

TERRA FIRMA CAPITAL CORPORATION ANNOUNCES SECOND QUARTER 2023 FINANCIAL RESULTS

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

TORONTO, ONTARIO, August 29, 2023 -- 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 and six-month periods ended June 30, 2023.

Q2 2023 Financial Highlights:

- Total Assets of \$132.8 million
- Total Investments (a supplementary financial measure)⁽⁴⁾ of \$101.8 million
- Total Assets under management ("AUM," a non-IFRS financial measure)⁽³⁾ of \$105.7 million as compared to \$131.4 million as at December 31, 2022
- Future funding commitments of \$56.8 million as compared to \$109.0 million as at December 31, 2022
- Book Value per share decreased by 0.5% to \$7.93 (CA\$10.50, translated to CA\$ using the closing exchange rate of \$1.3242) per share
- CA\$0.06 per share paid in dividends
- Total Revenue decreased by 22.7%, as compared to Q2 2022, to \$2.9 million
- Net income and comprehensive income was \$0.05 million, a decrease of 81.0% as compared to Q2 2022
- Adjusted net income and comprehensive income (a non-IFRS financial measure)⁽¹⁾ of \$0.04 million, a decrease of 95.1% as compared to Q2 2022
- Basic and diluted earnings per share decreased by 80.0%, as compared to Q2 2022, to \$0.01 (CA\$0.01, translated to CA\$ using the average exchange rate of \$1.3430)
- Adjusted basic and diluted earnings per share (a non-IFRS financial measure)⁽²⁾ decreased by 92.3%, as compared to Q2 2022, to \$0.01 (CA\$0.01, translated to CA\$ using the exchange rate of \$1.3430)

Net income and comprehensive income attributable to common shareholders for the three months ended June 30, 2023, was \$0.05 million or \$0.01 per basic and diluted share compared with \$0.3 million or \$0.05 per basic and diluted share for the same period in the prior year. Net income and comprehensive income attributable to common shareholders for the six months ended June 30, 2023, was \$0.6 million or \$0.11 per basic and diluted share compared to \$0.8 million or \$0.15 per basic share and diluted share for the same period in the prior year. Overall, net income and comprehensive income was impacted by the Company's decision to pause business originations in the latter part of 2022 due to the market volatility, and by the Company's subsequent decision to explore strategic alternatives and to further increase the Company's liquidity.

For the three months ended June 30, 2023, the Company reported total revenue of \$2.9 million compared to \$3.8 million in the same period in the prior year, representing a decrease of \$0.9 million or 22.7%. Revenue for the six months ended June 30, 2023, was \$6.8 million as compared to \$7.6 million in the same period in the prior year, representing a decrease of \$0.8 million or 10.9%. The variance was due to the repayment for the three and six months ended June 30, 2023, of \$8.8 million and \$19.8 million, respectively, on certain loan and mortgage investments which included partial and full repayments. These repayments

were partially offset with the increase in funding related to existing loan and mortgage investments. The variance was also due to the Company recording an adjustment of \$0.3 million related to an early repayment discount on one of its loan and mortgage investments during the three months ended June 30, 2023.

General and administrative expenses for the three months ended June 30, 2023, were \$1.1 million compared to \$1.0 million for the same period in the prior year. General and administrative expenses for the six months ended June 30, 2023, were \$2.0 million compared to \$2.1 million for the same period in the prior year. The variance was primarily related to an increase in professional fees arising from the previously announced review of strategic alternative with no similar expenses incurred in the prior period. Partially offsetting the increase was a decrease in salary and benefits as there was no incentive compensation recorded in the current period compared to the prior period. Additionally, the decrease in salary and benefits was impacted by a lower head count compared to the comparative period which included the departure of the Company's former Chief Financial Officer & Corporate Secretary due to health reasons in the second quarter of 2022.

At June 30, 2023, the Company's liquidity position included a cash balance of \$25.2 million. During the second quarter of 2023, the Company's undrawn line of credit ("LOC") matured. Subsequent to the second quarter, the Company, in accordance with its extension options, renegotiated its LOC for a maximum amount of up to \$20.0 million including its accordion feature and a new maturity date of May 25, 2024. The Company's available capital is in excess of the Company's portion of the future funding commitments.

During the six months ended June 30, 2023, the Company's second debt fund (Debt Fund II) called additional capital of \$3.2 million from its investors which has been fully funded. As at June 30, 2023, total contributions to Debt Fund II from investors and the Company were \$43.8 million and \$5.1 million, respectively. To date, two investments within Debt Fund II were fully repaid. As at June 30, 2023, Debt Fund II had a combined total of 11 active investments.

Subsequent to June 30, 2023, the Company returned capital on its first debt fund (Debt Fund I) for a total of \$7.5 million to its investors and no further capital will be called on Debt Fund I. As at June 30, 2023, total contributions to Debt Fund I from investors and the Company were \$22.3 million and \$2.7 million, respectively. To date, four investments within Debt Fund I were fully repaid. As at June 30, 2023, Debt Fund I had a combined total of four active investments.

During the three months ended June 30, 2023, the Company continued with its review of strategic alternatives which includes consideration of merger and acquisition, privatization and liquidation alternatives. There is no definitive timeline of completion and there can be no assurance that the process will result in any transaction, or as to the timing of any such transaction. The Company does not intend to disclose developments related to the process unless and until the Company reaches a definitive agreement with respect thereto, or it otherwise determines that further disclosure is appropriate or required.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the three and six months ended June 30, 2023 have been filed and are available on SEDAR+ (www.sedarplus.ca).

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 And Other Supplementary Financial Measures

In this press release, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board, which do not have standard meanings prescribed by IFRS (collectively the "non-IFRS financial measures"). These non-IFRS and other supplementary financial measures are further described below.

Non-IFRS Financial Measures

- Adjusted net income and comprehensive income, for the stated period, is 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;
 - severance cost; and
 - the income tax impact of the items listed above.

	Three months ended			Six months ended		
	June 30, 2023	June 30, 2022	Change Increase / (decrease)	June 30, 2023	June 30, 2022	Change Increase / (decrease)
Net income and comprehensive income	\$ 49,027	\$ 258,103	\$ (209,076)	\$ 629,202	\$ 835,679	\$ (206,477)
Recovery of loan and mortgage investment loss,						
recovery of investment in finance lease loss (tax adjusted)	(16,587)	(12,524)	(4,063)	(45,549)	(44,211)	(1,338)
Fair value adjustment - convertible note receivable (tax adjusted)	28,766	-	28,766	56,522	-	56,522
Fair value adjustment - portfolio investment (tax adjusted)	-	(136,758)	136,758	-	(136,758)	136,758
Share based compensation (recovery) (tax adjusted)	(6,725)	104,873	(111,598)	148,950	6,246	142,704
Foreign exchange gain (tax adjusted)	(19,281)	129,742	(149,023)	(20,403)	93,070	(113,473)
Severance accrual (tax adjusted)	-	381,128	(381,128)	-	381,128	(381,128)
Adjusted net income and comprehensive income ⁽¹⁾	\$ 35,200	\$ 724,564	\$ (689,364)	\$ 768,722	\$ 1,135,154	\$ (366,432)

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

- Adjusted earnings per share is adjusted net income and comprehensive income divided by the weighted average number of outstanding shares and adjusted net income and comprehensive income divided by the weighted average number of diluted shares outstanding.
- 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.

	June 30, 2023	December 31, 2022
Loan and mortgage investments ⁽²⁾	\$ 34,353,065	\$ 46,162,027
Investment in finance leases ⁽²⁾	53,653,359	67,847,493
Portfolio investments	932,093	932,093
Investment in associates ⁽¹⁾	1,919,137	1,753,807
Investment property held in Joint Operations	1,673,841	1,636,518
Convertible note receivable	1,545,563	1,511,101
Syndicates investors' share of investment	11,600,000	11,600,000
Total AUM	\$ 105,677,058	\$ 131,443,039

(1) Investment in associates includes investment in Lan Partnership and TFCC Royal Palm Beach Inc.

(2) Before deducting the allowance for loan and mortgage investment loss at June 30, 2023 and December 31, 2022 of \$31,671 and \$50,948, respectively and before deducting the allowance for investment in finance lease loss at June 30, 2023 and December 31, 2022 of \$25,172 and \$67,866, respectively.

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 financial 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 financial measures should not be construed as alternatives to financial measures determined in accordance with IFRS as indicators of the Company's performance.

Supplementary Financial Measures

- Total Investments (excluding cash) consist of the loan and mortgage investments, investment in finance leases, portfolio investments, investment in associates, convertible note receivable and an investment property held in Joint Operations.

Note that further information concerning such non-IFRS and supplementary financial measures can be found in the Company's Management's Discussion & Analysis for the three and six months ended June 30, 2023.

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 to matters concerning the business, operations, strategy and financial performance of Terra Firma, and include statements concerning the strategy review process and the renewal of the LOC. 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 the ability of the Company to adapt to any changes in government regulation and/or economic conditions; and the continued availability of equity and debt financing, and the risks

referenced above. 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 and six months ended June 30, 2023 and 2022
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue				
Interest and fees	\$ 1,057,094	\$ 1,900,132	\$ 2,673,970	\$ 3,660,538
Finance income	1,845,981	1,863,375	4,049,525	3,889,913
Rental	40,281	42,618	80,416	86,031
	2,943,356	3,806,125	6,803,911	7,636,482
Expenses				
Property operating costs	13,621	14,553	27,132	29,624
General and administrative	1,124,597	958,192	1,995,494	2,061,728
Severance cost	-	524,577	-	524,577
Share based compensation (recovery)	(9,150)	142,685	202,653	8,498
Interest and financing costs	2,212,320	2,010,601	4,472,815	4,526,310
Allowance for (recovery of) loan and mortgage investment loss	111	(12,292)	(19,277)	(38,058)
Recovery of investment in finance lease loss	(22,678)	(4,747)	(42,694)	(22,093)
Realized and unrealized foreign exchange gain	(102,658)	(179,697)	(92,438)	(202,460)
Fair value adjustment - convertible note receivable	33,160	-	65,155	-
Fair value adjustment - portfolio investment	-	(186,065)	-	(186,065)
Share of income from investment in associates	(255,424)	(183,066)	(546,556)	(418,136)
	2,993,899	3,084,741	6,062,284	6,283,925
Income (loss) from operations before income taxes	(50,543)	721,384	741,627	1,352,557
Income taxes (recovery)	(99,570)	463,281	112,425	516,878
Net income and comprehensive income	\$ 49,027	\$ 258,103	\$ 629,202	\$ 835,679
Earnings per share				
Basic	\$ 0.01	\$ 0.05	\$ 0.11	\$ 0.15
Diluted	\$ 0.01	\$ 0.05	\$ 0.11	\$ 0.15

Terra Firma Capital Corporation
Consolidated Statements of Financial Position
As at June 30, 2023 and December 31, 2022
(Unaudited)

	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 25,237,791	\$ 16,636,083
Funds held in trust	3,719,925	5,960,395
Amounts receivable and prepaid expenses	1,038,185	916,225
Loan and mortgage investments	34,321,394	46,111,079
Investment in finance lease	53,628,187	67,779,627
Portfolio investments	932,093	932,093
Investment in associates	9,632,852	9,228,257
Investment property held in joint operations	1,673,841	1,636,518
Convertible note receivable	1,545,563	1,511,101
Right of use asset	533,678	596,603
Income taxes recoverable	195,222	67,571
Deferred income tax asset	292,647	21,085
Total assets	\$ 132,751,378	\$ 151,396,637
Liabilities		
Unearned income	\$ 60,050	\$ 669,950
Loan and mortgage syndications	13,465,670	16,034,041
Loans payable	66,894,980	79,847,824
Mortgages payable	887,708	895,492
Accounts payable and accrued liabilities	6,577,023	9,221,168
Credit facilities	-	(50,000)
Lease obligations	589,408	633,326
Total liabilities	88,474,839	107,251,801
Equity		
Share capital	25,364,104	25,364,104
Contributed surplus	3,610,540	3,607,129
Foreign currency translation reserve	(6,885,398)	(6,885,398)
Retained earnings	22,187,293	22,059,001
Total equity	44,276,539	44,144,836
Total liabilities and equity	\$ 132,751,378	\$ 151,396,637