Management's Discussion and Analysis

Timbercreek Mortgage Investment Corporation

For the year ended December 31, 2013

Timbercreek
Asset Management

Management's Discussion and Analysis

For the year ended December 31, 2013

FORWARD-LOOKING STATEMENTS

Forward-looking statement advisory

The terms, the "Company", "we", "us" and "our" in the following Management Discussion & Analysis ("MD&A") refer to Timbercreek Mortgage Investment Corporation (the "Company"). This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like "believe", "expects", "anticipates", "would", "will", "intends", "projected", "in our opinion" and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Company will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by the Manager, (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Company is able to invest in mortgages of a quality that will generate returns that meet and/or exceed the Company's targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in and the risks detailed from time to time in the Company's public disclosures.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Company and Timbercreek Asset Management Inc. (the "Manager") do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

This MD&A is dated March 5, 2014. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investments is available on the Manager's website at www.timbercreek.com. Additional information about the Company, including its Annual Information Form ("AIF"), can be found on the SEDAR website at www.sedar.com.

Management's Discussion and Analysis

For the year ended December 31, 2013

BUSINESS OVERVIEW

Timbercreek Mortgage Investment Corporation (the "Company") is incorporated under the laws of the Province of Ontario by Articles of Incorporation dated April 30, 2008. On September 13, 2013, in connection with the Transition as explained below, the Company filed articles of amendment effective as of September 13, 2013 (the "Effective Date"), to amend, among other things, certain provisions of the articles of the Company related to the rights attached to the existing Class A, Class B and voting shares, and provide for the creation of a new class of common shares for which all existing classes of redeemable shares will be exchanged. On November 29, 2013 (the "Exchange Date"), all issued and outstanding Class A and Class B shares were exchanged into common shares.

The Company invests in mortgage and loan investments selected and determined to be high quality by the Manager. The Company intends to qualify as a mortgage investment corporation ("MIC") as defined under Section 130.1(6) of the Income Tax Act (Canada).

The fundamental investment objectives of the Company are to:

- Preserve shareholder capital of the Company; and
- Provide shareholders with a stable stream of monthly dividends.

The Company intends on meeting its investment objectives by investing in a diversified portfolio of mortgage and loan investments, consisting primarily of conventional mortgage and loan investments secured directly by multi-residential, retirement homes, office, retail and industrial real property across Canada, primarily located in urban markets and surrounding areas.

Management's Discussion and Analysis

For the year ended December 31, 2013

TRANSITION TO PUBLIC COMPANY REGIME

On September 12, 2013, the Company received shareholder approval for the Company's transition (the "Transition") from the Canadian securities regulatory regime for investment funds to the regulatory regime for non-investment fund reporting issuers (the "Public Company Regime").

Beginning on the Effective Date, the Company is subject to, and files all continuous disclosure materials in compliance with the Public Company Regime requirements, which includes preparation of its financial statements in accordance with IFRS, along with a Management's Discussion and Analysis.

As part of the Transition, the Company provided a one-time special redemption right of up to 15% of the issued and outstanding shares of each class (the "Special Redemption"). The Company redeemed requests from holders of 1,674,568 Class A shares and 259,771 Class B shares for the Special Redemption. The total redemptions payable of $18,027 were paid on November 27, 2013. On the Exchange Date, the Company exchanged all of the 32,829,013 outstanding Class A shares and 3,887,053 outstanding Class B shares into a newly created class of common shares. The common shares commenced trading on the Toronto Stock Exchange ("TSX") on November 29, 2013, continuing under the symbol 'TMC', and the Class A shares ceased to trade after the close of market on November 28, 2013.

Effective September 13, 2013, the Company entered into a new management agreement with the Manager and terminated its management agreement with Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager. The Manager is responsible for the day-to-day operations and providing all general management, mortgage servicing and administrative services for the Company's mortgage and loan investments.

Additionally, Messrs. Ugo Bizzarri and Andrew Jones have been elected as additional directors of the Company.

In connection with the Transition, the Company has incurred total costs of $3.8 million, which includes soliciting dealer fees, soliciting broker fees, audit fees, legal fees and other related costs. The Manager elected to assume responsibility for $0.3 million of costs relating to the Transition.

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the year ended December 31, 2013 (the "Year"). This MD&A should be read in conjunction with the consolidated financial statements for the years ended December 31, 2013 and 2012 which are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The functional and reporting currency of the Company is Canadian dollars and unless otherwise specified, all amounts in this MD&A are in thousands of Canadian dollars, except per share and other non-financial data.

Copies of these documents have been filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR website at www.sedar.com.

NON-IFRS MEASURES

The Company prepares and releases 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 and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below. The Company has presented such non-IFRS measures because the Manager believes they are relevant measures of the ability of the Company to earn and distribute cash dividends to shareholders and to evaluate the Company's performance. These non-IFRS measures should not be construed as alternatives to net income (loss) and comprehensive income (loss) or cash flows from operating activities as determined in accordance with IFRS as indicators of the Company's performance.

- Expense ratio – represents total expenses (excluding financing costs, transition related costs and net operating loss on foreclosed properties held for sale) for the stated period expressed expressed as an annualized percentage of the average net mortgage and loan investment portfolio;
- Fixed expense ratio – represents total expenses (excluding performance fees, financing costs, transition related costs, impairment provision and net operating loss on foreclosed properties held for sale) for the stated period expressed as an annualized percentage of the average net mortgage and loan investment portfolio;
- Net mortgage investments – represent total mortgage and loan investments net of mortgage syndication liabilities and before adjustments for interest receivable and unamortized lender fees as at the reporting date.
- Average net mortgage and loan investment – represents the total net mortgage and loan investments divided by the total number of mortgage and loan investments at the reporting date;
- Average net mortgage and loan investment portfolio – represents the monthly average of the net mortgage and loan investment portfolio over the stated period;
- Weighted average interest rate – represents the weighted average interest rate on the net mortgage and loan investments at period end;
- Average lender fees – represents the cash lender fees received as a percentage of new net mortgage and loan investments funded during the stated period;
- Turnover ratio – represents total mortgage and loan repayments during the stated period expressed as a percentage of the average net mortgage and loan investment portfolio for the stated period; and
- Payout ratio – represents total dividends paid to the holders of redeemable shares and common shares divided by distributable income.

Management's Discussion and Analysis

For the year ended December 31, 2013

RECENT DEVELOPMENTS AND OUTLOOK

During the year ended December 31, 2013 (the "Year"), the Manager continued to view Canadian investment-grade real estate fundamentals as being stable and sustainable, contributing to an attractive lending environment.

Although REIT valuations in the public markets were more volatile, the demand for cash flowing properties remained strong, with little change to healthy underlying market fundamentals. There were minimal adjustments to average prices (based on capitalization rates) in most asset classes, with some asset classes, such as rental apartments and class A commercial properties, remaining generally flat.

There was a diminishing supply of mortgage capital in the second half of the Year as a result of institutional lenders meeting their annual allocations, and the continued lack of activity in the Commercial Mortgage Backed Securities market. In addition, there was less competition from non-bank lenders, as a result of substantially less new capital being raised in the public markets in comparison to 2012. In addition, certain publically traded non-bank lenders actually saw their availability of capital shrink as they were required to meet redemption requests from shareholders, further limiting the supply of non-bank mortgage financing. At the same time, deal flow remained healthy, allowing those with capital available to invest in high quality mortgage and loan investments with less pressure from competitors.

In the second half of the year, medium-term Canadian bond yields continued to rise, further narrowing the gap between institutional lenders' and non-bank lenders' cost of capital, making the non-bank lenders more competitive.

Given these factors and the resulting environment, the Manager is very comfortable that it can continue to meet the investment objectives of the Company, particularly as the Company is able to take advantage of its strategic relationship with Timbercreek Senior Mortgage Investment Corporation ("TSMIC") to offer flexible lending solutions to qualified borrowers.

Given the current availability of high quality mortgage and loan investments and general market trends observed by the Manager, there has been no need to modify the Company's Asset Allocation Model ("AAM") during the Year. The Manager and the Mortgage Advisory Committee ("MAC") continue to place emphasis on mortgage and loan investments secured by cash-flowing real estate assets, a geographically diversified portfolio and larger, individual mortgage and loan investments secured by institutional quality real estate assets. This strategy is expected to continue throughout 2014 and beyond.

In summary, the Company has been competitive and successful in establishing itself as a market leader in the non-bank mortgage sector in Canada. The Manager believes this success is a result of being conservative and selective in making mortgage and loan investments that meet the Company's investment objectives, while at the same time focusing on providing responsive, flexible and unique lending solutions to qualified borrowers.

Management's Discussion and Analysis

For the year ended December 31, 2013

FINANCIAL HIGHLIGHTS

The financial highlights of the Company are as follows:

	Three months ended		Year ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (as at)				
Mortgage and loan investments, including mortgage syndications	$ 442,166	$ 407,140	$ 442,166	$ 407,140
Total assets	$ 467,406	$ 408,895	$ 467,406	$ 408,895
Credit facility	$ –	$ 8,706	$ –	$ 8,706
Net assets attributable to Class A and B shareholders	$ –	$ 355,528	$ –	$ 355,528
Shareholders' equity	$ 336,568	$ –	$ 336,568	$ –
FINANCIAL INFORMATION (for the period ended)				
Dirstibutable income	$ 7,536	$ 6,451	$ 30,204	$ 29,505
Targeted dividend yield [1]	6.61%	6.59%	6.61%	6.61%
Actual dividend yield [2]	8.51%	7.40%	8.33%	7.68%
Closing trading price	$ 9.17	$ 10.16	$ 9.17	$ 10.16
Payout ratio	97.76%	112.82%	96.92%	98.97%
Net income per share (basic and diluted)	$ 0.17	–	$ 0.65	–
Adjusted net income per share (basic and diluted)	$ 0.20	–	$ 0.79	–
Dividends per share:				
Class A	$ 0.063	$ 0.189	$ 0.630	$ 0.780
Class B	$ 0.067	$ 0.201	$ 0.670	$ 0.828
Common	$ 0.134	$ –	$ 0.134	$ –
MORTGAGE AND LOAN INVESTMENTS INFORMATION [3]				
Net mortgage and loan investments	$ 317,154	$ 368,253	$ 317,154	$ 368,253
Average net mortgage and loan investment	$ 3,304	$ 4,783	$ 3,304	$ 4,783
Weighted average interest rate	9.81%	10.14%	9.81%	10.14%
Average lender fee	1.38%	1.67%	1.83%	1.71%
Turnover ratio	24.22%	13.48%	79.76%	80.07%

1 Targeted dividend yield equals the average 2-Year Government of Canada Bond Yield plus 550 basis points.

2 Actual dividend yield equals the total per share dividend for the stated perod for Class A shares and common shares divided by the trading close price for the stated period (annualized).

3 Refer to Non-IFRS Measures section, where applicable.

Management's Discussion and Analysis

For the year ended December 31, 2013

For the three months ended December 31, 2013 ("Q4 2013") and December 31, 2012 ("Q4 2012")

- The Company advanced 18 new mortgage investments (Q4 2012 – 13) totaling $51.8 million (Q4 2012 – $83.1 million), had additional advances on existing mortgage investments totaling $2.1 million (Q4 2012 – $4.5 million) and received full repayments on 11 mortgage investments (Q4 2012 – 10) and partial pay downs totaling $85.8 million (Q4 2012 – $47.6 million), resulting in net mortgage and loan investments of $317.2 million as at December 31, 2013 (December 31, 2012 – $368.3 million).
- Net interest income earned by the Company in Q4 2013 was $9.9 million (Q4 2012 – $9.8 million), an increase of $0.1 million, or 0.97%, over the same period last year.
- The Company received non-refundable lender fees of $0.7 million (Q4 2012 – $1.4 million) or 1.38% (Q4 2012 – 1.67%) of new mortgage and loan investments funded in Q4 2013.
- The Company generated income from operations of $6.8 million (Q4 2012 – $6.4 million), an increase of $0.5 million, or 7.8%, over the same period last year. The increase over the same period last year is a result of an increase in the average net mortgage and loan investment portfolio over the same period last year.
- Prior to the Transition, the Company paid dividends of $0.063 per Class A share for a total of $2.2 million (Q4 2012 – $0.189; $6.5 million) and $0.067 per Class B share for a total of $0.2 million (Q4 2012 – $0.201; $0.8 million).
- Subsequent to the Transition, the Company declared dividends of $0.13 per common share for a total $5.0 million (Q4 2012 – Nil).
- The Company redeemed requests from holders of 1,674,568 Class A shares and 259,771 Class B shares for the Special Redemption. The total redemption payable of $18.1 million was paid on November 27, 2013.
- On the Exchange Date, the Company exchanged all of the 32,829,013 outstanding Class A shares and 3,887,053 outstanding Class B shares into 36,964,028 common shares..
- In November 2013, the Company amended the terms of its revolving credit facility (the "Credit Facility") with its bank. Under the amended terms, the Company was provided a temporary bulge of $18.1 million to fund the Special Redemption. The bulge was repaid in full prior to December 31, 2013.

For the years ended December 31, 2013 (the "Year") and December 31, 2012 ("2012")

- The Company completed a non-brokered private placement of 508,647 Class B shares for gross proceeds of $5.0 million (2012 – 3,400,573; $34.0 million).
- The Company redeemed requests from holders of 1,674,568 Class A shares and 259,771 Class B shares for the Special Redemption. The total redemptions payable of $18.1 million were paid on November 27, 2013.
- On the Exchange Date, the Company exchanged all of the 32,829,013 outstanding Class A shares and 3,887,053 outstanding Class B shares into 36,964,028 common shares.
- During the Year, the Company advanced 69 new mortgage investments (2012 – 51) totaling $198.7 million (2012 – $295.4 million), had additional advances on existing mortgage investments of $42.6 million (2012 – $32.4 million) and received full repayments on 50 mortgage investments (2012 – 40) and partial pay downs totaling $283.1 million (2012 – $262.9 million), resulting in net mortgage and loan investments of $317.2 million (December 31, 2012 – $368.3 million) as at December 31, 2013.

- Net interest income earned by the Company for the Year was $39.7 million (2012 – $38.7 million), an increase of $1.1 million, or 2.8%, over the same period last year. The increase over the same period last year is a result of an increase in the average net mortgage and loan investment portfolio over the Year.
- The Company received non-refundable lender fees of $3.6 million (2012 – $5.1 million) or 1.83% (2012 – 1.71%) of new mortgage and loan investments funded in the Year.
- The Company generated income from operations of $25.5 million (2012 – $29.2 million), a decrease of $3.7 million, or 12.67%, from the same period last year. The decrease from the last year is mostly a result of incurring the one time transition related costs of $3.5 million and provision for mortgage and loan investments of $2.1 million.
- Prior to the Transition, the Company paid dividends of $0.630 per Class A share for a total of $21.9 million (2012 – $0.780; $25.8 million) and $0.670 per Class B share for a total of $2.4 million (2012 – $0.828; $3.4 million).
- Subsequent to the Transition, the Company declared dividends of $0.13 per Common Share for a total $5.0 million (Q4 2012 – Nil).
- The Company's actual dividend yield of 8.33% (2012 – 7.68%) exceeded its targeted dividend yield of the 2-Year Government of Canada Bond Yield ("2-Yr GOC Yield") plus 550 basis points of 6.61% for the year ended December 31, 2013 (December 31, 2012 – 6.61%).
- On February 24, 2014 the Company closed on an unsecured convertible debenture offering for gross proceeds of $30.0 million. The unsecured convertible debentures mature on March 31, 2019 and pay interest semi-annually on March 31 and September 30 of each year at rate of 6.35%. On February 27, 2014, the underwriters exercised the over-allotment option for an additional $4.5 million.
- On January 20, 2014 the Board of Directors appointed Andrew Jones as Chief Executive Officer of the Company, effective immediately, to replace Blair Tamblyn. Blair Tamblyn will remain as Chairman of the Board of Directors.

ANALYSIS OF FINANCIAL INFORMATION FOR THE YEAR

Distributable income

	Year ended December 31, 2013	Year ended December 31, 2012
Net income (loss) and comprehensive income (loss)	$ 507	$ (402)
Less: amortization of lender fees	(4,266)	(4,525)
Add: one-time Transition related costs	3,530	–
Add: lender fees received during the year	3,633	5,055
Add: amortization of financing costs	144	149
Add: issuance cost of redeemable shares	3	27
Add: net operating loss from foreclosed properties held for sale	182	–
Add: provision for mortgage and loan investments loss	2,150	–
Add: dividends to shareholders	24,321	29,201
Distributable income	**30,204**	**29,505**
Less: Dividends to holders of redeemable shares	(24,321)	(29,201)
Less: Dividends to common shareholders	(4,953)	–
(Over) / under distributions	**$ 930**	**$ 304**
Payout ratio	96.92%	98.97%
Turnover ratio	79.76%	80.07%

The distributable income reconciliation above provides a link between the Company's IFRS reporting requirements, and its ability to generate recurring profit for dividends.

Statements of income (loss) and comprehensive income (loss)

	Three months ended December 31, 2013	Three months ended December 31, 2012	% Change	Year ended December 31, 2013	Year ended December 31, 2012	% Change
Net interest income	$ 9,926	$ 9,831	1.0%	$ 39,731	$ 38,655	2.8%
Expenses	(3,082)	(3,481)	(27.3%)	(14,244)	(9,477)	50.3%
Income from operations	6,844	6,350	16.4%	25,487	29,178	(12.6%)
Net operating loss from foreclosed properties held for sale	(182)	–	–	(182)	–	–
Financing costs:						
Interest on credit facility	(195)	(91)	(114.4%)	(475)	(352)	(34.9%)
Issuance costs of redeemable shares	(3)	(10)	(73.2%)	(3)	(27)	(90.0%)
Dividends to holders of redeemable shares	(2,414)	(7,278)	(66.8%)	(24,321)	(29,201)	(16.7%)
Net income (loss) and comprehensive income (loss)	**$ 4,050**	**$ (1,029)**	**547.4%**	**$ 506**	**$ (402)**	**225.8%**

Net interest income [1]

The Company earned net interest income for the three months and year ended December 31, 2013 of $9.9 million (Q4 2012 – $9.8 million) and $39.7 million (2012 – $38.7 million), respectively. Net interest income is made up of the following:

(a) Interest income

For the three months and year ended December 31, 2013, the Company earned $8.7 million and $34.9 million (Q4 2012 – $8.6 million; 2012 – $33.2 million) in interest income on the net mortgage and loan investments, respectively. The weighted average interest rate on the net mortgage and loan investments decreased slightly over the Year, to 9.81% at December 31, 2013 from 10.14% at December 31, 2012. While the average net mortgage and loan investment decreased over the Year, it is still within the Company's targeted range.

[1] For analysis purposes, net interest income and its component parts are discussed net of payments made on account of mortgage syndications to provide the reader with a more representative reflection of the Company's performance.

(b) Lender fee income

During the three months and year ended December 31, 2013, the Company received non-refundable lender fees of $0.7 million and $3.6 million (Q4 2012 – $1.4 million; 2012 – $5.1 million), or 1.38% and 1.83% (Q4 2012 – 1.67%; 2012 – 1.71%) of new net mortgage and loan investments funded in the respective periods. These lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income. For the three months and year ended December 31, 2013, $1.0 million and $4.3 million (Q4 2012 – $1.2 million; 2012 – $4.5 million) of non-refundable lender fees were amortized to lender fee income. The lender fees generated by the Company continue to be a significant component of income resulting from mortgage turnover, unlike other competing mortgage investment corporations, ensuring management interests are aligned with the Company.

(c) Other income

For the three months and year ended December 31, 2013, the Company earned $0.3 million and $0.5 million (Q4 2012 – $0.03 million; 2012 – $0.9 million) in other income. Other income includes fees earned on net mortgage and loan investment fundings, prepayment penalties and exit fees earned on mortgage and loan investment repayments and other miscellaneous fees. The Manager does not retain any portion of fees, thus maximizing the income of the Company.

Expenses

For the three months and year ended December 31, 2013, the Company's expense ratio[2] was 2.2% and 2.4% (Q4 2012 – 3.9%; 2012 – 2.9%), including a fixed expense ratio[2] of 1.8% and 1.9% (Q4 2012 – 2.1%; 2012 – 2.1%), respectively. As the Company continues to grow its mortgage and loan investments portfolio, its expense ratio will decrease as several of the operating costs of the Company do not increase in proportion to the size of the Company.

Management fees

(a) Management fees

As part of the Transition, the Company has entered into a new management agreement with Timbercreek Asset Management Inc. (the "Manager") and terminated its management agreement with Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager. Under the new management agreement, the Company pays the Manager an annual management fee of 1.20% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. The gross assets are calculated as the total assets of the Company before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities related to syndicated mortgage investments.

For the three months and year ended December 31, 2013, the Company incurred management fees of $1.2 million and $5.0 million (Q4 2012 – $1.2 million; 2012 – $4.8 million). The management fee has increased due to an increase in the average net mortgage and loan investment portfolio over the Year.

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[2] Defined in Non-IFRS Measures section.

(b) Performance fees

Under the new management agreement, the Manager continues to be entitled to a performance fee. In any calendar year where the Company has net earnings available for distribution to shareholders in excess of the hurdle rate (the "Hurdle Rate"), which is defined as the average two-year Government of Canada Bond Yield for the 12-month period then ended plus 450 basis points, the Manager is entitled to receive from the Company a performance fee equal to 20% of the net earnings of the Company available to distribute over the Hurdle Rate. The net earnings of the Company shall mean the net income before performance fees of the Company in accordance with applicable accounting principles and adjusted for certain other non-cash adjustments as defined in the management agreement. The performance fee is payable to the Manager within 15 days of the issuance of the Company's audited financial statements for that calendar year.

During the Year, the Manager accrued a Performance Fee of $2.0 million (2012 – $2.5 million). The annualized Hurdle Rate for the Year was 5.61% (2012 – 5.61%).

Trailer fees

In conjunction with the shareholder approval for the Transition, the Company is no longer required to pay trailer fees to the brokers effective for the quarter ended September 30, 2013. Prior to Q3 2013, the Company paid each registered dealer a trailer fee equal to 0.50% annually of the net redemption value per Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter. For the Year, the Company incurred trailer fees of $0.7 million (2012 – $1.4 million) for Class A shares.

Transition related costs

In connection with the Transition, the Company incurred a one-time expense of $3.8 million, which includes soliciting dealer fees of $2.5 million, soliciting broker fees of $0.7 million and audit, legal and other related fees of $0.6 million. The Manager elected to assume responsibility for $0.3 million of costs relating to the Transition.

General and administrative

For the three months and year ended December 31, 2013, the Company incurred general and administrative expenses of $0.4 million and $0.9 million (Q4 2012 – $0.3 million; 2012 – $0.8 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees and other operating costs associated with operating the Company and administration of the mortgage and loan investement portfolio. The operating expenses ratio equates to 0.3% of the average net mortgage and loan investments portfolio for the Year (2012 – 0.2%). The increase is mainly due to costs associated with additional reporting requirements.

Interest on credit facility

Financing costs include interest paid on amounts drawn on the Credit Facility, stand-by fees charged on unutilized Credit Facility amounts and amortization of financing costs which were incurred on closing of the Credit Facility. Financing costs for the three months and year ended December 31, 2013 were $0.09 million and $0.5 million (Q4 2012 - $0.09 million and 2012 – $0.4 million).

Issuance costs of redeemable shares

As the Class A and B shares were classified as liabilities under IFRS, the issuance costs associated with periodic equity offerings were recorded as financing costs and were recognized in profit and loss. For the Year, the Company incurred issuance costs of $3 (2012 – $27) relating to the issuance of Class B shares on total gross proceeds of $5.0 million (2012 – $34.0 million). The issuance costs include legal, professional and other costs relating to the offering.

Dividends to holders of redeemable shares and common shares

The Company intends to pay dividends to shareholders on a monthly basis within 15 days following the end of each month. Below is a summary of the dividends to holders of redeemable shares and to common shareholders for the three months and year ended December 31, 2013 and 2012.

	Three months ended December 31, 2013		Year ended December 31, 2013	
	Dividends per share	Total	Dividends per share	Total
Class A	$ 0.063	$ 2,170	$ 0.630	$ 21,876
Class B	0.067	244	0.670	2,445
Common	0.134	4,953	0.134	4,953

	Three months ended December 31, 2012		Year ended December 31, 2012	
	Dividends per share	Total	Dividends per share	Total
Class A	$ 0.189	$ 6,523	$ 0.780	$ 25,793
Class B	0.201	755	0.828	3,408
Common	–	–	–	–

The current dividend yield of 8.33% on combined Class A and common shares, (based on the closing market price of common shares at the reporting date) is in excess of the Company's targeted dividend yield of 6.61% (2-Yr GOC Yield plus 550 basis points).

STATEMENT OF FINANCIAL POSITION

Mortgage and loan investments

The balance of net mortgage and loan investments is as follows:

	December 31, 2013	December 31, 2012	Change
Net mortgage and loan investments	$ 317,154	$ 368,253	$ (51,099)
Interest receivable	4,691	4,620	71
	321,845	372,873	(51,028)
Unamortized lender fees	(3,508)	(4,141)	633
Provision for mortgage and loan investments	**(550)**	–	**(550)**
	$ 317,787	**$ 368,732**	**$ (50,945)**

During the Year, the Company advanced 69 new mortgage investments (2012 – 51) totaling $198.7 million (2012 – $295.4 million), had additional advances on existing mortgage investments of $42.6 million (2012 – 32.4 million) and received full repayments on 50 mortgage investments (2012 – 40) and partial pay downs totaling $283.1 million (2012 – $262.9 million, resulting in net mortgage and loan investments of $317.2 million (December 31, 2012 – $368.3 million) as at December 31, 2013, or a portfolio turnover rate of 79.8% (2012 – 80.1%). As at December 31, 2013, the average net mortgage and loan investment was approximately $3.3 million (December 31, 2012 – $4.8 million), a reduction over the Year as the Company continues to share mortgage investments with TSMIC and other third party lenders, which results in a lower exposure to individual mortgage investments. Further, the new net mortgage and loan investments for the Year equate to approximately 62.7% of the Company's net mortgage and loan investments at year end (December 31, 2012 – 80.2%).

The Company enters into certain mortgage participation agreements with mainly third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position. These agreements generally provide an option to the Company to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. During the Year, the non-recourse mortgage syndications have increased to $124.4 million (December 31, 2012 – $38.4 million), as the Company is expanding its relationships with various lenders. These syndications provide the Company with flexibility through the ability to buy-back the existing investments at a future date if desired.

Net mortgage and loan investment portfolio allocation

As at December 31, 2013, the Company's mortgage and loan investments portfolio is comprised of 96 mortgage investments (December 31, 2012 – 77) which were allocated across the following categories:

(a) Security Position

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage and Loan Investments	# of Loans	% of Net Mortgage and Loan Investments
First mortgages	72	61.1%	49	48.5%
Non-first mortgages	24	38.9%	28	51.5%
	96	**100.0%**	**77**	**100.0%**

The Company's allocation of first vs. non-first mortgages has changed moderately from December 31, 2012 to December 31, 2013 with a 12.6% change in the portfolio allocation between these two positions at Year end. For the Year, the Company co-invested in several mortgage investments with TSMIC and holds subordinate mortgage positions in these co-investments in relation to TSMIC.

(b) Region

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage and Loan Investments	# of Loans	% of Net Mortgage and Loan Investments
ON	47	51.4%	37	43.4%
AB	15	12.6%	7	13.7%
QC	14	13.7%	13	19.2%
BC	9	14.5%	9	7.0%
SK	5	3.3%	6	3.1%
MB	3	2.5%	4	9.1%
OT	2	1.1%	1	4.5%
NS	1	0.9%	0	0.0%
	96	**100.0%**	**77**	**100.0%**

The Company continues to maintain a diversified portfolio of net mortgage and loan investments primarily across Canada, with its greatest concentration in Canada's largest provinces. As at December 31, 2013 92.2% (December 31, 2012 – 83.3%) of the net mortgage and loan investments were allocated across Ontario, Quebec, British Columbia and Alberta. The Company has continued to maintain significant exposure to Ontario as it has benefited from sourcing mortgages secured by high-quality, cash flowing multi-family residential, retirement and office assets in good markets, with multiple repeat borrowers with proven track records.

(c) Maturity

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage and Loan Investments	# of Loans	% of Net Mortgage and Loan Investments
Maturing 2013	–	–	38	32.2%
Maturing 2014	38	32.0%	24	33.2%
Maturing 2015	41	51.3%	13	27.0%
Maturing 2016	16	15.1%	2	7.6%
Maturing 2017	1	1.6%	–	0.0%
	96	**100.0%**	**77**	**100.0%**

The Company's portfolio turnover rate for the Year was strong at 79.76% (December 31, 2012 – 80.07%). The Company's strong portfolio turnover helps generate fee income, all of which goes to the Company, and helps ensure the Company is able to respond quickly to a changing interest rate environment. The weighted average term to maturity as at December 31, 2013 is 2.2 years (December 31, 2012 – 2.9 years), in-line with the portfolio's target maturity of 1.5 – 3.0 years.

(d) Asset Type

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage and Loan Investments	# of Loans	% of Net Mortgage and Loan Investments
Multi-residential	36	51.7%	27	37.0%
Office	15	13.6%	8	7.6%
Retail	14	13.2%	15	21.8%
Retirement	8	12.5%	9	15.9%
Industrial	7	1.8%	6	5.5%
Unimproved land	6	4.1%	5	4.2%
Other-residential	4	0.9%	5	7.9%
Hotels	2	1.2%	0	0.0%
Self-storage	2	0.7%	0	0.0%
Single-family residential	2	0.3%	2	0.1%
	96	**100.0%**	**77**	**100.0%**

The Company has developed a lending niche predominantly targeting short-term mortgages, secured by cash-flowing assets, while specializing in multi-residential real estate assets. Historically, the Company has had very little exposure to land development, single-family residential, construction mortgages and construction loans, where demand is largely impacted by the strength or weakness of the Canadian housing market.

(e) Interest Rate

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage and Loan Investments	# of Loans	% of Net Mortgage and Loan Investments
9.99% or lower	47	59.3%	24	43.2%
10.00%–10.99%	23	22.7%	25	38.1%
11.00%–11.99%	17	12.3%	16	13.5%
12.00%–12.99%	4	2.8%	6	3.9%
13.00%–13.99%	3	0.3%	4	0.9%
14.00% or greater	2	2.6%	2	0.4%
	96	**100.0%**	**77**	**100.0%**

The weighted average interest rate, excluding lender fee income, on the mortgage investments at December 31, 2013 was 9.81% (December 31, 2012 – 10.14%). Although the weighted average interest rate has slightly decreased over the Year, it is still significantly greater than the Company's target dividend return for the Year of 6.61% (December 31, 2012 – 6.61%), equal to the 2-Yr GOC Yield plus 550 basis points, while providing sufficient margin for operating expenses of the Company.

(f) Loan-to-value

	December 31, 2013		December 31, 2012	
	# of Loans	% of Net Mortgage and Loan Investments	# of Loans	% of Net Mortgage and Loan Investments
55% or less	26	15.1%	12	9.4%
56%–60%	6	3.0%	3	2.5%
61%–65%	9	5.1%	6	4.3%
66%–70%	11	9.8%	13	10.3%
71%–75%	10	13.1%	11	27.3%
76%–80%	13	19.1%	15	20.9%
81%–85%	21	34.8%	17	25.3%
	96	**100.0%**	**77**	**100.0%**

The loan-to-value on the mortgage and loan investment portfolio at December 31, 2013 was 61.7% (December 31, 2012 – 69.5%), well below the AAM's ceiling of 85%.

Foreclosed properties held for sale

During the Year, the Company foreclosed on two properties and reclassified the carrying amount of the outstanding principal, interest receivable and related impairment provision on the underlying security, as of the dates of foreclosure, to foreclosed properties held for sale. The fair value of the foreclosed properties held for sale as at December 31, 2013 is $11.4 million (December 31, 2012 – nil), which is based on valuations by independent external appraisers accredited by professional institutes with recent experience in the location of the properties being valued. The Company has engaged a third party manager to operate the properties while they are held for sale.

Provision for mortgage and loan investments loss

For the three months and year ended December 31, 2013 the Company has recognized an impairment provision of $950,000 and $2,150,000 (Q4 2012 – Nil, 2012 – Nil) relating to impaired mortgage investments, which represents the total amount of the Manager's estimate of the shortfall between the principal balances and accrued interest and the estimated recoverable amount of the underlying security of the mortgage investment. Overall, this provision exquates to approximately 0.68% of the net mortgage and loan investments and foreclosed properties held for sale of the Company. During the Year, the Company foreclosed two properties and $1.6 million was reclassified from impairment provision to foreclosed closed properties held for sale.

Net working capital

The net working capital increased by $11.9 million to $12.0 million at December 31, 2013 from $0.1 million at December 31, 2012, mainly due to the cash on hand from the repayment of the loan investment in December 2013. The Company has available its Credit Facility to manage its working capital while ensuring idle cash is minimized.

Credit facility

In November 2013, the Company amended the terms of its Credit Facility with its bank. Under the amended terms, the Company was provided a temporary bulge of $18.1 million to fund the Special Redemption. The bulge was repaid in full prior to December 31, 2013. Following repayment of the bulge the Credit Facility limit was $25.0 million (December 31, 2012 – $25.0 million). The Credit Facility is primarily used to bridge timing differences between new mortgage and loan advances and repayments or follow-on equity offerings. The Credit Facility expires in October 2014 and is subject to an interest rate equal to the bank's prime rate of interest plus 1.50% (December 31, 2012 – bank's prime rate of interest plus 1.50%). The Credit Facility is secured by a general security agreement over the Company's assets. As at December 31, 2013, no amount was outstanding on the Credit Facility (December 31, 2012 – $8.8 million).

Interest paid related to the Credit Facility is amortized to financing costs using the effective interest rate method. For the year ended December 31, 2013, interest on the Credit Facility of $0.5 million (December 31, 2012 –$0.4 million), was amortized to financing costs.

As at December 31, 2013, there were $0.1 million (December 31, 2012 – $0.1 million) in unamortized financing costs related to the Credit Facility. For the year ended December 31, 2013, the Company has amortized financing costs of $0.1 million (2012 – $0.1 million) respectively, to interest expense using the effective interest rate method.

Net assets attributable to holders of redeemable shares

Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem the shares for cash or another financial asset, to be classified as a financial liability. Prior to the Transition, the Company's Class A and Class B shares did not meet the criteria in IAS 32 for classification as equity and therefore, were classified as financial liabilities. In addition, the dividends and issuance costs related to these shares were also presented as financing costs in the statement of net income (loss) and comprehensive income (loss). Subsequent to the Transition, as described in the 'Transition to Public Company Regime' section of this MD&A, Class A and Class B shares were exchanged into common shares and are classified as shareholders' equity.

During the Year, the Company completed a non-brokered private placement of 508,647 Class B shares, for gross proceeds of $5.0 million (2012 – 3,400,573; $34.0 million).

Dividend reinvestment plan

As part of the Transition, the Company has amended and restated its dividend reinvestment plan ("DRIP") effective as of November 20, 2013. The amended and restated DRIP (the "Amended DRIP") replaces in its entirety the original DRIP (the "Original DRIP") established by the Company on May 19, 2010.

The Amended DRIP provides eligible beneficial and registered holders of common shares of the Company with a means to reinvest dividends declared and payable on such common shares in additional common shares.

Under the Amended DRIP, shareholders may enroll to have their cash dividends reinvested to purchase additional common shares. The common shares are issued from treasury at a price of 95% of the average of the daily volume weighted average closing price on the TSX for the 5 trading days preceding payment, the price of which will not be less than the book value per commons.

During the Year, 393,522 (2012 – 388,288) Class A shares were issued under the Original DRIP using reinvested dividends of $3.7 million (2012 – $3.9 million) and 35,250 (2012 – nil) common shares were issued under the Amended DRIP using reinvested dividends of $0.3 million. Of these, 194,948 Class A shares and 35,250 common shares were acquired from the market under the DRIP.

Normal course issuer bid

On June 6, 2013, the Company received the approval of the TSX to commence a normal course issuer bid (the "NCIB") to purchase for cancellation up to 3,476,193 Class A shares; representing approximately 10% of the Class A shares float on June 4, 2013. The purchases were limited, during any 30-day period during the term of the NCIB to 695,458 Class A shares in the aggregate. The NCIB commenced on June 18, 2013, and provides the Company with the flexibility to repurchase Class A shares for cancellation, with an expiry date of June 9, 2014, or such earlier date as the NCIB is complete. From June 18, 2013 to November 29, 2013, the date of the exchange of the Company's Class A shares to common shares, the Company purchased for cancellation 362,800 Class A shares at a cost of $3,352. Following the exchange of the Class A Shares, further purchases pursuant to a NCIB will require the re-filing of certain documentation with the TSX in respect of the common shares.

Common shares

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company. The holders of the common shares shall be entitled to receive dividends as and when declared by the board of directors.

The common shares are classified as equity in the statements of financial position. Any incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

The changes in the number of common shares are as follows:

Year ended December 31, 2013	December 31, 2013
Common shares issued as a result of exchange	36,964,028
Repurchased	(35,250)
Issuance of common shares under Amended DRIP	35,250
Common shares outstanding, end of year	**36,964,028**

QUARTERLY FINANCIAL INFORMATION

The following is a quarterly summary of the Company's results for the eight most recently completed quarters:

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Net interest income	$ 9,926	$ 9,889	$ 9,397	$ 10,520	$ 9,831	$ 10,200	$ 9,677	$ 8,947
Expenses	(3,082)	(5,622)	(2,690)	(2,851)	(3,481)	(2,173)	(2,023)	(1,800)
Income from operations	6,844	4,267	6,707	7,669	6,350	8,027	7,654	7,147
Net operating loss from FPHFS	(182)							
Financing costs:								
Interest on credit facility	(195)	(98)	(91)	(90)	(91)	(87)	(82)	(93)
Issuance costs of redeemable shares	(3)	-	-	-	(10)	59	(69)	(7)
Dividends to holders of redeemable shares	(2,414)	(7,299)	(7,311)	(7,297)	(7,278)	(7,263)	(7,701)	(6,959)
	(2,612)	(7,397)	(7,402)	(7,387)	(7,379)	(7,291)	(7,852)	(7,059)
Net income (loss) and comprehensive income (loss)	**$ 4,050**	**$ (3,130)**	**$ (695)**	**$ 282**	**$ (1,029)**	**$ 736**	**$ (198)**	**$ 88**

The variations in net income (loss) by quarter are attributed to the following:

(i) Since Q1 2012, the Company has raised gross proceeds of approximately $39.0 million and the related issuance costs incurred were expensed in profit and loss in the period raised. Further, the proceeds from these offerings have been used to fund net mortgage and loan investments, the timing of which typically occur around periodic offerings and existing investment maturities, which vary throughout the years;

(ii) The dividends to holders of redeemable shares were presented in the statement of income (loss) and comprehensive income (loss) through October 2013, with the dividends to common shareholders now presented in the statement of changes in equity from the Exchange Date to December 31, 2013.

RELATED PARTY TRANSACTIONS

As at December 31, 2013, due to Manager includes management and performance fees payable of $2,347 (December 31, 2012 – $2,461) and $3 (December 31, 2012 - $9) related to costs incurred by the Manager on behalf of the Company.

As at December 31, 2013, the Company, Timbercreek Global Real Estate Fund ("TGREF") and Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), related parties by virtue of common management, have co-invested in three (December 31, 2012 – two) mortgage investments amounting to $21,210 (December 31, 2012 – $29,850). On December 24, 2013, the loan investment which was co-invested in by these related parties was repaid in full, leaving a balance of nil (December 31, 2012 – $16,521) as at December 31, 2013. As at December 31, 2013, no amount (December 31, 2012 – $213) is receivable from T4Q and no amount (December 31, 2012 – $44) is payable to TGREF in relation to these investments. Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manger, has been retained by TGREF and T4Q to provide fund management and portfolio advisory services.

As at December 31, 2013, the Company and Timbercreek Senior Mortgage Investment Corporation ("TSMIC"), a related party by virtue of common management, have co-invested in several mortgage investments, totaling $681,961 (December 31, 2012 – $392,870), which are secured primarily by multi-residential, office, retail, retirement and other commercial properties. The Company holds subordinated positions in these co-investments in relation to TSMIC. The Company's net share in these investments is $215,999 (December 31, 2012 – $86,202), and included in this amount is a mortgage investment of $1,044 to a limited partnership, which is co-owned by T4Q. In addition, $281 (December 31, 2012 – $4) is receivable by the Company from TSMIC relating to amounts paid on behalf of the Company.

As at December 31, 2013, the Company, T4Q and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co-invested in a mortgage investment secured by a retail property. The Company's share in this mortgage investment is $667 (December 31, 2012 – $4,000).

As at December 31, 2013, included in other assets is $1,040 (December 31, 2012 – nil) of cash held in trust for the Company by Timbercreek Mortgage Servicing Inc., a related party by virtue of common management. The balance relates to mortgage funding holdbacks and prepaid interest received from the borrowers.

The Manager has borne total costs of $250 relating to the Transition and are not included in the Transition related costs in the statement of income (loss) and comprehensive income (loss).

COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgages and loans. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company's financial position.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The critical accounting estimates and judgments have been set out in detail in note 2 of the Company's consolidated financial statements for the year ended December 31, 2013.

FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014 and have not been applied in preparing the consolidated financial statements of the Company. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) IFRS 9, Financial instruments, ("IFRS 9"):

In November 2009 the IASB issued IFRS 9, Financial Instruments (IFRS 9 (2009)), and in October 2010 published amendments to IFRS 9 (IFRS 9 (2010)). IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The mandatory effective date is not yet determined. The extent of the impact of adoption of these amendments has not yet been determined.

(ii) IAS 32, Financial Instruments: Presentation ("IAS 32"):

In December 2011, the IASB published Offsetting Financial Assets and Financial Liabilities and issued new disclosure requirements in IFRS 7. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. The Company intends to adopt the amendments to IAS 32 in its consolidated financial statements for the annual period beginning January 1, 2014. The Company does not expect the implementation of this standard to have a significant impact on the consolidated financial statements.

(ii) Levies

In 2013, the International Accounting Standards Board (IASB) issued IFRIC 21, "Levies" ("IFRIC 21"). The IFRIC addresses accounting for a liability to pay a levy within the scope of IAS 37, "Provisions, contingent liabilities and contingent assets" ("IAS 37"). A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The Company is currently assessing the impact of the new interpretation on its consolidated financial statements.

OUTSTANDING SHARE DATA

As at March 5, 2013, the Company's authorized capital consists of an unlimited number of common shares, of which 36,964,028 are issued and outstanding.

CAPITAL STRUCTURE AND LIQUIDITY

Capital structure

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company defines its capital structure to include common shares and the Credit Facility.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage and loan investment opportunities, the availability of capital and anticipated changes in general economic conditions.

Liquidity

Access to liquidity is an important element of the Company as it allows the Company to implement its investment strategy. The Company intends to qualify as a MIC as defined under Section 130.1(6) of the Income Tax Act (Canada) and as a result is required to distribute not less than 100% of the taxable income of the Company to its shareholders. The Company manages its liquidity position through various sources of cash flows including cash generated from operations, equity offerings and the Credit Facility. The Company routinely forecasts cash flow sources and requirements to ensure cash is efficiently utilized. In addition, the Company has the borrowing ability of $25.0 million through its Credit Facility and seeks manage the fluctuations in cash flows as a result of the timing of mortgage and loan investment fundings and repayments and other working capital needs. Of note, the Credit Facility was utilized by the Company to assist with funding the Special Redemption.

The following are the contractual maturities of financial liabilities as at December 31, 2013, including expected interest payments:

	Carrying Values	Contractual cash flows	Within a year	Following year	3–5 years	Over 5 years
Mortgages funding holdbacks	$ 29	$ 29	$ 29	$ –	$ –	$ –
Dividends payable	2,477	2,477	2,477	–	–	–
Due to Manager	2,350	2,350	2,350	–	–	–
Prepaid mortgage and loan interest	1,012	1,012	1,012	–	–	–
Accounts payable and accrued expenses	592	592	592	–	–	–
Unadvanced mortgage and loan commitments	–	61,564	61,564	–	–	–
	$ 6,460	**$ 68,024**	**$ 68,024**	**$ –**	**$ –**	**$ –**

As at December 31, 2013, the Company's cash position was $12.3 million (December 31, 2012 – $0.9 million) including an undrawn Credit Facility of $25.0 million (December 31, 2012 – $16.2 million). The Company is confident that it will be able to finance its operations using the cash flow generated from operations, the Credit Facility and the proceeds raised in subsequent offerings.

FINANCIAL INSTRUMENTS

The Company has designated its financial instruments as follows:

	Classification	Measurement
Financial assets		
Mortgage and loan investments, including mortgage syndications	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Credit facility	Other financial liabilities	Amortized cost
Non-recourse mortgage syndication liabilities	Other financial liabilities	Amortized cost
Prepaid mortgage and loan interest	Other financial liabilities	Amortized cost
Mortgage funding holdbacks	Other financial liabilities	Amortized cost
Due to Manager	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

The fair values of restricted cash, other assets, credit facility, accounts payable and accrued expenses, mortgage funding holdbacks, dividends payable and due to Manager approximate their carrying amounts due to their short-term nature.

The fair value of mortgage and loan investments and mortgage syndication liabilities approximate to their carrying values given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

The Company's use of financial instruments exposes the Company to various related risks which are outlined in note 17 of the consolidated financial statements of the Company.

RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties that may affect the Company's future performance and its ability to execute on its investment objectives. We have processes and procedures in place in an attempt to control or mitigate certain risks, while other risks cannot be or are not mitigated. Material risks that cannot be mitigated include a significant decline in the general real estate market, interest rates changing markedly, being unable to make mortgage and loan investments at rates consistent with rates historically achieved, not having adequate mortgage and loan investment opportunities presented to us, and not having adequate sources of bank financing available.

For a full discussion of the risks and uncertainties, please also refer to the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2013.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO on a timely basis so appropriate decisions can be made regarding public disclosures.

The preparation of this information is supported by a set of disclosure controls and procedures ("DC&P") implemented by management. In fiscal 2013, these controls and procedures were reviewed and the effectiveness of their design and operation was evaluated. This evaluation confirmed the effectiveness of the design and operation of disclosure controls and procedures as at December 31, 2013. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework adopted by the Company and the requirements of National Instrument 52-109 of the Canadian Securities Administrators titled, Certification of Disclosure in Issuers' Annual and Interim Filings.

The Company continues to review the design of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is properly communicated to certifying officers responsible for establishing and maintaining disclosure controls and procedures, as those terms are defined in National Instrument 52-109 certification of disclosure in issuers' annual and interim filings as at December 31, 2013. The Company confirmed the effectiveness of the design of Internal Controls over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements and information the Company may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business.

There were no changes made in the Company's internal controls over financial reporting during the year ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

ADDITIONAL INFORMATION

Phone

Calling the Company at 1-866-898-8868, Carrie Morris, Managing Director Capital Markets & Corporate Communications

Shareholders who wish to enroll in the DRIP or who would like further information about the plan should contact Corporate Communications at (416) 306-9967 ext. 7266 (collect if long distance).

Internet

Visiting SEDAR at www.sedar.com; or

Mail

Writing to the Company at:

Timbercreek Mortgage Investment Corporation
Attention: Corporate Communications
1000 Yonge Street, Suite 500
Toronto, Ontario M4W 2K2