

Interim Condensed Consolidated
Financial Statements of

Timbercreek Financial

Three months and six months ended June 30, 2020 and 2019



**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF FINANCIAL POSITION** (Unaudited)

(In thousands of Canadian dollars)

	Note	June 30, 2020	December 31, 2019
ASSETS			
Cash and cash equivalents		\$ 4,861	\$ 8,991
Other assets	15(c)	13,860	11,960
Mortgage investments, including mortgage syndications	4	1,702,064	1,667,686
Other investments	4(e)	65,574	61,520
Investment properties	5	47,621	47,349
Total assets		1,833,980	1,797,506
LIABILITIES AND EQUITY			
Accounts payable and accrued expenses		5,326	3,674
Dividends payable	9(d)	4,682	4,787
Due to Manager	15(a)	1,159	1,114
Mortgage and other loans funding holdbacks		2,239	3,741
Prepaid mortgage and other loans interest		8,319	5,437
Derivative liability (interest rate swap contract)	6(a)	5,607	—
Credit facility (mortgage investments)	6(a)	444,156	459,767
Credit facility (investment properties)	6(b)	30,636	30,622
Convertible debentures	8	133,749	133,033
Mortgage syndication liabilities	4(a)(c)	494,372	426,939
Total liabilities		1,130,245	1,069,114
Shareholders' equity	9	703,735	728,392
Total liabilities and equity		\$ 1,833,980	\$ 1,797,506
Commitments and contingencies	4, 6 and 20		
Subsequent events	9(b)(d)		

See accompanying notes to the unaudited interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF NET INCOME AND COMPREHENSIVE INCOME** (Unaudited)

(In thousands of Canadian dollars, except per share amounts)

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Investment income					
Gross interest and other income, including mortgage syndications		\$ 29,030	\$ 31,401	\$ 59,939	\$ 62,963
Interest and other expenses on mortgage syndications		(7,060)	(6,424)	(13,881)	(13,475)
Net investment income	4(b)(e)	21,970	24,977	46,058	49,488
Net rental income					
Revenue from investment properties	7	718	699	1,468	1,373
Property operating costs		(342)	(348)	(732)	(706)
Net rental income		376	351	736	667
Expenses					
Management fees	11	3,153	3,122	6,270	6,265
Servicing fees	11	206	128	404	269
Allowance for expected credit loss	4(d)	255	337	622	731
General and administrative		505	418	987	835
Total expenses		4,119	4,005	8,283	8,100
Income from operations		18,227	21,323	38,511	42,055
Other income, net		—	—	—	413
Financing costs					
Financing cost on credit facilities	6	4,482	5,531	9,337	11,347
Financing cost on convertible debentures	8	2,199	2,199	4,399	4,395
Fair value (gain) loss on derivative contract	6(a)	(197)	—	5,607	—
Total financing costs		6,484	7,730	19,343	15,742
Net income and comprehensive income		\$ 11,743	\$ 13,593	\$ 19,168	\$ 26,726
Earnings per share					
Basic	12	\$ 0.14	\$ 0.16	\$ 0.23	\$ 0.33
Diluted	12	\$ 0.14	\$ 0.16	\$ 0.23	\$ 0.33

See accompanying notes to the unaudited interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN SHAREHOLDERS' EQUITY** (Unaudited)

(In thousands of Canadian dollars)

	Common shares	Retained (loss)/ earnings	Equity component of convertible debentures	Total
Six months ended June 30, 2020				
Balance, December 31, 2019	\$ 730,418	\$ (3,964)	\$ 1,938	\$ 728,392
Repurchase of common shares under normal course issuer bid	(16,398)	—	—	(16,398)
Dividends issued to common shares	—	(28,530)	—	(28,530)
Issuance of common shares under dividend reinvestment plan	2,301	—	—	2,301
Repurchase of common shares for dividend reinvestment plan	(1,198)	—	—	(1,198)
Total net income and comprehensive income	—	19,168	—	19,168
Balance, June 30, 2020	\$ 715,123	\$ (13,326)	\$ 1,938	\$ 703,735

	Common shares	Retained (loss)/ earnings	Equity component of convertible debentures	Total
Six months ended June 30, 2019				
Balance, December 31, 2018	\$ 715,653	\$ (1,626)	\$ 1,938	\$ 715,965
Issuance of common shares, net of issue costs	10,304	—	—	10,304
Dividends issued to common shares	—	(28,390)	—	(28,390)
Issuance of common shares under dividend reinvestment plan	2,277	—	—	2,277
Repurchase of common shares for dividend reinvestment plan	(338)	—	—	(338)
Total net income and comprehensive income	—	26,726	—	26,726
Balance, June 30, 2019	\$ 727,896	\$ (3,290)	\$ 1,938	\$ 726,544

See accompanying notes to the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CASH FLOW (Unaudited)

(In thousands of Canadian dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
OPERATING ACTIVITIES					
Net income		\$ 11,743	\$ 13,593	\$ 19,168	\$ 26,726
Amortization of lender fees		(2,315)	(2,509)	(4,815)	(4,416)
Lender fees received		2,243	1,598	4,300	3,305
Interest and other income, net of syndications		(22,127)	(22,443)	(44,206)	(45,080)
Interest and other income received, net of syndications		20,907	27,996	43,231	50,670
Financing costs		6,681	7,730	13,736	15,742
Net unrealized loss (gain) on investments measured at FVTPL		2,586	(25)	3,077	8
Fair value (gain) loss on derivative contract		(197)	—	5,607	—
Net realized and unrealized foreign exchange loss		20	6	—	9
Allowance for expected credit loss		255	337	622	731
Net change in non-cash operating items	13	(218)	3,484	(396)	3,459
		19,578	29,767	40,324	51,154
FINANCING ACTIVITIES					
Net credit facility advances (repayments) – mortgage investments		42,000	(32,494)	(16,000)	(22,889)
Net credit facility advances – investment properties		—	178	—	178
Net proceeds from issuance of common shares		—	4,969	—	8,514
Interest paid		(5,263)	(7,525)	(12,158)	(13,369)
Dividends paid to shareholders		(13,070)	(13,051)	(26,304)	(26,035)
Repurchase of common shares		(16,688)	—	(16,688)	(338)
		6,979	(47,923)	(71,150)	(53,939)
INVESTING ACTIVITIES					
Additions to investment properties		(118)	(286)	(271)	(390)
Net payments on maturity of forward contracts		(242)	(219)	(432)	143
Funding of other investments		(4,500)	(2,024)	(11,217)	(4,373)
Proceeds from other investments		25	8,000	7,986	12,649
Funding of mortgage investments, net of syndications		(101,373)	(153,827)	(226,625)	(306,191)
Discharges of mortgage investments, net of syndications		78,413	166,547	257,339	300,873
		(27,795)	18,191	26,780	2,711
Net foreign exchange loss on cash accounts		(33)	(10)	(84)	(13)
(Decrease) increase in cash and cash equivalents		(1,271)	25	(4,130)	(87)
Cash and cash equivalents, beginning of period		6,132	429	8,991	541
Cash and cash equivalents, end of period		\$ 4,861	\$ 454	\$ 4,861	\$ 454

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

1. CORPORATE INFORMATION

Timbercreek Financial Corp. (the "Company", "TF" or "Timbercreek Financial") is a mortgage investment corporation domiciled in Canada. The Company is incorporated under the laws of the Province of Ontario. The registered office of the Company is 25 Price Street, Toronto, Ontario M4W 1Z1. The common shares of the Company are listed on the Toronto Stock Exchange ("TSX") under the symbol "TF".

The investment objective of the Company is to secure and grow a diversified portfolio of high quality mortgage and other investments, generating an attractive risk adjusted return and monthly dividend payments to shareholders, balanced by a strong focus on capital preservation.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements of the Company have been prepared by management in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The presentation of these unaudited interim condensed consolidated financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the notes to the audited consolidated financial statements for the year ended December 31, 2019 since these financial statements do not contain all disclosures required by IFRS for annual financial statements.

The unaudited interim condensed consolidated financial statements were approved by the Board of Directors on August 6, 2020.

(b) Principles of consolidation

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Timbercreek Mortgage Investment Fund. The financial statements of the subsidiaries included in these unaudited interim condensed consolidated financial statements are from the date that control commences until the date that control ceases. All intercompany transactions and balances are eliminated upon consolidation.

(c) Basis of measurement

These unaudited interim condensed consolidated financial statements have been prepared on both a going concern and the historical cost bases except for certain items which have been measured at fair value through profit or loss ("FVTPL") at each reporting date and include: investment properties, foreclosed properties held for sale, marketable securities, debt investments not meeting the solely payments of principal and interest criterion, participating debentures, cross-currency swaps, interest rate swaps and foreign currency forward contracts.

(d) Critical accounting estimates, assumptions and judgements

In the preparation of the Company's unaudited interim condensed consolidated financial statements, Timbercreek Capital Inc. ("Manager"), a subsidiary and as successor in interest to Timbercreek Asset Management Inc. ("TAMI") has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

consistent with the prior period and there are no known trends, commitments, events or uncertainties, other than potential effects of the COVID-19 pandemic, that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these unaudited interim condensed consolidated financial statements.

Beginning March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. The COVID-19 outbreak has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses; "shelter in place" and other governmental regulations; and reduced consumer spending due to both job losses and other effects attributable to COVID-19 which has resulted in an uncertain and challenging economic environment that could negatively impact the Company's operations and financial results in future periods. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with the Company's future operating assumptions and expectations as compared to prior periods. As such, it is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Company's estimate of allowance for credit losses and investments measured at FVTPL, both in the short term and in the long term.

The near-term impacts of COVID-19 are primarily with respect to interest collections and mortgage investment discharges. Subsequent to June 30, 2020, the Company collected approximately 96.7% of July 2020 interest payments which is materially in line with historical collection rates. The Company is actively working with borrowers on a case-by-case basis on deferral arrangements. Up to the date of these unaudited interim condensed consolidated financial statements, less than 3.1% of borrowers have requested deferred payment plans.

The allowance for credit losses and carrying value for the Company's investments measured at FVTPL reflect its best estimate. As at June 30, 2020, for the purpose of assessing allowance for credit losses, certain assumptions on mortgage investments secured by retail assets were updated to reflect the potential for increased risk to property cash flows as a result of the ongoing COVID-19 pandemic. Additionally, a mortgage investment secured by retail assets measured at FVTPL recorded a negative adjustment in fair value (note 4 (a) and 4 (d)). Actual results may differ materially from the Company's current estimates as the scope of COVID-19 evolves or if the duration of business disruptions is longer than initially anticipated.

The significant estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements are as follows:

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 Company reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Company 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.

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

The information about the assumptions made in measuring fair value is included in the following notes:

- Note 4 – Mortgage and other investments, including mortgage syndications;
- Note 5 – Investment properties; and
- Note 18 – Fair value measurements.

Measurement of expected credit loss

The determination of the allowance for credit losses takes into account different factors and varies by nature of investment. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which would require an increase or decrease in the allowance of credit loss. Refer to note 4(d).

Syndication liabilities

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

Classification of mortgage and other investments

Mortgage investments and other loan investments are classified based on the business model for managing assets and the contractual cash flow characteristics of the asset. The Company exercises judgment in determining both the business model for managing the assets and whether cash flows of the financial asset comprise solely payments of principal and interest.

Convertible debentures

The Company exercises judgement in determining the allocation of the debt and equity components of convertible debentures. The liability allocation is based upon the fair value of a similar liability that does not have an equity conversion option and the residual value is allocated to the equity component.

(e) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same, except as noted below, as those applied by the Company in its consolidated financial statements for the year ended December 31, 2019, which were prepared in accordance with IFRS.

Changes in accounting policies

Amendments to References to the Conceptual Framework in IFRS Standards

On March 29, 2018 the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to update references in IFRS Standards to previous versions of the Conceptual Framework. Both documents are effective from January 1, 2020.

The Company has adopted the amendments in its financial statements for the period beginning January 1, 2020. The implementation of the amendments did not have a material impact on the Company's financial statements.

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8. The amendments are effective for annual periods beginning on or after January 1, 2020.

The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place.

Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company has adopted the amendments to IAS 1 and IAS 8 in its financial statements for the period beginning January 1, 2020. The implementation of the amendments did not have a material impact on the Company's financial statements.

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

4. MORTGAGE AND OTHER INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS
(a) Mortgage investments

As at June 30, 2020	Note	Mortgages, including mortgage syndications	Mortgage syndication liabilities	Net Mortgage Investments
Mortgage investments, including mortgage syndications - at amortized cost	4(b)(c)	\$ 1,631,373	\$ (493,807)	\$ 1,137,566
Interest receivable		10,669	(2,023)	8,646
		1,642,042	(495,830)	1,146,212
Unamortized lender fees		(10,482)	1,458	(9,024)
Allowance for expected credit loss	4(d)	(2,889)	—	(2,889)
Mortgage investments at amortized cost		1,628,671	(494,372)	1,134,299
Mortgage investments, including mortgage syndications - at FVTPL		72,692	—	72,692
Interest receivable		701	—	701
Mortgage investments at FVTPL		73,393	—	73,393
Mortgage investments, including mortgage syndications		\$ 1,702,064	\$ (494,372)	\$ 1,207,692

As at December 31, 2019		Mortgages, including mortgage syndications	Mortgage syndication liabilities	Net Mortgage Investments
Mortgage investments, including mortgage syndications - at amortized cost		\$ 1,595,332	\$ (426,252)	\$ 1,169,080
Interest receivable		10,004	(1,746)	8,258
		1,605,336	(427,998)	1,177,338
Unamortized lender fees		(10,519)	1,059	(9,460)
Allowance for expected credit loss		(2,303)	—	(2,303)
Mortgage investments at amortized cost		1,592,514	(426,939)	1,165,575
Mortgage investments, including mortgage syndications - at FVTPL		75,002	—	75,002
Interest receivable		170	—	170
Mortgage investments at FVTPL		75,172	—	75,172
Mortgage investments, including mortgage syndications		\$ 1,667,686	\$ (426,939)	\$ 1,240,747

As at June 30, 2020, unadvanced mortgage commitments under the existing mortgage investments, including mortgage syndications, amounted to \$253,342 (December 31, 2019 – \$211,753) of which \$136,894 (December 31, 2019 – \$81,295) belongs to the Company's syndicated partners. The Company expects the syndicated partners to fund their respective commitments.

Mortgages classified at FVTPL

The Company establishes fair value for investments that are classified at fair value using an appropriate valuation technique. These valuation techniques include internal valuation models and/or independent appraisals that employ significant inputs such as direct comparison, cash flow projection, stabilized net operating income generated from the property to estimate fair value, and capitalization rate that reflects the investment characteristics of the asset.

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

As at June 30, 2020, mortgage investments including mortgage syndications of \$72,692 (December 31, 2019 – \$75,002) are classified as measured at FVTPL. Total decrease in balance for the six months ended June 30, 2020 was \$2,310. During the period, the Company made additional advanced of \$1,053, and recorded an unrealized fair value loss of \$3,363, primarily attributable to negative fair value adjustment on a mortgage investment secured by retail assets measured at FVTPL. The effect of COVID-19 on the existing tenancy, ability to re-lease the asset, as well as risks associated with the stabilization plan warranted a negative adjustment in the fair value.

(b) Net mortgage investments

As at		June 30, 2020		December 31, 2019
Interest in first mortgages	92.1% \$	1,114,722	90.5% \$	1,125,797
Interest in second and third mortgages	7.9%	95,536	9.5%	118,285
	100.0% \$	1,210,258	100.0% \$	1,244,082

The mortgage investments are secured by real property and will mature between the remainder of 2020 and 2024 (December 31, 2019 – 2019 and 2023). During Q2 2020 and YTD 2020, the Company generated net interest income and other income on net mortgage investments classified at amortized cost, excluding lender fee income of \$20,913 and \$41,879 (Q2 2019 – \$20,729 and YTD 2019 – \$41,381).

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. The unamortized lender fees are recognized over the term of the mortgage investment.

During Q2 2020 and YTD 2020, the Company amortized lender fee income on net mortgage investments classified at amortized cost, net of fees relating to mortgage syndication liabilities of \$2,383 and \$4,838 (Q2 2019 – \$2,438; YTD 2019 – \$4,269). During Q2 2020 and YTD 2020, the Company recorded non-refundable upfront cash lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities, of \$2,054 and \$4,206 (Q2 2019 – \$1,518; YTD 2019 – \$3,305), which are amortized to interest income over the term of the related mortgage investments using the effective interest rate method.

Principal repayments, net of mortgage syndications, by contractual maturity dates are as follows:

As at	June 30, 2020
2020	\$ 237,964
2021	572,250
2022	339,241
2023	56,303
2024 and thereafter	4,500
Total	\$ 1,210,258

(c) Mortgage syndication liabilities

The Company has entered 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 the subordinated position. The Company generally retains an option 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. Under certain participation agreements, the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment. As a result, the lender's portion of these mortgages is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest and fees earned on the transferred participation interests and the related interest expense is recognized in profit and loss and accordingly, only the Company's portion of the mortgage is recorded as mortgage investment. The fair value of the transferred assets and mortgage syndication liabilities approximate their carrying values (see note 18).

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

(d) Allowance for Credit Losses (“ACL”)

The allowance for credit losses is maintained at a level that management considers adequate to absorb credit-related losses on mortgage and other investments classified at amortized cost. The allowance for credit losses amounted to \$2,950 as at June 30, 2020 (December 31, 2019 - \$2,328), of which \$2,889 (December 31, 2019 - \$2,303) was recorded against mortgage investments and \$61 (December 31, 2019 - \$25) was recorded against other investments.

	Six months ended June 30, 2020				Year Ended December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Multi-residential Mortgage Investments								
Mortgages, including mortgage syndications ¹	\$ 938,310	\$ 7,639	\$ 2,979	\$948,928	\$ 925,025	\$ —	\$ 2,903	\$ 927,928
Mortgage syndication liabilities ¹	298,179	—	—	298,179	240,724	—	—	240,724
Net mortgage investments	640,131	7,639	2,979	650,749	684,301	—	2,903	687,204
Allowance for credit losses ²	1,139	54	329	1,522	1,003	—	253	1,256
	638,992	7,585	2,650	649,227	683,298	—	2,650	685,948
Other Mortgage Investments								
Mortgages, including mortgage syndications ¹	689,949	—	3,165	693,114	674,306	—	3,102	677,408
Mortgage syndication liabilities ¹	197,651	—	—	197,651	187,274	—	—	187,274
Net mortgage investments	492,298	—	3,165	495,463	487,032	—	3,102	490,134
Allowance for credit losses ²	591	—	776	1,367	334	—	713	1,047
	491,707	—	2,389	494,096	486,698	—	2,389	489,087
Other loan Investments								
Mortgages, including mortgage syndications ¹	51,991	—	—	51,991	48,407	—	—	48,407
Mortgage syndication liabilities ¹	—	—	—	—	—	—	—	—
Net mortgage investments	51,991	—	—	51,991	48,407	—	—	48,407
Allowance for credit losses ²	61	—	—	61	25	—	—	25
	\$ 51,930	\$ —	\$ —	\$ 51,930	\$ 48,382	\$ —	\$ —	\$ 48,382

¹Including interest receivable

²Allowance for credit losses in finance lease receivable (note 4(e)) and unadvanced commitments (note 4(a)) are all considered to be in Stage 1 with minimal ACL.

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

The changes in the allowance for credit losses year to date are shown in the following tables:

	Six Months Ended June 30, 2020				Six Months Ended June 30, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Multi-residential Mortgage Investments								
Balance at beginning of period	\$ 1,003	\$ —	\$ 253	\$ 1,256	\$ 627	\$ —	\$ 3	\$ 630
Allowance for credit losses:								
Remeasurement	156	101	76	333	6	—	173	179
Transfer to/(from)								
Stage 1	(5)	—	—	(5)	—	—	—	—
Stage 2	—	5	—	5	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	1,154	106	329	1,589	633	—	176	809
Fundings	202	—	—	202	306	—	—	306
Discharges	(217)	(52)	—	(269)	(225)	—	—	(225)
Balance at end of period	1,139	54	329	1,522	714	—	176	890
Other Mortgage Investments								
Balance at beginning of period	334	—	713	1,047	200	—	587	787
Allowance for credit losses:								
Remeasurement	197	—	63	260	59	—	557	616
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	531	—	776	1,307	259	—	1,144	1,403
Fundings	80	—	—	80	76	—	—	76
Discharges	(20)	—	—	(20)	(24)	—	—	(24)
Balance at end of period	591	—	776	1,367	311	—	1,144	1,455
Other loan Investments								
Balance at beginning of period	25	—	—	25	212	—	3	215
Allowance for credit losses:								
Remeasurement	33	—	—	33	—	—	—	—
Transfer to/(from)								
Stage 1	—	—	—	—	—	—	—	—
Stage 2	—	—	—	—	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total allowance for credit losses	58	—	—	58	212	—	3	215
Fundings	10	—	—	10	—	—	—	—
Discharges	(7)	—	—	(7)	(198)	—	—	(198)
Balance at end of period	\$ 61	\$ —	\$ —	\$ 61	\$ 14	\$ —	\$ 3	\$ 17

The following table presents the gross carrying amounts of mortgage and other loan investments, net of syndication liabilities, subject to IFRS 9 impairment requirements by internal risk ratings used by the Company for credit risk management purposes.

In assessing credit risk, the Company utilizes a risk rating framework that considers the following factors: collateral type, property rank that is applicable to the Company's security and/or priority positions, loan-to-value and population of location of the collateral. In Q1 2020, the Company enhanced this process to include an assessment of possible loan deterioration factors. These factors include consideration of the sponsor's ability to make interest payments, the condition of the asset and cash flows, economic and market factors as well as any changes to business strategy that could affect the execution risk of the loan.

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

The internal risk ratings presented in the table below are defined as follows:

Low Risk: Mortgage and loan investments that exceed the credit risk profile standard of the Company with a below average probability of default. Yields on these investments are expected to trend lower than the Company's average portfolio.

Medium-Low: Mortgage and loan investments that are typical for the Company's risk appetite, credit standards and retain a below average probability of default. These mortgage and loan investments are expected to have average yields and would represent a significant percentage of the overall portfolio.

Medium-High: Mortgage and loan investments within the Company's risk appetite and credit standards with an average probability of default. These investments typically carry attractive risk-return yield premiums.

High Risk: Mortgage and loan investments within the Company's risk appetite and credit standards that have an additional element of credit risk that could result in an above average probability of default. These mortgage and loan investments carry a yield premium in return for their incremental credit risk. These mortgage and loan investments are expected to represent a small percentage of the overall portfolio.

Default: Mortgage and loan investments that are 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest and/or when the Company has commenced enforcement remedies available to it under its contractual agreements.

	As at June 30, 2020				As at December 31, 2019			
Multi-residential Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 187,221	\$ —	\$ —	\$ 187,221	\$ 205,588	\$ —	\$ —	\$ 205,588
Medium-Low risk	428,071	—	—	428,071	444,496	—	—	444,496
Medium-High risk	24,839	7,639	—	32,478	34,217	—	—	34,217
High risk	—	—	—	—	—	—	—	—
Default	—	—	2,979	2,979	—	—	2,903	2,903
Net Mortgage Investments ¹	640,131	7,639	2,979	650,749	684,301	—	2,903	687,204
Allowance for credit losses	1,139	54	329	1,522	1,003	—	253	1,256
	638,992	7,585	2,650	649,227	683,298	—	2,650	685,948
Other Mortgage Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	106,489	—	—	106,489	118,546	—	—	118,546
Medium-Low risk	299,748	—	—	299,748	275,349	—	—	275,349
Medium-High risk	69,092	—	—	69,092	82,054	—	—	82,054
High risk	16,969	—	—	16,969	11,083	—	—	11,083
Default	—	—	3,165	3,165	—	—	3,102	3,102
Net Mortgage Investments ¹	492,298	—	3,165	495,463	487,032	—	3,102	490,134
Allowance for credit losses	591	—	776	1,367	334	—	713	1,047
	491,707	—	2,389	494,096	486,698	—	2,389	489,087
Other loan Investments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Low risk	—	—	—	—	—	—	—	—
Medium-Low risk	—	—	—	—	—	—	—	—
Medium-High risk	—	—	—	—	—	—	—	—
High risk	51,991	—	—	51,991	48,407	—	—	48,407
Default	—	—	—	—	—	—	—	—
Net Mortgage Investments ¹	51,991	—	—	51,991	48,407	—	—	48,407
Allowance for credit losses	61	—	—	61	25	—	—	25
	\$ 51,930	\$ —	\$ —	\$ 51,930	\$ 48,432	\$ —	\$ —	\$ 48,382

¹. net of mortgage syndications

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

(e) Other investments

As at	June 30, 2020	December 31, 2019
Collateralized loans, net of allowance for credit loss	\$ 51,858	\$ 48,326
Finance lease receivable, measured at amortized cost	6,020	6,020
Investments, measured at FVTPL	5,471	4,949
Indirect real estate development, measured using equity method:		
Investment in Joint Venture	2,225	2,225
Total Other Investments	\$ 65,574	\$ 61,520

During Q2 2020 and YTD 2020, collateralized loans in other investments generated interest income of \$1,191 and \$2,241 (Q2 2019 – \$1,699; YTD 2019 – \$3,658) and amortized lender fee income of \$47 and \$92 (Q2 2019 – \$71; YTD 2019 – \$147). During Q2 2020 and YTD 2020, the Company recorded non-refundable upfront cash lender fees of \$107 and \$189 (Q2 2019 – nil; YTD 2019 – nil), which are amortized over the term of the related collateralized loans using the effective interest rate method.

In October, 2017, the Company entered into an 20-year emphyteutic lease on a foreclosed property held for sale in Quebec, which had a fair value of \$5,400 at the time of the transaction. According to the terms of the lease, the lessee has the obligation to purchase the property at \$9,934 at the end of the lease term on September 2038 and the option to purchase the property earlier at a prescribed purchase price schedule. The Company has classified the lease as a finance lease and the lease receivable balance of \$6,020 (December 31, 2019 - \$6,020) is included in other investments. Concurrently, the Company entered into a \$3,300 construction loan on the leased property with the lessee which is included in other loan investments. The lease payment began in the third quarter of 2018.

The lease receivable payments are due as follows:	Future minimum lease payments	Present value of minimum lease payments
Less than one year	\$ 12	\$ 11
Between one and five years	267	221
More than five years	13,299	5,788
	\$ 13,578	\$ 6,020

5. INVESTMENT PROPERTIES

The Saskatchewan Portfolio, which comprises 14 investment properties totaling 1,079 units that are located in Saskatoon and Regina, Saskatchewan, is subject to joint control based on the Company's decision-making authority with regards to the operating, financing and investing activities of the investment properties. This co-ownership has been classified as a joint operation and, accordingly, the Company recognizes its share of the assets, liabilities, revenue and expenses generated from the assets in proportion to its rights (see note 15(g)).

Jointly Controlled Assets	Location	Property Type	Ownership Interest	
			June 30, 2020	December 31, 2019
Saskatchewan Portfolio	Saskatoon & Regina, SK	Income Properties & Development Property	20.46%	20.46%
Balance, beginning of period			\$ 47,349	\$ 46,494
Additions			272	855
Balance, end of period			\$ 47,621	\$ 47,349

As at June 30, 2020, the investment properties are pledged as security for the credit facility (note 6(b)).

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

Investment properties have been categorized as Level 3 fair value assets based on the inputs to the valuation technique used. Subsequent to initial recognition, the investment properties are measured at fair value based on available market evidence.

The fair values of the Company's investment properties are sensitive to changes in the key valuation assumptions. As at June 30, 2020, the weighted average capitalization rate for the Company's investment properties is 5.30% (December 31, 2019 - 5.30%). The estimated fair value would decrease by \$2,122 (December 31, 2019 - \$2,122) if overall capitalization rates were higher by 25 bps; whereas estimated fair value would increase by \$2,332 (December 31, 2019 - \$2,332) if overall capitalization rates were lower by 25 bps. In addition, the estimated fair value would increase by \$471 (December 31, 2019 - \$471) if stabilized net operating income were higher by 1%; whereas estimated fair value would decrease by \$471 (December 31, 2019 - \$471) if stabilized net operating income were lower by 1%.

6. CREDIT FACILITIES

As at	June 30, 2020	December 31, 2019
Credit facility (mortgage investments)	\$ 445,000	\$ 461,000
Unamortized financing costs (mortgage investments)	(844)	(1,233)
	444,156	459,767
Credit facility (investment properties)	30,690	30,690
Unamortized financing costs (investment properties)	(54)	(68)
	30,636	30,622
Total credit facilities	\$ 474,792	\$ 490,389

(a) Credit facility (mortgage investments)

The Company originally had \$400,000 in credit facility with 10 Canadian banks and by exercising the accordion feature on February 13, 2018 and on November 16, 2018, the Company increased the credit limit to \$500,000. The facility is secured by a general security agreement over the Company's assets and its subsidiaries and has a maturity date of December 18, 2021. On December 20, 2019, the Company amended the credit facility agreement (the "Fourth Amending Credit Agreement") to amend certain terms and conditions, including interest rates.

The interest rates and fees of the Fourth Amending Credit Agreement are either at the prime rate of interest plus 1.00% per annum (December 31, 2019 - prime rate of interest plus 1.00% per annum) or bankers' acceptances with a stamping fee of 2.00% (December 31, 2019 - 2.00%) and standby fee of 0.40% per annum (December 31, 2019 - 0.40%) on the unutilized credit facility balance. As at June 30, 2020, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the Fourth Amending Credit Agreement is \$500,000.

In December 2019, the Company entered into a 2-year interest rate swap contract (the "Contract") with two Canadian banks with notional value of \$250,000, and subsequently during Q1 2020, a portion of the Contract was assigned to a third counter-party, a Canadian bank. Under the terms of the Contract, the Company is required to pay fixed rate of 2.02% and receive floating rate based on 1-month banker's acceptance. Net realized and unrealized fair value gain or loss from the Contract is recognized in the statement of net income and comprehensive income. As at June 30, 2020, the Company recorded the fair value of the Contract as a liability of \$5,607 (December 31, 2019 - nil). The fair value of the Contract is calculated as the present value of the estimated future cash flows. Estimates of the future cash flows are the sum of contractually fixed future amounts and expected variable future amounts, which are based on quoted swap rates, futures prices and estimated borrowing rates.

During Q2 2020 and YTD 2020, the Company incurred financing costs of \$91 and \$126 (Q2 2019 - nil; YTD 2019 - \$56). The financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the new credit facility agreement.

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

Interest on the credit facility is recorded in financing costs and calculated using the effective interest rate method. For Q2 2020 and YTD 2020, included in financing costs is interest on the credit facility of \$3,930 and \$8,319 (Q2 2019 – \$4,757; YTD 2019 – \$9,793) and financing costs amortization of \$311 and \$516 (Q2 2019 – \$403; YTD 2019 – \$801).

(b) Credit facility (investment properties)

Concurrently with the Saskatchewan Portfolio acquisition, the Company and the co-owners originally entered into a credit facility agreement with a Schedule 1 Bank. Under the terms of the agreement, the co-ownership had a maximum available credit of \$162,644. The gross initial advance on the credit facility was \$144,644. The Company's share of the initial advance was \$29,594 plus \$109 of unamortized financing costs.

On October 9, 2019, the credit facility agreement was further amended (the "Amended and Restated Credit Agreement") to establish Tranche A, Tranche B and Tranche C credit facilities (the "Credit Facilities"). Under the amended terms, the maximum available credit is \$150,000. As at June 30, 2020, the co-owners borrowed \$150,000 from the Credit Facilities. The Company's share of the outstanding amount is \$30,690. The original credit facility provided the co-owners with the option to borrow at either the prime rate of interest plus 1.50% or at the bankers' acceptances with a stamping fee of 2.50% ("Canadian Dollar Loans"), or at LIBOR plus 2.50%. Under the Amended and Restated Credit Agreement, the Credit Facilities consist of following:

- 1) Tranche A credit facility provides the co-owners an option to borrow at either the prime rate of interest plus 1.00% or at the bankers' acceptances with a stamping fee of 2.00% ("Canadian Dollar Loans"), or at LIBOR plus 2.00%, with maturity date of October 9, 2021. The credit facility is secured by a first charge on specific assets with a gross carrying value of \$31,662. The Company's share of Tranche A is \$6,478.
- 2) Tranche B credit facility comprises of a commercial mortgage loan for certain properties defined as Tranche B properties (the "Tranche B Properties") in the Amended and Restated Credit Agreement, where terms and conditions are set forth in a rate lock agreement, with a maturity date of October 9, 2020 and a locked in rate of 3.305%. The Tranche B credit facility is secured by a first charge on the Tranche B Properties with a gross carrying value of \$39,690. The Company's share of Tranche B is \$8,121.
- 3) Tranche C credit facility comprises of a commercial mortgage loan for certain properties defined as Tranche C properties (the "Tranche C Properties") in the Amended and Restated Credit Agreement, where terms and conditions are set forth in a rate lock agreement, with a maturity date of October 9, 2021 and a locked in rate of 3.114%. The Tranche C credit facility is secured by a first charge on the Tranche C Properties with a gross carrying value of \$78,648. The Company's share of Tranche C is \$16,091.

The co-owners of the Saskatchewan Portfolio (note 5) are each individually subject to financial covenants outlined in the investment properties credit facility agreement. Notwithstanding, the lender's recourse is limited to each co-owner's proportionate interest in the investment properties credit facility.

Interest on the credit facility (investment properties) is recorded in financing costs using the effective interest rate method. During Q2 2020 and YTD 2020, included in financing costs is interest on the credit facility of \$230 and \$481 (Q2 2019 – \$355; YTD 2019 – \$722) and financing costs amortization of \$11 and \$21 (Q2 2019 – \$15; YTD 2019 – \$30).

7. REVENUE FROM PROPERTY OPERATIONS

As part of the joint arrangement of the Saskatchewan Portfolio, the Company leases residential properties under operating leases generally with a term of not more than one year and, in many cases, tenants lease rental space on a month-to-month basis. The operating leases mature between the year 2020 and 2022. Rental revenue from operating leases for the three months and six months ended June 30, 2020 was \$718 and \$1,468 (Q2 2019 – \$699; YTD 2019 – \$1,373).

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

Aggregate minimum lease payments under its non-cancellable operating leases by each of the following periods are as follows:

		June 30, 2020		December 31, 2019
Within 1 year	\$	1,676	\$	1,950
2 to 5 years		382		163
Over 5 years		—		—

8. CONVERTIBLE DEBENTURES

- (a) On July 29, 2016, the Company completed a public offering of \$40,000, plus an overallotment option of \$5,800 on August 5, 2016, of 5.40% convertible unsecured subordinated debentures for net proceeds of \$43,498 (the “2016 debentures”). The 2016 debentures mature on July 31, 2021 and pay interest semi-annually on January 31 and July 31 of each year. 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 \$10.05 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The 2016 debentures are redeemable on and after July 31, 2019 and prior to July 31, 2020, by the Company, subject to certain conditions, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On or after July 31, 2020 and prior to the maturity date, the 2016 Debentures will be redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice.

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, which is \$226, has been recorded as equity with the remainder 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 \$45,800. The issue costs of \$2,302 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.

- (b) On February 7, 2017, the Company completed a public offering of \$40,000, plus an overallotment option of \$6,000, of 5.45% convertible unsecured subordinated debentures for net proceeds of \$43,663 (the “February 2017 debentures”). The February 2017 debentures mature on March 31, 2022 and pay interest semi-annually on September 30 and March 31 of each year. 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 \$10.05 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The February 2017 debentures are redeemable on and after March 31, 2020, but prior to March 31, 2021, the February 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On or after March 31, 2021 and prior to the maturity date, the February 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company’s sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days’ and not less than 30 days’ prior written notice.

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

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, which is \$607, has been recorded as equity with the remainder 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 \$46,000. The issue costs of \$2,240 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.

- (c) On June 13, 2017, the Company completed a public offering of \$40,000, plus an overallotment option of \$5,000 on June 27, 2017, of 5.30% convertible unsecured subordinated debentures for net proceeds of \$42,774 (the "June 2017 debentures"). The June 2017 debentures mature on June 30, 2024 and pay interest semi-annually on June 30 and December 31 of each year. 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 \$11.10 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The June 2017 debentures are redeemable on and after June 30, 2020, but prior to June 30, 2022, the June 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On or after June 30, 2022 and prior to the maturity date, the June 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice.

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, which is \$560, has been recorded as equity with the remainder 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 \$45,000. The issue costs of \$2,226 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.

The convertible debentures are comprised of as follows:

		June 30, 2020		December 31, 2019
Issued	\$	136,800	\$	136,800
Unamortized financing cost and amount classified as equity component		(3,051)		(3,767)
Debentures, end of period	\$	133,749	\$	133,033

Interest costs related to the convertible debentures are recorded in financing costs using the effective interest rate method. Interest on the debentures is included in financing costs and is made up of the following:

		Three months ended		Six months ended	
		June 30,		June 30,	
		2020	2019	2020	2019
Interest on the convertible debentures	\$	1,841	\$ 1,841	\$ 3,683	\$ 3,682
Amortization of issue costs and accretion of the convertible debentures		358	358	716	713
Total	\$	2,199	\$ 2,199	\$ 4,399	\$ 4,395

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars)

9. COMMON SHARES

The Company is authorized to issue an unlimited number of common shares. Holders of common shares are entitled to receive notice of and to attend and vote at all shareholder meetings as well as to receive dividends as declared by the Board of Directors.

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

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

	Six months ended June 30,	
	2020	2019
Balance, beginning of period	83,254,130	81,632,844
Issuance of common shares	—	1,141,500
Common shares issued under dividend reinvestment plan	269,348	248,876
Common shares repurchased for dividend reinvestment plan	(151,530)	(36,866)
Common shares repurchased under normal course issuer bid ¹	(2,059,636)	—
Balance, end of period	81,312,312	82,986,354

1. 106,564 common shares repurchased were settled and canceled subsequent to June 30, 2020.

(a) At-the-market equity program (the "ATM Program")

The Company announced on June 21, 2018 that it has established an ATM Program which allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to \$70,000 to the public from time to time, at the Company's discretion. Sales of the common shares under the equity distribution agreement were made through "at-the-market distributions" as defined in National Instrument 44-102 - Shelf Distributions, including sales made directly on the Toronto Stock Exchange (the "TSX"). The common shares distributed under the ATM Program were at the market prices prevailing at the time of sale, and therefore prices varied between purchasers and over time. Net proceeds of the ATM Program were used to repay amounts owing under its secured revolving credit facility and the Company will subsequently draw on the credit facility for purposes of funding the purchase of new investments in accordance with its strategies, investment objectives and investment. The ATM Program was active between July 2018 to July 2019 and expired on January 11, 2020.

(b) Normal course issuer bid ("NCIB")

On March 26, 2020, the Company announced that the TSX approved the Company's normal course issuer bid (the "NCIB") to repurchase for cancellation up to 8,309,785 common shares over a 12-month period. Repurchases under the NCIB commenced on March 30, 2020 and will continue until March 29, 2021, when bid expires, or such earlier date as the Company has repurchased the maximum number of common shares permitted under the bid.

The Company may repurchase under the NCIB by means of open market transactions or otherwise as permitted by the TSX. All repurchases under the NCIB will be repurchased on the open market through the facilities of the TSX and alternative Canadian trading platforms at the prevailing market price at the time of such transaction.

During Q2 2020 and YTD 2020, the Company repurchased 1,953,072 and 2,059,636 common shares (Q2 2019 – nil; YTD 2019 – nil) for total amount of \$15,645 and \$16,398 (Q2 2019 – nil; YTD 2019 – nil). The average price per common share repurchased was \$8.01 for Q2 2020 and \$7.96 for YTD 2020. 106,564 common shares for total amount of \$909 were settled and cancelled subsequent to June 30, 2020.

(c) Dividend reinvestment plan ("DRIP")

The DRIP provided eligible beneficial and registered holders of common shares with a means to reinvest dividends declared and payable on such common shares into additional common shares. Under the DRIP, shareholders could enroll to have their cash dividends reinvested to purchase additional common shares. The common shares can be purchased from the open market based upon the prevailing market rates or from treasury at a price of 98% of the

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(In thousands of Canadian dollars)

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 common share.

During Q2 2020 and YTD 2020, the Company purchased from open market 151,530 and 151,530 common shares (Q2 2019 – nil and YTD 2019 – 36,866) for total amount of \$1,198 and \$1,198 (Q2 2019 – nil; YTD 2019 – \$338). During YTD 2020, common share were purchased from open market at an average price of \$7.91 per common share.

During Q2 2020 and YTD 2020, the Company issued from treasury nil and 117,818 common shares (Q2 2019 – 127,095 and YTD 2019 – 212,010) and retained nil and \$1,134 in dividends (Q2 2019 – \$1,169; YTD 2019 – \$1,939). During YTD 2020, common shares were issued from treasury at an average price of \$9.62 per common share.

(d) Dividends to holders of common shares

The Company intends to pay dividends to holders of common shares monthly within 15 days following the end of each month. During Q2 2020 and YTD 2020, the Company declared dividends of \$14,155 or \$0.1725 per common share and \$28,530 or \$0.3450 per common share (Q2 2019 – \$14,270, \$0.1725 per share and YTD 2019 – \$28,390, \$0.3450 per share).

As at June 30, 2020, \$4,682 in aggregate dividends (December 31, 2019 – \$4,787) was payable to the holders of common shares by the Company. Subsequent to June 30, 2020, the Board of Directors of the Company declared dividends of \$0.0575 per common share to be paid on July 15, 2020 to the common shareholders of record on June 30, 2020.

10. NON-EXECUTIVE DIRECTOR DEFERRED SHARE UNIT PLAN ("DSU PLAN")

Commencing June 30, 2016, the Company instituted a non-executive director deferred share unit plan, whereby a director can elect up to 100% of the compensation be paid in the form of DSUs, credited quarterly in arrears. The portion of a director's compensation which is not payable in the form of DSUs shall be paid by the Company in cash, quarterly in arrears. The fair market value of the DSU is the volume weighted average price of a common share as reported on the TSX for the 20 trading days immediately preceding that day (the "Fair Market Value"). The directors are entitled to also accumulate additional DSUs equal to the monthly cash dividends, on the DSUs already held by that director determined based on the Fair Market Value of the common shares on the dividend payment date.

Following each calendar quarter, the director DSU accounts will be credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value. Until June 30, 2018, each director was also entitled to an additional 25% of DSUs that are issued in the quarter up to a maximum value of \$5 per annum.

The DSU plan will pay a lump sum payment in cash equal to the number of DSUs held by each director multiplied by the Fair Market Value as of the 24th business day after publication of the Company's financial statements following a director's departure from the Board of Directors.

During Q2 2020 and YTD 2020, 11,163 and 20,550 units were issued (Q2 2019 and YTD 2019 – 8,359 and 15,997) and as at June 30, 2020, 104,858 units were outstanding (December 31, 2019 – 84,308 units). No DSUs were exercised or canceled, resulting in a DSU expense of \$87 and \$186 (Q2 2019 and YTD 2019 – \$84 and YTD 2019 – \$166). As at June 30, 2020, \$87 (December 31, 2019 – \$86) in compensation was granted in DSUs, which will be issued subsequent to June 30, 2020.

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(In thousands of Canadian dollars)

11. MANAGEMENT, SERVICING AND ARRANGEMENT FEES

On April 3, 2020, the Board of Directors approved an amended and restated management agreement dated effective April 1, 2020 (the "Management Agreement") between the Company and the Manager, which amended and restated the management agreement (the "Original Management Agreement") dated June 30, 2016.

The Original Management Agreement had a term of 10 years and could be automatically renewed for successive five year terms at the expiration of the initial term and paid the Company (i) management fee equals to 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes, and (ii) servicing fee equals to 0.10% of the amount of any senior tranche of a mortgage that is syndicated by the Manager to a third party investor on behalf of the Company, where the Company retained the corresponding subordinated portion. Gross assets are defined as the total assets of the Company less unearned revenue before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities.

The term of the Management Agreement is for a period of 10 years commencing on April 1, 2020, and will be automatically renewed for successive five year terms. The management fee and servicing fee remains consistent with the Original Management Agreement. As compensation for the Manager's work on syndicating any mortgage investments, the Management Agreement permits the Manager to collect a portion of the lender fee paid by borrowers of mortgage investments. The Management Agreement provides that, in respect of each mortgage investment made on or after April 1, 2020 involving syndication to another party of a senior tranche with the Company retaining a subordinated component, the Manager shall be entitled to retain, from any lender fee generated in respect of such loan, an amount equal to 0.20% of the whole loan amount ("Arrangement Fee") if such syndication occurs within 90 days of closing of the mortgage. The Arrangement Fee will not apply to any renewal of existing mortgage investments which already include syndicated senior and subordinated components. The Manager may make an annual election, subject to approval of the independent Directors of the Board, to receive the Arrangement Fee in common shares of the Company instead of cash.

During Q2 2020 and YTD 2020, the Company incurred management fees plus applicable taxes of \$3,153 and \$6,270 (Q2 2019 – \$3,122; YTD 2019 – \$6,265) and servicing fees including applicable taxes of \$206 and \$404 (Q2 2019 – \$128 ; YTD 2019 – \$269). During Q2 2020 and YTD 2020, the Arrangement Fee of \$42 and \$42 was retained by the Manager (Q2 2019 – nil and YTD 2019 – nil).

12. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing total net income and comprehensive income by the weighted average number of common shares during the period.

In accordance with IFRS, convertible debentures are considered for potential dilution in the calculation of the diluted earnings per share. Each series of convertible debentures is considered individually and only those with dilutive effect on earnings are included in the diluted earnings per share calculation. Convertible debentures that are considered dilutive are required by IFRS to be included in the diluted earnings per share calculation notwithstanding that the conversion price of such convertible debentures may exceed the market price and book value of the Company's common shares.

Diluted earnings per share are calculated by adding back the interest expense relating to the dilutive convertible debentures to total net income and comprehensive income and increasing the weighted average number of common shares by treating the dilutive convertible debentures as if they had been converted on the later of the beginning of the reporting period or issuance date.

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The following table shows the computation of per share amounts:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Total net income and comprehensive income (basic)	\$ 11,743	\$ 13,593	\$ 19,168	\$ 26,726
Interest expense on convertible debentures	—	743	—	—
Total net income and comprehensive income (diluted)	\$ 11,743	\$ 14,336	\$ 19,168	\$ 26,726
Weighted average number of common shares (basic)	82,293,201	82,589,851	82,804,719	82,183,906
Effect of conversion of convertible debentures	—	4,557,214	—	—
Weighted average number of common shares (diluted)	82,293,201	87,147,065	82,804,719	82,183,906
Earnings per share – basic	\$ 0.14	\$ 0.16	\$ 0.23	\$ 0.33
Earnings per share – diluted	\$ 0.14	\$ 0.16	\$ 0.23	\$ 0.33

13. CHANGE IN NON-CASH OPERATING ITEMS

Change in non-cash operating items:	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Other assets	\$ (3,239)	\$ (3,210)	\$ (2,039)	\$ (3,102)
Accounts payable and accrued expenses	20	1,035	217	858
Due to Manager	17	(157)	45	(403)
Prepaid mortgage and other loans interest	3,230	4,071	2,883	4,060
Mortgage and other loans funding holdbacks	(246)	1,745	(1,502)	2,046
	\$ (218)	\$ 3,484	\$ (396)	\$ 3,459

14. CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Debtures	Six months ended June 30,	
	2020	2019
Balance, beginning of period	\$ 133,033	\$ 131,597
Capitalized financing cost, net of amortization	594	591
Accretion expense	122	122
Balance, end of period	\$ 133,749	\$ 132,310

Credit Facilities	Six months ended June 30,	
	2020	2019
Balance, beginning of period	\$ 490,389	\$ 508,939
Capitalized financing cost ¹	(134)	(46)
Net credit facility (repayments) advances – mortgage investments	(16,000)	(22,889)
Net credit facility (repayments) advances – investment properties	—	178
Total financing cash flow activities	(16,134)	(22,757)
Amortization of financing costs	537	831
Balance, end of period	\$ 474,792	\$ 487,013

¹ Capitalized financing cost is included in interest paid section in the interim condensed consolidated statement of cash flow

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15. RELATED PARTY TRANSACTIONS

- (a) As at June 30, 2020, due to Manager mainly includes management and servicing fees payable of \$1,159 (December 31, 2019 – \$1,114).
- (b) During Q2 2020 and YTD 2020, the Arrangement Fee of \$42 and \$42 was retained by the Manager (Q2 2019 – nil and YTD 2019 – nil).
- (c) As at June 30, 2020, included in other assets is \$10,767 (December 31, 2019 – \$8,959) of cash held in trust by Timbercreek Mortgage Servicing Inc. ("TMSI"), the Company's mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage and other loan funding holdbacks, repayments and prepaid mortgage interest received from various borrowers.
- (d) As at June 30, 2020, the Company, Timbercreek Four Quadrant Global Real Estate Partners ("T4Q") and Timbercreek Real Estate Financing U.S. Holding LP ("TREF") are related parties as they are managed by the Manager or its related parties, and they have co-invested in 30 mortgages (December 31, 2019 – 29) and other investments totaling \$283,735 (December 31, 2019 – \$349,050), on gross basis including mortgage syndications. The Company's share in these mortgage investments is \$154,220 (December 31, 2019 – \$202,932). Additionally, one mortgage investment (December 31, 2019 – one) totaling \$18,633 (December 31, 2019 – \$18,402), net of mortgage syndication, is loaned to a limited partnership in which T4Q has a minimal interest in the partnership.
- (e) As at June 30, 2020, the Company and T4Q invested in one indirect real estate development through one investee, totaling \$4,450 (December 31, 2019 – \$4,450), the Company's share in this investment is \$2,225 (December 31, 2019 – \$2,225).
- (f) As at June 30, 2020, the Company is invested in junior debentures of Timbercreek Ireland Private Debt Designated Activity Company totaling \$5,471 or €3,586 (December 31, 2019 – \$4,948 or €3,398), which is included in loan investments within other investments. Timbercreek Ireland Private Debt Designated Activity Company is managed by an entity wholly-owned, directly by the Manager.
- (g) As part of the Saskatchewan Portfolio co-ownership, the Company, T4Q and a third-party co-owner are party to property management agreements with Timbercreek Equities Corp. ("TEC"), as successor in interest to TAMI as of March 9, 2020, in respect of such property management agreements. TEC provides property and leasing services to each of the properties and is entitled to receive property management and capital improvements service fees (the "Property Management Fees") at the disclosed rates in the agreements. During Q2 2020 \$31 of Property Management Fees were charged by TEC and for YTD 2020, \$40 of such fees were charged by TAMI and subsequent to March 9, 2020, \$31 of such fees were charged by TEC. (Q2 2019 \$39 and YTD 2019 – \$76). As at June 30, 2020, \$12 was payable to the TEC (December 31, 2019 – \$12 was payable to TAMI).

16. CAPITAL RISK MANAGEMENT

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, debentures and the credit facility.

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.

The Company's investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage investments. There have been no changes in the process over the previous year.

At June 30, 2020, the Company was in compliance with its investment restrictions.

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Pursuant to the terms of the credit facilities, the Company is required to meet certain financial covenants, including a minimum interest coverage ratio, minimum adjusted shareholders' equity, maximum non-debenture indebtedness to adjusted shareholders' equity and maximum consolidated debt to total assets.

17. RISK MANAGEMENT

The Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Company's direct control. The Manager and Board of Directors play an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

The Company's business activities, including its use of financial instruments, exposes the Company to various risks, the most significant of which are market rate risk (interest rate risk and currency risk), credit risk, and liquidity risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of June 30, 2020, \$1,003,767 of net mortgage investments and \$11,356 of other investments bear interest at variable rates (December 31, 2019 – \$992,301 and \$6,560, respectively). \$945,700 of net mortgage investments have a "floor rate" (December 31, 2019 – \$917,172). If there were a decrease or increase of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage investments and other investments to net income and comprehensive income is minimal as of June 30, 2020 (December 31, 2019 – decrease \$1,283 or increase \$4,994, respectively). The Company manages its sensitivity to interest rate fluctuations by managing the fixed/floating ratio in its investment portfolio.

The Company is also exposed to interest rate risk on the credit facilities, which has a balance of \$475,690 as at June 30, 2020 (December 31, 2019 – \$491,690). During the year ended December 31, 2019, the Company entered into the Contract (refer to note 6(a)) which reduced the exposure in interest rate risk. As at June 30, 2020, net exposure to interest rate risk was \$201,478 (December 31, 2019 – \$217,478), and assuming it was outstanding for the entire period, a 0.50% decrease or increase in interest rates, with all other variables constant, will increase or decrease net income and comprehensive income by \$1,007 (December 31, 2019 – \$1,208).

The Company's other assets, interest receivable, accounts payable and accrued expenses, prepaid mortgage interest, mortgage funding holdbacks, dividends payable and due to Manager have no significant exposure to interest rate risk due to their short-term nature. Cash and cash equivalents carry a variable rate of interest and are subject to minimal interest rate risk and the debentures have no exposure to interest rate risk due to their fixed interest rate.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk primarily from other investments and credit facility investment properties that are denominated in a currency other than the Canadian dollar. The Company uses foreign currency forwards and swaps to approximately economically hedge the principal balance of future earnings and cash flows caused by movements in foreign exchange rates. Under the terms of the foreign currency forward and swap contracts, the Company buys or sells a currency against another currency at a set price on a future date.

As at June 30, 2020, the Company has US\$5,050 and €3,586 in other investments denominated in foreign currencies (December 31, 2019 – US\$5,050 and €3,398 in other investments). The Company has entered into a series of foreign currency contracts to reduce its exposure to foreign currency risk. As at June 30, 2020, the Company has one U.S. dollars currency forward contracts with an aggregate notional value of US\$5,050, at a weighted average forward contract rate of 1.3962, maturing in October 2020 and one Euro currency contract with an aggregate notional value of €3,500 at contract rate of 1.5401, maturing in October 2020. The Company has entered into a cross-currency

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swap to economically hedge with notional value of US\$4,827, which resets on a monthly basis. As a result, the Company is not exposed to any significant foreign currency risk.

The fair value of the foreign currency forward contracts as at June 30, 2020 is an asset of \$237 which is included in other assets. The valuation of the foreign currency forward and swap contracts was computed using Level 2 inputs which include spot and forward foreign exchange rates.

(c) Credit risk

Credit risk is the risk that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates this risk by the following:

- i. adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);
- ii. ensuring all new mortgage and other investments are approved by the investment committee before funding; and
- iii. actively monitoring the mortgage and other investments and initiating recovery procedures, in a timely manner, where required.

The exposure to credit risk at June 30, 2020 relating to net mortgages and other investments amount to \$1,295,136 (December 31, 2019 – \$1,319,631).

The Company has recourse under these mortgages and the majority of other investments in the event of default by the borrowers; in which case, the Company would have a claim against the underlying collateral. Management believes that the potential loss from credit risk with respect to cash that is held in trust at a Schedule I bank by the Company's transfer agent and operating cash held also at a Schedule 1 bank, to be minimal.

The Company is exposed to credit risk from the collection of accounts receivable from tenants. The Manager routinely obtains credit history reports on prospective tenants before entering into a tenancy agreement.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

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The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at June 30, 2020, including expected interest payments:

June 30, 2020	Carrying value	Contractual cash flow	Within a year	Following year	3–5 years
Accounts payable and accrued expenses	\$ 5,326	\$ 5,326	\$ 5,326	\$ —	\$ —
Dividends payable	4,682	4,682	4,682	—	—
Due to Manager	1,159	1,159	1,159	—	—
Mortgage and other loans funding holdbacks	2,239	2,239	2,239	—	—
Prepaid mortgage and other loans interest	8,319	8,319	8,319	—	—
Derivative liability (interest rate swap contract)	5,607	5,607	3,761	1,846	—
Credit facility (mortgage investments) ¹	444,155	461,801	11,169	450,632	—
Credit facility (investment properties) ²	30,637	31,733	8,955	22,778	—
Convertible debentures ³	133,749	136,800	136,800	—	—
	\$ 635,873	\$ 657,666	\$ 182,410	\$ 475,256	\$ —
Unadvanced mortgage commitments ⁴	—	253,342	253,342	—	—
Total contractual liabilities, excluding mortgage syndication liabilities⁵	\$ 635,873	\$ 911,008	\$ 435,752	\$ 475,256	\$ —

¹ Credit facility (mortgage investments) includes interest based upon June 2020 weighted average interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on December 18, 2021.

² Credit facility (investment properties) includes interest based upon June 2020 weighted average interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on October 9, 2020.

³ The convertible debentures are assumed to be redeemed within a year as they are redeemable as at the reporting date.

⁴ Unadvanced mortgage commitments include syndication commitments of which \$136,894 belongs to the Company's syndicated partners.

⁵ The principal repayments of \$493,807 mortgage syndication liabilities by contractual maturity date is shown net with mortgage investments in note 4(b).

As at June 30, 2020, the Company had a cash position of \$4,861 (December 31, 2019 – \$8,991), an unutilized credit facility (mortgage investments) balance of \$55,000 (December 31, 2019 – \$39,000) and an unutilized credit facility (investment properties) balance of nil (December 31, 2019 – nil). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities and the credit facilities.

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18. FAIR VALUE MEASUREMENTS

The following table shows the classification carrying amounts and fair values of assets and liabilities:

As at June 30, 2020	Note	Carrying value		Fair value
		Amortized cost	Fair value through profit or loss	
Assets measured at fair value				
Investment properties	5	\$ —	\$ 47,621	\$ 47,621
Financial assets				
Cash and cash equivalents		4,861	—	4,861
Other assets		12,761	237	12,998
Mortgage investments, including mortgage syndications		1,628,671	73,393	1,702,064
Other investments	4(e)	57,878	5,471	63,349
Financial liabilities				
Accounts payable and accrued expenses		4,303	1,023	5,326
Dividends payable		4,682	—	4,682
Due to Manager		1,159	—	1,159
Mortgage funding holdbacks		2,239	—	2,239
Prepaid mortgage interest		8,319	—	8,319
Derivative liability (interest rate swap contract)		—	5,607	5,607
Credit facility (mortgage investments)		444,156	—	445,000
Credit facility (investment properties)		30,636	—	30,690
Convertible debentures		133,749	—	134,428
Mortgage syndication liabilities		494,372	—	494,372

As at December 31, 2019	Note	Carrying value		Fair value
		Amortized cost	Fair value through profit or loss	
Assets measured at fair value				
Investment properties	5	\$ —	\$ 47,349	\$ 47,349
Financial assets				
Cash and cash equivalents		8,991	—	8,991
Other assets		10,521	237	10,758
Mortgage investments, including mortgage syndications		1,592,514	75,172	1,667,686
Other investments	4(e)	54,346	4,949	59,295
Financial liabilities				
Accounts payable and accrued expenses		2,827	847	3,674
Dividends payable		4,787	—	4,787
Due to Manager		1,114	—	1,114
Mortgage funding holdbacks		3,741	—	3,741
Prepaid mortgage interest		5,437	—	5,437
Credit facility (mortgage investments)		459,767	—	461,000
Credit facility (investment properties)		30,622	—	30,690
Convertible debentures		133,033	—	139,478
Mortgage syndication liabilities		426,939	—	426,939

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The valuation techniques and the inputs used for the Company's financial instruments are as follows:

(a) Mortgage investments, other investments, and mortgage syndication liabilities

There is no quoted price in an active market for the mortgage investments, other investments, excluding marketable securities or mortgage syndication liabilities. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage and other investments excluding marketable securities of same or similar terms. Typically, the fair value of these mortgage investments, other investments, debentures excluding marketable securities and mortgage syndication liabilities approximate their carrying values given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments and other investments excluding marketable securities is based on level 3 inputs.

The fair value of the marketable securities is based on a level 1 input, which is the market closing price of the marketable securities at the reporting date.

(b) Other financial assets and liabilities

The fair values of cash and cash equivalents, other assets, accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest and credit facilities approximate their carrying amounts due to their short-term maturities or bear interest at variable rates.

The fair value of the Contract is calculated as the present value of the estimated future cash flows. Estimates of the future cash flows are the sum of contractually fixed future amounts and expected variable future amounts, which are based on quoted swap rates, futures prices and estimated borrowing rates.

(c) Convertible debentures

The fair value of the convertible debentures is based on a level 1 input, which is the market closing price of convertible debentures at the reporting date.

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the three months ended June 30, 2020.

19. COMPENSATION OF KEY MANAGEMENT PERSONNEL

During Q2 2020 and YTD 2020, the compensation expense of the members of the Board of Directors amounts to \$87 and \$186 (Q2 2019 – \$84 and YTD 2019 – \$166), which is paid in a combination of DSUs and cash. The compensation to the senior management of the Manager is paid through the management fees paid to the Manager (note 11).

20. 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 other investments. 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.