively. Debt Fund II entered into a loan agreement with TFCC USA IV Corporation (the "TFCC USA IV"). During the three months ended March 31, 2022, Debt Fund II also secured a \$12,000,000 credit facility with a U.S. bank. Terra Firma Senior Debt Fund Corporation, a wholly-owned subsidiary of the Company, acts as a general partner of Debt Fund II. The Company exerts influence in Debt Fund II and accounts for this investment using the equity method of accounting. As at March 31, 2022, the Company through TFCC USA III Holding owns 10.64% partnership interest in Debt Fund II. As at March 31, 2022, Debt Fund II received capital contributions from investors and TFCC USA III Holding totaling \$33,587,000 and \$4,000,000, respectively, and advanced a loan payable of \$36,823,266 to TFCC USA IV (note 11). For the three months ended March 31, 2022, the Company recognized its share of income of \$108,102 (three months ended March 31, 2021 - nil) and received distributions of \$102,222 (three months March 31, 2021 - nil) from Debt Fund II.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 7. Investment in associates (continued):

The following table summarizes the changes in the portfolio investments for the three months ended March 31, 2022 and 2021:

Balance, December 31, 2020	\$ 3,112,395
Investment funded	843,750
Income earned	79,627
Distributions received	(27,182)
Foreign exchange	25,252
Balance, March 31, 2021	4,033,842
Investment funded	5,310,750
Income earned	364,573
Distributions received	(164,421)
Return of capital	(992,082)
Fair value adjustment	(222,222)
Foreign exchange	34,271
Balance, December 31, 2021	8,364,711
Income earned	235,070
Distributions received	(166,182)
Foreign exchange	8,352
Balance, March 31, 2022	\$ 8,441,951

During the three months ended March 31, 2022, the Company recognized net income from investments in associates of \$235,070 (three months ended March 31, 2021 - \$79,627) and received distributions of \$166,182 (three months ended March 31, 2021 - \$27,182).



# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 8. Joint arrangements:

### (a) Interests in joint operations:

Montreal Street JV:

The Company's ownership interest in the Montreal Street JV is 55.0%.

The financial information in respect of the Company's proportionate share of investments in Montreal Street JV is as follows:

	March 31, 2022	December 31, 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 141,658	\$ 133,582
Amounts receivable and prepaid expenses	84,930	84,775
Investment property	1,766,249	1,747,799
Right-of-use asset	636,365	643,815
	<u>2,629,202</u>	<u>2,609,971</u>
<b>Liabilities</b>		
Accounts payable and prepaid expenses	37,951	37,533
Mortgages payable	1,014,370	1,018,183
Lease obligations	675,130	678,166
	<u>1,727,451</u>	<u>1,733,882</u>
<b>Net assets</b>	<u>\$ 901,751</u>	<u>\$ 876,089</u>

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 8. Joint arrangements (continued):

The table below details the results of operations for the three months ended March 31, 2022 and 2021, attributable to the Company from Montreal Street JV:

	Three months ended	
	March 31, 2022	March 31, 2021
Revenue:		
Rental revenue	\$ 43,413	\$ 40,559
Expenses (income):		
Property operating costs	15,071	14,837
General and administrative	884	(590)
Interest	11,229	12,225
	<u>27,184</u>	<u>26,472</u>
Net income	\$ 16,229	\$ 14,087

### (b) Investment property:

At March 31, 2022, the carrying value of the Company's proportionate share of investment property in the Montreal Street JV is \$1,766,249 (CAD \$2,208,694) (December 31, 2021 - \$1,747,799 (CAD \$2,208,694)). The capitalization rate used in the valuation of the property was 6.25% (December 31, 2021 - 6.25%).

As at March 31, 2022 a 25-basis-point decrease in the overall capitalization rate would increase the Company's proportionate share of value of investment property in the Montreal Street JV by CAD \$92,400 (December 31, 2021 - CAD \$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 CAD \$85,250 (December 31, 2021 - CAD \$85,250).

### (c) Mortgages payable:

The Company's share of the principal balance of mortgages payable in Montreal Street JV, at March 31, 2022 was \$1,014,370 (December 31, 2021 - \$1,018,183). The mortgages bear interest at 2.5% per annum and are amortized over 15 years and mature on July 1, 2026.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 8. Joint arrangements (continued):

The details of the mortgages payable in respect of the Company's proportionate share of the Montreal Street JV at March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022	December 31, 2021
Mortgage principal	\$ 1,014,370	\$ 1,018,183

The following table summarizes the changes in the principal balance of mortgages payable for the three months ended March 31, 2022 and 2021:

Balance, December 31, 2020	\$ 1,056,723
Repayments made	(9,353)
Foreign exchange	13,634
Balance, March 31, 2021	1,061,004
Repayments made	(36,877)
Foreign exchange	(5,944)
Balance, December 31, 2021	1,018,183
Repayments made	(14,396)
Foreign exchange	10,583
Balance, March 31, 2022	\$ 1,014,370

Scheduled principal repayments and maturity amounts of mortgages payable at March 31, 2022 are as follows:

	Loans scheduled principal payments	Total maturing during the period	Loans and mortgages payable
Remainder of year	\$ 44,513	\$ —	\$ 44,513
2023	60,554	—	60,554
2024	62,111	—	62,111
2025 and thereafter	101,632	745,560	847,192
	\$ 268,810	\$ 745,560	\$ 1,014,370

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 9. Convertible note receivable:

The following table summarizes the changes in the Convertible Note for the three months ended March 31, 2022:

Balance, December 31, 2021	\$ 1,572,510
Interest capitalized	57,754
Foreign exchange	17,437
<b>Balance, March 31, 2022</b>	<b>\$ 1,647,701</b>

During the three months ended March 31, 2022, the maturity of the Convertible Note was extended a further 12 months to January 29, 2023. During the three months ended March 31, 2022, the Company capitalized interest income of \$57,754. The fair value of the investment was determined by management. The fair value of the Convertible Note as at March 31, 2022 was \$1,647,701 (December 31, 2021 - \$1,572,510), being the principal amount advanced and capitalized interest.

## 10. Accounts payable and accrued liabilities:

The following table presents details of the accounts payable and accrued liabilities as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Interest payable	\$ 908,145	\$ 686,596
Interest reserve	2,301,735	750,842
Accounts payable, accrued liabilities and provisions	1,626,075	1,655,560
Funds held in trust	2,352,040	3,220,957
Share-based compensation payable (note 17(c)(ii))	1,359,908	1,480,006
<b>Accounts payable and accrued liabilities</b>	<b>\$ 8,547,903</b>	<b>\$ 7,793,961</b>

Accounts payable and accrued liabilities are current and payable in the next 12-month period.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 10. Accounts payable and accrued liabilities (continued):

Interest reserve held for the borrowers and trust liabilities payable to syndicate investors are contractual obligations of the wholly-owned subsidiary of the Company that administers loan and mortgage investments. The subsidiary holds cash balances in trust.

## 11. Loans payable:

(a) On February 5, 2021, the Company, through TFCC USA III, entered into a loan agreement with Debt Fund I. Debt Fund I agreed to advance up to a total of \$32,500,000 in a loan payable to the Company to invest in certain finance leases. The loan carries an interest rate of 10.25% per annum, paid monthly in arrears and matures on February 5, 2024. The interest and principal on this loan are payable from the proceeds from these investments and has limited recourse from these investments in finance leases.

As at March 31, 2022, Debt Fund I advanced \$27,483,307 (December 31, 2021 - \$25,669,114) to TFCC USA III and during the three months ended March 31, 2022 incurred interest expense of \$674,848 (three months ended March 31, 2021 - \$143,920) on this loan. The interest and principal on this loan are payable from the proceeds from these investments.

(b) On December 6, 2021, the Company, through TFCC USA IV, entered into a loan agreement with Debt Fund II. Debt Fund II agreed to advance up to a total of \$150,000,000 in a loan payable to the Company to invest in certain finance leases. The loan carries an interest rate of 10% per annum, paid monthly in arrears and matures on December 6, 2024. The interest and principal on this loan are payable from the proceeds from these investments and has limited recourse from these investments in finance leases and loan and mortgage investments.

As at March 31, 2022, Debt Fund II advanced \$36,823,266 (December 31, 2021 - \$37,384,096) to TFCC USA IV and during the three months ended March 31, 2022 incurred interest expense of \$981,652 (three months ended March 31, 2021 - nil). The interest and principal on this loan are payable from the proceeds from these investments.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 12. Credit facilities:

At March 31, 2022, the Company's credit facilities (the "Credit Facilities") consist of a \$40,000,000 secured line of credit (the "LOC") and the Company had drawn nil (December 31, 2021 - nil) on the LOC.

The following table presents details of the Credit Facilities as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Unamortized financing costs	\$ (61,379)	\$ (115,321)

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As at March 31, 2022, the Company had not drawn on its existing LOC and the borrowing capacity was adjusted to \$9,740,398 (December 31, 2021 - \$18,560,680). This existing LOC was terminated as at April 25, 2022.

Subsequent to March 31, 2022, the Company closed with a different U.S. lending institution on a new secured \$20,000,000 LOC which includes an additional \$20,000,000 accordion feature, replacing the Company's existing LOC. The new LOC matures on April 25, 2023, and the interest rate is the greater of 5% or prime plus 0.75%. The new LOC is subject to a borrowing capacity, calculated monthly as a percentage of eligible loan and mortgage investments and investment in finance leases and subject to certain adjustments. As at April 30, 2022, the borrowing capacity with the new LOC was \$16,137,953.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
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## 12. Credit facilities (continued):

The following table summarizes the changes in the principal balance of Credit Facilities for the three months ended March 31, 2022 and 2021:

Balance, December 31, 2020	\$	7,000,000
Proceeds from Credit Facilities		9,000,000
Repayment of Credit Facilities		(9,000,000)
Balance, March 31, 2021		7,000,000
Proceeds from Credit Facilities		24,500,000
Repayment of Credit Facilities		(31,500,000)
Balance, December 31, 2021		—
Balance, March 31, 2022	\$	—

In connection with the LOC, the Company incurred lender and third-party costs of \$750,339. 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. The accumulated amortization as at March 31, 2022 was \$688,959 (December 31, 2021 - \$635,018).

For the three months ended March 31, 2022, amortization of deferred financing costs reported as interest and financing costs totaled \$53,941 (three months ended March 31, 2021 - \$88,868).

The terms of the Credit Facilities require the Company to comply with certain covenants. At March 31, 2022, the Company was in compliance with these covenants.

## 13. Unsecured note payable:

For the three months ended March 31, 2022, interest and financing costs relating to the unsecured note payable (the "Unsecured Note"), reported as interest expense and financing costs totaled \$3,398 (three months ended March 31, 2021 - \$46,362). During the three months ended March 31, 2022, the Company made a repayment of \$289,744. The Unsecured note payable was fully repaid as at March 31, 2022 (December 31, 2021 - \$289,744).

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
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(Unaudited)

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## 14. Lease obligations:

The Company has a lease commitment on its head office premises located at 22 St. Clair Avenue East, Toronto, Ontario, and the land lease on the Montreal Street JV, with a lease term greater than 12 months, resulting in recognition of a right-of-use asset and a corresponding lease liability.

On September 30, 2020, the Company entered into a new lease agreement (the "New Lease") to lease its head office premises located at 22 St. Clair Avenue East, Toronto, Ontario. The New Lease provides the Company to lease the premises for two years and four months commencing on January 1, 2021, under similar terms as the existing lease.

The right-of-use asset represents the Company's right to control the use of the head office premises and the land lease on the Montreal Street JV for the lease term. The right-of-use asset at March 31, 2022 was \$807,163 (December 31, 2021 - \$851,833). The lease obligations represent the present value of the Company's future lease payments on its head office premises and the land lease on the Montreal Street JV over the expected lease term. The lease obligations at March 31, 2022 were \$839,574 (December 31, 2021 - \$881,314).

The future minimum lease payments, which includes estimated operating costs for the next four years and thereafter, are as follows:

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2022 remainder of year	\$	202,208
2023		131,881
2024		61,575
2025 and thereafter		694,409
		<hr/>
	\$	1,090,073

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# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
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## 15. 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 on loan and mortgage investments at March 31, 2022 were \$38,537,932 (December 31, 2021 - \$46,038,263).

At March 31, 2022, 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 \$58,279,337 (December 31, 2021 - \$59,239,668).

As at March 31, 2022, the unfunded commitments from Debt Fund I, through its third-party investors and TFCC USA III Holding, were \$12,350,000 (December 31, 2021 - \$12,350,000).

The Company is also committed to providing 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.

## 16. Shareholders' equity:

(a) Shares issued and outstanding:

The following table summarizes the changes in Shares for the three months ended March 31, 2022 and 2021:

	Shares	Amount
Outstanding, December 31, 2020	5,564,968	\$ 25,283,343
Outstanding, March 31, 2021	5,564,968	25,283,343
Proceeds from issuance of shares under share option	2,500	9,664
Outstanding, December 31, 2021	5,567,468	\$ 25,293,007
Outstanding, March 31, 2022	5,567,468	\$ 25,293,007

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 16. Shareholders' equity (continued):

### (b) Dividends:

The Board of Directors (the "Board") determines the level of dividend payments. Although the Company does not have a formal dividend policy, it started dividend payments, and it plans to maintain regular quarterly dividends. Dividends are recognized in the period in which they are formally declared by the Board. The Company's dividends are eligible dividends for Canada Revenue Agency purposes.

Quarterly dividends declared to common shareholders during the period ended March 31, 2022 and year ended December 31, 2021 were as follows:

	March 31, 2022		December 31, 2021	
	Per Share in CAD	Amount in CAD	Per Share in CAD	Amount in CAD
March	\$ 0.06	\$ 267,324	\$ 0.05	\$ 221,271
June	—	—	0.05	224,503
September	—	—	0.05	218,388
December	—	—	0.06	268,419
	\$ 0.06	\$ 267,324	\$ 0.21	\$ 932,581

### (c) Share-based payments:

The share-based payments that have been recognized for the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended	
	March 31, 2022	March 31, 2021
Deferred share unit plan	\$ (134,187)	\$ 60,071

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 16. Shareholders' equity (continued):

### (i) Share option plan:

The Company has a Plan to grant eligible directors, officers, senior management and consultants to grant options to purchase Shares. The exercise price of an option shall be determined by the Board and in accordance with the Plan and the policies of the TSXV. Subject to the policies of the TSX-V, 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.

On November 18, 2021, the Company granted options to one of its consultants to purchase up to 20,000 Shares at a price of CAD \$5.95 per Share, with the expiry date of November 18, 2028. The options shall vest in equal installments on a quarterly basis over a three-year period.

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.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 16. Shareholders' equity (continued):

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:

	November 18, 2021
Average expected life	7.00 years
Average risk-free interest rate	0.98%
Average expected volatility	25.95%
Dividend yield	1.01

The fair value of options granted on November 18, 2021 was \$17,523.

The following is the summary of changes in share options for the three months ended March 31, 2022 and the year ended December 31, 2021:

	March 31, 2022		December 31, 2021	
	Number of options	Weighted average exercise price in CAD	Number of options	Weighted average exercise price in CAD
Outstanding, beginning of period	514,000	\$ 5.00	499,000	\$ 4.96
Granted	–	–	20,000	5.95
Cancelled	–	–	(2,500)	4.28
Cancelled	–	–	(2,500)	4.28
Outstanding, end of period	514,000	\$ 5.00	514,000	5.00
Number of options exercisable	357,913	\$ 5.20	316,248	\$ 5.30

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 16. Shareholders' equity (continued):

The following summarizes the Company's outstanding share options as at March 31, 2022:

Number of options outstanding	Expiry date	Number of options exercisable	Exercise price CAD	Market price at date of grant CAD
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	34,000	6.70	6.70
24,000	June 11, 2026	20,000	5.60	5.60
25,000	January 06, 2027	16,664	5.70	5.70
280,000	April 06, 2027	163,333	4.28	4.28
25,000	June 26, 2027	14,583	4.05	4.28
20,000	November 18, 2028	3,333	5.95	5.95
514,000		357,913		

### (ii) Deferred share unit plan:

The Company has a cash-settled deferred share unit plan (the "DSU Plan"). 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.

The following is the summary of changes in deferred share units ("DSUs") for the three months ended March 31, 2022 and year ended December 31, 2021:

	March 31, 2022	December 31, 2021
DSUs outstanding, beginning of period	314,295	304,344
Granted	–	9,951
DSUs outstanding, end of period	314,295	314,295
Number of DSUs vested	314,295	314,295

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 16. Shareholders' equity (continued):

The total cost (recovery) recognized with respect to DSUs, including the change in fair value of DSUs during the three months ended March 31, 2022 was \$(134,187) (three months ended March 31, 2021 - \$60,071).

The carrying amount of the liability, included in accounts payable and accrued liabilities relating to the DSUs at March 31, 2022, was \$1,359,908 (December 31, 2021 - \$1,480,006).

## 17. Contributed surplus:

The following table presents the details of the contributed surplus balances as at March 31, 2022 and December 31, 2021:

	Amount
Balance, December 31, 2020	\$ 3,618,440
Balance, March 31, 2021	3,618,440
Fair value of share-based compensation	(1,068)
Balance, December 31, 2021	3,617,372
Balance, March 31, 2022	\$ 3,617,372

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 18. Earnings per share:

The calculation of earnings per share of the three months ended March 31, 2022, and 2021 was as follows:

	Three months ended	
	March 31, 2022	March 31, 2021
Numerator for basic and diluted earnings per share:		
Income attributable to common shareholders	\$ 577,576	\$ 818,756
Diluted income attributable to common shareholders	\$ 577,576	\$ 818,756
Denominator basic and diluted earnings per share:		
Weighted average number of shares outstanding	5,567,468	5,564,968
Dilutive effect of share based payments	–	–
Weighted average number of diluted shares outstanding	5,567,468	5,564,968
Earnings per share:		
Basic	\$ 0.10	\$ 0.15
Diluted	0.10	0.15

## 19. Transactions with related parties:

Except as disclosed elsewhere in the interim condensed consolidated financial statements, the following are the related party transactions:

Related party transactions are measured at the exchange amount, which is the amount of consideration established and offered by related parties.

Certain of the Company's loan and mortgage investments are syndicated with other investors of the Company, which may include officers or directors of the Company. The Company ranks equally with other members of the syndicate as to payment of principal and interest. At March 31, 2022, the loan and mortgage investments syndicated by officers and directors were \$1,228,226 (December 31, 2021 - \$1,297,658).

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 20. Interest and financing costs:

The following table presents the interest incurred for the three months ended March 31, 2022 and 2021:

	Three months ended	
	March 31, 2022	March 31, 2021
Interest on loan and mortgage syndications	\$ 783,003	\$ 1,659,515
Interest on loans payable	1,656,500	143,919
Financing costs on credit facilities	53,941	158,170
Montreal Street JV	11,229	12,225
Interest on lease obligations	11,036	11,949
	<u>\$ 2,515,709</u>	<u>\$ 1,985,778</u>

## 21. Income taxes:

The following table specifies the current and deferred tax components of income taxes on continuing operations in the interim condensed consolidated statements of income and comprehensive income:

	Three months ended	
	March 31, 2022	March 31, 2021
Current income tax provision	\$ 110,100	\$ 272,747
Deferred income tax recovery	(56,503)	(166,950)
Total tax provision	<u>\$ 53,597</u>	<u>\$ 105,797</u>



# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 21. Income taxes (continued):

Income tax expense is different from the amount that would result from applying the combined federal and provincial income tax rates to income before continuing operations before income taxes. These differences result from the following items:

	Three months ended	
	March 31, 2022	March 31, 2021
Income from operations before taxes	\$ 631,173	\$ 924,553
Combined federal and provincial statutory income taxes	26.50%	26.50%
Income tax provision based on statutory income taxes	167,261	245,007
Increase (decrease) in income tax due to:		
Non-taxable items	248	574
Non-deductible stock-based compensation		—
Effect of changes in foreign exchange rates	(113,912)	(139,784)
<b>Total tax provision</b>	<b>\$ 53,597</b>	<b>\$ 105,797</b>

The composition of the Company's recognized deferred income tax assets and liabilities for the three months ended March 31, 2022 was as follows:

	Opening balance	Recognized in income	Closing balance
Investment property	\$ 179,692	\$ 3,577	\$ 183,269
Portfolio investments	287,931	(115,799)	172,132
Incorporation costs	(336)	(120)	(456)
DSUs	(254,909)	69,228	(185,681)
Allowance for credit losses	(135,319)	(167,334)	(302,653)
Unrealized foreign exchange gain	352,259	125,274	477,533
Shares and Credit Facilities issue costs	(134,537)	23,399	(111,138)
Deferred revenue	94,109	5,272	99,381
<b>Deferred income taxes payable</b>	<b>\$ 388,890</b>	<b>\$ (56,503)</b>	<b>\$ 332,387</b>

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 21. Income taxes (continued):

The composition of the Company's recognized deferred income tax assets and liabilities for the three months ended March 31, 2021 was as follows:

	Opening balance	Recognized in income	Closing balance
Investment property	\$ 178,766	\$ (2,540)	\$ 176,226
Portfolio investments	236,836	13,110	249,946
Incorporation costs	(360)	6	(354)
DSUs	(221,241)	(15,918)	(237,159)
Allowance for credit losses	(295,299)	(42,800)	(338,099)
Unrealized foreign exchange gain	386,772	(116,293)	270,479
Shares and Credit Facilities issue costs	(134,907)	(3,058)	(137,965)
Deferred revenue	68,770	543	69,313
Deferred income taxes payable	\$ 219,337	\$ (166,950)	\$ 52,387

## 22. Capital management:

The Company defines its capital as the aggregate of shareholders' equity, loan and mortgage syndications, Credit Facilities, unsecured note payable, loans payable and mortgages payable. The Company's capital management is designed to ensure that the Company has sufficient financial flexibility, short-term and long-term, and to grow cash flow and solidify the Company's long-term creditworthiness and earn a good return for the shareholders.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

## 22. Capital management (continued):

The following table presents the capital structure of the Company as at March 31, 2022 and December 31, 2021:

	Three months ended	
	March 31, 2022	December 31, 2021
Loan and mortgage syndications	\$ 20,539,227	\$ 22,043,144
Credit Facilities	(61,379)	(115,321)
Unsecured note payable	—	289,744
Mortgages payable	1,014,370	1,018,183
Loans payable	64,306,573	63,053,210
Shareholders' equity	43,889,472	43,579,220
	<u>\$ 129,688,263</u>	<u>\$ 129,868,180</u>

The Company is free to determine the appropriate capital level in context with the cash flow requirements, overall business risks, and potential opportunities. As a result, the Company will make adjustments to its capital structure in response to lending opportunities, the availability of capital and anticipated changes in general economic conditions. The Company's overall strategy with respect to capital remained unchanged during the three months ended March 31, 2022.

## 23. Fair value measurement:

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, convertible note receivable, loan and mortgage investments, investment in finance leases, accounts payable, loans payable, portfolio investments, lease obligations, loan and mortgage syndications, mortgages payable, and Credit Facilities.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 23. Fair value measurement (continued):

The fair values of interest and other receivables, convertible note receivable, funds held in trust and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The fair values of loan and mortgage investments and loan and mortgage syndications approximate their carrying values as they are short-term in nature. There is no quoted price in an active market for the loans and mortgage investments, loan and mortgage syndications, convertible note receivable, mortgages payable or Credit Facilities and the fair values are based on Level 3 of the fair value hierarchy.

The Company uses various methods in estimating the fair values recognized in the Financial Statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation techniques for which significant inputs are not based on observable market data.

The fair value of the Company's investment property held in joint operations, portfolio investments, and investment in associates are determined using Level 3 inputs at March 31, 2022 and no amounts were transferred between fair value levels during the three months ended March 31, 2022. Notes 6, 7 and 8 outline the key assumptions used by the Company in determining fair value of its portfolio investments, investment in associates and investment property held in joint operations.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 24. Risk management:

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the 2021 Financial Statements.

### (a) 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 that are significantly above normal banking rates.

### (b) Credit risk:

The Company syndicates its loan and mortgage investments with investors on a pari-passu basis. 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. The Company assesses its credit risk and its ACL on loan and mortgage investments, net of syndication.

### (c) Interest rate risk:

The Company mitigates its exposure to this risk by entering into contracts having either fixed interest rates or interest rates pegged to prime for its loan and mortgage investments, loan and mortgage syndications, mortgages payable and asset liability matching. Such risk is further mitigated by the general short-term nature of loan and mortgage investments.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 24. Risk management (continued):

The Company's LOC carries an interest rate based on London Interbank Offer Rate ("LIBOR"). On March 5, 2021, the Financial Conduct Authority announced that panel bank submissions for certain LIBOR settings would cease as at December 31, 2021 and the remainder on June 30, 2023, after which representative LIBOR rates will no longer be available. The Company holds debt instruments that will be impacted by any potential changes to the June 30, 2023 LIBOR cessation date. The Company plans to amend in-place agreements to a new benchmark or implement appropriate fallback provisions as applicable in response to the IBOR reform prior to or by the June 30, 2023 effective date.

### (d) 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.

### (e) Liquidity risk:

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

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

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

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 24. Risk management (continued):

### (f) General business risk:

The Company is subject to general business risks and to risks inherent in the commercial and residential real estate lending, including both the making of loans secured by real estate and the development and ownership of real property. Income and gains from the Company's investments may be adversely affected by:

- (i) civil unrest, acts of God, including earthquakes and other natural disasters, acts of terrorism or war and public health crises such as the current outbreak of the novel coronavirus
- (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.

# TERRA FIRMA CAPITAL CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)  
(In United States dollars)

Three months ended March 31, 2022 and 2021  
(Unaudited)

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## 24. Risk management (continued):

### (g) Other price risk:

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

Unexpected volatility or illiquidity could occur due to legal, political, regulatory, economic or other developments, such as public health emergencies, including an epidemic or pandemic, natural disasters, war and related geopolitical risks, and may impair the Company's ability to carry out the objectives of the Company or cause the Company to incur losses. Neither the duration nor ultimate effect of any such market conditions, nor the degree to which such conditions may worsen can be predicted.