Interim Condensed Consolidated Financial Statements of

TIMBERCREEK FINANCIAL

For the three and six months ended June 30, 2024 and 2023

TIMBERCREEK FINANCIAL

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(In thousands of Canadian dollars)

	Note	June 30, 2024	December 31, 2023 Adjusted - see note 5
ASSETS			
Cash		**$ 735**	$ 4,802
Other assets	15(c)	**8,141**	11,821
Real estate land inventory	6(a)	**30,561**	30,577
Real estate held for sale	6(b)	**130,987**	130,987
Mortgage investments, including mortgage syndications	4	**1,476,302**	1,545,112
Other investments	4(e)	**62,002**	62,658
Total assets		**$ 1,708,728**	$ 1,785,957
LIABILITIES AND EQUITY			
Accounts payable and accrued expenses		**7,670**	4,644
Dividends payable	9(c)	**4,742**	4,742
Due to Manager	15(a)	**918**	1,005
Mortgage and other loans funding holdbacks	15(c)	**1,187**	2,029
Prepaid mortgage and other loans interest	15(c)	**2,021**	1,217
Credit facility	7	**305,597**	259,704
Mortgage syndication liabilities	4(a)(c)	**480,277**	601,624
Real estate held for sale collateral liability	6(b)	**68,787**	69,008
Convertible debentures	8	**138,716**	140,845
Total liabilities		**1,009,915**	1,084,818
Shareholders' equity	9	**698,813**	701,139
Total liabilities and equity		**$ 1,708,728**	$ 1,785,957
Commitments and contingencies	4, 7 and 20		
Subsequent events	9(c)		

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME (Unaudited)

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2024	2023	2024	2023
Investment income on financial assets measured at amortized cost					
Gross interest and other income, including mortgage syndications		**$ 37,283**	$ 43,614	**$ 73,736**	$ 89,122
Interest and other expenses on mortgage syndications		**(10,842)**	(12,143)	**(22,705)**	(24,942)
Net investment income on financial assets measured at amortized cost	4(b)(e)	**26,441**	31,471	**51,031**	64,180
Fair value gain and other income on financial assets measured at FVTPL	4(a)(e)	**235**	306	**572**	588
Total income on financial assets		**26,676**	31,777	**51,603**	64,768
Income on real estate properties					
Revenue from real estate properties		**4,371**	85	**8,717**	168
Property operating costs		**(3,216)**	(378)	**(6,466)**	(820)
Expense on real estate held for sale collateral liability		**(766)**	—	**(1,388)**	—
Net rental income (loss)	6	**389**	(293)	**863**	(652)
Fair value gain on real estate properties		**—**	—	**—**	63
Total income (loss) on real estate properties		**389**	(293)	**863**	(589)
Expenses					
Management fees	11	**2,623**	2,892	**5,016**	6,179
Servicing fees	11	**144**	185	**303**	377
Expected credit loss (recovery)	4(d)	**(97)**	875	**815**	1,175
General and administrative		**929**	1,187	**1,963**	1,851
Total expenses		**3,599**	5,139	**8,097**	9,582
Income from operations		**23,466**	26,345	**44,369**	54,597
Financing costs					
Financing cost on credit facility	7	**5,571**	7,208	**9,856**	15,106
Financing cost on convertible debentures	8	**2,535**	2,249	**4,785**	4,499
Total financing costs		**8,106**	9,457	**14,641**	19,605
Net income and comprehensive income		**$ 15,360**	$ 16,888	**$ 29,728**	$ 34,992
Earnings per share					
Basic	12	**$ 0.19**	$ 0.20	**$ 0.36**	$ 0.42
Diluted	12	**$ 0.18**	$ 0.20	**$ 0.36**	$ 0.41

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

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

(In thousands of Canadian dollars)

Six months ended June 30, 2024	Common shares	Deficiency	Equity component of convertible debentures	Total
Balance, December 31, 2023	$ 732,940	$ (36,251)	$ 4,450	$ 701,139
Dividends declared to shareholders	—	(33,411)	—	(33,411)
Issuance of common shares under dividend reinvestment plan	2,974	—	—	2,974
Repurchase of common shares for dividend reinvestment plan	(2,974)	—	—	(2,974)
Issuance of convertible debentures	—	—	1,357	1,357
Total net income and comprehensive income	—	29,728	—	29,728
Balance, June 30, 2024	$ 732,940	$ (39,934)	$ 5,807	$ 698,813

Six months ended June 30, 2023	Common shares	Deficiency	Equity component of convertible debentures	Total
Balance, December 31, 2022	$ 739,162	$ (45,069)	$ 4,450	$ 698,543
Repurchase of common shares under normal course issuer bid	(3,249)	—		(3,249)
Dividends declared to shareholders	—	(28,885)	—	(28,885)
Issuance of common shares under dividend reinvestment plan	2,943	—	—	2,943
Repurchase of common shares for dividend reinvestment plan	(2,943)	—	—	(2,943)
Total net income and comprehensive income	—	34,992	—	34,992
Balance, June 30, 2023	$ 735,913	$ (38,962)	$ 4,450	$ 701,401

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

(In thousands of Canadian dollars)

	Note	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
OPERATING ACTIVITIES					
Net income		**$ 15,360**	$ 16,888	**$ 29,728**	$ 34,992
Amortization of lender fees		**(1,477)**	(2,181)	**(2,882)**	(4,646)
Lender fees received		**1,857**	1,722	**3,636**	3,381
Interest income, net of syndications		**(24,726)**	(28,968)	**(47,866)**	(59,213)
Interest income received, net of syndications		**18,239**	25,291	**36,380**	52,638
Financing costs		**8,106**	9,457	**14,641**	19,605
Fair value loss (gain) and interest income on financial assets measured at FVTPL		**(209)**	(317)	**(546)**	(599)
Interest received from financial assets measured at FVTPL		**170**	163	**341**	322
Net proceeds from sale of land inventory		**130**	—	**380**	—
Net additions to land inventory		**84**	—	**(234)**	(74)
Net realized and unrealized foreign exchange loss (gain)		**46**	(25)	**62**	28
Expected credit loss (recovery)		**(97)**	875	**815**	1,175
Net change in non-cash operating items	13	**3,269**	20	**1,323**	160
		20,752	$ 22,925	**35,778**	47,769
FINANCING ACTIVITIES					
Net credit facility draws (repayments)		**11,894**	(26,063)	**46,894**	(90,063)
Repayment of convertible debentures		**(45,000)**	—	**(45,000)**	—
Net proceeds from issuance of convertible debentures		**43,452**	—	**43,452**	—
Interest and financing costs paid		**(6,288)**	(9,613)	**(12,511)**	(18,503)
Dividends paid to shareholders		**(12,787)**	(12,981)	**(30,437)**	(25,996)
Repurchase of common shares		**(1,532)**	(3,492)	**(2,974)**	(5,789)
		(10,261)	(52,149)	**(576)**	(140,351)
INVESTING ACTIVITIES					
Distribution from financial assets measured at FVTPL		**2,252**	917	**2,252**	981
Net (payments) proceeds on maturity of forward contracts		**(133)**	45	**(407)**	(558)
Funding of other investments		**—**	—	**—**	(823)
Proceeds from other investments		**31**	29	**62**	14,598
Funding of mortgage investments, net of syndications		**(140,354)**	(116,034)	**(334,866)**	(188,862)
Discharges of mortgage investments, net of syndications		**122,640**	143,041	**293,786**	264,536
		(15,564)	27,998	**(39,173)**	89,872
Decrease in cash		**(5,073)**	(1,226)	**(3,971)**	(2,710)
Net foreign exchange (gain) loss on cash accounts		**(73)**	63	**(96)**	10
Cash, beginning of period		**5,881**	1,295	**4,802**	2,832
Cash, end of period		**$ 735**	$ 132	**$ 735**	$ 132

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Notes to the Interim Condensed 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 loan 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* as issued by the International Accounting Standards Board ("IASB").

These unaudited interim condensed consolidated financial statements should be read in conjunction with the notes to the audited consolidated financial statements for the year ended December 31, 2023 since these financial statements do not contain all disclosures required by IFRS Accounting Standards for annual financial statements.

The unaudited interim condensed consolidated financial statements were approved by the Board of Directors on July 31, 2024.

(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 basis except for certain items which have been measured at fair value through profit or loss ("FVTPL") at each reporting date and include: debt investments not meeting the solely payments of principal and interest criterion, investment in participating debentures, investment in equity instrument 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. (the “Manager”), 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 consistent with the prior period and there are no known trends, commitments, events or uncertainties, other than the global market volatility, 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.

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 Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

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

Note 4 – Mortgage and other loan investments, including mortgage syndications; and
Note 18 – Fair value measurements.

Measurement of expected credit loss

The determination of the expected credit loss takes into account different factors and varies by nature of investment. These judgements 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 expected credit loss. The Company exercises significant credit judgement in the determination of a significant increase in credit risk since initial recognition, credit impairment of debt investments and expected recoverable amount of credit impaired debt investments. 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 loan investments.

Classification of mortgage and other loan 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 judgement 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.

Net realizable value of land inventory

Real estate land inventory is measured at the lower of cost and net realizable value. In determining the net realizable value of inventory, the Company estimates the selling prices of land parcels based on assumptions surrounding zoning and density approvals on those lands, prevailing market prices, and selling costs. The determination of net realizable value for the measurement of land inventory includes management estimates of the ultimate disposal values of various plots of land when in consideration with different sales strategies. Management applies judgement with respect to the potential scenarios for which the land can be disposed of including assumptions around zoning and permitting of said lands and has applied a probability to each scenario.

Real estate held for sale

Real estate held for sale is measured at the lower of carrying amount and fair value less costs to sell. Determining the estimated fair value less costs to sell is a source of estimation uncertainty. The significant assumptions used when determining the fair value of real estate held for sale are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized future cash flows are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Company also considers relevant selling costs in the ultimate disposal of the properties.

(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. MATERIAL ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2023, which were prepared in accordance with IFRS Accounting Standards as issued by IASB.

(In thousands of Canadian dollars)

4. MORTGAGE AND OTHER INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

(a) Mortgage investments

As at June 30, 2024	Note	Mortgages, including mortgage syndications	Mortgage syndication liabilities	Net Mortgage Investments
Mortgage investments, including mortgage syndications - at amortized cost	4(b)(c)	$ 1,476,438	$ (478,518)	$ 997,920
Interest receivable		14,452	(3,402)	11,050
		1,490,890	(481,920)	1,008,970
Unamortized lender fees		(7,051)	1,643	(5,408)
Allowance for ECL	4(d)	(13,093)	—	(13,093)
Mortgage investments at amortized cost		1,470,746	(480,277)	990,469
Mortgage investments at FVTPL		5,500	—	5,500
Interest receivable		56	—	56
Mortgage investments at FVTPL		5,556	—	5,556
Mortgage investments, including mortgage syndications		$ 1,476,302	$ (480,277)	$ 996,025
Unadvanced mortgage commitments		$ 367,477	$ (210,838)	$ 156,639

As at December 31, 2023	Mortgages, including mortgage syndications	Mortgage syndication liabilities	Net Mortgage Investments
Mortgage investments, including mortgage syndications - at amortized cost	$ 1,540,678	$ (599,956)	$ 940,722
Interest receivable	18,846	(4,318)	14,528
	1,559,524	(604,274)	955,250
Unamortized lender fees	(7,876)	2,650	(5,226)
Allowance for ECL	(12,093)	—	(12,093)
Mortgage investments at amortized cost	1,539,555	(601,624)	937,931
Mortgage investments at FVTPL	5,500	—	5,500
Interest receivable	57	—	57
Mortgage investments at FVTPL	5,557	—	5,557
Mortgage investments, including mortgage syndications	$ 1,545,112	$ (601,624)	$ 943,488
Unadvanced mortgage commitments	$ 383,884	$ (240,093)	$ 143,791

(In thousands of Canadian dollars)

Mortgages classified at FVTPL

The Company holds a vendor-take-back mortgage classified at FVTPL with a contractual value of $6,500 and an estimated fair value of $5,500. During Q2 2024 and YTD 2024, the Company generated net interest income and other income on net mortgage investments measured at FVTPL of $169 and $340 (Q2 2023 – $164; YTD 2023 – $325).

The Company continues to measure its FVTPL assets using the direct comparison method, comparing the assets to directly comparable properties and has not recorded any fair value adjustments during Q2 2024 and YTD 2024 (Q2 2023 and YTD 2023 – fair value adjustment of nil)

(b) Net mortgage investments

As at	June 30, 2024		December 31, 2023	
Interest in first mortgages	**85.6 % $**	**859,386**	88.9 % $	841,264
Interest in second and third mortgages	**14.4 %**	**144,034**	11.1 %	104,958
	100.0 % $	**1,003,420**	100.0 % $	946,222

The mortgage investments are secured by real property and will mature between the remainder of 2024 and 2027. During Q2 2024 and YTD 2024, the Company earned interest income on mortgage investments measured at amortized costs of $23,417 and $45,315 (Q2 2023 – $27,910 and YTD 2023 – $56,483). During Q2 2024 and YTD 2024, the Company recognized other income of $147 and $244 (Q2 2023 – $135; YTD 2023 – $321), attributable to bank interest income and miscellaneous income.

A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal prior to maturity, after six months of interest payments and with a 30 days' written notice without penalty or yield maintenance. The unamortized lender fees are recognized over the term of the mortgage investment.

During Q2 2024 and YTD 2024, the Company recognized income from amortization of lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities of $1,676 and $3,055 (Q2 2023 – $2,014; YTD 2023 – $4,371).

During Q2 2024 and YTD 2024, the Company recorded non-refundable upfront lender fees on net mortgage investments, net of fees relating to mortgage syndication liabilities, of $1,857 and $3,036 (Q2 2023 – $1,372; YTD 2023 – $3,081), which are initially recognized as unearned revenue and amortized to income over the term of the related mortgage investments using the effective interest rate method.

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

As at		June 30, 2024
2024	**$**	**287,648**
2025		**406,217**
2026		**257,549**
2027		**52,006**
Total	**$**	**1,003,420**

(In thousands of Canadian dollars)

(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. The interest and fees earned on the transferred participation interests and the related interest expense are recognized in profit and loss. The Company's portion of the mortgage is recorded as mortgage investments. The fair value of the transferred assets and mortgage syndication liabilities approximate their carrying values (see note 18).

(d) Expected Credit Loss ("ECL")

The expected credit loss is maintained at a level that management considers adequate to absorb credit-related losses on mortgage and other loan investments classified at amortized cost. The expected credit loss amounted to $13,245 as at June 30, 2024 (December 31, 2023 – $12,430), of which $13,093 (December 31, 2023 – $12,093) was recorded against mortgage investments and $152 (December 31, 2023 – $337) was recorded against other loan investments. Multi-residential mortgage investments are categorized by asset type that includes apartments, condominium construction and retirement housing. Other mortgage investments are categorized by asset type that includes retail, unimproved land, improved land, office, industrial, self-storage, condominium inventory and single-residential housing, etc.

	As at June 30, 2024				As at December 31, 2023			
Multi-Residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgages, including mortgage syndications[1]	**$ 849,586**	**$ 63,148**	**$ —**	**$ 912,734**	$ 943,841	$ 58,235	$ 51,293	$1,053,369
Mortgage syndication liabilities[1]	**332,455**	**40,273**	**—**	**372,728**	417,639	40,280	38,862	496,781
Net mortgage investments	**517,131**	**22,875**	**—**	**540,006**	526,202	17,955	12,431	556,588
Expected credit loss[2]	**1,055**	**394**	**—**	**1,449**	780	280	395	1,455
	516,076	**22,481**	**—**	**538,557**	525,422	17,675	12,036	555,133
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgages, including mortgage syndications[1]	**352,437**	**201,572**	**24,147**	**578,156**	425,157	15,357	65,641	506,155
Mortgage syndication liabilities[1]	**109,192**	**—**	**—**	**109,192**	107,493	—	—	107,493
Net mortgage investments	**243,245**	**201,572**	**24,147**	**468,964**	317,664	15,357	65,641	398,662
Expected credit loss[2]	**296**	**1,844**	**9,504**	**11,644**	560	732	9,346	10,638
	242,949	**199,728**	**14,643**	**457,320**	317,104	14,625	56,295	388,024
Other Loan Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Other loans, including other loans syndications[1]	**27,824**	**20,750**	**—**	**48,574**	47,399	—	—	47,399
Other loans syndication liabilities[1]	**—**	**—**	**—**	**—**	—	—	—	—
Net other loan investments	**27,824**	**20,750**	**—**	**48,574**	47,399	—	—	47,399
Expected credit loss[2]	**147**	**5**	**—**	**152**	337	—	—	337
	$ 27,677	**$ 20,745**	**$ —**	**$ 48,422**	$ 47,062	$ —	$ —	$ 47,062

[1]Including interest receivable.
[2]Expected credit loss in finance lease receivable (note 4(e)) and unadvanced commitments (note 4) are all considered to be in Stage 1 with minimal ECL.

Notes to the Interim Condensed Consolidated Financial Statements

(In thousands of Canadian dollars)

The changes in the expected credit loss year to date are shown in the following tables:

	Six Months Ended June 30, 2024				Six Months Ended June 30, 2023			
Multi-Residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance, beginning of period	$ 780	$ 280	$ 395	$ 1,455	$ 1,424	$ —	$ 1,409	$ 2,833
Expected credit loss:								
Remeasurement	(86)	109	—	23	20	66	1,752	1,838
Transfer to/(from)								
Stage 1	390	—	—	390	(898)	—	—	(898)
Stage 2	—	5	—	5	—	41	—	41
Stage 3	—	—	(395)	(395)	—	—	857	857
Total expected credit loss	1,084	394	—	1,478	546	107	4,018	4,671
Fundings	149	—	—	149	35	—	—	35
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(178)	—	—	(178)	(80)	—	—	(80)
Balance, end of period	1,055	394	—	1,449	501	107	4,018	4,626
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance, beginning of period	560	732	9,346	10,638	414	—	7,358	7,772
Expected credit loss:								
Remeasurement	168	355	505	1,028	38	—	(392)	(354)
Transfer to/(from)								
Stage 1	(410)	—	—	(410)	—	—	—	—
Stage 2	—	757	—	757	—	—	—	—
Stage 3	—	—	(347)	(347)	—	—	—	—
Total expected credit loss	318	1,844	9,504	11,666	452	—	6,966	7,418
Fundings	30	—	—	30	20	—	—	20
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	(52)	—	—	(52)	(35)	—	—	(35)
Balance, end of period	296	1,844	9,504	11,644	437	—	6,966	7,403
Other Loan Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance, beginning of period	337	—	—	337	745	—	—	745
Expected credit loss:								
Remeasurement	(185)	—	—	(185)	(204)	—	—	(204)
Transfer to/(from)								
Stage 1	(5)	—	—	(5)	—	—	—	—
Stage 2	—	5	—	5	—	—	—	—
Stage 3	—	—	—	—	—	—	—	—
Total expected credit loss	147	5	—	152	541	—	—	541
Fundings	—	—	—	—	—	—	—	—
Gross Write-Offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—
Discharges	—	—	—	—	(44)	—	—	(44)
Balance, end of period	$ 147	$ 5	$ —	152	$ 497	$ —	$ —	$ 497

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, population of location of the collateral and an assessment of possible loan deterioration factors. These factors include consideration of the guarantor'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 plans that could affect the execution risk of the loan.

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 more than 90 days past due on interest payment, or that are more than 90 days past due maturity date and/or the Company assesses 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.

Notes to the Interim Condensed Consolidated Financial Statements

(In thousands of Canadian dollars)

	As at June 30, 2024				As at December 31, 2023			
Multi-Residential Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low risk	**$ 310,268**	**$ —**	**$ —**	**$ 310,268**	$ 184,985	$ —	$ —	$ 184,985
Medium-Low risk	**101,910**	**—**	**—**	**101,910**	248,215	—	—	248,215
Medium-High risk	**73,589**	**22,875**	**—**	**96,464**	93,002	17,955	—	110,957
High risk	**31,364**	**—**	**—**	**31,364**	—	—	—	—
Default	**—**	**—**	**—**	**—**	—	—	12,431	12,431
Net Mortgage Investments[1]	**517,131**	**22,875**	**—**	**540,006**	526,202	17,955	12,431	556,588
Expected credit loss	**1,055**	**394**	**—**	**1,449**	780	280	395	1,455
	516,076	**22,481**	**—**	**538,557**	525,422	17,675	12,036	555,133
Other Mortgage Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low risk	**81,560**	**—**	**—**	**81,560**	39,213	—	—	39,213
Medium-Low risk	**118,451**	**—**	**—**	**118,451**	178,835	—	—	178,835
Medium-High risk	**43,127**	**110,364**	**—**	**153,491**	99,616	15,357	—	114,973
High risk	**107**	**91,208**	**—**	**91,315**	—	—	—	—
Default	**—**	**—**	**24,147**	**24,147**	—	—	65,641	65,641
Net Mortgage Investments[1]	**243,245**	**201,572**	**24,147**	**468,964**	317,664	15,357	65,641	398,662
Expected credit loss	**296**	**1,844**	**9,504**	**11,644**	560	732	9,346	10,638
	242,949	**199,728**	**14,643**	**457,320**	317,104	14,625	56,295	388,024
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	**27,824**	**20,750**	**—**	**48,574**	47,399	—	—	47,399
Default	**—**	**—**	**—**	**—**	—	—	—	—
Net other loan investments	**27,824**	**20,750**	**—**	**48,574**	47,399	—	—	47,399
Expected credit loss	**147**	**5**	**—**	**152**	337	—	—	337
	$ 27,677	**$ 20,745**	**$ —**	**$ 48,422**	$ 47,062	$ —	$ —	$ 47,062

1. Net of mortgage syndications.

(In thousands of Canadian dollars)

(e) Other investments

As at		June 30, 2024		December 31, 2023
Other loan investments, net of expected credit loss	$	**48,422**	$	47,033
Finance lease receivable, measured at amortized cost		**6,020**		6,020
Investment in participating debentures, measured at FVTPL		**2,335**		4,380
Investment in equity instrument		**3,000**		3,000
Joint venture investment in indirect real estate development		**2,225**		2,225
Total Other Investments	$	**62,002**	$	62,658

Other loan investments will mature between the remainder of 2024 and 2038. During Q2 2024 and YTD 2024, other loan investments generated interest income of $1,199 and $2,389 (Q2 2023 – $1,200; YTD 2023 – $2,639) and income from amortization of lender fees of $2 and $28 (Q2 2023 – $166; YTD 2023 – $274). During Q2 2024 and YTD 2024, the Company did not record any non-refundable upfront cash lender fees (Q2 2023 - $300; YTD 2023 - $300), which are amortized over the term of the related other loan investments using the effective interest rate method.

Principal repayments of other loan investments by contractual maturity dates are as follows:

As at		June 30, 2024
2024	$	**44,699**
2025		**—**
2026		**—**
2027 and thereafter		**2,778**
Total	$	**47,477**

During Q2 2024 and YTD 2024, investment in participating debentures measured at FVTPL received total cash distribution of $2,252 and $2,252 (Q2 2023 – $917; YTD 2023 – $981), represented by a return of capital of $1,854 and $1,854 (Q2 2023 – $707; YTD 2023 – $707), and income distribution of $398 and $398 (Q2 2023 – $210; YTD 2023 – $274).

In October 2017, the Company entered into a 20-year emphyteutic lease under which 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 based on 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, 2023 – $6,020) is included in other investments. The lease payment began in the third quarter of 2018. Concurrently, the Company entered into a 20-year $3,300 construction loan on the leased property with the lessee which is included in other loan investments. The loan amortization payment began in the fourth quarter of 2019.

The lease receivable payments are due as follows:		Future minimum lease payments		Present value of minimum lease payments
Less than one year	$	172	$	119
Between one and five years		809		628
More than five years		12,163		5,273
	$	**13,144**	$	**6,020**

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(In thousands of Canadian dollars)

5. ADJUSTMENT TO COMPARATIVE STATEMENT OF FINANCIAL POSITION

During the period ended June 30, 2024, management determined that certain amounts previously classified as real estate properties inventory should have been classified as real estate held for sale. As a result, the consolidated statement of financial position as at December 31, 2023 was adjusted as per the table below, with no change to total assets, total liabilities or shareholders' equity. The adjustment had no impact on the consolidated statement of net income and comprehensive income, consolidated statement of changes in shareholders' equity or consolidated statement of cash flow.

As at	December 31, 2023		
	As previously reported	Adjustment	Adjusted
Real estate inventory	$ 161,564	$ (161,564)	$ —
Real estate land inventory	—	30,561	30,561
Real estate held for sale	—	130,987	130,987
Real estate inventory collateral liability	(69,008)	69,008	—
Real estate held for sale collateral liability	$ —	$ (69,008)	$ (69,008)

6. REAL ESTATE

(a) Land Inventory

As at June 30, 2024, the Company has land inventory of $30,561 (December 31, 2023 – $30,577), which is recorded at the lower of cost and net realizable value. Land inventory operations incurred a net rental loss of $375 and $524 in Q2 2024 and YTD 2024 (Q2 2023 – loss of $293; YTD 2023 – loss of $652).

(b) Real Estate Held for Sale

As at June 30, 2024, the Company has real estate properties classified as held for sale of $130,987 (December 31, 2023 adjusted – $130,987), which is measured at the lower of carrying amount and fair value less costs to sell.

Real estate held for sale was originally acquired via credit bid of a senior retirement housing loan filed for CCAA in August 2023, the Company holds a 50% ownership interest together with its syndicated partners. The syndicated partner's portion is classified as collateral liability of $68,787 as at June 30, 2024. The Company's ownership interest net of collateral liability is $62,200 as at June 30, 2024.

The properties generated a net rental income of $764 in Q2 2024 and $1,387 YTD 2024 (Q2 2023 and YTD 2023 – nil).

As at	June 30, 2024	December 31, 2023*
Real estate held for sale	**130,987**	130,987
Real estate held for sale collateral liability	**(68,787)**	(69,008)
Real estate, net of collateral liability	**$ 62,200**	$ 61,979

* Adjusted see note 5.

(In thousands of Canadian dollars)

7. CREDIT FACILITY

As at		June 30, 2024		December 31, 2023
Credit facility	**$**	**306,894**	$	260,000
Unamortized financing costs		**(1,297)**		(296)
Credit facility, end of period	**$**	**305,597**	$	259,704

As of June 30, 2024, the Company has an aggregate credit limit of $510,000 under its credit facility and an accordion feature of $100,000. The facility is secured by a general security agreement over the Company's assets and its subsidiaries. The credit facility agreement has a maturity date of February 8, 2026.

The interest rates and fees on the existing credit agreement are either at the prime rate of interest plus 1.25% per annum (December 31, 2023 – prime rate of interest plus 1.00%) or at Adjusted Term CORRA plus 2.25% per year (December 31, 2023 – bankers' acceptances plus 2.00%) and standby fee of 0.45% per annum (December 31, 2023 – 0.40%) on the unutilized credit facility balance. As at June 30, 2024, the Company's qualified credit facility limit, which is subject to a borrowing base as defined in the existing credit agreement is $432,168.

During Q2 2024 and YTD 2024, the Company capitalized financing costs of $24 and $1,607 (Q2 2023 – capitalized nil; YTD 2023 – capitalized $36). The deferred financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the credit facility agreement.

Interest on the credit facility is recorded in financing costs and calculated using the effective interest rate method. For Q2 2024 and YTD 2024, included in financing costs is interest on the credit facility of $5,371 and $9,240 (Q2 2023 – $7,036; YTD 2023 – $14,681) and financing costs amortization of $200 and $616 (Q2 2023 – $172; YTD 2023 – $425).

8. CONVERTIBLE DEBENTURES

As at June 30, 2024, and December 31, 2023, the Company's obligations under the convertible unsecured debentures are as follows:

Series	Ticker Symbol	Interest Rate	Date of Maturity	Interest Payment Date	Conversion Price per share		Equity Component		June 30, 2024		December 31, 2023
June 2017 Debentures	TF.DB.C	5.30 %	June 30, 2024	June 30 and December 31	11.10	$	560	**$**	**—**	$	45,000
July 2021 Debentures	TF.DB.D	5.25 %	July 31, 2028	January 31 and July 31	11.40		1,107		**55,000**		55,000
December 2021 Debentures	TF.DB.E	5.00 %	December 31, 2028	June 30 and December 31	11.40		1,405		**46,000**		46,000
June 2024 Debentures	TF.DB.F	7.50 %	June 30, 2029	June 30 and December 31	8.50		1,357		**46,000**		—
Unsecured Debentures, principal									**147,000**		146,000
Unamortized financing cost and amount allocated to equity component									**(8,284)**		(5,155)
Debentures, end of period								**$**	**138,716**	$	140,845

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(In thousands of Canadian dollars)

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 June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Interest on the convertible debentures	**$ 2,116**	$ 1,893	**$ 4,009**	$ 3,786
Amortization of issue costs and accretion of the convertible debentures	**419**	356	**776**	713
Total	**$ 2,535**	$ 2,249	**$ 4,785**	$ 4,499

June 2017 Debentures

On June 21, 2024, the June 2017 Debentures were redeemed at par, plus accrued and unpaid interest. The aggregate principal amount of the debentures outstanding was $45,000 on the redemption date. The Company drew $40,000 from its credit facility and used cash on hand to fund the redemption and associated interest.

July 2021 Debentures

On July 8, 2021, the Company completed a public offering of $50,000, plus an over-allotment option of $5,000 on July 15, 2021, of 5.25% convertible unsecured subordinated debentures for net proceeds of $52,140 (the "July 2021 Debentures").

The July 2021 Debentures are redeemable on or after July 31, 2024 and prior to July 31, 2026 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. The Company may also elect to redeem debentures by issuing common shares at a 5% premium to the prevailing market price at the date of redemption.

On and after July 31, 2026 and prior to the maturity date, the July 2021 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.

The issue costs of $2,860 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.

December 2021 Debentures

On December 3, 2021, the Company completed a public offering of $40,000 plus an over-allotment option of $6,000 on December 10, 2021, of 5.00% convertible unsecured subordinated debentures for net proceeds of $43,765 (the "December 2021 Debentures").

The December 2021 Debentures are redeemable on or after December 31, 2024 and prior to December 31, 2026 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. The Company may also elect to redeem debentures by issuing common shares at a 5% premium to the prevailing market price at the date of redemption.

On and after December 31, 2026 and prior to the maturity date, the December 2021 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.

The issue costs of $2,235 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.

June 2024 Debentures

On May 28, 2024, the Company successfully completed a $46,000 bought deal offering of convertible debentures, with the $6,000 over-allotment option fully exercised by underwriters for net proceeds of $43,452 (the "June 2024 Debentures"). These debentures, accrue interest at 7.50% per annum and mature on June 30, 2029, are listed under (TSX: TF.DB.F) on the Toronto Stock Exchange.

On and after June 30, 2027 and prior to the maturity date, the June 2024 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.

The issue costs of $2,548 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.

9. COMMON SHARES

The Company is authorized to issue an unlimited number of common shares. Holders of common shares are entitled to receive notice 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.

On March 5, 2024, the Company filed a 25-month period short form base shelf prospectus in all provinces and territories of Canada which allows the Company to offer and issue common shares, debt securities, subscription receipts, warrants, and units (collectively, the "Securities") from time to time.

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(In thousands of Canadian dollars)

The changes in the number of common shares were as follows:	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Balance, beginning of period	**83,009,516**	83,775,016	**83,009,516**	83,887,516
Common shares issued under dividend reinvestment plan	**208,704**	190,762	**406,259**	372,472
Common shares repurchased for dividend reinvestment plan	**(208,704)**	(190,762)	**(406,259)**	(372,472)
Common shares repurchased under normal course issuer bid	**—**	(324,600)	**—**	(437,100)
Balance, end of period	**83,009,516**	83,450,416	**83,009,516**	83,450,416

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

The Company announced on March 12, 2024 that it has re-established an ATM Program that allows the Company to issue common shares from treasury having an aggregate gross sales amount of up to $90,000 to the public from time to time, at the Company's discretion. Sales of the common shares under the equity distribution agreement are 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 are at the market prices prevailing at the time of sale, and therefore prices vary between purchasers and over time.

During Q2 2024 and YTD 2024, the Company did not issue any common shares under the ATM program (Q2 2023 and YTD 2023 – nil).

(b) 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 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 2024 and YTD 2024, the Company purchased from the open market and issued under DRIP 208,704 and 406,259 common shares (Q2 2023 – 190,762 and YTD 2023 – 372,472) for total amount of $1,532 and $2,974 (Q2 2023 – $1,492 and YTD 2023 – $2,943) at an average price of $7.34 and $7.32 per common share (Q2 2023 – $7.82 and YTD 2023 – $7.90).

During Q2 2024 and YTD 2024, the Company did not issue any common shares from treasury under DRIP (Q2 2023 – nil and YTD 2023 – nil).

(c) 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 2024 and YTD 2024, the Company declared regular dividends of $14,319 or $0.1725 per common share and $28,638 or $0.3450 per common share (Q2 2023 – $14,434 or $0.1725 per common share and YTD 2023 – $28,885 or $0.3450 per common share).

On March 5, 2024, the Company declared a one-time special dividend of $0.0575 per share for a total of $4,773 to the shareholders on record. The special dividend was paid on March 11, 2024.

As at June 30, 2024, $4,742 in aggregate dividends (December 31, 2023 – $4,742) were payable to the holders of common shares by the Company. Subsequent to June 30, 2024, the Board of Directors of the Company declared dividends of $0.0575 per common share to be paid on July 15, 2024 to the common shareholders of record on June 28, 2024.

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

On June 10, 2024, the Company renewed the NCIB to repurchase for cancellation up to 8,216,051 common shares over a 12-month period. Repurchases under the NCIB were permitted to commence on June 12, 2024 and will continue until June 11, 2025 upon expiry.

On May 24, 2023, the Company renewed the NCIB to repurchase for cancellation up to 8,305,467 common shares over a 12-month period. Repurchases under the NCIB commenced on May 26, 2023 and expired on May 25, 2024.

The Company may repurchase for cancellation under the NCIB by means of open market transactions or otherwise as permitted by the TSX. All repurchases for cancellation 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 2024 and YTD 2024, the Company did not repurchase any common shares for cancellation (Q2 2023 – 324,600; YTD 2023 - 437,100 for a total amount of $2,403 and $3,249 at an average price per common share of $7.40 for Q2 2023 and $7.43 for YTD 2023).

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 are credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value.

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 2024 and YTD 2024, 10,503 and 22,214 units were issued (Q2 2023 and YTD 2023 – 10,287 and 20,099 units) and as at June 30, 2024, 160,273 units were outstanding (December 31, 2023 – 138,059 units). During Q2 2024 and YTD 2024, no DSUs were exercised (Q2 2023 and YTD 2023 – nil).

During Q2 2024 and YTD 2024, the compensation expense of the members of the Board of Directors amounts to $106 and $209 (Q2 2023 and YTD 2023 – $99 and $195), which is paid in a combination of DSUs and cash.

11. MANAGEMENT, SERVICING AND ARRANGEMENT FEES

The management agreement has a term of 10 years that commenced on April 1, 2020 and is automatically renewed for successive five year terms at the expiration of the initial term and pays (i) management fee equal 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 equal 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 retains 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.

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 2024 and YTD 2024, the Company incurred management fees plus applicable taxes of $2,623 and $5,016 (Q2 2023 – $2,892; YTD 2023 – $6,179) and servicing fees including applicable taxes of $144 and $303 (Q2 2023 – $185; YTD 2023 – $377). During Q2 2024 and YTD 2024, Arrangement Fees of $71 and $71 paid by the borrower were retained by the Manager (Q2 2023 – nil and YTD 2023 – $169).

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 Accounting Standards, 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 Accounting Standards 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.

(In thousands of Canadian dollars)

The following table shows the computation of per share amounts:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Total net income and comprehensive income (basic)	**$ 15,360**	$ 16,888	**$ 29,728**	$ 34,992
Interest expense on convertible debentures	**2,535**	2,249	**4,785**	4,499
Total net income and comprehensive income (diluted)	**$ 17,895**	$ 19,137	**$ 34,513**	$ 39,491
Weighted average number of common shares (basic)	**83,009,516**	83,736,590	**83,009,516**	83,760,117
Effect of conversion of convertible debentures	**14,537,657**	12,913,703	**13,748,202**	12,913,703
Weighted average number of common shares (diluted)	**97,547,173**	96,650,293	**96,757,718**	96,673,820
Earnings per share – basic	**$ 0.19**	$ 0.20	**$ 0.36**	$ 0.42
Earnings per share – diluted	**$ 0.18**	$ 0.20	**$ 0.36**	$ 0.41

13. CHANGE IN NON-CASH OPERATING ITEMS

Change in non-cash operating items:	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Other assets	**$ 2,759**	$ 757	**$ 686**	$ 4,061
Accounts payable and accrued expenses	**93**	236	**761**	(536)
Due to Manager	**48**	27	**(86)**	17
Mortgage and other loans funding holdbacks	**(694)**	159	**(842)**	(507)
Prepaid mortgage and other loans interest	**1,063**	(1,159)	**804**	(2,875)
	$ 3,269	$ 20	**$ 1,323**	$ 160

14. CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Convertible Debentures	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Balance, beginning of period	**$ 141,202**	$ 139,776	**$ 140,845**	$ 139,420
Debenture issuance	**46,000**	—	**46,000**	—
Capitalized issuance cost incurred during the year	**(2,548)**	—	**(2,548)**	—
Debenture repayments	**(45,000)**	—	**(45,000)**	—
Total financing cash flow activities	**(1,548)**	—	**(1,548)**	—
Non-cash activity - amortization of issue costs	**419**	355	**776**	711
Equity component, net of issue costs	**(1,357)**	—	**(1,357)**	—
Total financing non-cash flow activities	**(938)**	355	**(581)**	711
Balance, end of period	**$ 138,716**	$ 140,131	**$ 138,716**	$ 140,131

Credit Facility	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Balance, beginning of period	**$ 293,536**	$ 386,564	**$ 259,704**	$ 450,347
Deferred financing cost[1]	**(33)**	—	**(1,617)**	(36)
Net advances (repayments)	**11,894**	(26,063)	**46,894**	(90,063)
Total financing cash flow activities	**11,861**	(26,063)	**45,277**	(90,099)
Non-cash activity - amortization of financing costs	**200**	171	**616**	424
Balance, end of period	**$ 305,597**	$ 360,672	**$ 305,597**	$ 360,672

[1] Deferred financing cost is included in interest paid section in the interim condensed consolidated statement of cash flow.

15. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere, related party transactions include the following:

(a) As at June 30, 2024, Due to Manager consists of management and servicing fees payable of $918 (December 31, 2023 – $1,005).

(b) During Q2 2024 and YTD 2024, Arrangement Fees of $71 and $71 paid by borrower were retained by the Manager (Q2 2023 - nil and YTD 2023 – $169).

(c) As at June 30, 2024, included in other assets is $3,208 (December 31, 2023 – $3,246) 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, 2024, the Company is invested in non-voting shares of TMSI totaling $3,000 (December 31, 2023 – $3,000), which is classified as investment in equity instrument within other investments.

(e) As at June 30, 2024, the Company has two first mortgage investments which a director of the Manager is also an officer and part-owner of an entity which holds an interest against the same security as the Company. The first instance is a subordinated loan position and the second is a non-voting equity position with the borrower. Both of these positions are third party, independent of the Company's loans.

- A first mortgage investment with a total gross commitment of $48,750 (December 31, 2023 – $48,750). The Company's share of the commitment is $8,750 (December 31, 2023 – $4,375). During Q2 2024 and YTD 2024, the Company has recognized net interest income of $369 and $634 (Q2 2023 - $195 and YTD 2023 – $379).

- A first mortgage investment with a total gross commitment of $10,000 (December 31, 2023 – $10,000). The Company's share of the commitment is $3,000 (December 31, 2023 – $3,000). During Q2 2024 and YTD 2024, the Company has recognized net interest income of $100 and $200 (Q2 2023 - $96 and YTD 2023 – $192).

(f) As at June 30, 2024, the Company and Timbercreek Real Estate Finance U.S. Holding LP are related parties as they are managed by the Manager, and they have co-invested in 2 other loan investments (December 31, 2023 – 2) totaling $35,854 (December 31, 2023 – $34,646). The Company's share in these mortgage investments is $10,619 (December 31, 2023 – $10,262).

(g) As at June 30, 2024, the Company is invested in junior debentures of Timbercreek Real Estate Finance Ireland Fund 1 ("TREF Ireland 1") Private Debt Designated Activity Company totaling $2,335 or €1,592 (December 31, 2023 – $4,380 or €2,994), which is included in loan investments within other investments. TREF Ireland 1 is managed by a wholly-owned subsidiary of the Manager.

(h) As at June 30, 2024, the Company and Timbercreek North American Mortgage Fund are related parties as they are managed by the Manager, and they have co-invested in 2 mortgages (December 31, 2023 – 1) totaling $43,695 (December 31, 2023 – $22,759). The Company's share in this mortgage investments is $21,847 (December 31, 2023 – $11,379).

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, convertible 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. As at June 30, 2024, the Company was in compliance with its investment restrictions.

Pursuant to the terms of the credit facility, 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. There is a risk that further increases in exposure to non-performing mortgages could require repayment of advances under the credit facility as a result of reductions to the borrowing base or the minimum adjusted shareholders' equity covenant no longer being achieved. As at June 30, 2024, the Company was in compliance with its financial covenants.

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, expose 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, 2024, $906,051 of net mortgage investments and $5,000 of other investments bear interest at variable rates (December 31, 2023 – $921,917 and $5,000, respectively). Net mortgage investments totaling $818,397 have a floor rate (December 31, 2023 – $855,617).

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 for the next 12 months would be a decrease in net income of $2,171 (December 31, 2023 – 0.50% and $3,326) or an increase in net income of $4,627 (December 31, 2023 – 0.50% and $4,535, respectively). The Company manages its sensitivity to interest rate fluctuations by managing the fixed/floating ratio and its use of floor rates in its investment portfolio.

The Company is also exposed to interest rate risk on the credit facility. As at June 30, 2024, net exposure to interest rate risk was $306,894 (December 31, 2023 – $260,000), 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 for the next 12 months by $1,534 (December 31, 2023 – 0.50% and $1,300).

The Company's other assets, interest receivable, accounts payable and accrued expenses, prepaid mortgage interest, mortgage and other loan funding holdbacks, dividends payable and due to Manager have no significant exposure to interest rate risk due to their short-term nature. Convertible debentures carry a fixed rate of interest and are not subject to interest rate risk. Cash and cash equivalents carry a variable rate of interest and are subject to minimal interest rate risk.

(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 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, 2024, the Company has US$7,662 and €1,592 in other investments denominated in foreign currencies (December 31, 2023 – US$7,520 and €2,994 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, 2024, the Company has one U.S. dollar currency forward contract with an aggregate notional value of US$7,000, at a forward contract rate of 1.3664, that matured in July 2024. The Company also has one Euro currency contract with an aggregate notional value of €1,500 at a contract rate of 1.4800, that matured in July 2024.

The fair value of the foreign currency forward contracts as at June 30, 2024 is an asset of $8 which is included in other assets. The valuation of the foreign currency forward 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, 2024 relating to net mortgages and other investments amounts to $1,069,087 (December 31, 2023 – $1,024,846).

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(In thousands of Canadian dollars)

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 I bank, to be minimal.

The Company is exposed to credit risk from the collection of accounts receivable from tenants relating to real estate inventory.

(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.

The following are the contractual maturities of financial liabilities, excluding mortgage syndication liabilities as at June 30, 2024, including expected interest payments:

June 30, 2024	Carrying value	Contractual cash flow	Within a year	Following year	3 – 5 years	5 + Years
Accounts payable and accrued expenses	$ 7,670	$ 7,670	$ 7,670	$ —	$ —	$ —
Dividends payable	4,742	4,742	4,742	—	—	—
Due to Manager	918	918	918	—	—	—
Mortgage and other loans funding holdbacks	1,187	1,187	1,187	—	—	—
Prepaid mortgage and other loans interest	2,021	2,021	2,021	—	—	—
Credit facility[1]	305,597	342,201	22,396	319,805	—	—
Real estate held for sale collateral liability	68,787	68,787	68,787	—	—	—
Convertible debentures[2]	138,716	186,392	8,638	8,638	169,116	—
	$ 529,638	$ 613,918	$ 116,359	$ 328,443	$ 169,116	$ —
Unadvanced mortgage commitments, excluding mortgage syndication liabilities	—	156,639	156,639	—	—	—
Total contractual liabilities, excluding mortgage syndication liabilities[3]	$ 529,638	$ 770,557	$ 272,998	$ 328,443	$ 169,116	$ —

1 Credit facility includes interest based upon June 30, 2024 interest rate on the credit facility assuming the outstanding balance is not repaid until its maturity on February 8, 2026.

2 The convertible debentures include interest based on coupon rate on the convertible debentures assuming the outstanding balance is not repaid until its contractual maturity on July 31, 2028, December 31, 2028 and June 30, 2029.

3 The mortgage syndication liabilities of $480,277 and its portion of unadvanced mortgage commitment of $210,838 are excluded from table above, refer to net mortgage investments in note 4(a).

As at June 30, 2024, the Company had a cash position of $735 (December 31, 2023 – $4,802), an unutilized credit facility balance of $125,274 (December 31, 2023 – $109,537). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities, including proceeds from mortgage repayments and syndications, and the use of the credit facility.

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(In thousands of Canadian dollars)

18. FAIR VALUE MEASUREMENTS

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

		Carrying value		
As at June 30, 2024	**Note**	**Amortized cost**	**Fair value through profit or loss**	**Fair value**
Financial assets				
Cash		$ **735**	$ **—**	$ **735**
Other assets		**7,972**	**8**	**7,980**
Mortgage investments, including mortgage syndications		**1,470,746**	**5,556**	**1,476,302**
Other investments	4(e)	**54,442**	**5,335**	**59,777**
Financial liabilities				
Accounts payable and accrued expenses		**6,490**	**1,180**	**7,670**
Dividends payable		**4,742**	**—**	**4,742**
Due to Manager		**918**	**—**	**918**
Mortgage funding holdbacks		**1,187**	**—**	**1,187**
Prepaid mortgage interest		**2,021**	**—**	**2,021**
Credit facility		**305,597**	**—**	**306,894**
Real estate held for sale collateral liability		**68,787**	**—**	**68,787**
Convertible debentures		**138,716**	**—**	**142,495**
Mortgage syndication liabilities		**480,277**	**—**	**480,277**

		Carrying value		
As at December 31, 2023	**Note**	**Amortized cost**	**Fair value through profit or loss**	**Fair value**
Financial assets				
Cash		$ 4,802	$ —	$ 4,802
Other assets		11,383	21	11,404
Mortgage investments, including mortgage syndications		1,539,555	5,557	1,545,112
Other investments	4(e)	53,053	7,380	60,433
Financial liabilities				
Accounts payable and accrued expenses		3,684	960	4,644
Dividends payable		4,742	—	4,742
Due to Manager		1,005	—	1,005
Mortgage funding holdbacks		2,029	—	2,029
Prepaid mortgage interest		1,217	—	1,217
Credit facility		259,704	—	260,000
Real estate held for sale collateral liability		69,008	—	69,008
Convertible debentures		140,845	—	130,059
Mortgage syndication liabilities		601,624	—	601,624

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

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

There is no quoted price in an active market for mortgage investments, other loan investments and mortgage syndication liabilities. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage and other loan investments. Typically, the fair value of these mortgage investments, other loan investments 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 loan investments is based on level 3 inputs.

(b) Other financial assets and liabilities

The fair values of cash, other assets, lease receivable, accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest, real estate held for sale collateral liability and credit facility approximate their carrying amounts due to their short-term maturities or bear interest at variable rates. The fair value of investment in participating debentures is based on their latest available redemption price. The fair value of investment in equity instruments is based on the initial purchase price.

(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, 2024.

19. COMPENSATION OF KEY MANAGEMENT PERSONNEL

During Q2 2024 and YTD 2024, the compensation expense of the members of the Board of Directors amounted to $106 and $209 (Q2 2023 – $99 and YTD 2023 – $195), 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. As of June 30, 2024, there are no provisions recognized.

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.