TERRA FIRMA CAPITAL CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2022

MAY 17, 2022

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") contains a discussion on the financial performance, financial condition, and cash flows of the Company for the three months ended March 31, 2022, and other information that management believes is relevant for assessing and understanding its business, risks, opportunities and performance measures. This MD&A dated May 17, 2022, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2022 (the "condensed consolidated financial statements") and the Company's annual MD&A for the year ended December 31, 2021, and audited consolidated financial statements for the same period. These documents are available under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at WWW.SEDAR.COM. Unless the context indicates otherwise, all references in this MD&A to the "Company" refer to Terra Firma Capital Corporation and its subsidiaries.

The Company's condensed consolidated financial statements for the three months ended March 31, 2022, have been prepared in accordance with International Accounting Standard 34 ─ Interim Financial Reporting (IAS 34), as issued by the International Accountaint Standard Board ("IASB").

This MD&A also uses non-IFRS financial measures. Refer to the section of this report entitled "Non-IFRS Financial Measures" for a description of these measures.

All dollar amounts, except for amounts presented in Canadian dollars specifically identified as "CA$," are reported in United States dollars ($ or "US$"), which is also the Company's functional currency.

BUSINESS OVERVIEW

The Company was incorporated under the *Business Corporations Act* (Ontario) on July 26, 2007. The common shares of the Company ("Shares") trade on the TSX Venture Exchange (the "TSX-V") under the symbol TII. The registered office of the Company is 22 St. Clair Avenue East, Suite 200, Toronto, Ontario M4T 2S3.

The Company's principal business is to provide real estate financings secured by investment properties and real estate developments throughout the United States and Canada. These financings are made to real estate developers and owners who require shorter-term loans to bridge a transitional period of one to five years, where they require capital at various stages of development or redevelopment of a property. These loans are typically repaid with lower-cost, longer-term debt obtained from other financial institutions once the applicable transitional period is over or the redevelopment is complete or from proceeds generated from the sale of the real estate assets.

The types of real estate assets for which the Company arranges financings include land for residential and commercial development and construction projects, residential buildings and, mixed-use properties.

These loan and mortgage financings generally take the form of:

(i) Land loans registered in a first position or second position at the earlier stages of real property development which is either subsequently subordinated to construction financing or discharged upon the funding of construction financing as the project progresses through the development cycle,

(ii) Term mortgages for the purposes of acquiring or re-financing income-producing properties, or

(iii) Mezzanine / subordinated debt financings of real property developments that have either progressed to the construction phase or are in the process of approaching the construction phase.

These financings generally represent a loan to cost and loan-to-value ratio ("LTV"), a non-IFRS financial measure) of 75%, including all prior encumbrances at the time of underwriting of each loan. In some cases, the loan-to-value ratio could increase to 80%.

The Company also provides land bank financing to regional and national home builders in high-growth areas of the U.S. Under these arrangements, the Company acquires entitled residential land or lots on behalf of a homebuilder and simultaneously enters into an option agreement wherein the homebuilder obtains an option to purchase the lots from the Company. Such an option is generally secured by a non-refundable deposit of up to 20% of the total land and development costs. In addition to the option agreement, the land bank structure generally involves a construction agreement, whereby the Company finances the homebuilder's development costs to facilitate the subdivision improvements. Over time, the homebuilder purchases the lots or land at a specified price until the investment is fully repaid. These investments in the land banking arrangements through the purchase of lands are accounted for by the Company as a finance lease.

In addition, the Company participates in the development of real estate in Canada and in the United States by providing equity-type financing to developers. These financings provide a minimum return and/or a share of remaining net cash flow from projects and may be undertaken as a strategic partnership with established developers to pursue the development of real properties ("Joint Arrangements" or "Joint Operations") or equity investment by the Company in an entity that carries on the business of real estate development ("Portfolio Investments" or "Investments in Associates"). The Company generally provides these financings in the form of equity in the entity that holds the real estate asset. When making an equity investment, the Company prefers to invest in the form of preferred equity, which ranks ahead of the developers' or owners' common equity in the project or the entity that carries on the business of real estate development, thereby providing the Company with capital protection through subordination.

The loan and mortgage financings generally have an 18 to 36-month term with the right to repay during the term, usually only after a minimum "lock-up" of approximately six months. In some cases, the loan and mortgage financings may be structured with an option for the Company to convert its investment into a participation in the equity of the project once many of the development risks have been mitigated through contracted presales, contracted construction costs, and in-place construction financing.

The Company syndicates certain of its loan and mortgage investments and finance the investment in finance leases to third-party investors; each is participating in a prescribed manner and governed by loan servicing agreements. The syndications are administered by Terra Firma MA Ltd, a wholly-owned subsidiary of the Company which currently holds a license under the *Mortgage Brokerages, Lenders and Administrators Act, 2006 (Ontario)* (the "MBLAA"), which permits it to carry on mortgage brokerage and administrative activities. In these investments, the syndicate investors assume the same risks associated with the specific investment transaction as the Company. Each syndicated loan and mortgage investment have a designated rate of return that the syndicated investors expect to earn from that loan and mortgage investment. The interest income earned and related interest expense relating to the syndicate investors are recognized in the statements of income and comprehensive income. See "Capital Structure and Debt Profile – Loan and Mortgage Syndications."

Recently, the Company has enhanced its syndication activity and has created investment funds for multiple investments instead of raising syndicated capital on a deal-by-deal basis ("Funds"). The Funds provide the Company access to larger and more reliable sources of capital with the ability to reinvest capital raised from investors instead of having to return it and raise again. The Funds model also enables the Company to respond quicker to market opportunities and to commit to larger transactions. Going forward, the Company expects to conduct most of its syndication activity through Funds. See "Capital Structure and Debt Profile – Loan and Mortgage Syndications."

PRIMARY OBJECTIVE AND STRATEGY

The primary objective of the Company is to build shareholder value over the long-term through sustainable and profitable growth, supported by a robust financial foundation while paying dividends to shareholders (from time to time as the board of directors (the "Board") considers appropriate).

To guide its activities in pursuit of this objective, the Company works toward specific long-term financial goals and consistently employs the following broad strategies:

EXPAND MARKETS:

The Company targets higher job and population growth markets that offer the significant long-term potential for profitable expansion while striving to achieve or maintain leading positions in current markets. Incremental revenues are attained from repeat business from existing borrowers, funding to new borrowers, and geographic expansion.

Management believes that there is a significant market opportunity in the U.S. resulting from financing needs not being met by traditional institutional lenders. Through management's relationships with U.S. mortgage lenders, brokers, local sponsors, and other market participants, the Company is able to identify real estate opportunities where it can provide financing solutions to borrowers while achieving equity-like returns at reduced risk levels as compared to straight equity ownership.

The Company currently has identified the following target markets for expansion: Atlanta, Charlotte, Tampa, Orlando, Jacksonville, Austin, Houston, Dallas, Phoenix, and Toronto.

STRUCTURE FINANCINGS TO MEET THE NEEDS OF BORROWERS:

The Company thrives on developing closer relationships with its borrowers and developers and differentiates the Company's product and service offering.

The Company differentiates itself by serving niche markets with an experienced financing team that can provide flexible terms and creative structuring. Management believes its experience with real estate investments and its industry contacts provides the Company with a consistent flow of quality investment opportunities.

BROADEN THE TYPES OF FINANCINGS:

Investment in real estate may be made by way of a variety of tranches with highly differentiated risk/return characteristics based on their position in the capital structure and subordination levels. The Company strives to achieve equity-like returns on the loans and mortgages advanced by the Company on and secured by real estate (the "Loan Portfolio") while bearing lower risk than equity investments by structuring its financings primarily in debt or priority structures.

The Company also expands its customer base by carefully extending residential real estate financings transactions within the targeted product types, such as land banking, acquisition and development loans, and selected equity financings.

MAINTAIN A STRONG FINANCIAL POSITION:

A strong, well-capitalized balance sheet creates stability and financial flexibility and has contributed to the Company's long-term track record of profitable growth. It is also fundamental to the Company's future success.

RECENT DEVELOPMENTS AND FUTURE OUTLOOK

RECENT DEVELOPMENTS

During the three months ended March 31, 2022, the US housing market, in which the majority of the Company's investments are located, remained strong despite the uncertainty in the market with increases in interest rates and inflation rates. During the three months ended March 31, 2022, the Company's investments performed as or better than expected given the Company's position in the underlying projects and the ongoing value appreciation of homes and finished lots.

As at March 31, 2022, 88.1% of the Company's investments are located in the US including the Sun Belt locations which have continued to dominate the US housing market with a steady increase in population growth with new residents being attracted to lower costs of living and warmer markets. While the state of the economy is uncertain the Company has positioned itself well through its focus on the US and its shift towards land banking transactions.

During the first quarter of 2022, the Company did not identify any concerns relating to its investment portfolio which continued to meet its financial commitments. During the three months ended March 31, 2022, the Company funded $16,290,385 and received repayments of $19,906,466 related to its investment portfolio. While the Company expected to close on several land banking transactions during the first quarter of 2022 there were borrower delays which resulted in the Company closing on only one transaction for $1,574,437 with approximately $6,500,000 of commitments. Subsequent to March 31, 2022, the Company closed on certain of the previously noted delayed transactions resulting in the funding of four new land banking transactions for a total of $12,437,225 with total commitments of $57,838,109. As a result of the above noted transactions, as of the date of this report, the Company's cash balance was $14,153,939.

During the three months ended March 31, 2022, Debt Fund I, the Company's first fund dedicated to land banking activity in the US called an additional $4,875,000 of capital. Additionally, Debt Fund I closed on another investment which will develop the next phase of one of the Fund's underlying projects, essentially a follow up phase to an existing investment.

During the first quarter of 2022, Debt Fund II, the Company's second fund, secured a new $12,000,000 credit facility. As at March 31, 2022, Debt Fund II invested in two additional investments for a combined 10 projects with a total commitment of $120,987,893. Subsequent to March 31, 2022, Debt Fund II increased its total committed capital to $51,309,000.

Subsequent to March 31, 2022, the Company closed on a new $20,000,000 secured line of credit ("LOC") with a different U.S. lending institution which includes an additional $20,000,000 accordion feature, replacing the Company's existing LOC. Under this new LOC the Company's borrowing capacity was $16,137,953.

FUTURE OUTLOOK

The following section includes certain forward-looking statements, including in regard to the Company's objectives and priorities. Please refer to the section titled "Caution Regarding Forward-Looking Statements" in this MD&A.

The Company believes that the prevailing market conditions offer a significant market opportunity to identify and fund mortgage and land banking loans due to financing needs not being met by traditional institutional lenders, both in the U.S. and Canada and to expand its presence in the markets it currently serves. However, the Company is prudent in its approach to selecting new investments and pricing.

Yields in Canada's real estate market have compressed over the last several years to levels that are low from a risk-adjusted return perspective and below the cost of capital of the Company. As a result, the Company has adjusted its marketing efforts in Canada to become more reactive to deals that may present themselves for special situations through existing borrowers or existing contacts versus taking a proactive approach to generating a greater pipeline of potential transactions.

In the U.S., there is a lending gap due to the market size and the limited number of financial institutions offering similar products. The Company lends in the certain U.S. markets with high employment and population growth and follows the same prudent lending standards it historically had employed in Canada. The U.S. market represents a logical extension of the Company's historical lending operations. As such, the Company focuses primarily on providing higher leveraged loans (up to 80% LTV) on development projects and land banking arrangements in the U.S. The Company expects to be able to generate interest rates similar to those reflected in the current portfolio in the near term.

The Company's fund structure offers the Company the flexibility to originate land banking transactions without having to deal with the sourcing of capital for these investments.

Following the success of Fund I and Fund II, the Company expects to launch additional funds for its land banking financing activity and other real estate financings, subject to market conditions.

The Company's ability to achieve its objective is dependent on management's ability to execute its business strategy as described while also successfully mitigating business risks, as discussed in this MD&A, which includes the state of the economy and its impact on real estate and the market supply and demand. Further, the Company's ability to attract larger sources of lower-cost capital will have a significant impact on the growth of its earnings.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The financial and operational highlights as at March 31, 2022 and December 31, 2021 and for the three months March 31, 2022 and 2021 are as follows:

	March 31, 2022	December 31, 2021
Total investments [1][8]	$ 112,180,657	$ 115,299,947
Loans and mortgage syndications (including loan payable to Debt Fund I and Debt Fund II)	$ 84,845,800	$ 85,096,354
Total equity	$ 43,889,472	$ 43,579,220
AUM [2]	$ 125,391,613	$ 128,524,807
Weighted average effective interest rate		
Loan and mortgage investments	13.3%	13.7%
Investment in finance leases (implicit)	14.0%	14.1%
Loan and mortgage syndications	10.2%	10.3%
Weighted average remaining term to maturity		
Loan and mortgage investments	1.08 yrs	1.10 yrs
Investment in finance leases	2.03 yrs	2.09 yrs
Loan and mortgage syndications	0.89 yrs	0.98 yrs
Adjusted debt to equity [3]	0.02:1.00	0.02:1.00
Book value per share [4]	$ 7.88	$ 7.83

	Quarter ended	
	March 31, 2022	March 31, 2021
Revenue	$ 3,830,357	$ 3,623,246
Interest and financing costs	$ 2,515,709	$ 1,985,778
Net income and comprehensive income	$ 577,576	$ 818,756
Adjusted net income and comprehensive income [5]	$ 410,590	$ 697,303
Pre-tax profit margin [6]	31.0%	53.0%
Adjusted earnings per share [7]	$ 0.07	0.13

(1) Before deducting the allowance for loan and mortgage investment loss at March 31, 2022 and December 31, 2021 of $55,594 and $81,360, respectively and before deducting the allowance of investment in finance lease loss at March 31, 2022 and December 31, 2021 of $103,097 and $120,443, respectively.
(2) AUM is a Non-IFRS Financial Measure. See "Non-IFRS Financial Measures".
(3) Adjusted total debt, debt to equity and adjusted debt to equity areNon-IFRS Fnancial Measures. See "Non-IFRS Financial Measures".
(4) Total shareholders' equity divided by outstanding Shares.
(5) Adjusted net income and comprehensive income is a Non-IFRS Financial Measure. See "Non-IFRS Financial Measures".
(6) Pre-tax margin is a Non-IFRS Financial Measure. See "Non-IFRS Financial Measures".
(7) Adjusted earnings per share is a Non-IFRS Financial Measure. See "Non-IFRS Financial Measures".
(8) Refer to the Investment Profile section for the breakdown of Total Investments.

FIRST QUARTER HIGHLIGHTS

The Company reported revenue of $3,830,357 in the first quarter of 2022, as compared to $3,623,246 in the same period in the prior year, representing an increase of $207,111.

Interest and fees earned for the first quarter of 2022 aggregated to $1,760,406 as compared to $2,796,724 in the same period in the prior year, representing a decrease of $1,036,318, while finance income from investments in finance leases for the first quarter ended March 31, 2022, aggregated to $2,026,538 compared to $785,963 in the same period last year, representing an increase of $1,240,575.

Interest and financing costs for the first quarter of 2022 aggregated to $2,515,709 compared to $1,985,778 in the same period in the prior year, representing an increase of $529,931.

For the first quarter of 2022, the Company recognized a foreign exchange gain of $22,763 compared to $77,698 for the same period last year.

Net income and comprehensive income for the first quarter of 2022 was $577,576 or $0.10 per basic and diluted share, as compared $818,756 or $0.15 per basic and diluted share in the same period in the prior year, representing a decrease of $241,180.

Adjusted net income and comprehensive income for the first quarter of 2022 was $410,590 or $0.07 per basic and diluted share, as compared to $697,303 or $0.15 per basic and diluted share in the same period in the prior year, representing a decrease in adjusted net income and comprehensive income of $286,713.

The Company's financial performance for the three months ended March 31, 2022 and 2021 is summarized below:

	Three months ended		
	March 31, 2022	March 31, 2021	Change Increase / (decrease)
Revenue			
Interest and fees	$ 1,760,406	$ 2,796,724	$ (1,036,318)
Finance income	2,026,538	785,963	1,240,575
Rental income	43,413	40,559	2,854
Total revenue	3,830,357	3,623,246	207,111
Expenses			
Property operating costs	15,071	14,837	234
General and administrative expenses	1,103,536	737,684	365,852
Share based compensation (recovery)	(134,187)	60,071	(194,258)
Interest and financing costs	2,515,709	1,985,778	529,931
Recovery of loan and mortgage investment loss	(25,766)	(46,135)	20,369
Provision (recovery) for investment in finance lease loss	(17,346)	103,783	(121,129)
Realized and unrealized foreign exchange gain	(22,763)	(77,698)	54,935
Share of income from investment in associates	(235,070)	(79,627)	(155,443)
	3,199,184	2,698,693	500,491
Income from operations before income taxes	631,173	924,553	(293,380)
Income taxes	53,597	105,797	(52,200)
Net income and comprehensive income	$ 577,576	$ 818,756	$ (241,180)

TOTAL REVENUE

Total revenue for the three months ended March 31, 2022 was $3,830,357 compared to $3,623,246 in the comparative period, an increase of approximately 6%. The majority of the Company's revenue is derived from loan and mortgage investments and investments in finance leases. The quarter over quarter fluctuation in total revenue was mainly attributed to the increase in the Company's investments in the U.S. lot banking transactions (investment in finance leases). As at March 31, 2022, the Company had 15 investment in finance leases compared with 10 in the same period in the prior year. Partially offsetting this increase was the full or partial repayment of certain loans and mortgage investments.

INTEREST AND FEES EARNED

Interest and fees earned for the three months ended March 31, 2022, aggregated to $1,760,406, compared to $2,796,724 in the comparative period last year, representing a decrease of $1,036,318 or 37%. The decrease was due to the aforementioned repayment of loan and mortgage investments. These repayments were partially offset by the Company entering into two new loan and mortgage investments as well as the increase in funding related to existing loan and mortgage investments. As at March 31, 2022, the loans and mortgage investment balance was $40,203,281 compared with a balance of $91,858,536 as a March 31, 2021. The composition and changes to the Loan Portfolio are further discussed under "Investments – Loan and Mortgage Investments."

FINANCE INCOME

For the three months ended March 31, 2022, finance income aggregated to $2,026,538, compared to $785,963 in the comparative period in the prior year, representing an increase of $1,240,575 or 158%. The Company has significantly increased its investment in finance leases with a balance of $59,631,708 as at March 31, 2022 compared with

$31,150,402 as at March 31, 2021. The composition and changes to the investment in finance leases are discussed under "Investments – Investment in Finance Leases."

RENTAL INCOME AND PROPERTY OPERATING COSTS

The Company's proportionate share of the rental income from investment property in operations jointly controlled by the Company for the three months ended March 31, 2022, and 2021 was $43,413 and $40,559, respectively. The Company's proportionate share of the property operating costs in investment property in operations jointly controlled by the Company for the three months ended March 31, 2022, was $15,071 and $14,837 for the same period in the prior year. The investment property is a single-tenant property and the Company does not expect its share of the net income from joint operations to vary significantly period over period.

GENERAL AND ADMINISTRATIVE EXPENSES

During the three months ended March 31, 2022 and 2021, the Company incurred the following general and administrative expenses:

	Three months ended		
	March 31, 2022	March 31, 2021	Change Increase / (decrease)
Salary and benefits	$ 734,987	$ 486,664	$ 248,323
Professional fees	183,033	104,137	78,896
Public company expenses	6,505	7,890	(1,385)
Directors' fees	54,042	41,007	13,035
Rent	38,094	32,478	5,616
Other expenses	86,875	65,508	21,367
	$ 1,103,536	$ 737,684	$ 365,852

General and administrative expenses consist of salaries and other personnel costs, professional fees, occupancy costs and other expenses associated with the operation of the Company.

General and administrative expenses for the three months ended March 31, 2022 were $1,103,536 compared to $737,684 for the same period in the prior year. The increase during the first quarter of 2022 was related to an increase in salary and benefits and professional fees. The increase in salary and benefits was due to the Company recording $160,000 related to incentive compensation compared to no similar expense recorded in the comparative period. The remainder of the increase in salary and benefits was due to annual salary increase and new hires. The increase in professional fees was due to recruitment costs incurred during the quarter related to the hiring of a new senior personnel.

SHARE-BASED COMPENSATION

The share-based compensation that has been recognized for the three months ended March 31, 2022 and 2021 was as follows:

	Three months ended		
	March 31, 2022	March 31, 2021	Change Increase / (decrease)
Share option Plan	$ -	$ -	$ -
DSU Plan	(134,187)	60,071	(194,258)
	$ (134,187)	$ 60,071	$ (194,258)

The share-based compensation associated with the Company's Deferred Share Units Plan (the "DSU Plan") for the three months ended March 31, 2022 was a recovery of $134,187 compared to an expense of $60,071 for the same period in the prior year. The recovery recorded for the three months ended March 31, 2022 was due to the decrease in share price from CA$6.00 per Share at December 31, 2021 to CA$5.46 per Share at March 31, 2022. Comparatively, the share-based compensation expense for the three months ended March 31, 2021 was due to the increase in share price from CA$5.66 per Share at December 31, 2020 to CA$5.90 per Share at March 31 2021.

INTEREST AND FINANCING COSTS

Interest and financing costs for the three months ended March 31, 2022 and 2021 were as follows:

	Three months ended		
	March 31, 2022	March 31, 2021	Change Increase / (decrease)
Interest on loan and mortgage syndications	$ 783,003	$ 1,659,515	$ (876,512)
Interest on loans payable	1,656,500	143,919	1,512,581
Interest on Credit Facilities	53,941	158,170	(104,229)
Montreal Street JV	11,229	12,225	(996)
Lease obligations	11,036	11,949	(913)
	$ 2,515,709	$ 1,985,778	$ 529,931

Interest and financing costs for the three months ended March 31, 2022 were $2,515,709 compared to $1,985,778 for the same period in the prior year. This increase in interest and financing costs was primarily related to the timing of entering into the new loans payable agreements with respect to Debt Fund I and Debt Fund II. The Company launched the Funds in 2021 with Debt Fund I closing in the beginning of 2021 and Debt Fund II in the fourh quarter of 2021. The loan outstanding balance as at March 31, 2022 was $64,306,573 compared with $9,052,361 as at March 31, 2021. Offsetting this increase was a reduction in the interest on loan and mortgage syndications due to the repayments. See – “Capital Structure and Debt Profile – Loan and Mortgage Syndications” and “Credit Facilities”.

REALIZED AND UNREALIZED FOREIGN EXCHANGE LOSS (GAIN)

For the three months ended March 31, 2022, the Company recognized a foreign exchange gain of $22,763 compared to $77,698 for the same period in the prior year. The foreign exchange resulted from the translation of net assets carried in CA$ translated to US$. During the three months ended March 31, 2022, the US$ weakened by approximately 1.0% against the CA$ from $1.2637 to $1.2505. During the three months ended March 31, 2021, the US$ weakened by approximately 1.3% against the CA$ from $1.2725 to $1.2562.

INCOME FROM OPERATIONS BEFORE INCOME TAXES

Income from operations before income taxes, for the three months ended March 31, 2022 was $631,173 compared to $924,553 in the comparative period last year, representing a decrease of $293,380 or 32%. The variance was due to an increase in general and administrative expenses primarily related to salary and benefits and professional fees incurred during the quarter as well as the increase in interest and financing costs. Partially offsetting this increase was the above noted increase in total revenue mainly as a result of the increase in the Company’s investment in land banking transactions (investment in finance leases) in the quarter compared to the same period in the prior year.

INCOME TAXES

The Company is subject to federal, provincial and state income taxes in jurisdictions it conducts business and is required to estimate the income tax provision in each of these jurisdictions in preparing its consolidated financial statements. The Company’s effective consolidated tax rate is influenced by various factors, including the mix of accounting profits or losses before income taxes among tax jurisdictions in which it operates and the foreign exchange gain or loss. The effective income tax rate for the three months ended March 31, 2022, amounted to 8.5%, compared with 11.4% for the same period in the prior year.

The increase resulted primarily from tax and accounting treatment of subsidiaries with a functional currency of CA$ and for Canadian income taxes while holding certain assets denominated in US$. These subsidiaries recognized taxable foreign exchange gains or losses from the strengthening or weakening of the US$ for Canadian income tax purposes while recording non-deductible foreign exchange gains or losses resulting from converting CA$ transactions and balances to US$ in preparing the consolidated financial statements. During the three months ended March 31, 2022, this resulted in an decrease in income tax expense and a lower effective income tax rate compared with the same period in the prior year.

NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income for the three months ended March 31, 2022 was $577,576, a decrease of $241,180, compared to $818,756 for the corresponding period in 2021. The decrease was due to the above noted factors discussed in the following sections: general and administrative expenses, interest and finance costs and total revenue.

ADJUSTED NET INCOME AND COMPREHENSIVE INCOME

Adjusted net income and comprehensive income assess the income from operations without the effects of certain non-cash items that generally have no current economic impact or other unusual one-time items that are viewed as not directly related to a Company's operating performance.

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors also use adjusted net income and comprehensive income for such purposes. Presenting this measure from period to period helps evaluate trends more readily, in comparison to results from prior periods.

The following table provides the calculation of the Company's adjusted net income and comprehensive income for the three months ended March 31, 2022 and 2021:

	Three months ended		
	March 31, 2022	March 31, 2021	Change Increase / (decrease)
Net income and comprehensive income	$ 577,576	$ 818,756	$ (241,180)
Provision for loan and mortgage investment, investment in finance leases and uncollectible receivable losses (tax adjusted)	(31,687)	42,371	(74,058)
Share based compensation (tax adjusted)	(98,627)	44,152	(142,779)
Foreign exchange gain (tax adjusted)	(36,672)	(207,976)	171,304
Adjusted net income and comprehensive income (1)	$ 410,590	$ 697,303	$ (286,713)

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

Adjusted net income and comprehensive income (a non-IFRS financial measure) for the three months ended March 31, 2022, was $410,590, a decrease of $286,713, compared $697,303 for the corresponding period in 2021. The decrease was primarily due to the factors discussed in the following sections: general and administrative expenses, interest and finance costs and total revenue.

PRE-TAX PROFIT MARGIN

The Company believes that the pre-tax profit margin (a non-IFRS financial measure) provides an assessment of the extent to which the Company can earn profit from each dollar of the adjusted revenue (a non-IFRS financial measure).

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors also use pre-tax profit margin for such purpose. Presenting this measure from period to period helps evaluate trends more readily compared to results from prior periods.

The following table provides the calculation of pre-tax profit margin for the three months ended March 31, 2022 and 2021:

	Three months ended	
	March 31, 2022	March 31, 2021
Revenue	$ 3,830,357	$ 3,623,246
Less: Interest on loan and mortgage syndications and loans payable	(2,439,503)	(1,803,434)
Adjusted revenue (1)	1,390,854	1,819,812
Expenses	3,199,184	2,698,693
Less: Interest on loan and mortgage syndications and loans payable	(2,439,503)	(1,803,434)
other non-operating items (2)	200,062	(40,021)
Adjusted expenses (1)	959,743	855,238
Income from operations before income taxes	$ 431,111	$ 964,574
Pre-tax margin (1)	31.0%	53.0%

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

For the three months ended March 31, 2022, the pre-tax profit margin was 31.0% compared to 53.0% for the same period in the prior year. The decrease in profit margin was primarily due to the aforementioned increase in general and administrative expenses particularly related to the timing of when incentive compensations was recorded as well as an increase in professional fees during the current quarter. Additionally, the decrease in pre-tax profit margin was attributed to the decrease in adjusted revenue which was due to the accelerated repayments of the loan and mortgage investments period over period. Partially offsetting this decrease in profit margin was an increase in share of income from investment in associates mainly due to Debt Fund I and Debt Fund II and lower interest and finance expenses related to the Credit Facilities which was repaid in the fourth quarter of 2021.

INVESTMENT PROFILE

The following table presents details of the Company's Total Investments, as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Loan and mortgage investments (1)	$ 40,284,641	$ 47,089,194
Investment in finance leases (2)	59,734,805	55,849,312
Portfolio investments	305,310	676,421
Investment in associates	8,441,951	8,364,711
Investment property held in Joint Operations	1,766,249	1,747,799
Convertible note receivable	1,647,701	1,572,510
Total Investments	$ 112,180,657	$ 115,299,947

(1) Before deducting the allowance for loan and mortgage investment loss at March 31, 2022 and December 31, 2021 of $55,594 and $81,360, respectively.
(2) Before deducting the allowance for investment in finance lease loss at March 31, 2022 and December 31, 2021 of $103,097 and $120,443, respectively.

Total Investments decreased by $3,119,290 during the three months ended March 31, 2022, primarily from the repayment of loan and mortgage investments partially offset by an increase in funding related to land banking transactions (investment in finance leases).

The following table presents a breakdown of the Company's Total Investments by investment type as at March 31, 2022 and December 31, 2021:

	March 31, 2022		December 31, 2021	
	Total	% of total	Total	% of total
First mortgage loans (1)	37,216,549	33.2	44,081,171	38.3
Finance leases (2)	59,734,805	53.2	55,849,312	48.4
2nd mortgage loans (1)	1,319,472	1.2	1,305,690	1.1
All other investments	13,909,831	12.4	14,063,774	12.2
	112,180,657	100.0	115,299,947	100.0

(1) Before deducting the allowance for loan and mortgage investment loss at March 31, 2022 and December 31, 2021 of $55,594 and $81,360, respectively.

(2) Before deducting the allowance for investment in finance lease loss at March 31, 2022 and December 31, 2021 of $103,097 and $120,443, respectively.

The following table presents details of the Company's Total Investments segmented by geography as at March 31, 2022 and December 31, 2021:

	March 31, 2022	% of total	December 31, 2021	% of total
Canada (1)	$ 13,326,155	11.9	$ 13,512,684	11.7
United States (1)	98,854,502	88.1	101,787,263	88.3
Total Investments (1)	$ 112,180,657	100.0	$ 115,299,947	100.0

(1) Before deducting the allowance for loan and mortgage investment loss at March 31, 2022 and December 31, 2021 of $55,594 and $81,360, respectively, and before deducting the allowance for investment in finance lease loss at March 31, 2022 and December 31, 2021 of $103,097 and $120,443, respectively.

As at March 31, 2022, the total investment in the U.S. represents 88.1% of the total investment, compared to 88.3% at December 31, 2021. The Company continues to believe that financing real estate projects in the U.S provide the best risk-adjusted returns in the market today. The Company plans to continue to expand its U.S. financing activities opportunistically and in a measured way.

LOAN AND MORTGAGE INVESTMENTS (LOAN PORTFOLIO)

The Company’s Loan Portfolio as at March 31, 2022, consisted of the following: (a) 4 loans relating to residential housing developments located in Kitchener-Ontario, Fort Worth-Texas, Atlanta-Georgia, Delray Beach-Florida representing 24.2% of the Loan Portfolio (by investment amount), (b) 7 loans relating to land and lot inventory of real estate assets to be developed in Tampa-Florida, Phoenix-Arizona, Atlanta-Georgia, Savannah-Georgia, Davenport-Florida and Charlotte-North Carolina representing 75.8% of the Loan Portfolio (by investment amount).

The Company’s Loan Portfolio as at December 31, 2021, consisted of the following: (a) 5 loans relating to residential housing developments located in Kitchener-Ontario, Fort Worth-Texas, Atlanta-Georgia, Delray Beach-Florida representing 13.3% of the Loan Portfolio (by investment amount), (b) 6 loans relating to land and lot inventory of real estate assets to be developed in Tampa-Florida, Phoenix-Arizona, Atlanta-Georgia, Savannah-Georgia and Davenport-Florida representing 86.7% of the Loan Portfolio (by investment amount).

The following table presents details of the Loan Portfolio before loan and mortgage syndications as at March 31, 2022:

	Weighted Average Effective Interest Rate	Loan and mortgage investments	Allowance for credit losses	Net Loan Portfolio (before syndication)	% of net Investments (before syndication)
Performing loan and mortgage investments					
Residential housing developments	13.0%	$ 9,755,571	$ (12,971)	$ 9,742,600	24.2%
Land and lot inventory	13.5%	30,529,070	(42,623)	30,486,447	75.8%
Loan Portfolio	13.3%	$ 40,284,641	(55,594)	$ 40,229,047	100.0%

The following table presents details of the Loan Portfolio before loan and mortgage syndications as at December 31, 2021:

	Weighted Average Effective Interest Rate		Loan and mortgage investments		Allowance for credit losses		Net Loan Portfolio (before syndication)	% of Investments (before syndication)
Performing loan and mortgage investments								
Residential housing developments	12.6%	$	6,285,220	$	(13,342)	$	6,271,878	13.3%
Land and lot inventory	13.6%		40,803,974		(68,018)		40,735,956	86.7%
Loan Portfolio	13.7%	$	47,089,194	$	(81,360)	$	47,007,834	100.00%

The weighted average effective interest rate (the "EIR") of the Loan Portfolio at March 31, 2022 and December 31, 2021 was 13.3% and 13.7%, respectively. The weighted average term to maturity of the Loan Portfolio at March 31, 2022 and December 31, 2021, was 1.08 years and 1.10 years, respectively. The Company continues to focus on the quality of security by placing its capital in more senior positions in the capital structure and reducing its exposure to unregistered loans. At March 31, 2022, the Company had 92.4% of the Loan Portfolio in first mortgage loans, compared to 93.6% of the Loan Portfolio at December 31, 2021. See – "Financial Performance" and "Capital Structure and Debt Profile – Loan and Mortgage Syndications".

The weighted average EIR of the loan and mortgage investments of residential housing developments at March 31, 2022 and December 31, 2021 were 13.0% and 12.6%, respectively. The weighted average EIR of the loan and mortgage investments of land and lot inventory at March 31, 2022 and December 31, 2021 were 13.5% and 13.6%, respectively.

The following table summarizes the change in the principal balance of the Loan Portfolio for the three months ended March 31, 2022 and 2021:

	Three months ended			
		March 31, 2022		March 31, 2021
Balance, beginning of period	$	47,089,194	$	93,808,332
Loan portfolio activity during the period				
Funding of new loan investments		-		1,110,733
Advances against existing loans		7,500,332		2,131,879
Repayments of loans		(14,919,082)		(5,272,943)
Interest capitalized		600,414		752,201
Capitalized interest received		-		(4,164)
Unrealized foreign exchange gain		13,783		50,882
Balance, end of period	$	40,284,641	$	92,576,920

As at March 31, 2022 and December 31, 2021, the Loan Portfolio balance was $40,229,047 and $47,007,834, respectively. The decrease in Loan Portfolio during the three months ended March 31, 2022, resulted from the net effect of repayments totaling $14,919,082, of which $4,500,000 was a full repayment on a loan and mortgage investment for a residential housing development located in Atlanta-Georgia. The decrease was partially offset by advances of $7,500,332 towards existing loan and mortgage investments. As the Company's focus has shifted to land banking arrangements it is expected that over time the Loan Portfolio will continue to decline.

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).

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by risk as at March 31, 2022 and December 31, 2021:

	March 31, 2022	% of Investments	December 31, 2021	% of Investments
1st mortgage loans	$ 37,216,549	92.4%	$ 44,081,171	93.6%
2nd mortgage loans	1,319,472	3.3%	1,305,690	2.8%
Unregistered loans	1,748,620	4.3%	1,702,333	3.6%
	$ 40,284,641	100.0%	$ 47,089,194	100.0%

Mortgages are secured by real estate assets and may include other forms of security. Unregistered loans are not secured by real estate assets but are secured by other forms of security, such as personal guarantees or the pledge of shares of the borrowing entity.

The following table presents details of the Company's principal balances of the Loan Portfolio before syndication segmented by geography as at March 31, 2022:

	Loan and mortgage investments	Allowance for credit losses	Net investments	% of net investments
Canada	$ 1,319,472	$ (44)	$ 1,319,428	3.3%
United States	38,965,169	(55,550)	38,909,619	96.7%
	$ 40,284,641	$ (55,594)	$ 40,229,047	100.0%

The following table presents details of the Company's principal balances of the Loan Portfolio before syndication segmented by geography as at December 31, 2021:

	Loan and mortgage investments	Allowance for credit losses	Net investments	% of net investments
Canada	$ 1,305,771	$ (43)	$ 1,305,728	2.8%
United States	45,783,423	(81,317)	$ 45,702,106	97.2%
	$ 47,089,194	$ (81,360)	$ 47,007,834	100.0%

At March 31, 2022, 96.7% of the Loan Portfolio are in projects located in the U.S, compared to 97.2% at December 31, 2021. The Company expects to maintain this level of concentration of loan and mortgage investments to projects located in the U.S.

As at March 31, 2022, two project loan investments to entities controlled by a single borrower in the U.S. totaled $5,131,374 (December 31, 2021 - $5,720,848), accounting for 26% (December 31, 2021 – 26%) of the combined principal balance of loan and mortgage investments and investment in finance leases, net of syndications.

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. These loan and mortgage investments are syndicated to certain syndicate investors on a pari-passu basis, and these percentages do not represent the Company's exposure on these loans 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% . For the three months ended March 31, 2021, the Company has loan and mortgage investments in four separate projects in the U.S. before syndication, that account for 27.3%, 19.6%, 19.4% and 10.6% of the Company's interest and fees revenue.

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 compared to $46,038,263 at December 31, 2021. As at March 31, 2022, the unfunded commitments related to loan and mortgage investments in two separate projects in the U.S. before syndication accounted for 63.0% and 30.4% of the total unfunded commitments. As at December 31, 2021, the unfunded commitments related to loan and mortgage investments in two separate projects in the U.S., before syndication, accounted for 82.8% and 15.8% of the total unfunded commitments. The Company expects to meet these funding commitments through the use of the LOC and proceeds from repayments of loans and mortgage investments.

Scheduled principal repayments of the Loan Portfolio maturing in the next four years are as follows:

	Scheduled principal payments	Investments maturing during the year	Total loan and mortgage investments
2022	$ -	$ 18,990,144	$ 18,990,144
2023	-	12,357,926	12,357,926
2024	-	7,817,567	7,817,567
2025	-	1,119,004	1,119,004
	$ -	$ 40,284,641	$ 40,284,641

Certain of the loan and mortgage investments have early repayment rights, which, if exercised, would result in repayments in advance of their contractual maturity dates.

Loan and mortgage investments are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided in the Company's audited consolidated financial statements for the year ended December 31, 2021, under "Significant Accounting Policies and Changes in Accounting Policies." Loan and mortgage investments carried at amortized cost are measured using the EIR method and are presented net of any ACL, calculated in accordance with the Company's policy for ACL. Interest on loan and mortgage investments is recognized in interest income using the EIR method. The estimated future cash flows used in this calculation include those determined by the contractual term of the loan and mortgage investment and, all fees that relate to activities such as originating, restructuring, or renegotiating loans are deferred and recognized as interest income over the expected term of such loan and mortgage investments using the EIR method. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the consolidated statements of income. Impairment gains or losses on the amortized cost of loan and mortgage investments are recognized at each balance sheet date in accordance with the three-stage impairment model.

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

	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
Total	$ 40,284,641	$ -	$ -	$ 40,284,641

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

	Stage 1	Stage 2	Stage 3	Total
Canada	$ 1,319,472	$ -	$ -	$ 1,319,472
United States	38,965,169	-	-	38,965,169
Total	$ 40,284,641	$ -	$ -	$ 40,284,641

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:

	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

During the three months ended March 31 2022, the Company recorded a reversal of $25,766 of loan losses relating to the loan and mortgage investments. As at March 31, 2022 and December 31, 2021, based on the most recent valuations of the underlying assets and management's estimates, the Company carries an ACL balance of $55,594 and $81,360, respectively to the overall loan and mortgage investments.

INVESTMENT IN FINANCE LEASES (LAND BANKING ASSETS)

The Company is a party to fixed-term contractual arrangements with builders whereby the Company acquires land for residential housing development from a third party and provides builders with the exclusive right to use and develop the land (land banking). The Company is also a party to a fixed-price contract with builders to complete all required land development, based upon a fixed construction budget. The Company is committed to making additional investments in developing the land, subject to builders meeting certain funding conditions, including the payment of option fees. Under this arrangement, builders have an option to acquire the developed land in the form of divided lots, at a pre-determined price and in accordance with the scheduled closing dates to build residential units. Builders provide the Company with a non-refundable deposit and the payment of monthly option fees to secure their rights under each contract upon acquisition. The builder's deposits are applied on a lot-by-lot basis on the acquisition of the lots by the builders.

The Company determined that the investments in land banking asset arrangements contain a lease as the contracts convey the right to control the use of an identified asset for a period of time in exchange for consideration. The Company also determined that all the risks or rewards of ownership of the asset have been transferred to the builders and accounts for these arrangements as finance leases.

The investment in finance leases is the aggregate of gross lease payments and unearned finance income discounted at the interest rate implicit in the leases. As at March 31, 2022, the weighted average implicit rate of the leases is 14.0% per annum, and the weighted average remaining term of the leases is 2.03 years.

As at March 31, 2022, the Company had 15 arrangements with builders (December 31, 2021 – 15). The following table summarizes the changes in the investment in finance lease for the three months ended March 31, 2022 and 2021:

	Amount
Balance, December 31, 2020	$ 20,489,655
Investments 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
Investments 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
Investments 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

As at March 31, 2022 and December 31, 2021, the investment in finance leases amounted to $59,631,708 and $55,728,869, respectively. The increase of $3,885,493 during the three months ended March 31, 2022 was due to advances made to new investment in finance leases of $1,574,438, advances made to existing investment in finance leases for $7,215,615, and finance income recognized of $2,026,538, which were offset by investments sold of $4,897,384 and lease payments received of $1,943,714.

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 had two net investments in finance leases that account for 11.4% and 10.4% of the Company's finance income.

The following is a reconciliation of the undiscounted future minimum lease payments receivable and imputed interest and the present value of minimum lease payments receivable thereof:

	Future minimum lease receipts	Finance income	Present value of minimum lease receipts
Less than one year	$ 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

ALLOWANCE FOR FINANCE LEASE INVESTMENTS LOSS

The Company measures ACL for investment in finance leases at an amount equal to credit losses expected over the remaining lifetime of the finance leases.

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

	Balance at January 1, 2022	Provision for credit losses	Net write offs	Balance at March 31, 2022
Residential housing developments	$ 120,443	$ (17,346)	$ -	$ 103,097
	$ 120,443	$ (17,346)	$ -	$ 103,097

PORTFOLIO INVESTMENTS

Portfolio investments are comprised of three projects: Investment in the LanQueen Partnership, Investment in the Savannah Partnership and Investment in the Valermo Partnership. For each of these investment the Company does not have a significant influence in the partnerships and is accounting for them as a financial asset at FVTPL. 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
	$ 305,310	$ 676,421

As at March 31, 2022, the portfolio investment was $305,310 compared with $676,421 as at December 31, 2021. The decrease in the portfolio investment was due to the Company's investment, through TFCC LanQueen Ltd., related to a redevelopment project located in Toronto, Ontario. The redevelopment project is considered substantially complete and during the three months ended March 31, 2022, the Company received additional distributions of $376,621.

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

	Amount
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

INVESTMENT IN ASSOCIATES

Investment in associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interest in joint ventures. The Company's investments in associates are accounted for using the equity method of accounting. Investments in associates are recognized initially at cost and the cost of the investment includes transaction costs. The Company's share of its associates' post acquisition net income or loss is recognized as share of income from investment in associates in the consolidated statements of income and comprehensive income. Dividends received are recorded as a reduction in the investment. The consolidated financial statements include the

Company's share of the income or loss and other comprehensive income or loss from the date that significant influence commences until the date that significant influence ceases.

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
(a) Investment in the Lan Partnership	$ 799,533	$ 791,181
(b) Investment in the TF Royal Palm	1,443,589	1,383,346
(c) Investment in TFCC Senior Debt Fund I LP	2,176,818	2,174,053
(d) Investment in TFCC US Senior Real Estate Fund II Funding LP	4,022,011	4,016,131
	$ 8,441,951	$ 8,364,711

As at March 31, 2022, the investment in associates balance was $8,441,951 compared with $8,364,711 as at December 31, 2021. The increase in investment in associates was primarily due to the Company’s investment in the two limited partnership agreements as discussed below.

On February 5, 2021, 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 ("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. 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 secured a new $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.

During the three months ended March 31, 2022, the Company received distributions of $55,209 and recognized its share of income of $57,974 which was recorded under “Share of loss (income) from investment in associates” in the Interim Condensed Consolidated Statements of Income and Comprehensive Income.

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 December 31, 2021, 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”). Terra Firma Senior Debt Fund Corporation, a wholly-owned subsidiary of the Company, acts as a general partner of Debt Fund II.

During the three months ended March 31, 2022, Debt Fund II secured a $12,000,000 credit facility with a U.S. bank. For the three months ended March 31, 2022, the Company received distributions of $102,222 and recognized its share of income of $108,102 recorded under “Share of loss (income) from investment in associates” in the Consolidated Statement of Income and Comprehensive Income.

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

	Amount
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
Fair value adjustment	(222,222)
Income earned	364,573
Distributions received	(164,421)
Return of capital	(992,082)
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

JOINT ARRANGEMENTS

JOINT OPERATIONS

The Company's interest in the following property is subject to joint control and, accordingly, the Company has recorded its proportionate share of the related assets, liabilities, revenue and expenses of the properties following the proportionate consolidation method.

Montreal Street JV:

In July 2009, the Company entered into a co-tenancy agreement (the "Montreal Street JV") with a development partner and developed a retail property in Ottawa, Ontario. The land on which the store developed is subject to a 20-year land lease, with five renewal options of five years each. The Company's ownership interest in the Montreal Street JV is 55.0%. At March 31, 2022 and December 31, 2021, the Company's share of net assets in Montreal Street JV was $901,751 and $876,089, respectively.

The financial information in respect of the Company's investment in joint operations at March 31, 2022 and December 31, 2021 was as follows:

	March 31, 2022	December 31, 2021
Cash and cash equivalents	$ 141,659	$ 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
Total assets	2,629,202	2,609,971
Accounts payable and accrued liabilities	37,951	37,533
Mortgages payable	1,014,370	1,018,183
Lease obligations	675,130	678,166
Total liabilities	1,727,451	1,733,882
Net assets	$ 901,751	$ 876,089

The table below details the results of operations for the three months ended March 31, 2022 and 2021, attributable to the Company from its joint operations activities:

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

INVESTMENT PROPERTY

The Company has interests in an investment property subject to joint control, accordingly, the Company has recorded its proportionate share of the related assets, liabilities, revenue, and expenses of the property.

As at March 31, 2022 and December 31, 2021, the fair value was determined by the Company's management. The Company determined the fair value of investment property in the Montreal Street JV using the direct capitalization method. Under the direct capitalization method, fair values were determined by capitalizing the estimated future normalized net operating income at the market capitalization rates. The capitalization rate used in the valuation of the property was 6.25% (December 31, 2019 - 6.25%). At March 31, 2022 and December 31, 2021, the carrying value of the Company's proportionate share of investment property in the Montreal Street JV is $1,766,249 (CA$2,208,694) and $1,747,799 (CA$2,208,694), respectively.

As at March 31, 2022, a 25-basis-point decrease in the overall capitalization rate would increase the Company's proportionate share of the value of investment property in the Montreal Street JV by CA$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.

CONVERTIBLE NOTE RECEIVABLE

On January 29, 2019, the Company entered into a loan agreement with an unrelated Ontario corporation that provides web-based crowdfunding services and holds an Exempt Market Dealer license. The loan was provided to assist in expanding its operations. The loan was made in exchange for a convertible promissory note receivable (the "Convertible Note") with a face value of CA$2,000,000. At signing, the Company advanced $752,349 (CA$1,000,000) of the CA$2,000,000 commitment. As at March 31, 2022, the Company advanced a total of $1,647,701 (CAD $1,750,000). The remaining CAD $250,000 will be advanced in tranches upon the achievement of certain key performance indicators. The Convertible Note bears interest at the rate of 8.0% per annum, calculated and compounded semi-annually. Pursuant to the terms of the agreement, the Company has the option to convert the principal and accrued interest into an equity interest. 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 following table summarizes the changes in the Convertible Note receivable for the three months ended March 31, 2022 and 2021:

		Amount
Balance, December 31, 2020	$	1,080,536
Interest capitalized		38,551
Foreign exchange		14,797
Balance, March 31, 2021		1,133,884
Funding of investment		399,425
Interest capitalized		50,423
Foreign exchange		(11,222)
Balance, December 31, 2021		1,572,510
Interest capitalized		57,754
Foreign exchange		17,437
Balance, March 31, 2022	$	1,647,701

ASSETS UNDER MANAGEMENT

The Company manages assets and collects fees, and spreads on assets that are reported on the Company's consolidated statement of financial position. The Company also generates spreads, fees and/or is entitled to receive carried interest from certain investments (investment in associates and portfolio investments) in which the Company and syndicate investors invested and the syndicate investors' share of investments are not included in the Company's consolidated financial statements.

AUM (a non-IFRS financial measure) at March 31, 2022 and December 31, 2021 was $125,391,613 and $128,524,807, respectively. AUM fluctuates as a result of the funding of new investments and repayments of investments. The reduction in AUM was primarily due to the early repayment of loan and mortgage investments, partially offset by the increase in the investments in finance leases.

UNFUNDED COMMITMENTS

Pursuant to certain lending and land banking (investment in finance leases) agreements, the Company is committed to funding additional advances, subject to borrowers and homebuilders meeting certain funding conditions. Unfunded commitments as at March 31, 2022 and December 31, 2021 were $110,678,198 and $119,136,773, respectively. The Company's commitments are subject to borrowers and homebuilders performing development work on the sites and being compliant under the Company's loan and land banking agreements. The funding commitments may expire without being drawn upon, and commitments do not necessarily represent future cash requirements or future assets for the Company. A portion of these funding commitments are sometimes offset by partial payments by borrowers or homebuilders as they sell or acquire portions of the Company's land collateral. Furthermore, the Company manages its unfunded commitments through forecasting cash flow from operations and considering anticipated investing and financing activities. The Company continually seeks opportunities to raise capital for loan and land banking originations through a syndicate of sophisticated, accredited investors. Overall, the Company expects to fund its commitments through various sources of financing which includes cash flow from operations, loans and mortgage syndications and Credit Facilities.

The following table summarizes the unfunded commitments as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Loan and mortgage investments	$ 38,537,932	$ 46,038,263
Finance leases	58,279,337	59,239,668
Portfolio investments	1,311,010	1,311,010
Investment in associates	12,350,000	12,350,000
Convertible note	199,920	197,832
Total Unfunded Commitments	$ 110,678,199	$ 119,136,773

The following tables summarizes the expected funding related to its unfunded commitments as well as expected repayments:

		2022		2023		2024 onwards
Funds to be advanced	$	(57,831,322)	$	(42,167,620)	$	(10,679,257)
Repayments		40,179,509		80,800,279		79,059,565
Net cash inflow (outflow)	$	(17,651,813)	$	38,632,660	$	68,380,308

LIQUIDITY AND CASH FLOW

LIQUIDITY

The return on the Loan Portfolio is a crucial component of the Company's financial results. The Company's investment strategy focuses on the total return of assets needed to support the underlying liabilities, asset-liability management and achieving an appropriate return on capital. The Company's continued focus is to manage risks and returns and to position its Loan Portfolio to take advantage of market opportunities while attempting to mitigate adverse effects. Material changes in market conditions may adversely affect the Company's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The Company expects to be able to meet all of its obligations as they become due and to provide for the future growth of the business. The Company has a number of financing sources to fulfill its commitments including, (i) cash flow from its operating activities, (ii) loan and mortgage syndications, (iii) mortgages payable, (iv) credit facilities, (iv) issuance of unsecured notes payable, (v) issuance of Shares and Debentures, or any combination thereof.

CASH FLOW

The following table details the changes in cash and cash equivalents for the three months ended March 31, 2022 and 2021:

	Three months ended			
		March 31, 2022		March 31, 2021
Cash provided by operating activities	$	207,199	$	424,051
Cash (used in) provided by financing activities		(1,184,844)		7,369,508
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

Operating Activities

Cash provided by operating activities for the three months ended March 31, 2022 of $207,199 compared with $424,051 for the same period in the prior year. The fluctuation in cash provided by operating activies was related primarily to the net cash used in and provided by lending operations.

Financing Activities

Cash flows from financing activities, as reflected in the interim condensed consolidated statements of cash flows, are summarized in the following table:

	Three months ended	
	March 31, 2022	March 31, 2021
Proceeds from loan and mortgage syndications	$ 3,483,692	$ 2,058,404
Proceeds from loan payable on finance leases	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
Repayments 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

Cash flows from investing activities, as reflected in the interim condensed consolidated statements of cash flows, are summarized in the following table:

	Three months ended	
	March 31, 2022	March 31, 2021
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
Funding of investment in associates	-	(843,750)
Return of capital of portfolio investment	376,621	-
Cash provided by (used in) investing activities	$ 3,992,702	$ (9,559,510)

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

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

The Company adjusts its capital structure considering general economic conditions and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board, may pay dividends, buy back Shares or undertake other activities as deemed appropriate under the specific circumstances. The Board reviews and approves any material transactions not in the ordinary course of business.

As at March 31, 2022 and December 31, 2021, respectively, the total capital of the Company was as follows:

	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
Total capital	$ 129,688,263	$ 129,868,180

LOAN AND MORTGAGE SYNDICATIONS

The Company enhances the Loan Portfolio through Loan Syndications, Credit Facilities and mortgages payable. These financial liabilities are designed to increase the Company's overall returns through the issuance of specific debt instruments bearing lower effective interest rates than those being realized on the Loan Portfolio itself while lowering the Company's overall risk profile.

Loan and mortgage investments are sourced through one of the following initiatives:

(1) the syndication of certain loan investments to private investors each participating in a prescribed manner on an investment by investment basis – in which cases, the investors rank on a pari-passu basis with the Company's share of Loan and Mortgage Investments; or

(2) conventional construction or permanent financing secured by the project or investment property – in which the Company is generally in a subordinate position to the conventional construction lenders.

The Company may initially fund the Loan Portfolio and may syndicate to other investors sourced by the Company on a pari-passu basis. The syndicated portion of the investments are sold to investors and owned by the investors in a prescribed manner and are governed by loan servicing agreements. The terms of the syndication would typically mirror the terms of the loan except for the interest rate paid to syndicated investors. In addition, the Company would retain any commitment fee and certain other fees earned from the borrower. Management of the mortgage origination, funding, payouts and delinquency (if applicable) are all administered by Terra Firma MA Ltd. (the "TFMA"), a wholly - owned subsidiary of the Company on behalf of the syndicate investors. The security documents are typically registered in the name of the Company and held in trust on behalf of the syndicated investors.

The loan servicing agreement stipulates the ownership interest of the syndicate investors in the loan investments and segregates the ownership of the syndicate investors from the Company. Each syndicated Loan and Mortgage Investment has a designated rate of return that the syndicated investors expect to earn from that Loan and Mortgage Investment. This specific rate will vary from mortgage to mortgage depending on the loan-to-value, mortgage position, location, term and exit strategy.

Under IFRS, the Company recognizes the loan and mortgage investments and the loan syndications on a gross basis. The interest income earned and related interest expense on the syndicate investors are recognized in the statements of income and comprehensive income. From a legal perspective, the syndicated portion of the loan and mortgage investments are owned by syndicate investors. The Company neither has beneficial ownership in the syndicated assets nor has any obligation with regards to the syndicated loans.

TFMA administers the Loan Syndications with all fundings from and to syndicate investors through its trust account. The Loan Syndications have no recourse to the Company, and there is no obligation of the Company to fund any principal or interest shortfalls.

The following table presents details of the loan and mortgage syndications as at March 31, 2022 and December 31, 2021:

	March 31, 2022			December 31, 2021		
	Weighted Average Effective Interest Rate	Amount	% of Loans Payable	Weighted Average Effective Interest Rate	Amount	% of Loans Payable
Residential housing developments	9.4%	$ 4,052,981	19.7%	9.9%	$ 2,502,485	11.4%
Land and lot inventory	10.4%	16,486,246	80.3%	10.3%	19,540,659	88.6%
	10.2%	$ 20,539,227	100.0%	10.3%	$ 22,043,144	100.0%

At March 31, 2022, the weighted average EIR of Loan Syndications was 10.2%, consisting of the syndication of loans pertaining to residential housing developments having a weighted average EIR of 9.4% and land and lot inventory having a weighted average EIR of 10.4%. At March 31, 2022, the weighted average term to maturity of Loan Syndications was 0.89 years.

At December 31, 2021, the weighted average EIR of Loan Syndications was 10.3%, consisting of the syndication of loans pertaining to residential housing developments having a weighted average EIR of 9.9% and land and lot inventory having a weighted average EIR of 10.3%. At December 31, 2021, the weighted average term to maturity of Loan Syndications was 0.98 years.

The following table presents the net effective return on investments, net of syndications as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Loan and mortgage investments and investment in finance leases (A)	$ 100,019,446	$ 102,921,160
Weighted average effective interest rate (D)	13.3%	13.7%
Loans and mortgage syndications (B)	$ 20,539,227	$ 22,043,144
Weighted average effective interest rate (E)	10.2%	10.3%
Loans payable (C)	64,306,573	63,053,210
Weighted average interest rate (F)	10.7%	10.7%
Loan and mortgage investments and investment in finance leases, net of syndications (G) (A-B-C)	$ 15,173,646	$ 17,824,806
Return from investments, net of syndications (H) (A*D)-(B*E)-(C*F)	4,326,782	5,083,062
% Return from investments, net of syndications [(1)] (I) (H/G)	28.5%	28.5%
Increase in return due to syndications (I-D)	15.2%	14.8%

(1) % Return from investments, net of syndication is a Non-IFRS Financial Measure. See "Non-IFRS Financial Measures".

At March 31, 2022, the Company's syndication activities resulted in $84,845,800, which includes loan and mortgage syndications of $20,539,227 and loans payable of $64,306,573, or 84.8% of the investment portfolio (by investment amount) being syndicated to investors. This yielded a return on investments, net of syndications of 28.5%, which increased its overall return by 15.2% from its weighted average effective interest rate of 13.3%. At December 31, 2021, the Company's syndication activities resulted in $85,096,354, which includes loan syndication of $22,043,144 and loans payable of $63,053,210, or 82.7% of the Loan Portfolio (by investment amount) being syndicated to investors. This yielded a return on investments, net of syndications of 28.5%, which increased its overall return by 14.8% from its weighted average effective interest rate of 13.7%. Overall, returns may fluctuate significantly due to changes in the relative dollar amounts and the relative change in the weighted average effective interest rates within the Loan Portfolio and Loan Syndications.

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

	Three months ended	
	March 31, 2022	March 31, 2021
Balance, beginning of period	$ 22,043,144	$ 71,374,100
Loan and mortgage syndication activity during the period		
Additional advances to existing Loan Portfolio	3,483,692	2,058,404
Interest capitalized	354,511	477,858
Repayments of loan and mortgage syndications	(5,352,978)	(3,286,483)
Unrealized foreign exchange loss	10,858	45,486
Balance, end of period	$ 20,539,227	$ 70,669,365

The following table sets out, as at March 31, 2022, scheduled principal repayments and amounts maturing on the Loan Syndications to be paid over each of the next three years as follows:

		Scheduled principal payments		Loan and mortgage syndications maturing during the year		Total loan and mortgage syndications
2022		-		13,651,258		13,651,258
2023		-		3,874,570		3,874,570
2024		-		3,013,399		3,013,399
	$	-	$	20,539,227	$	20,539,227

UNSECURED NOTE PAYABLE

During the year ended December 31, 2020, the Company issued an unsecured promissory note payable (the “Unsecured Note”) to an unrelated third-party investor for $3,000,000. The Unsecured Note provides the holder a right to receive a percentage return equivalent to the performance of certain of the Company's investments up to a percentage return equivalent to an interest rate of 15% per annum compounded annually, payable monthly.

During the three months ended March 31, 2022, the Company fully repaid the unsecured note payable. For the three months ended March 31, 2022 and 2021, interest relating to the Unsecured Note, reported as interest and financing costs totaled $3,398 and $46,362, respectively.

MORTGAGES PAYABLE

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

The details of the mortgages payable in respect of the Company's proportionate share of the joint operations 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
Total	$	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:

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

The following table sets out scheduled principal repayments and maturity amounts of mortgages payable at March 31, 2022 are as follows:

	Scheduled principal payments	Mortgages maturing during the year	Total mortgages payable
2022	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

LOANS PAYABLE

On February 5, 2021, the Company, through TFCC USA III, entered into a new loan agreement with Debt Fund I. Debt Fund I agreed to advance up to a total of $32,500,000 in a loans 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 investment in finance leases.

On December 6, 2021, the Company, through TFCC USA IV, entered into a new loan agreement with Debt Fund II. Debt Fund II agreed to advance up to a total of $150,000,000 in a loans 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 investment 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 - $143,919) on this loan. As at March 31, 2022, Debt Fund II advanced $36,823,266 (December 31, 2021 - nil) 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).

CREDIT FACILITIES

At March 31, 2022, the Company had not drawn on its existing LOC and the borrowing capacity was $9,740,398. The existing LOC was terminated as at Aprl 25, 2022.

The terms of the LOC require the Company to comply with certain covenants. If the Company fails to comply with these covenants, the lenders may declare an event of default. At March 31, 2022, the Company was in compliance with these covenants.

Subsequent to March 31, 2022, the Company closed with a different U.S. lending institution on its 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 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.

LEASE OBLIGATIONS

The Company has a lease commitment on its head office premises located at 22 St. Clair Avenue East, Toronto, Ontario and a land lease on the Montreal Street JV located in Ottawa, Ontario 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 has 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 and December 31, 2021 was $807,163 and $851,833, respectively. The lease obligations represent the present value of the Company's future lease payments on its head office premises over the expected lease term. The lease obligations at March 31, 2022 and December 31, 2021 was $839,574 and $881,314, respectively.

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

	Amount
2022	202,208
2023	131,881
2024	61,575
2025 and thereafter	694,409
	$ 1,090,073

COMMITMENTS AND CONTINGENCIES

Pursuant to certain lending agreements, the Company is committed to funding additional loan advances. The unfunded loan commitments under the existing lending agreements at March 31, 2022 were $38,537,932.

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, was $58,279,337.

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.

The Company is also committed to providing its proportionate share of additional capital to joint operations in accordance with contractual agreements.

From time to time, the Company may be involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Company.

SHAREHOLDERS' EQUITY

SHARES

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	5,564,968	$	25,283,343
Outstanding, March 31, 2022	5,567,468	$	25,293,007

DIVIDENDS

The Board determines the level of dividend payments. Although the Company does not have a formal dividend policy, it started dividend payments and plans to maintain regular quarterly dividends. Dividends are recognized in the period in which they are formally declared by the Board.

	March 31, 2022				December 31, 2021			
		Per Share in CA$		Total		Per Share in CA$		Total
March	$	0.06	$	267,324	$	0.05	$	221,271
June		-		-		0.05		224,503
September		-		-		0.05		218,388
December		-		-		0.06		268,419
Total	$	0.06	$	267,324	$	0.21	$	932,581

SHARE-BASED COMPENSATION

Share Option Plan

Pursuant to the Plan, the Company may grant eligible directors, officers, senior management and consultants options to purchase Shares. The exercise price of each option shall be determined by the Board and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the Exchange, the Board may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist, provided that no option shall be exercisable after seven years from the date on which it is granted. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods.

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

	Period ended March 31, 2022			Year ended 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
Exercised	-		-	(2,500)		4.28
Expired	-		-	-		-
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

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

Number of options outstanding	Expiry date	Number of options exercisable	Exercise price in CAD	Market price at date of grant
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 6, 2027	16,664	5.70	5.70
280,000	April 6, 2027	163,333	4.28	4.28
25,000	June 26, 2027	14,583	4.05	4.28
20,000	November 17, 2028	3,333	5.95	5.95
514,000		357,913		

Deferred Share Unit Plan

The Company has a DSU Plan to promote greater alignment of interests between directors, officers and employees and the shareholders of the Company by linking a portion of the annual director retainer and annual bonus to officers or employees to the future value of the Shares by awarding DSUs as compensation for services rendered.

At the beginning of each year, the Board will determine which board members or employees will be eligible to participate in the DSU Plan and the dollar amount that can be contributed to the DSU Plan. Unless authorized by the Board, the directors and employees will continue to receive their annual retainer and bonus, respectively, in cash.

Each DSU has the same value as one Share (based on the five-day volume-weighted average trading price) and in the event dividends are paid on the Shares, it accrues dividend equivalents in the form of additional DSUs based on the dividend paid on a Share. The number of additional DSUs granted as of a dividend payment date is determined by dividing the aggregate amount obtained by multiplying the dividends paid on each Share by the number of DSUs in each participant's account on the dividend record date by the market value of the Shares on the dividend payment date.

Directors must retain DSUs until they leave the Board, or in the case of officers or employees, until their employment is terminated, at which time the redemption payment, equal to the value of the DSUs, calculated as the volume-weighted average closing price of the Shares for the last five days preceding the redemption date, net of applicable taxes will be paid out.

The following table presents the changes in DSUs for the three months ended March 31, 2022 and year ended December 31, 2021:

	Number of DSUs	
	Period ended March 31, 2022	Year ended December 31, 2021
DSUs outstanding, beginning of period	314,295	304,344
Granted	-	9,951
Settled	-	-
DSUs outstanding, end of period	314,295	314,295
Number of DSUs vested	314,295	314,295

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).

In the event, dividends are paid on the Shares, accrues dividend equivalents in the form of additional DSUs based on the amount of the dividend paid on a Share. 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).

CONTRIBUTED SURPLUS

The following table presents the details of the changes to the contributed surplus balances 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

DEBT TO EQUITY RATIO

IFRS requires that the loan and mortgage syndications be included as part of the Company's assets and offsetting liabilities. Given that the loan and mortgage syndications have no recourse or risk to the Company, management believes that the loan and mortgage syndications should be subtracted from the Company's debt to better depict the Company's debt to equity ratio (a Non-IFRS financial measure). The significantly lower adjusted debt to equity ratio represents the Company's position with much lower leverage and risk.

The following table provides details of the Company's adjusted debt to equity ratio as at March 31, 2022 and December 31, 2020:

	March 31, 2022	December 31, 2021
Total debt	$ 85,798,791	$ 86,288,960
Less: loan and mortgage syndications, loans payable and unsecured note payable	(84,845,800)	(85,386,098)
Adjusted total debt	$ 952,991	$ 902,862
Shareholders' equity	$ 43,889,472	$ 43,579,220
Debt to equity (1)	1.95:1.00	1.98:1.00
Adjusted debt to equity (1)	0.02:1.00	0.02:1.00

(1) Total debt, adjusted total debt, debt to equity and adjusted debt to equity are non-IFRS Measures. See "Non-IFRS" Measures.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

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

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

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared using the same significant accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2021. Refer to note 2 for a summary of the significant accounting policies and methods of their application in the consolidated financial statements for the year ended December 31, 2021. The Company's consolidated financial statements for the year ended December 31, 2021 can be found under the Company's profile at WWW.SEDAR.COM.

USE OF ESTIMATES

The preparation of the Company's interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of income and expenses during the period. Actual results may differ from these estimates.

In making estimates, the Company relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period. There are no known trends, commitments, events, or uncertainties that the Company believes will materially affect the methodology or assumptions utilized to make those estimates and judgments in these interim condensed consolidated financial statements.

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant are disclosed separately. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could also differ from those estimates under different assumptions and conditions.

Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of these interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the periods. Actual results could also differ from those estimates under different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

FINANCIAL INSTRUMENTS

The Company, as part of its operations, carries a number of financial instruments. The Company's financial instruments consist of cash and cash equivalents, funds held in trust, interest and other receivables, the Loan Portfolio, portfolio investments, investment in associates, investment in finance leases, Convertible Note, lease obligation, loan and mortgage syndications, Credit Facilities, loans payable and mortgage payable.

The fair value of interest and other receivables approximate their carrying values due to their short-term maturities.

The fair value of the Loan Portfolio, investment in finance leases, Convertible Note, Loan Syndications, mortgages payable, Unsecured Note, and Credit Facilities approximate their carrying value as they are short-term in nature. There is no quoted price in an active market for the Loan Portfolio or Loan Syndications. The Company makes the determinations of fair value based on its assessment of the current lending market for Loan Portfolio of the same or similar terms. As a result, the fair value is based on Level 3 on the fair value hierarchy.

The Company uses various methods in estimating the fair values recognized in the interim condensed consolidated financial statements. The fair value hierarchy reflects the significance of inputs used in determining fair values.

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

The fair values of the Company’s investment property, Portfolio Investments, investment in associates, and non-controlling interest are determined by using Level 3 inputs at March 31, 2022 and December 31, 2021 and no amounts were transferred between fair value levels during the three months ended March 31, 2022 and 2021.

OFF-BALANCE SHEET ITEMS

As of both March 31, 2022, the Company did not have any off-balance sheet (interim condensed consolidated statement of financial position) arrangements.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities of the Company and in the activities of the Company, including the following, which current and prospective holders of securities of the Company should carefully consider. If any of the following or other risks occur, the Company’s business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of the securities of the Company could decline, and investors could lose all or part of their investment in such securities. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

MARKET RISK

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market price, whether the changes are caused by factors specific to the investment or factors affecting all securities in the market.

The Company's objective of managing this risk is to minimize the volatility of earnings. The Company mitigates this risk by charging interest rates, which are significantly above normal banking rates.

CREDIT RISK

Credit risk is the risk of financial loss from the failure of a borrower, for any reason, to fully honour its financial or contractual obligations to the Company, primarily arising from the Company’s loan and mortgage investment activities. Fluctuations in real estate values may increase the risk of default and reduce the collateral property's net realizable value to the Company. Credit losses occur when a borrower fails to meet its obligations to the Company, and the value realized on the sale of the underlying security deteriorates below the carrying amount of the exposure.

The Company is exposed to credit risk on all of its financial assets, and its exposure is generally limited to the carrying amount on the interim condensed consolidated statements of financial position.

Cash and cash equivalents are held with financial institutions that management believes are of high credit quality.

The Company mitigates the risk of credit losses on its Loan Portfolio by maintaining strict credit policies and conducting thorough investment due diligence, ensuring loans and mortgages have the risk-adjusted loan to value, together with personal guarantees by the borrowers and parties related to the borrowers, reviewing and approving new loans and mortgages and continually monitoring change in the value of underlying collateral.

The Company regularly reviews the Loan Portfolio and interest receivable listing for balances in arrears and follows up with clients as needed regarding payment. For individual accounts in arrears where discussion with the client has not succeeded, foreclosure proceedings commence. The amounts receivable include accrued interest and legal and other costs related to attempts at collection. Where the loan investments are collateralized by real property and losses are recognized to the extent that recovery of the balance through the sale of the underlying property is not reasonably assured.

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. Additionally, the Company finances certain of its loan and mortgage investment and investment in finance lease with the loans payable.

INTEREST RATE RISK

Interest rate risk arises due to exposure to the effects of future changes in the prevailing level of interest rates. The Company is exposed to interest rate risk from fluctuations in interest rates, primarily on loan and mortgage investments, debentures payable, loan and mortgage syndications, and mortgages payable.

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

The Company's LOC carries an interest rate based on 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.

LIQUIDITY RISK

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

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

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

Contractual obligations as at March 31, 2022, are due as follows:

	Less than 1 year	Over 2 years	Total
Accounts payable and accrued liabilities	$ 8,547,903	$ -	$ 8,547,903
Mortgages payable	1,014,370	-	1,014,370
Loans payable	-	64,306,573	64,306,573
	$ 9,562,273	$ 64,306,573	$ 73,868,846

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.

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.

CYBER SECURITY RISK

Cybersecurity has become an increasingly problematic issue for issuers and businesses. Cyber-attacks against organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use, or disrupting business operations. A cyber-incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of the Company's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data, or steal confidential or personal information. As the Company's reliance on technology has increased, so have the risks posed to its systems. The Company's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to the Company's business relationships, disclosure of confidential information regarding third parties with whom the Company interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation. The Company has implemented processes, procedures, and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that the Company will be able to prevent all such incidents or detect and remedy such incidents in a timely manner, which could then have a negative impact on the Company's financial results and the price of the Company's securities.

GENERAL BUSINESS RISKS

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

i. civil unrest, acts of God, including earthquakes and other natural disasters, acts of terrorism or war, and public health crises such as the current outbreak of the novel coronavirus, COVID-19 (discussed below),

ii. changes in national or local economic conditions,

iii. changes in real estate assessed values and taxes payable on such values and other operating expenses,

iv. the inability of developers to sell development land,

v. changes in demand for newly constructed residential units,

vi. changes in real estate assessed values and taxes payable on such values and other operating expenses, or

vii. changes in interest rates and in the availability, cost and terms of any mortgage or other development financing.

Any of the foregoing events could impact the ability of borrowers to timely repay (if at all) loans made by the Company, negatively impact the value or viability of a development project in which the Company has invested or negatively impact the value of portfolio properties of the Company or their ability to generate positive cash flow.

In addition, the Company may be unable to identify and complete investments that fit within its investment criteria. The failure to make a sufficient number of these investments would impair the future growth of the Company.

The Covid-19 pandemic restrictions have impacted economic activity, and this may continue to adversely impact global activity. As of date hereof the federal and provincial governments have eased and/or removed the pandemic restrictions though there is still considerable uncertainty related to the pace and extent of economic recovery. Although residential development continued to perform well, the Company cannot predict that this will continue. The enhanced risks associated with COVID-19 include, but are not limited to: a reduction in interest income and an increase in credit loss provisions in the event that financial hardship causes an inability of borrowers to make contractual principal and interest payments to the Company on a timely basis; deterioration in the ability of the Company to achieve expected values on a timely basis from asset sales in connection with loan realizations and the ability to access capital markets at a reasonable cost. The Company continues to monitor the COVID 19 pandemic and its impact on its borrowers, lenders, investors, and the economy as a whole. These factors could further materially and adversely affect the Company's results and financial condition.

The enhanced risks associated with COVID-19 include, but are not limited to: a reduction in interest income and an increase in credit loss provisions in the event that financial hardship causes an inability of borrowers to make contractual principal and interest payments to the Company on a timely basis; deterioration in the ability of the Company to achieve expected values on a timely basis from asset sales in connection with loan realizations and the ability to access capital markets at a reasonable cost.

SUBORDINATED DEBT FINANCING

Subordinated financings that the Company carries would generally be considered riskier than primary financing because the Company will not have a first-ranking charge on the underlying property. When a charge on a property is in a position other than first-ranking, it is possible for the holder of a prior charge on the property to realize on the security given for the loan, in priority to and to the detriment of the Company's security interest in such property or security.

DEVELOPMENT STRATEGY

Any development projects in which the Company invests are subject to a number of risks, including, but not limited to:

(i) construction delays or cost overruns that may increase project costs,

(ii) financing risks,
(iii) the failure to meet anticipated occupancy or rent levels,
(iv) failure to meet anticipated sale levels or prices,
(v) failure to receive required zoning, land use, and other governmental permits and authorizations and/or
(vi) changes in applicable zoning and land use laws.

INVESTMENTS IN JOINT OPERATIONS

In any joint operations in which the Company invests, the Company may not be in a position to exercise sole decision-making authority. Investments in joint operations may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint operations partners might become bankrupt or fail to fund their share of required capital contributions. Joint operations partners may have business interests or goals that are inconsistent with the Company's business interests or goals and be in a position to take actions contrary to the Company's policies or objectives. Any disputes that may arise between the Company and its joint operations partners could result in litigation or arbitration that could increase the Company's expenses and distract its officers and/or directors from focusing their time and effort on the Company's business. In addition, in certain circumstances, the Company might be liable for the actions of its joint operations partners.

REGULATORY RISK

The Government of Ontario has announced plans to transfer responsibility for syndicated mortgage investments from the Financial Services Commission of Ontario to the Ontario Securities Commission. In relation to the foregoing, the Canadian Securities Administrators have published for comment proposed changes to substantially harmonize the regulatory framework for syndicated mortgages in Canada. Under the proposed amendments, prospectus and registration exemptions that currently apply to syndicated mortgages in certain jurisdictions (including Ontario) would be removed. Additionally, if adopted, the amendments would introduce revisions to the offering memorandum exemption to provide heightened disclosure for investors. in certain circumstances, issuers would be required to deliver property appraisals prepared by an independent qualified appraiser. The proposed amendments would also exclude syndicated mortgages from the private issuer exemption. The Company is assessing the proposed regulatory amendments and cannot predict what the final regime will look like and how it will impact the Company's business and results.

The Government of Ontario made regulatory amendments to Ontario Regulation (O. Reg.) 188/08 Mortgage Brokerages: Standards of Practice under the Mortgage Brokerages, Lenders and Administrators Act, 2006 ("MBLAA"), effective July 1, 2018. The amendments require mortgage brokerages transacting in syndicated mortgages that do not meet the regulatory definition of a qualified syndicated mortgage ("non-qualified syndicated mortgages") to, among other things: (a) the collection and documentation, on Superintendent of the FSCO approved forms, information relating to knowing the client, including information about the financial circumstances, investment needs and objectives, risk tolerance, level of financial knowledge, investment experience and relationship with the mortgage brokerage (if any) of the prospective investor/lender; (b) the completion an assessment of whether or not the proposed non-qualified syndicated mortgage is suitable for the prospective investor/lender given the information about the investor/lender in (a) and the features and risks of the proposed syndicated mortgage investment; and (c) expanded disclosures to each prospective investor/lender regarding, for example, property appraisal and, in cases where the borrower is not an individual, the financial statements of the borrower. In addition, mortgage brokerages are required to update their policies and procedures that are designed to ensure that the mortgage brokerage and its mortgage brokers and agents comply with all the requirements established under the MBLAA to be compliant with the amended regulations to now include how the mortgage brokerage will verify that an investor/lender is eligible to invest in, or make a loan in respect of, a non-qualified syndicated mortgage.

The Company is currently in the process of updating its policies and creating internal procedures along with other market participants to adopt and implement these new requirements. These regulatory amendments are not expected to have a material impact on the Company's business.

NON-IFRS FINANCIAL MEASURES

The Company prepares and releases audited annual consolidated financial statements and unaudited interim condensed consolidated financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS as prescribed by the International Accounting Standards Board, which do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below.

- Adjusted net income and comprehensive income as well as adjusted net income and comprehensive income attributable to common shareholders, for the stated period, are calculated by adjusting the net income and comprehensive income for the following (as applicable and collectively called other non-operating items), irrespective of materiality:
    - foreign exchange gains/losses related to the Company's non-functional currency denominated net assets;
    - impairment losses/reversals;
    - net gains/losses on the disposal of equity-accounted investments;
    - share-based compensation;
    - non-recurring items; and
    - the income tax impact of the items listed above.

- Adjusted earnings per share is adjusted net income and comprehensive income divided by the number of outstanding Shares

- Return from investments, net of syndications is the calculation of the return the Company earns from the loan and mortgage investments and investment in finance leases, net of syndications. This is a performance measure used to evaluate the efficiency of the investments net of syndications.

For further details, including a reconciliation of adjusted net income and comprehensive income to net income and comprehensive income, see "Financial Performance - Adjusted Net Income and Comprehensive Income." For a reconciliation of adjusted earnings per share to earnings per share, see "Selected Annual and Quarterly Financial Information."

- Adjusted revenue is revenue adjusted for the effect of interest expense incurred on loan and mortgage syndication and loans payable as applicable. For further details, including a reconciliation of revenue to adjusted revenue, see "Financial Performance – Pre-Tax Profit Margin."
- Adjusted expenses are expenses adjusted for the effect of interest expense incurred on loan and mortgage syndications, loans payable and other non-operating items, as applicable. For further details, including a reconciliation of adjusted expenses to expenses, see "Financial Performance – Pre-Tax Profit Margin."
- Pre-tax profit margin is the ratio of income from operations before taxes to adjusted revenue. For further details, including a reconciliation of pre-tax profit margin to revenue, see "Financial Performance –Pre-Tax Profit Margin."
- Adjusted total debt is total debt (defined as the aggregate of loan and mortgage syndications, credit facilities (the "Credit Facilities"), unsecured note payable, loans payable and mortgages payables) adjusted for the effect of loan and mortgage syndications, loans payable and unsecured note payable as applicable. For further details, see "Shareholders' Equity - Debt to Equity Ratio."
- Adjusted debt-to-equity ratio is the ratio of adjusted total debt to shareholders' equity. For further details, see "Shareholders' Equity - Debt to Equity Ratio."
- Total investments (excluding cash) consist of loan and mortgage investments, investment in finance leases, Portfolio Investments, Investments in Associates, convertible note receivable and, an investment property held

in joint operations (collectively, the "Total Investments"). For details regarding the components of the Company's Investment Portfolio, see "Investments."

- LTV is a measure of risk determined at the time of underwriting the loan and mortgage investments, calculated as (i) the sum of advanced and un-advanced loan and mortgage investments commitments on a real estate asset (ii) divided by the estimate of the value of the underlying real estate collateral at that time if already developed or after completion of development in the case of a development project.
- Assets under management ("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.

These non-IFRS financial measures are not defined by IFRS, do not have a standardized meaning, and may not be comparable with similar measures presented by other issuers. The Company has presented such non-IFRS measures which have been derived from the Company's financial statements and applied on a consistent basis because the Company believes they are of assistance in evaluating the underlying operational and financial performance of the Company. Non-IFRS financial measures are also commonly used by the financial community to analyze and compare the performance of companies engaged in the same industries. These non-IFRS measures should not be construed as alternatives to financial measures determined in accordance with IFRS as indicators of the Company's performance.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws (“forward-looking statements”). Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company’s financial performance, financial condition, and cash flows as at and for the periods ended on certain dates and to present information about management’s current expectations, plans, estimates, projections, beliefs and opinions relating to the future. Readers are cautioned that the assumptions related to these plans, estimates, projections, beliefs, and opinions may change, and such statements may not be appropriate for other purposes. Forward-looking statements in this document include, but are not limited to, statements with respect to market opportunities for the identification and funding of loans, the provision to the Company of a consistent flow of quality investment opportunities, future returns on investments by the Company, the Company’s intention to provide additional funds for its land banking financing activity and other real estate financings, and the timing thereof, expected increase in loan and investment originations in 2022, significant growth both in Total Investments (as defined below) and net income in 2022 and beyond, the Company’s expectation to, going forward, conduct most of its syndication activity through Funds (as defined herein) as well as other statements under the headings “Recent Developments” and “Future Outlook”, and may relate to future results, performance, achievements, events, prospects or opportunities for the Company or the real estate industry and may include statements regarding the financial position, business strategy, financial results, real estate values, interest rates, loan to cost, plans and objectives of or involving the Company. In some cases, forward-looking statements can be identified by such terms such as “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “seek”, “aim”, “estimate”, “target”, “project”, “predict”, “forecast”, “potential”, “continue”, “likely”, “schedule”, or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections, or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals, and priorities will not be achieved. A variety of factors, many of which are beyond the Company’s control, affect the lending operations, performance, and results of the Company and its business and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, the risks discussed in the Company’s materials filed with Canadian securities regulatory authorities from time to time under the Company’s profile at www.sedar.com, including the risks discussed herein at “Risks and Uncertainties” and risks discussed in the Company’s AIF.

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management’s perceptions of historical trends, current conditions, and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the ability of the Company to adapt to any changes in government regulation and/or economic conditions; the continued availability of equity and debt financing; and the risks referenced above, collectively, will not have a material impact on the Company. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect. This is not an exhaustive list of the factors that may affect any of the Company’s forward-looking statements. Some of these and other factors are discussed in more detail in the Company’s Annual Information Form for the year ended December 31, 2021 (“AIF”).

The forward-looking statements contained in this MD&A represent the Company’s views only as of the date hereof. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Company’s views to change, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events, except to the extent required by applicable Canadian securities laws.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company is not required to certify the design and evaluation of its disclosure controls and procedures. Inherent limitations on the ability of the certifying officers to design and implement, on a cost-effective basis, disclosure controls and procedures for the Company may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the Company's MD&A, audited consolidated financial statements and accompanying notes for the years ended December 31, 2021, and 2020, and the unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2022.

The following table shows information for revenues, profit, total assets, total liabilities, shareholders' equity, and earnings per share amounts for the periods noted therein:

	As at March 31, 2022	As at December 31, 2021	As at December 31, 2020
Total assets	$ 139,723,299	$ 139,305,967	$ 133,052,468
Total liabilities	$ 95,833,827	$ 95,726,747	$ 91,889,815
Total equity	$ 43,889,472	$ 43,579,220	$ 41,162,653
Loan and mortgage investments	$ 40,284,641	$ 47,089,194	$ 93,808,332
Investment in finance leases	$ 59,734,805	$ 55,849,312	$ 20,530,716
Loan and mortgage syndications and loans payable	$ 84,845,800	$ 85,096,354	$ 71,374,100
Loan and mortgage syndications to loan and mortgage investments and investment in finance lease	84.8%	82.7%	62.4%

	Three months ended		Years ended		
	March 31, 2022	March 31, 2021	December 31, 2021	December 31, 2020	December 31, 2019
Total revenue	$ 3,830,357	$ 3,623,246	$ 16,241,159	$ 15,461,784	$ 16,656,306
Total expenses	$ 3,199,184	$ 2,698,693	$ 11,769,395	$ 12,764,730	$ 12,569,591
Income from operations before income taxes	$ 631,173	$ 924,553	$ 4,471,764	$ 2,697,054	$ 4,086,715
Net income and comprehensive income attributable to common shareholders	$ 577,576	$ 818,756	$ 3,340,552	$ 2,169,238	$ 3,077,757
Diluted net income and comprehensive income attributable to common shareholders	$ 577,576	$ 818,756	$ 3,340,552	$ 2,169,238	$ 3,077,757
Adjusted net income and comprehensive income attributable to common shareholders (1)	$ 410,590	$ 697,303	$ 2,877,283	$ 2,861,690	$ 3,323,912
Adjusted diluted net income and comprehensive income attributable to common shareholders (1)	$ 410,590	$ 697,303	$ 2,877,283	$ 2,861,690	$ 3,323,912
Weighted average number of shares outstanding					
Basic	5,567,468	5,564,968	5,565,323	5,564,968	5,675,671
Diluted	5,567,468	5,564,968	5,644,662	5,618,522	5,675,671
Earnings per share					
Basic	$ 0.10	$ 0.15	$ 0.60	$ 0.39	$ 0.54
Diluted	$ 0.10	$ 0.15	$ 0.59	$ 0.39	$ 0.54
Adjusted earnings per share (1)					
Basic	$ 0.07	$ 0.13	$ 0.52	$ 0.51	$ 0.59
Diluted	$ 0.07	$ 0.13	$ 0.51	$ 0.51	$ 0.59

(1) Adjusted net income and diluted net income attributable common shareholders and adjusted earnings per share are Non-IFRS Financial Measures. See "Non-IFRS Financial Measures".

The following table sets out the Company's quarterly results of operations (as restated) for the eight quarterly periods ended March 31, 2022:

	Three months ended							
	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	June 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
Revenue								
Interest and fees earned	1,760,406	2,730,395	2,803,709	2,849,254	2,796,724	2,904,000	$ 3,435,583	$2,967,009
Finance income	2,026,538	1,547,442	1,363,762	1,192,719	785,963	642,524	635,267	737,218
Rental income	43,413	41,930	45,355	43,347	40,559	40,893	38,384	35,768
	3,830,357	4,319,767	4,212,826	4,085,320	3,623,246	3,587,417	4,109,234	3,739,995
Expenses								
Property operating expenses	15,071	13,113	15,014	15,049	14,837	13,882	13,538	13,051
General and administrative expenses	1,103,536	1,397,956	959,694	1,132,855	737,684	1,216,807	617,904	731,795
Share based compensation	(134,187)	(112,829)	(122,853)	302,662	60,071	305,272	69,541	113,965
Interest and financing costs	2,515,709	2,180,521	2,309,715	2,112,967	1,985,778	1,821,066	1,990,122	2,086,628
Provision for (recovery of) loan and mortgage investment loss	-	(527,837)	-	(109,187)	(46,135)	-	(17,767)	811,234
Provision for investment in finance lease loss	(25,766)	(231,222)	52,494	154,327	103,783	41,061	-	-
Provision for uncollectible receivables	(17,346)	(9,776)	-	9,776	-	-	-	161,428
Realized and unrealized foreign exchange (gain) loss	(22,763)	(20,337)	76,963	(126,171)	(77,698)	(364,687)	(189,833)	(359,638)
Fair value adjustment - portfolio investments	-	(259,841)	-	-	-	(149,120)	-	-
Share of (income) loss from investment in associates	(235,070)	63,137	(118,060)	(87,428)	(79,627)	(57,098)	257,929	(39,876)
	3,199,184	2,492,885	3,172,967	3,404,850	2,698,693	2,827,183	2,741,434	3,518,587
Income before income taxes	631,173	1,826,882	1,039,859	680,470	924,553	760,234	1,367,800	221,408
Income tax provision (recovery)	53,597	456,375	507,851	61,189	105,797	(85,809)	242,203	(102,501)
Net income (loss) and comprehensive income (loss)	577,576	1,370,507	532,008	619,281	$ 818,756	$ 846,043	$ 1,125,597	$ 323,909
Diluted net income (loss) attributable to common shareholders	577,576	1,370,507	532,008	619,281	818,756	846,043	1,125,597	323,909
Adjusted net income and comprehensive income attributable to common shareholders (1)	410,590	750,278	751,231	678,471	697,303	531,656	884,135	686,710
Adjusted diluted net income and comprehensive income attributable to common shareholders (1)	410,590	750,278	751,231	678,471	697,303	531,656	884,135	686,710
Weighted average number of shares outstanding								
- basic	5,567,468	5,566,381	5,564,968	5,564,968	5,564,968	5,564,968	5,564,968	5,564,968
- diluted	5,567,468	5,676,265	5,633,614	5,658,536	5,564,968	5,590,429	5,564,968	5,564,968
Earnings (loss) per share								
Basic	$ 0.10	$ 0.25	$ 0.10	$ 0.11	$ 0.15	$ 0.15	$ 0.20	$ 0.06
Diluted	$ 0.10	$ 0.24	$ 0.10	$ 0.11	$ 0.15	$ 0.15	$ 0.20	$ 0.06
Adjusted earnings per share								
Basic	$ 0.07	$ 0.13	$ 0.13	$ 0.12	$ 0.13	$ 0.10	$ 0.16	$ 0.12
Diluted	$ 0.07	$ 0.13	$ 0.13	$ 0.12	$ 0.13	$ 0.10	$ 0.16	$ 0.12

(1) Adjusted net income and comprehensive income attributable to common shareholders, Adjusted diluted net income and comprehensive income attributable to common shareholders and adjusted basic and diluted net income per common share are non-IFRS measures and are not defined under IFRS and as a result, may not be comparable to similarly titled measures presented byother publicly traded entities, nor should they be constrrued as an alternative to other earnings measures determined in accordance with IFRS. See "Non-IFRS Financial Measures".

Additional information relating to the Company, including the Company's management information circular, can be found on SEDAR at www.sedar.com.

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Toronto, Ontario, Canada