

Management's Discussion and Analysis

Timbercreek Mortgage Investment Corporation

For the three months ended March 31, 2016



Management's Discussion and Analysis

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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. For more information on risks, please refer to the "Risks and Uncertainties" section in this MD&A, and the "Risk Factors" section of our Annual Information Form ("AIF"), which can be found on the SEDAR website at www.sedar.com.

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 May 13, 2016. 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 Company's website at www.timbercreekmic.com. Additional information about the Company, including its AIF, can be found at www.sedar.com.

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BUSINESS OVERVIEW

Timbercreek Mortgage Investment Corporation (the "Company") is a mortgage investment corporation domiciled in Canada. The registered office of the Company is 25 Price Street, Toronto, Ontario M4W 1Z1. The Company is incorporated under the laws of the Province of Ontario by articles of incorporation dated April 30, 2008. The common shares of the Company are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "TMC".

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

The fundamental investment objectives of the Company are to (i) preserve shareholder capital of the Company and (ii) provide shareholders with a stable stream of monthly dividends. The Company intends to meet its investment objectives by investing in a diversified portfolio of mortgage investments, consisting primarily of conventional mortgage investments secured directly by multi-residential, retirement, office, retail and industrial real property across Canada, primarily located in urban markets and surrounding areas.

The Company has entered into a management agreement with Timbercreek Asset Management Inc. (the "Manager") dated September 13, 2013. The Manager is responsible for the day-to-day operations and providing all general management, mortgage servicing and administrative services to the Company.

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the three months ended March 31, 2016 (the "Period" or "Q1 2016"). This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2016 and 2015 and the consolidated financial statements for the years ended December 31, 2015 and 2014, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as applicable to interim financial statement, including International Accounting Standards ("IAS") 34, Interim Financial Reporting.

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.

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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 Company's ability to earn and distribute cash dividends to shareholders and to evaluate its performance.

These non-IFRS measures should not be construed as alternatives to net income and comprehensive income or cash flows from operating activities as determined in accordance with IFRS as indicators of the Company's performance.

- Net mortgage investments – represents total mortgage investments, net of mortgage syndication liabilities and before adjustments for interest receivable, unamortized lender fees and allowance for mortgage investments loss as at the reporting date;
- Average net mortgage investment portfolio – represents the daily average of net mortgage investments for the stated period;
- Weighted average loan-to-value – a measure of advanced and unadvanced mortgage commitments on a mortgage investment, including priority or pari-passu debt on the underlying real estate, as a percentage of the fair value of the underlying real estate collateral at the time of approval of the mortgage investment. For construction/redevelopment mortgage investments, fair value is based on an "as completed" basis;
- Turnover ratio – represents total mortgage repayments during the stated period, expressed as a percentage of the average net mortgage investment portfolio for the stated period;
- Leverage – represents the total of gross convertible debentures and the total credit facility balance divided by total assets less mortgage syndication liabilities;
- Weighted average interest rate for the period – represents the weighted average of daily interest rates (not including lender fees) on the net mortgage investments for the stated period;
- Weighted average lender fees – represents the cash lender fees received on individual mortgage investments during the stated period, expressed as a percentage of the Company's advances on those mortgage investments. If the entire lender fee is received but the mortgage investment is not fully funded, the denominator is adjusted to include the Company's unadvanced commitment;
- Targeted dividend yield – represents the average 2-Year Government of Canada Bond Yield for the stated period plus 550 basis points;
- Actual dividend yield – represents the annualized total per-share dividend for common shares divided by the trading close price as at the reporting date;
- Expense ratio – represents total expenses (excluding financing costs, net operating (income) loss on foreclosed properties held for sale ("FPHFS"), fair value adjustment on FPHFS and provision for mortgage investments loss) for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities;

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- Fixed expense ratio – represents expenses as calculated under expense ratio, less performance fees, for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities; and
- Payout ratio – represents total common share dividends paid and declared for payment, divided by distributable income for the stated period.

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RECENT DEVELOPMENTS AND OUTLOOK

The Company announced recently that its board of directors have approved and are recommending an arrangement whereby the Company, following the approval of shareholders, would merge with Timbercreek Senior Mortgage Investment Corporation ("TSMIC") to create Timbercreek Financial Corp. ("TFC"), a leading non-bank commercial real estate lender. The board of directors believes that the synergies and scale of TFC will create compelling benefits for shareholders of both companies. These benefits include a larger float and better liquidity, improved prospects for earnings and dividend growth, improved portfolio characteristics, and operating cost synergies.

TFC will continue to focus on providing financing solutions to qualified real estate investors, but with an enhanced credit facility and investment guidelines that are designed to provide more opportunity to grow shareholder value over the long-run. TFC is targeting a portfolio composition that includes:

- Mortgage loans primarily secured by income-producing properties
- Strong diversification by borrower, asset type and geography
 - < 10% exposure to any one asset
 - < 20% exposure to any one borrower
 - Allocation targets specifically designed to manage risk
- 75% exposure to first mortgages (maximum 20% non-first mortgages)
- Loan-to-value of 70% (maximum 85%)

TFC will engage Timbercreek Asset Management Inc. ("TAMI") as manager of the company and will continue to leverage the extensive experience and successful track record in originating and managing mortgage investments. The Manager's compensation will be reduced to a management fee of 0.85% on total assets, less mortgage syndications, which is significantly reduced from the 1.2% management fee paid by the Company today. TAMI will not receive any performance fees from TFC. The previous performance fee payable by TMIC will be replaced with a one-time payment in the form of cash and equity, which will better align the interest of TAMI with that of shareholders.

With the enhanced credit facility and resulting synergies of the arrangement, TFC is expecting to generate an annual earnings per share of approximately \$0.72 with a target pay-out ratio of 95% of its earnings. TFC will use the retained capital to grow book value in a tax efficient manner.

A shareholder meeting will be held on June 22, 2016 to vote on the proposed arrangement. A circular providing notice of this meeting, details of the arrangement, and how to vote, is expected to be mailed out to shareholders in mid-May 2016. A webcast including commentary on the proposed transaction is available on our website through the following link:

<http://www.timbercreekmic.com/investor-information/arrangement-details>

For any other questions, please contact:

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FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at	March 31, 2016	March 31, 2015	December 31, 2015
KEY FINANCIAL POSITION INFORMATION			
Mortgage investments, including mortgage syndications	\$ 823,245	\$ 661,825	\$ 750,703
Total assets	\$ 838,232	\$ 679,470	\$ 766,734
Credit facility	\$ 53,000	\$ 53,861	\$ 53,812
Convertible debentures	\$ 32,895	\$ 32,510	\$ 32,778
Total liabilities	\$ 476,021	\$ 314,898	\$ 404,404
CAPITAL STRUCTURE			
Shareholders' equity	\$ 362,211	\$ 364,572	\$ 362,329
Convertible debentures, gross	\$ 34,500	\$ 34,500	\$ 34,500
Credit facility	\$ 53,000	\$ 53,861	\$ 53,812
Credit facility limit	\$ 60,000	\$ 60,000	\$ 60,000
Leverage ¹	19.3%	19.4%	19.3%
COMMON SHARE INFORMATION			
Number of common shares outstanding	40,523,728	40,664,128	40,523,728
Closing trading price	\$ 8.39	\$ 7.94	\$ 7.58
Market capitalization	\$ 339,994	\$ 322,873	\$ 307,170

Operating Results

	Three months ended		Year Ended
	March 31, 2016	March 31, 2015	December 31, 2015
Net interest income	\$ 10,798	\$ 10,496	\$ 43,004
Income from operations	\$ 8,362	\$ 8,257	\$ 32,750
Net income and comprehensive income	\$ 7,176	\$ 7,234	\$ 28,021
Earnings per share (basic and diluted)	\$ 0.18	\$ 0.18	\$ 0.69
Dividends			
Dividends to shareholders	\$ 7,294	\$ 7,324	\$ 29,253
Distributable income	\$ 7,246	\$ 7,203	\$ 29,484
Distributable income per share (basic and diluted)	\$ 0.18	\$ 0.18	\$ 0.73
Targeted dividend yield ¹	5.95%	6.08%	6.05%
Actual dividend yield ¹	8.63%	9.19%	9.50%
Payout ratio ¹	100.7%	101.7%	99.2%
Dividends per common share	\$ 0.18	\$ 0.18	\$ 0.72

¹ Refer to non-IFRS measures section, where applicable.

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For the three months ended March 31, 2016 ("Q1 2016") and March 31, 2015 ("Q1 2015")

- The Company funded 11 new net mortgage investments (Q1 2015 – 15) totalling \$36.2 million (Q1 2015 – \$56.2 million), had additional advances on existing mortgage investments totalling \$23.1 million (Q1 2015 – \$17.9 million) and received full repayments on 10 mortgage investments (Q1 2015 – six) and partial repayments totalling \$62.8 million (Q1 2015 – \$32.2 million), resulting in net mortgage investments of \$436.0 million as at March 31, 2016 (December 31, 2015 – \$439.5 million), a decrease of 0.8% from December 31, 2015.
- Non-refundable cash lender fees received by the Company was \$0.9 million (Q1 2015 – \$0.8 million) or a weighted average lender fee of 1.8% (Q1 2015 – 1.1%). The current period was an exception mainly due to a few new mortgage investments where the Company was able to generate higher than average lender fees.
- Net interest income earned by the Company was \$10.8 million (Q1 2015 – \$10.5 million), an increase of \$0.3 million, or 2.9%, from Q1 2015. The increase in interest income is attributable to an increase in weighted average net mortgage investments portfolio by \$28.0 million in Q1 2016 in relation to Q1 2015.
- The Company generated income from operations of \$8.4 million (Q1 2015 – \$8.3 million), an increase of \$0.1 million, or 1.3%, from Q1 2015.
- The Company generated net income and comprehensive income of \$7.2 million (Q1 2015 – \$7.2 million), resulting in earnings per share of \$0.18 for Q1 2016 (Q1 2015 – \$0.18) which is in line with targeted dividends per share.
- The Company generated distributable income of \$7.2 million (Q1 2015 – \$7.2 million) in the quarter resulting in a payout ratio of 100.7% (Q1 2015 – 101.7%).
- The Company declared dividends to common shareholders of \$7.3 million (Q1 2015 – \$7.3 million). Since inception, the dividends have exceeded the Company's targeted dividend yield of the 2-Year Government of Canada Bond Yield ("2-Yr GOC Yield") plus 550 basis points.

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Analysis of Financial Information for the Period

Distributable income

	Three months ended		Year ended
	March 31,		December 31,
	2016	2015	2015
Net income and comprehensive income	\$ 7,176	\$ 7,234	\$ 28,021
Less: amortization of lender fees	(1,037)	(1,062)	(4,966)
Add: lender fees received	933	778	4,280
Add: amortization of financing costs, credit facility	62	48	221
Add: amortization of financing costs, debentures	89	95	277
Add: accretion expense, debentures	28	28	113
Add: net operating (income) loss from FPHFS	(5)	82	114
Add: unrealized fair value adjustments on FPHFS	–	–	524
Add: provision for mortgage investments loss	–	–	900
Distributable income	7,246	7,203	29,484
Less: dividends on common shares	(7,294)	(7,324)	(29,253)
(Over)/under distribution	\$ (48)	\$ (121)	\$ 231
Distributable income per share (basic and diluted)	\$ 0.18	\$ 0.18	\$ 0.73
Payout ratio	100.7%	101.7%	99.2%
Turnover ratio	14.5%	7.6%	69.2%

The distributable income reconciliation above provides a link between the Company's IFRS reporting requirements and its ability to generate recurring cash flows for dividends. In Q1 2016, the Company maintained utilization of its credit facility within its target range and was slightly above its target of 100% payout ratio for Q1 2016. The Company expects minor fluctuations in payout ratios as dividends are straight-lined while we experience fluctuations in generating distributable income during the year.

Statements of income and comprehensive income

	Three months ended		%
	March 31,		Change
	2016	2015	
Net interest income	\$ 10,798	\$ 10,496	2.9%
Expenses	(2,436)	(2,239)	(8.8%)
Income from operations	8,362	8,257	1.3%
Net operating income (loss) from foreclosed properties held for sale	5	(82)	106.8%
Financing costs:			
Interest on credit facility	(527)	(281)	(87.9%)
Interest on convertible debentures	(664)	(660)	(70.0%)
Net income and comprehensive income	\$ 7,176	\$ 7,234	(0.8%)
Earnings per share (basic and diluted)	\$ 0.18	\$ 0.18	

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Net interest income ¹

For Q1 2016, the Company earned net interest income of \$10.8 million (Q1 2015 – \$10.5 million). Net interest income includes the following:

(a) Interest income

During Q1 2016, the Company earned \$9.7 million (Q1 2015 – \$9.4 million) in interest income on the net mortgage investments. The increase in interest income is attributable to an increase in weighted average net mortgage investments portfolio by \$28.0 million in Q1 2016 in relation to Q1 2015. The weighted average interest rate on the net mortgage investments remained stable at 8.9% from Q4 2015 but decreased from 9.2% at March 31, 2015.

(b) Lender fee income

During Q1 2016, the Company received lender fees of \$0.9 million (Q1 2015 – \$0.8 million), or a weighted average lender fee of 1.8% (Q1 2015 – 1.1%). The current period was an exception mainly due to a few new mortgage investments where the Company was able to generate higher than average lender fees. The lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income but are paid out in the year they are received (see Distributable Income section). For Q1 2016, lender fees of \$1.0 million (Q1 2015 – \$1.1 million) were amortized to lender fee income. The lender fees generated by the Company continue to be a significant component of income resulting from mortgage investment turnover. The Manager does not retain any portion of the lender fees in order to ensure management's interests are aligned with the shareholders.

Expenses

For Q1 2016, the Company's expense ratio was 2.2% (Q1 2015 – 2.0%), including a fixed expense ratio of 1.6% (Q1 2015 – 1.5%). The increase is primarily driven by an increase in directors fees and performance fees.

Management fees

(a) Management fees

The Company has entered into a management agreement with Timbercreek Asset Management Inc. (the "Manager") and under the 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 mortgage syndication liabilities.

For Q1 2016, the Company incurred management fees of \$1.6 million (Q1 2015 – \$1.5 million). The increase is directly related to the increase in gross assets averaging \$457.6 million in Q1 2016, in comparison to \$445.8 million in Q1 2015.

(b) Performance fees

Under the management agreement, the Manager is 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 2-Yr GOC Yield for the 12-month period then

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.

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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.

For Q1 2016, the Company accrued performance fees of \$597 thousand (Q1 2015 – \$542 thousand), which represents an increase of \$55 or 10.2%. The increase is mainly attributed to a decrease in the average 2-Yr GOC Yield from 0.6% for Q1 2015 to 0.5% for Q1 2016. The decrease in the average 2-Yr GOC Yield resulted in the decrease of the annualized Hurdle Rate to 5.0% (Q1 2015 – 5.1%).

General and administrative

For Q1 2016, the Company incurred general and administrative expenses of \$277 thousand (Q1 2015 – \$240 thousand). 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 investments portfolio. The increase in general and administrative expenses relative to Q1 2015 is attributed to increased professional fees and director fees. The operating expense ratio for Q1 2016 equated to 0.3% (Q1 2015 – 0.2%).

Net operating income (loss) from foreclosed properties held for sale

The Company consolidates the operating activities of the foreclosed properties held for sale. The net operating income from foreclosed properties held for sale for Q1 2016 was \$5 (Q1 2015 – loss of \$(82)).

Interest on credit facility

The Company actively monitors its advances and repayments while efficiently using bankers' acceptances ("BA") for the majority of its borrowings to minimize interest costs. 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 Q1 2016 relating to the credit facility were \$0.5 million (Q1 2015 – \$0.3 million). The increase over the comparable 2015 period is directly related to the increase in credit facility utilization during Q1 2016. The weighted average credit utilization for Q1 2016 was \$52.2 million compared to \$21.1 million during Q1 2015.

Interest on convertible debentures

The Company has outstanding \$34.5 million of 6.35% convertible unsecured subordinated debentures. Interest costs related to the debentures are recorded in financing costs using the effective interest rate method. For Q1 2016, interest on the debentures of \$0.7 million (Q1 2015 – \$0.7), is made up of the following:

	Three months ended March 31,	
	2016	2015
Interest on the convertible debentures	\$ 547	\$ 537
Amortization of issue costs	89	95
Accretion of equity component of the convertible debentures	28	28
	\$ 664	\$ 660

Earnings per share

For Q1 2016, earnings per share remained stable at \$0.18 per share compared to Q1 2015 and is in line with dividends per share.

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Statements of Financial Position

Net mortgage investments

The balance of net mortgage investments is as follows:

	March 31, 2016	December 31, 2015
Mortgage investments, including mortgage syndications	\$ 823,245	\$ 750,703
Mortgage syndication liabilities	(385,118)	(310,049)
	438,127	440,654
Interest receivable	(7,403)	(6,534)
Unamortized lender fees	4,101	4,204
Allowance for mortgage investments loss	1,150	1,150
Net mortgage investments	\$ 435,975	\$ 439,474

	Three months ended		Year Ended
	March 31, 2016	March 31, 2015	December 2015
Net mortgage investments statistics and ratios¹			
Total number of net mortgage investments	101	114	100
Average net mortgage investment	\$ 4,317	\$ 3,853	\$ 4,395
Average net mortgage investment portfolio	\$ 436,492	\$ 407,979	\$ 415,840
Weighted average interest rate for the period	9.1%	9.2%	9.1%
Weighted average lender fees	1.8%	1.1%	1.2%
Turnover ratio	14.5%	7.6%	69.2%
Weighted average term (years)	2.1	2.1	2.1
Remaining term to maturity (years)	1.1	1.2	1.2
Net mortgage investments secured by cash-flowing properties	86.3%	85.4%	87.2%
Weighted average loan-to-value	69.5%	72.8%	70.4%

1. Refer to non-IFRS measures section, where applicable.

The Company has developed a lending niche predominantly targeting short-term mortgage investments, secured by cash-flowing properties, while specializing in multi-residential real estate assets. The Company focuses its efforts on diversifying the mortgage investment portfolio, with its greatest concentration in Canada's largest provinces. As at March 31, 2016, 68.0% (December 31, 2015 – 70.1%) of the net mortgage investments were allocated across Ontario, Quebec, British Columbia and Alberta. A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance, which would, in effect, reduce the weighted average remaining term to maturity.

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Portfolio allocation

The Company's net mortgage investments were allocated across the following categories:

(a) Security Position

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
First mortgages	81	72.6%	82	78.0%
Non-first mortgages	20	27.4%	18	22.0%
	101	100.0%	100	100.0%

(b) Region

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
ON	38	35.0%	36	35.1%
QC	21	19.2%	22	19.9%
SK	11	15.2%	9	15.3%
OT	5	11.7%	4	9.5%
BC	10	7.9%	12	9.4%
AB	7	5.9%	7	5.7%
MB	7	4.2%	8	4.2%
NS	2	0.9%	2	0.9%
	101	100.0%	100	100.0%

(c) Maturity

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Maturing 2016, balance of year	37	44.6%	41	45.4%
Maturing 2017	50	37.9%	49	35.8%
Maturing 2018	11	15.3%	10	18.8%
Maturing 2019	3	2.2%	–	–
	101	100.0%	100	100.0%

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(d) Asset Type

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Multi-residential	61	62.6%	59	60.7%
Retail	11	17.8%	12	17.9%
Office	8	7.6%	8	8.9%
Unimproved land	4	4.5%	6	5.7%
Retirement	5	2.2%	5	2.2%
Industrial	5	1.7%	3	0.9%
Hotels	2	1.4%	2	1.3%
Single-family residential	1	0.7%	1	0.9%
Other-residential	3	0.7%	3	0.7%
Self-storage	1	0.8%	1	0.8%
	101	100.0%	100	100.0%

(e) Interest Rate

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
9.99% or lower	81	87.8%	75	86.1%
10.00%–10.99%	8	6.3%	11	6.3%
11.00% or greater	12	5.9%	14	7.6%
	101	100.0%	100	100.0%

(f) Loan-to-value

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
55% or less	19	9.3%	19	7.7%
56%–60%	9	15.7%	8	16.4%
61%–65%	8	8.6%	8	8.3%
66%–70%	15	14.9%	16	16.5%
71%–75%	15	7.4%	16	7.2%
76%–80%	17	19.3%	15	16.0%
81%–85%	18	24.8%	18	27.9%
	101	100.0%	100	100.0%

Mortgage syndication liabilities

The Company enters into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains

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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 Q1 2016, the mortgage syndication liabilities have increased to \$385.1 million (December 31, 2015 – \$310.0 million) as the Company syndicated several mortgage investments. Mortgage syndication liabilities vary from quarter to quarter and are dependent on the type of investments seen at any particular time, and not necessarily indicative of a future trend.

Foreclosed properties held for sale

The fair value of the remaining foreclosed properties held for sale as at March 31, 2016 is \$12.4 million (December 31, 2015 – \$12.8 million). The Company has engaged third party managers to operate the properties while they are held for sale.

During the Q1 2016, the Company closed on the sale of three residential units (Q1 2015 – one) from one of the foreclosed properties for net proceeds of \$0.4 million (Q1 2015 – \$0.2 million). During Q1 2016, the Company did not record any additional unrealized fair value adjustments on any of the FPHFS (Q1 2015 – nil).

Allowance for mortgage investments loss

As at March 31, 2016, the Company has concluded that there is no objective evidence of impairment on any individual mortgage investment. At a collective level, the Company assesses for impairment to identify losses that have been incurred, but not yet identified, on an individual basis. As part of the Company's analysis, it has grouped mortgage investments with similar risk characteristics, including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings, and assesses them for impairment using statistical data. Based on the amounts determined by the analysis, the Company uses judgement to determine whether or not the actual future losses are expected to be greater or less than the amounts calculated. For Q1 2016, no additional collective impairment was recognized (Q1 2015 – nil).

As at March 31, 2016, there was an allowance for mortgage investments \$1.2 million (December 31, 2015 – \$1.2 million)

Net working capital

Net working capital increased by \$3.1 million to \$4.9 million at March 31, 2016 from \$1.8 million at December 31, 2015. The change is mainly due to the payment of performance fees relating to 2015 and increase in mortgage interest receivable for net mortgage investments where certain mortgages allow the borrowers to accrue interest.

Credit facility

The Company has a credit facility with a syndicate of lenders with an available limit of \$60.0 million (December 31, 2015 – \$60.0 million) bearing interest at either the prime rate of interest plus 1.5%, or bankers' acceptances ("BA") with a stamping fee of 2.5% of the face amount of such BA. The credit facility is secured by a general security agreement over the Company's assets. The credit facility matures on October 31, 2016. As part of the negotiations for the new credit facility proposed under the Arrangement, should the Arrangement not proceed, it is expected the Company will renew the credit facility for a further two year term.

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For the three months ended March 31, 2016

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q1 2016, included in financing costs is interest on the credit facility of \$0.5 million (Q1 2015 – \$0.2 million) and financing costs amortization of \$62 (Q1 2015 – \$48).

Convertible debentures

In February 2014, the Company completed a public offering of \$34.5 million, 6.35% convertible unsecured subordinated debentures for net proceeds of \$32.5 million (the "debentures"). The debentures are listed on the TSX under the symbol "TMC.DB", mature on March 31, 2019, with interest payable semi-annually on March 31 and September 30 of each year. The Company believes that a modest amount of structural leverage coupled with increased borrowing under the credit facility is accretive to net earnings, while still maintaining a low risk profile. Overall, total leverage available including the maximum credit facility amount plus the convertible debentures at March 31, 2016, equates to approximately 20% of total assets net of mortgage syndications. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of \$11.25 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts of \$0.6 million has been recorded as equity, with the remaining \$31.9 million allocated to long-term debt.

The discount on the debentures is being accreted such that the liability at maturity will equal the face value of \$34.5 million. The issue costs of \$2.0 million were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

Shareholders' equity

(a) Common shares

The Company is authorized to issue an unlimited number of common shares. The common shareholders 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 are entitled to receive dividends as and when declared by the Board of Directors.

(b) Dividends

The Company intends to pay dividends to shareholders on a monthly basis within 15 days following the end of each month. During Q1 2016, the Board of Directors declared dividends of \$7.3 million, or \$0.18 per share, to the common shareholders (Q1 2015 – \$7.3 million, \$0.18 per share).

(c) Dividend reinvestment plan

The Company's dividend reinvestment plan (the "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.

Management's Discussion and Analysis

For the three months ended March 31, 2016

Under the DRIP, shareholders may enroll to have their cash dividends reinvested to purchase additional common shares. The Manager can elect to purchase common shares on the open market or issue common shares from treasury. During Q1 2016, 96,089 common shares were purchased on the open market (Q1 2015 – 93,331 common shares).

(d) Normal course issuer bid

On January 4, 2016, the Company received TSX approval to commence a normal course issuer bid (the "Bid") to purchase for cancellation up to a maximum of 4,105,569 common shares, representing approximately 10% of the public float of common shares as of December 22, 2015. The Bid commenced on January 6, 2016 and provides the Company with the flexibility to repurchase common shares for cancellation until its expiration on January 5, 2017, or such earlier date as the Bid is complete. During Q1 2016, the Company did not acquire any common shares for cancellation (Q1 2015 – 37,400 common shares at a cost of \$0.3 million).

The Company may use the Bid to repurchase shares in years where the Company has income in excess of its dividends that would be accretive to shareholders.

(e) Non-executive director deferred share unit plan

During Q1 2016, the directors, on average, have elected to receive 94% (Q1 2015 – 94%) of their quarterly compensation in deferred share units ("DSUs"). During Q1 2016, 6,443 (Q1 2015 – nil) were issued and no DSUs were exercised or cancelled. As at March 31, 2016, total DSUs issued and outstanding were 23,465 resulting in total DSU liability of \$193, based on a Fair Market Value of \$8.23 per common share. As at March 31, 2016, \$49 (March 31, 2015 – \$35) was in accrued expenses for DSUs relating to Q1 2016, which will be issued subsequent to quarter-end.

STATEMENT OF CASH FLOWS

Cash from operating activities

Cash from operating activities for Q1 2016 was \$5.8 million (Q1 2015 – \$6.0 million), a decrease of \$0.2 million from Q1 2015. The decrease is primarily a result of the increase in lender fees received in Q1 2016 compared to Q1 2015.

Cash from (used in) financing activities

Uses of cash from financing activities in Q1 2016 consisted of the Company's repayments on the credit facility of \$0.8 million whereas in Q1 2015, the Company had net advances on the credit facility of \$45.2 million, which were made in order to advance new net mortgage investments. The Company paid interest on the debentures and credit facility of \$1.6 million (Q1 2015 – \$1.6 million) and dividends to holders of common shares of \$7.3 million (Q1 2015 – \$7.3 million). The net cash used in financing activities in Q1 2016 was \$9.7 million (Q1 2015 – \$36.2 million of net cash provided by financing activities).

Cash from (used in) investing activities

Net cash from investing activities in Q1 2016 was \$4.0 million and consisted of the funding of net mortgage investments of \$59.3 million which was offset by the repayments of net mortgage investments of \$62.8 million and proceeds from disposal of FPHFS of \$0.5 million. Net cash utilized in investing activities during Q1 2015 was

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For the three months ended March 31, 2016

\$41.7 million and consisted of the funding of net mortgage investments of \$74.1 million which was partially offset by the repayments of net mortgage investments of \$32.2 million and proceeds from disposal of FPHFS of \$0.2 million.

QUARTERLY FINANCIAL INFORMATION

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

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Net interest income	\$ 10,798	\$ 10,814	\$ 10,161	\$ 11,532	\$ 10,496	\$ 9,774	\$ 8,660	\$ 9,465
Expenses	(2,436)	(2,387)	(3,146)	(2,481)	(2,239)	(2,336)	(2,042)	(2,049)
Income from operations	8,362	8,427	7,015	9,051	8,257	7,438	6,618	7,416
Net operating income (loss) from FPHFS	5	(28)	26	(30)	(82)	(58)	81	(97)
Fair value adjustment of FPHFS	-	(374)	-	(150)	-	(800)	149	-
Financing costs:								
Interest on credit facility	(527)	(554)	(208)	(477)	(281)	(87)	(67)	(57)
Interest on convertible debentures	(664)	(566)	(673)	(672)	(660)	(681)	(671)	(664)
Total financing costs	(1,191)	(1,120)	(881)	(1,149)	(941)	(768)	(738)	(721)
Net income and comprehensive income	\$ 7,176	\$ 6,905	\$ 6,160	\$ 7,722	\$ 7,234	\$ 5,812	\$ 6,110	\$ 6,598
Earnings per share (basic and diluted)	\$ 0.18	\$ 0.17	\$ 0.15	\$ 0.19	\$ 0.18	\$ 0.14	\$ 0.15	\$ 0.17

The variations in net income and comprehensive income by quarter are mainly attributed to the following:

- (i) In any given quarter, the Company is subject to volatility from portfolio turnover from both scheduled and early repayments. As a result, net interest income is susceptible to quarterly fluctuations. The Company models the portfolio throughout the year factoring in both scheduled and probable repayments, and the corresponding new mortgage advances, to determine its distributable income on a calendar year basis;
- (ii) Within expenses, the Company accrues the performance fee payable to the Manager. Given that the performance fee is adjusted for cash items, the volatility of cash receipts in the year (mainly relating to lender fees) will typically have an impact on the amount expensed in any quarter;
- (iii) In any given quarter, the Company is subject to volatility from fair value adjustments to FPHFS and provision for mortgage investment loan resulting in fluctuations in quarterly net income and comprehensive income; and
- (iv) The utilization of the credit facility to fund mortgage investments results in higher net interest income, which is partially offset by higher financing costs.

RELATED PARTY TRANSACTIONS

As at March 31, 2016, due to Manager includes management and performance fees payable of \$0.6 million (December 31, 2015 – \$2.4 million) and receivable \$4 (December 31, 2015 – nil) related to costs paid by the Manager on behalf of the Company.

The Manager is responsible for the general management and day to day operations of the Company and, through Timbercreek Mortgage Servicing Inc. ("TMSI"), a company controlled by the Manager, is the Company's mortgage servicer and administrator. As at March 31, 2016, included in other assets is \$1.5 million (December 31,

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2015 – \$2.2 million) of cash held in trust for the Company by TMSI, the balance of which relates to mortgage funding holdbacks, prepaid mortgage interest and lender fees received from various borrowers.

In addition to the above related party transactions, the Company has transacted with other entities managed by the Manager. As at March 31, 2016, the Company, TSMIC, Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), Timbercreek Global Real Estate Fund and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co-invested in several gross mortgage investments totalling \$693.4 million (December 31, 2015 – \$702.6 million). During Q1 2016, the Company, along with its related parties, funded \$57.9 million in co-invested gross mortgage investments and received repayments of \$64.5 million. As at March 31, 2016, the Company's share in these gross mortgage investments is \$279.3 million (December 31, 2015 – \$286.3 million). Included in these amounts are two (December 31, 2015 – one) net mortgage investments of \$2.4 million (December 31, 2015 – \$1.3 million) loaned to a limited partnership in which T4Q is invested.

The above related party transactions are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgage investments 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

In the preparation of the condensed consolidated interim financial statements, the Manager has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgments in the consolidated interim financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the condensed consolidated interim financial statements are as follows:

Mortgage investments

The Company is required to make an assessment of the impairment of mortgage investments. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. Specifically, the Company will consider loss events including, but not limited to: (i) payment default by a borrower; (ii) whether security of the mortgage negatively impacted by some event; and (iii) financial difficulty experienced by a borrower. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of

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the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

The Company applies judgment in assessing the relationship between parties with which it enters into participation agreements in order to assess the derecognition of transfers relating to mortgage investments.

Measurement of fair values

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Manager will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Information about the assumptions made in measuring fair value is included in notes 4 and 14 to the consolidated financial statements for the year ended December 31, 2015.

OUTSTANDING SHARE DATA

As at May 13, 2016, the Company's authorized capital consists of an unlimited number of common shares, of which 40,523,728 are issued and outstanding. In addition, as at the date of this MD&A, 3,066,667 common shares are issuable upon conversion or redemption of the debentures (based on the conversion price of \$11.25 per common share).

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 believes that the modest amount of structural leverage gained from the debentures and credit facility is accretive to net earnings, while having a low impact on the risk profile of the business. The Company anticipates meeting all of its contractual liabilities (described below) using its mix of capital structure and cash flow from operating activities.

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The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage 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 is, and intends to continue to be, qualified as a MIC as defined under Section 130.1(6) of the ITA 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 and the credit facility. The Company has a borrowing ability of \$60.0 million through its credit facility and intends to utilize the credit facility to manage the fluctuations in cash flows as a result of the timing of mortgage investment fundings and repayments and other working capital needs. As at March 31, 2016, the Company is in compliance with its credit facility covenants and expects to remain in compliance going forward.

The Company routinely forecasts cash flow sources and requirements, including unadvanced commitments, to ensure cash is efficiently utilized.

The following are the contractual maturities of financial liabilities as at March 31, 2016, including expected interest payments:

	Carrying Values	Contractual cash flows	Within a year	Following year	3-5 years
Accounts payable and accrued expenses	\$ 680	\$ 680	\$ 680	\$ -	\$ -
Dividends payable	2,431	2,431	2,431	-	-
Due to Manager	595	595	595	-	-
Mortgage funding holdbacks	770	770	770	-	-
Prepaid mortgage interest	683	683	683	-	-
Credit facility ¹	53,000	54,305	54,305	-	-
Convertible debentures	32,895	41,072	2,191	2,191	36,691
Total liabilities	\$ 91,054	\$ 100,536	\$ 61,655	\$ 2,191	\$ 36,691
Unadvanced gross mortgage commitments ²	99,424	99,424	99,424	-	-
Total contractual liabilities	\$ 190,478	\$ 199,960	\$ 161,079	\$ 2,191	\$ 36,691

1 Includes interest based upon the current prime interest rate plus 1.5% on the credit facility, assuming the outstanding balance is not repaid until its maturity in October 2016.

2 Unadvanced mortgage commitments include syndication commitments from third party investors totaling \$67.1 million.

As at March 31, 2016, the Company had a cash position of \$232 (December 31, 2015 – \$140) and an unutilized credit facility of \$7.0 million (December 31, 2015 – \$6.2 million). The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the credit facility. Included within the unadvanced mortgage commitments is \$67.1 million (December 31, 2015 – \$75.3 million) relating to the Company's syndication partners. The Company expects the syndication partners to fund this amount.

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For the three months ended March 31, 2016

FINANCIAL INSTRUMENTS

Financial assets

The Company's cash and cash equivalents, other assets and mortgage investments, including mortgage syndications, are designated as loans and receivables and are measured at amortized cost. The fair values of cash and cash equivalents and other assets approximate their carrying amounts due to their short-term nature. The fair value of mortgage investments, including mortgage syndications, approximate their carrying value given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

Financial liabilities

The Company's accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest, credit facility, convertible debentures and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. With the exception of convertible debentures and mortgage syndication liabilities, the fair value of these financial liabilities approximate their carrying amounts due to their short-term nature. The fair value of mortgage syndication liabilities approximate their carrying value given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. The fair value of the convertible debentures is based on the market trading price of convertible debentures at the reporting date.

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 investments at rates consistent with rates historically achieved, not having adequate mortgage investment opportunities presented to us, and not having adequate sources of bank financing available. There have been no changes to the Company, which may affect the overall risk of the Company.

For a full discussion of the risks and uncertainties affecting the Company, please also refer to the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2015.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company evaluated, or caused to be evaluated under their direct supervision, the design of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")) at March 31, 2016 and, based on that evaluation, have concluded that the design of such disclosure controls and procedures was appropriate.

The Manager is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The CEO and the CFO assessed, or under their direct supervision caused an assessment of, the design of the Company's internal controls over financial reporting as

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For the three months ended March 31, 2016

at March 31, 2016 in accordance with the COSO Internal Control - Independent Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment they determined that the design of the Company's internal controls over financial reporting was appropriate.

There were no changes made in our design of internal controls over financial reporting during the three months ended March 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) that controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.

ADDITIONAL INFORMATION

Phone

Calling the Company at 1-844-304-9967, 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) 923-9967 ext. 7266 (collect if long distance).

Internet

Visit SEDAR at www.sedar.com; or the Company's website at www.timbercreekmic.com

Mail

Write to the Company at:

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Attention: Corporate Communications
25 Price Street
Toronto, Ontario M4W 1Z1