

Terra Firma Capital Corporation Reports First Quarter 2022 Financial Results

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

TORONTO, May 18, 2022 -- Terra Firma Capital Corporation (TSX-V: TII) ("Terra Firma" or the "Company"), a real estate finance company, today announced its financial results for the three months ended March 31, 2022.

Q1 2022 Financial Highlights:

- Total Assets of \$139.7 million
- Total Investments (a non-IFRS financial measure)⁽¹⁾ of \$112.2 million
- Total Assets under management ("AUM," a non-IFRS financial measure)⁽⁴⁾ of \$125.4 million
- Unfunded commitments were \$110.7 million
- Book Value per share increased by 0.6% to \$7.88 (CA\$9.85⁽³⁾) per share
- CA\$0.06 per share paid in dividends
- Revenues increased by 5.7% to \$3.8 million
- Net income and comprehensive income decreased by 29% to \$0.6 million
- Adjusted net income and comprehensive income (a non-IFRS financial measure)⁽²⁾ decreased by 41% to \$0.4 million
- Basic and diluted earnings per share decreased by 33% to \$0.10 (CA\$0.13⁽³⁾)
- Adjusted basic and diluted earnings per share (a non-IFRS financial measure)⁽²⁾ decreased by 46% to \$0.07 (CA\$0.09⁽³⁾)

"Terra Firma continues to build on its successful track record in the U.S. by cultivating relationships with best-in-class developers and homebuilders in high growth markets throughout the U.S. Our entire portfolio is performing well given our positions in the underlying projects and the ongoing value appreciation of homes and finished lots in all of our markets. Further, all of our borrowers and sponsors remain in compliance with their contractual obligations," commented Glenn Watchorn, Chief Executive Officer of Terra Firma Capital Corporation. "AUM was flat over the quarter which was due to the delayed closing of several new transactions. Subsequent to the end of Q1, the Company has closed \$57.8MM of new commitments with \$12.4MM funded. In addition, the Company's balance sheet remained significantly under-deployed given the placement of several recent land banking and A&D loan transactions to TFCC's second fund rather than its own balance sheet. While these factors have had a negative effect on net income for the first quarter, it was a necessary step in the Company's progress toward managing larger funds and more third-party capital," he later said.

For the three months ended March 31, 2022, revenues increased 5.7% to \$3.8 million, compared to \$3.6 million during the same period in 2021. The majority of the Company's revenue was derived from loan and mortgage investments and investments in finance leases. The quarter over quarter fluctuation in total revenue was primarily attributed to the increase in 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 during the period.

Interest and financing costs for the three months ended March 31, 2022, increased by 27% to \$2.5 million, compared to \$2.0 million in the same period in the prior year. This increase in interest and finance costs was primarily related to the timing of entering into the new loans payables agreements with respect to Debt Fund I and Debt Fund II. This increase was offset by a reduction in the interest on loan and mortgage syndications due to the repayments.

General and administrative expenses for the three months ended March 31, 2022, was \$1.1 million compared to \$0.7 million for the same period in the prior year. The increase during the first quarter of 2022 was primarily related to salary and benefits and professional fees due to annual salary increases, new hires and recruitment costs.

Net income and comprehensive income attributable to common shareholders for the three months ended March 31, 2022, was \$0.6 million or \$0.10 per basic and diluted share compared to \$0.8 million or \$0.15 per basic and diluted share for the same period in the prior year.

The Company's Total Investments⁽¹⁾ at March 31, 2022, was \$112.2 million, compared to \$115.3 million at December 31, 2021, a decrease of 2.7% or \$3.1 million, resulting primarily from the repayment of loan and mortgage investments partially offset by increased funding in land banking transactions (investment in finance leases).

As at March 31, 2022, AUM was \$125.4 million, unfunded commitments were \$110.7 million and the Company had a cash balance of \$21.1 million. 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 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.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the three months ended March 31, 2022 have been filed and are available on SEDAR (www.sedar.com).

About Terra Firma

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

Non-IFRS Financial Measures

This press release refers to certain financial measures, including adjusted net income and comprehensive income and Total Investments, each as described below, which are not measures defined under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss or other measures of financial performance or financial position calculated in accordance with IFRS. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies. These measures have been derived from the Company's financial statements and disclosed herein because the Company believes they are of assistance in the understanding of the operational performance of the Company. Non-IFRS financial measures are commonly used by the financial community to analyze and compare the performance of companies engaged in the same industries and to help evaluate the trends more readily.

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

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

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

(3) Adjusted basic and diluted earnings per share for Q1 2022 were translated to CA\$ using the exchange rate of \$1.2648, respectively. Book Value per share was translated to CA\$ using the exchange rate \$1.2505.

(4) Assets under management ("AUM") are the assets managed by the Company on behalf of the Company's syndicate investors, as well as the Company's assets, and do not include capital commitments that have not yet been funded.

Note that further information concerning such non-IFRS financial measures, including reconciliations of such non-IFRS financial measures to the most directly comparable measure specified, defined or determined under IFRS for the periods indicated, can be found in the Company's Management's Discussion & Analysis for the three months ended March 31, 2022.

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

Forward-Looking Information

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

which may prove to be incorrect, including that the general economy, local real estate conditions and interest rates are stable, the absence of significant changes in government regulation, and the continued availability of equity and debt financing. There can be no assurances that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The cautionary statements qualify all forward-looking statements attributable to Terra Firma and persons acting on its behalf. Unless otherwise stated, all forward looking statements speak only as of the date of this Press Release and Terra Firma does not assume any obligation to update such statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities laws.

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Terra Firma Capital Corporation
Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the three months ended March 31, 2022 and 2021
(Unaudited)

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

Terra Firma Capital Corporation
Consolidated Statements of Financial Position
As at March 31, 2022 and December 31, 2021
(Unaudited)

	March 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 21,122,216	\$ 18,107,159
Funds held in trust	4,653,775	3,971,799
Amounts receivable and prepaid expenses	768,805	817,558
Loan and mortgage investments	40,229,047	47,007,834
Investment in finance lease	59,631,708	55,728,869
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
Right of use asset	807,163	851,833
Income taxes recoverable	349,374	459,474
Total assets	\$ 139,723,299	\$ 139,305,967
Liabilities		
Unearned income	315,172	373,622
Loan and mortgage syndications	20,539,227	22,043,144
Loans payable	64,306,573	63,053,210
Mortgages payable	1,014,370	1,018,183
Accounts payable and accrued liabilities	8,547,903	7,793,961
Credit facilities	(61,379)	(115,321)
Unsecured note payable	-	289,744
Lease obligations	839,574	881,314
Deferred income tax liabilities	332,387	388,890
Total liabilities	95,833,827	95,726,747
Equity		
Share capital	\$ 25,293,007	\$ 25,293,007
Contributed surplus	3,617,372	3,617,372
Foreign currency translation reserve	(6,885,398)	(6,885,398)
Retained earnings	21,864,491	21,554,239
Total equity	43,889,472	43,579,220
Total liabilities and equity	\$ 139,723,299	\$ 139,305,967