Management's Discussion and Analysis

Timbercreek Senior Mortgage Investment Corporation

For the three months ended March 31, 2016

Timbercreek

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FORWARD-LOOKING STATEMENTS

Forward-looking statement advisory

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

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in and the risks detailed from time to time in the Company's public disclosures. For more information on risks, please refer to the "Risks and Uncertainties" section in this MD&A, and the "Risk Factors" section of our Annual Information Form ("AIF"), which can be found on the SEDAR website at www.sedar.com.

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

This MD&A is dated May 13, 2016. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investments is available on the Company's website at www.timbercreekseniormic.com. Additional information about the Company, including its AIF, can be found on the SEDAR website at www.sedar.com.

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BUSINESS OVERVIEW

Timbercreek Senior Mortgage Investment Corporation (the "Company") is a mortgage investment corporation domiciled in Canada. The registered office of the Company is 25 Price Street, Toronto, Ontario M4W 1Z1. The Company is incorporated under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011. The common shares of the Company are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol 'MTG'.

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

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

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

BASIS OF PRESENTATION

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

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

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

NON-IFRS MEASURES

The Company prepares and releases condensed consolidated interim financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below. The Company has presented such non-IFRS measures because the Manager believes they are relevant measures of Company's ability to earn and distribute cash dividends to shareholders and to evaluate its performance.

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

- Net mortgage investments – represents total mortgage investments, net of mortgage syndication liabilities and before adjustments for interest receivable, unamortized lender fees and allowance for mortgage investments loss as at the reporting date;

- Average net mortgage investment portfolio – represents the daily average of net mortgage investments for the stated period;

- Weighted average loan-to-value – a measure of advanced and unadvanced mortgage commitments on a mortgage investment, including priority or pari-passu debt on the underlying real estate, as a percentage of the fair value of the underlying real estate collateral at the time of approval of the mortgage investment. For construction/redevelopment mortgage investments, fair value is based on an 'as completed' basis;

- Turnover ratio – represents total mortgage repayments during the stated period, expressed as a percentage of the average net mortgage investments for the stated period;

- Leverage – represents the total credit facility balance divided by total assets less mortgage syndication liabilities for the stated period;

- Weighted average interest rate for the period – represents the weighted average of daily interest rates (not including lender fees) on the net mortgage investments for the stated period;

- Weighted average lender fees – represents the cash lender fees received on individual mortgage investments during the stated period, expressed as a percentage of the Company's advances on those net mortgage investments. If the entire lender fee is received but the mortgage investment is not fully funded, the denominator is adjusted to include the Company's unadvanced commitment;

- Targeted dividend yield – represents the average 2-Year Government of Canada Bond Yield for the stated period plus 350 basis points;

- Actual dividend yield – represents the annualized total per share dividend for common shares divided by the trading close price as at the reporting date;

- Expense ratio – represents total expenses (excluding financing cost, and provision for mortgage investments loss) for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities; and

- Payout ratio – represents total common share dividends paid and declared for payment, divided by distributable income for the stated period.

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RECENT DEVELOPMENTS AND OUTLOOK

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

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

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

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

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

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

http://www.timbercreekseniormic.com/investor-information/arrangement-details

For any other questions, please contact:

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FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at	March 31, 2016	March 31, 2015	December 31, 2015
KEY FINANCIAL POSITION INFORMATION			
Mortgage investments,including mortgage syndications	$ 489,832	$ 516,759	$ 481,262
Total assets	$ 490,428	$ 520,025	$ 481,924
Credit facility	$ 175,185	$ 176,865	$ 164,366
Total liabilities	$ 202,341	$ 231,568	$ 193,797
CAPITAL STRUCTURE			
Shareholders' equity	$ 288,087	$ 288,457	$ 288,127
Credit facility limit	$ 190,000	$ 190,000	$ 190,000
Credit facility balance	$ 175,185	$ 177,600	$ 164,366
Leverage[1]	37.6%	37.9%	36.1%
COMMON SHARE INFORMATION			
Number of common shares outstanding	31,451,154	31,556,608	31,451,154
Closing trading price	$ 8.11	$ 8.31	$ 7.78
Market capitalization	$ 255,069	$ 262,235	$ 244,690

OPERATING RESULTS

	Three months ended March 31,		Year ended December 31,
	2016	2015	2015
Net interest income	$ 7,410	$ 7,300	$ 30,318
Income from operations	$ 6,060	$ 6,011	$ 24,952
Net income and comprehensive income	$ 4,678	$ 4,645	$ 19,296
Earnings per share (basic and diluted)	$ 0.15	$ 0.15	$ 0.61
Dividends to common shareholders	$ 4,718	$ 4,733	$ 18,913
Distributable income	$ 4,680	$ 4,944	$ 19,718
Distributable income per share (basic and diluted)[1]	$ 0.15	$ 0.16	$ 0.63
Targeted dividend yield[1]	4.08%	4.08%	4.05%
Actual dividend yield[1]	7.44%	7.32%	7.71%
Payout ratio[1]	100.8%	95.7%	95.9%
Dividends per common share:	$ 0.15	$ 0.15	$ 0.60

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

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For the three months ended March 31, 2016

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

- The Company funded five new net mortgage investments (Q1 2015 – nine) totalling $31.2 million (Q1 2015 – $69.2 million), had additional advances on existing net mortgage investments totalling $9.5 million (Q1 2015 – $17.6 million) and received full repayments on seven loans (Q1 2015 – four) and partial repayments totalling $30.3 million (Q1 2015 – $53.1 million), resulting in net mortgage investments of $463.0 million as at March 31, 2016 (December 31, 2015 – $452.6 million).

- Non-refundable lender fees earned by the Company were $0.3 million (Q1 2015 – $0.7 million) or weighted average lender fees of 0.8% (Q1 2015 – 0.8%). The Company generates lender fees predominantly from funding of new mortgage investments which were lower in Q1 2016 by $38.0 million in relation to Q1 2015.

- Net interest income generated by the Company was $7.4 million (Q1 2015 – $7.3 million), an increase of $0.1 million or 1.5% over Q1 2015, mainly due to an increase of approximately $15.7 million in the average net mortgage investments portfolio during Q1 2016 relative to Q1 2015. This increase was reduced by a lower weighted average interest rate for the period of 6.0% (Q1 2015 – 6.1%) and lower amortization of lender fees.

- Income from operations generated by the Company was $6.1 million (Q1 2015 – $6.0 million), an increase of $0.1 million or 0.8% over Q1 2015 due to an increase in net interest income.

- The Company generated net income and comprehensive income of $4.7 million (Q1 2015 – $4.6 million), an increase of $0.1 million or 0.7%, from Q1 2015, resulting in earnings per share of $0.15 (Q1 2015 – $0.15).

- The Company generated distributable income of $4.7 million (Q1 2015 – $4.7 million) in the quarter resulting in a payout ratio of 100.8% (Q1 2015 – 95.7%), slightly above its target of a 100% payout ratio.

- The Board of Directors declared dividends to common shareholders of $4.7 million (Q1 2015 – $4.7 million), $0.15 (Q1 2015 - $0.15) per share.

ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Distributable income

	Three months ended March 31, 2016	Three months ended March 31, 2015	Year ended December 31, 2015
Net income and comprehensive income	$ 4,678	$ 4,645	$ 19,296
Less: amortization of lender fees	(468)	(587)	(2,419)
Add: lender fees received	330	743	2,261
Add: amortization of financing costs	140	143	580
Distributable income	$ 4,680	$ 4,944	$ 19,718
Less: dividends on common shares	(4,718)	(4,733)	(18,913)
(Over) under distribution	**$ (38)**	**$ 211**	**$ 805**
Distributable income per share (basic and diluted)	$ 0.15	$ 0.16	$ 0.63
Payout ratio	100.8%	95.7%	95.9%
Turnover ratio	6.6%	11.8%	60.5%

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

Statements of income and comprehensive income

	Three months ended March 31, 2016	2015	% Change
Net interest income	$ 7,410	$ 7,300	1.5%
Expenses	(1,350)	(1,289)	(4.8%)
Income from operations	6,060	6,011	0.8%
Financing costs:			
Interest on credit facility	(1,382)	(1,366)	(1.2%)
Net income and comprehensive income	**$ 4,678**	**$ 4,645**	**0.7%**
Earnings per share (basic and diluted)	**$ 0.15**	**$ 0.15**	**0.0%**

Net interest income[1]

For Q1 2016, the Company earned $7.4 million (Q1 2015 – $7.3 million). Net interest income includes the following:

(a) Interest income

For Q1 2016, the Company earned $6.9 million (Q1 2015 – $6.7 million) in interest income on the net mortgage investments. The increase in interest income is attributable to an increase in the average net mortgage investments portfolio by $15.7 million in Q1 2016 in relation to Q1 2015. This increase in net interest income was reduced in part by a lower weighted average interest rate for the period of 6.0% during Q1 2016 (Q1 2015 – 6.1%), although still within our target range.

(b) Lender fee income

During Q1 2016, the Company received non-refundable lender fees of $0.3 million (Q1 2015 – $0.7 million), or weighted average lender fees of 0.8% (Q1 2015 – 0.8%). The decrease in lender fees was due to lower new net mortgage investments funded in Q1 2016 in relation to Q1 2015 by $38.0 million. These lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income but are paid out in the year they are received (see Distributable Income table). For Q1 2016, $0.5 million (Q1 2015 – $0.6 million) of non-refundable lender fees were amortized to lender fee income. The lender fees generated by the Company continue to be a significant component of income resulting from mortgage investment turnover. The Manager does not retain any portion of the lender fees in order to ensure management's interests are aligned with the shareholders.

Expenses

For Q1 2016, the Company's expense ratio was 1.2% (Q1 2015 – 1.1%). The increase is mainly related to higher professional fees and directors' fees as compared to Q1 2015.

(a) Management fees

In accordance with the management agreement, the Company pays the Manager an annual management fee of 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. The gross assets are calculated as the total assets of the Company before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities related to syndicated mortgage investments that are held by third parties.

For Q1 2016, the Company incurred management fees of $1.1 million (Q1 2015 – $1.1 million).

(b) General and administrative

For Q1 2016, the Company incurred general and administrative expenses of $247 thousand (Q1 2015 – $223 thousand). General and administrative expenses consist mainly of audit fees, professional fees,

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

director fees and other operating costs associated with operating the Company and administration of the mortgage investment portfolio.

Interest on credit facility

The Company actively monitors advances and repayments while efficiently using bankers' acceptances ("BA") for the majority of its borrowings to minimize interest costs. Financing costs include interest paid on amounts drawn on the credit facility, standby fees charged on unutilized credit facility amounts and amortization of financing costs which were incurred on closing of the credit facility. Financing costs for Q1 2016 were $1.4 million (Q1 2015 – $1.4 million). The prime rate of interest has been lower in Q1 2016 in relation to Q1 2015, resulting in interest costs similar to Q1 2015. The average utilization of the credit facility during Q1 2016 was $167.1 million compared to $149.3 million in Q1 2015.

Earnings per share

Earnings per share for Q1 2016 was $0.15 per share (Q1 2015 – $0.15 per share), and is in line with its targeted distribution per share of $0.15 per share.

STATEMENTS OF FINANCIAL POSITION

Net mortgage investments

The balance of net mortgage investments is as follows:

		March 31, 2016		December 31, 2015
Gross mortgage investments, including mortgage syndications	$	489,832	$	481,262
Mortgage syndication liabilities		(24,688)		(27,108)
		465,144		454,154
Interest receivable		(4,136)		(3,684)
Unamortized lender fees		1,820		1,959
Provision for mortgage investment loss		175		175
Net mortgage investments	**$**	**463,003**	**$**	**452,604**

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	Three months ended		Year ended
	March 31, 2016	March 31, 2015	December 31, 2015
NET MORTGAGE INVESTMENTS STATISTICS AND RATIOS			
Total number of net mortgage investments	55	67	57
Average net mortgage investment	$ 8,418	$ 6,940	$ 7,940
Average net mortgage investment portfolio[1]	$ 455,028	$ 439,374	$ 452,894
Weighted average interest rate for the period[1]	6.0%	6.1%	6.1%
Weighted average lender fees[1]	0.8%	0.8%	0.8%
Turnover ratio[1]	6.6%	11.8%	60.5%
Weighted average term (years)	2.7	2.3	2.6
Weighted average remaining term to maturity (years)	1.2	1.2	1.4
Net mortgage investments secured by cash-flowing properties (as at)	85.4%	80.5%	84.5%
Weighted average loan-to-value[1]	56.9%	56.2%	55.5%

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

The Company has developed a lending strategy predominantly targeting short-term mortgage investments, secured by cash-flowing properties, while specializing in multi-residential real estate assets. The Company focuses its efforts on diversifying the mortgage investments portfolio, with its greatest concentration in Canada's largest provinces. As at March 31, 2016, the portfolio allocation remains consistent with year end at 92.2% allocation (December 31, 2015 – 92.0%) across Ontario, Quebec, British Columbia and Alberta. The Company has continued to maintain significant exposure to Ontario as it is Canada's most populated province with the greatest number of metropolitan cities. A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance, which would in effect reduce the weighted average remaining term to maturity.

In Q1 2016, the Company advanced new net mortgage investments totalling $31.2 million, had additional advances on existing net mortgage investments totalling $9.5 million and received full repayments or partial pay downs totalling $30.3 million. Overall, the net mortgage investments portfolio grew by $10.4 million or 2.3% in Q1 2016.

PORTFOLIO ALLOCATION

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

(a) Region

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
ON	23	40.9%	22	39.2%
QC	15	33.0%	16	35.7%
AB	5	13.2%	5	11.9%
BC	3	5.1%	5	5.2%
SK	5	4.3%	4	4.1%
NS	1	1.8%	1	1.8%
MB	3	1.7%	4	2.1%
	55	**100.0%**	**57**	**100.0%**

(b) Maturity

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Maturing 2016, balance of year	18	36.7%	21	40.4%
Maturing 2017	29	46.7%	30	44.7%
Maturing 2018	4	5.4%	3	4.7%
Maturing 2019	2	2.0%	1	0.7%
Maturing 2020	1	3.4%	1	3.5%
Maturing thereafter	1	5.8%	1	6.0%
	55	**100%**	**57**	**100.0%**

(c) Asset Type

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Multi-residential	31	39.3%	32	37.5%
Retail	5	26.7%	6	29.0%
Office	5	7.8%	5	8.0%
Hotels	1	7.8%	1	6.3%
Retirement	2	5.9%	2	6.3%
Other-residential	3	5.4%	3	5.5%
Unimproved land	3	3.4%	4	5.0%
Industrial	4	3.3%	3	2.0%
Self-storage	1	0.4%	1	0.4%
	55	**100.0%**	**57**	**100.0%**

(d) Interest Rate

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
5.00% or lower	8	15.0%	7	14.6%
5.01%–5.99%	24	47.8%	24	45.2%
6.00%–6.99%	10	23.9%	12	25.2%
7.00% or greater	13	13.3%	14	15.0%
	55	**100.0%**	**57**	**100.0%**

(e) Loan-to-value

	March 31, 2016		December 31, 2015	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
55% or less	23	42.9%	25	45.5%
55%–60%	8	7.4%	8	6.9%
61%–65%	10	17.7%	10	15.6%
66%–70%	14	32.0%	14	32.0%
	55	**100.0%**	**57**	**100.0%**

Mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements, mainly third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position. The Company generally retains an option for the Company to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. During Q1 2016, the mortgage syndication liabilities have decreased to $24.7 million (December 31, 2015 – $27.1 million). Mortgage syndication liabilities will vary from quarter to quarter and are dependent on the type of investment seen at any particular time, and are not necessarily indicative of a future trend.

Allowance for mortgage investments loss

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

As at March 31, 2016, the Company has a collective impairment allowance of $0.2 million (December 31, 2015 – $0.2 million).

Net working capital

Net working capital increased by $0.3 million to $2.1 million at March 31, 2016 from $1.8 million at December 31, 2015. The change is mainly due to the increase in other assets and mortgage interest receivable for net mortgage investments where certain mortgages allow the borrowers to accrue interest.

Credit Facility

As at March 31, 2016, the Company has a credit facility with an available limit of up to $190.0 million (December 31, 2015 – $190.0 million), subject to its borrowing base as set out in the credit agreement. The credit facility bears interest at either the prime rate of interest plus 1% or BA with a stamping fee of 2% of the face amount of such BA. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The credit facility is secured by a general security agreement over the Company's assets. The credit facility matures on June 23, 2016. As part of the negotiations for the new credit facility proposed under the Arrangement, should the Arrangement not proceed, it is expected the Company will renew the facility for a further two year term.

As at March 31, 2016, $175.2 million (December 31, 2015 – $164.4 million) was outstanding on the credit facility, with an average utilization of $167.1 million for Q1 2016, respectively (Q1 2015 – $149.3 million). For Q1 2016, interest costs of $1.4 million (Q1 2015 –$1.3 million) related to the credit facility are recorded in financing costs using the effective interest rate method.

As at March 31, 2016, there were $0.1 million (December 31, 2015 – $0.3 million) in unamortized financing costs related to the structuring of the credit facility netted against the outstanding balance. For Q1 2016, the Company has amortized financing costs of $0.1 million (Q1 2015 – $0.1 million) to interest expense using the effective interest rate method.

Shareholders' Equity

(a) Common shares

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

(b) Dividends

During Q1 2016, the Board of Directors declared dividends of $4.7 million or $0.15 per common share (Q1 2015 – $4.7 million or $0.15 per common share).

(c) Dividend reinvestment plan

Under the dividend reinvestment plan ("DRIP"), eligible shareholders may enroll to have their cash dividends reinvested to purchase additional common shares. The Manager can elect to purchase common shares on the open market or issue common shares from treasury. During Q1 2016, 37,601 (Q1 2015 – 33,742) common shares were purchased on the open market under the DRIP.

(d) Normal course issuer bid

On January 4, 2016, the Company received TSX approval to reinstate a normal course issuer bid (the "Bid") to purchase for cancellation up to a maximum of 3,116,479 common shares, representing approximately 10% of the public float of common shares as of December 22, 2015. The Bid commenced on January 6, 2016 and provides the Company with the flexibility to repurchase common shares for cancellation until its expiration on January 5, 2017, or such earlier date as the Bid is complete. During Q1 2016, the Company did not acquire any common shares for cancellation. From April 1, 2016 to May 13, 2016, the Company did not acquire any common shares for cancellation.

(e) Non-executive director deferred share unit plan

During Q1 2016, the directors, on average, have elected to receive 87% (Q1 2015 – 90%) of their compensation in deferred share units ("DSUs"). During Q1 2016, 5,898 (Q1 2015 – nil) DSUs were issued and no DSUs were exercised or cancelled. As at March 31, 2016, total DSUs issued and outstanding were 23,455 resulting in total DSU liability of $192, based on a fair market value of $8.17 per common share. As at March 31, 2016, $39 (Q1 2015 - $35) was in accrued expenses for DSUs relating to Q1 2016, which will be issued subsequent to quarter-end.

STATEMENT OF CASH FLOWS

Cash from operating activities

During Q1 2016, cash generated from operating activities was $5.6 million (Q1 2015 – $5.9 million), a decrease of $0.3 million, or 6.6%, from Q1 2015. The decrease is primarily due to lower cash lender fees received in Q1 2016 in relation to Q1 2015.

Cash from financing activities

During Q1 2016, financing activities consisted of the Company's net advances on the credit facility of $10.7 million (Q1 2015 –$35.5 million in repayments). The Company paid interest and financing costs on the credit facility of $1.2 million (Q1 2015 – $1.4 million), as well as dividends of $4.7 million (Q1 2015 – $4.7 million). The net cash inflow from financing activities was $4.8 million (Q1 2015 – $29.4 million), which was mainly from drawings on the credit facility which were used to fund net mortgage investments.

Cash used in investing activities

Net cash used in investing activities for Q1 2016 was $10.4 million (Q1 2015 – $33.7 million) and consisted of fundings of net mortgage investments of $40.7 million (Q1 2015 – $86.8 million) which were reduced by repayments of net mortgage investments of $30.3 million (Q1 2015 – $53.1 million).

QUARTERLY FINANCIAL INFORMATION

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

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Net interest income	$ 7,410	$ 7,689	$ 7,564	$ 7,766	$ 7,300	$ 7,174	$ 6,639	$ 7,084
Expenses	(1,350)	(1,376)	(1,352)	(1,350)	(1,289)	(1,274)	(1,158)	(1,167)
Income from operations	6,060	6,313	6,212	6,416	6,011	5,900	5,481	5,917
Financing costs:								
Interest on credit facility	(1,382)	(1,414)	(1,412)	(1,465)	(1,366)	(1,275)	(884)	(1,107)
	(1,382)	(1,414)	(1,412)	(1,465)	(1,366)	(1,275)	(884)	(1,107)
Net income and comprehensive income	**$ 4,678**	**$ 4,899**	**$ 4,800**	**$ 4,951**	**$ 4,645**	**$ 4,625**	**$ 4,597**	**$ 4,810**
Earnings per share (basic and diluted)	**$ 0.15**	**$ 0.15**	**$ 0.15**	**$ 0.16**	**$ 0.15**	**$ 0.15**	**$ 0.15**	**$ 0.15**

The Company has been able to generate stable earnings quarter over quarter and which results in earnings per share that is in line with dividends per share. In any given quarter, the Company is subject to volatility from portfolio turnover from both scheduled and early repayments, which also results in fluctuations in the use of the credit facility. As a result, net interest income and interest expense are susceptible to quarterly fluctuations. The Company models the portfolio throughout the year factoring in both scheduled and probable repayments, and the corresponding new mortgage advances to determine its distributable income on a calendar year basis.

RELATED PARTY TRANSACTIONS

As at March 31, 2016, due to Manager includes $39 (December 31, 2015 – $32) relating to management fees payable and $2 (December 31, 2015 – $9) relating to costs incurred by the Manager on behalf of the Company.

The Manager is responsible for the general management and day-to-day operations of the Company and, through Timbercreek Mortgage Servicing Inc. ("TMSI"), a company also controlled by the Manager, acts as the Company's mortgage servicer and administrator. As at March 31, 2016, included in other assets is $395 (December 31, 2015 – $483), of cash held in trust for the Company by TMSI, the balance of which relates to mortgage funding holdbacks and prepaid mortgage interest from various borrowers.

As at March 31, 2016, the Company remains co-invested in a mortgage investment with a total gross commitment of $76.1 million (December 31, 2015 – $76.1 million) where the president of one of the co-investors in the financing is also an independent director of the Company. The Company's share of the commitment is $48.6 million (December 31, 2015 – $48.6 million), of which $35.9 million (December 31, 2015 – $28.3 million) has been funded as at March 31, 2016. This investment was previously reviewed and approved by the governance committee and the independent director's continued independence was confirmed.

As at March 31, 2016, the Company has a mortgage investment with a total gross commitment of $84.1 million (December 31, 2015 – $84.1 million) where one independent director of the Company is an officer of an indirect investor in the borrower. Another independent director is an officer and a part-owner of another co-investor in the borrower. The Company's share of the commitment is $14.2 million (December 31, 2015 – $14.2 million), of which $2.1 million (December 31, 2015 – $1.6 million) has been funded as at March 31, 2016. This investment was previously reviewed and approved by the governance committee and the independent directors' continued independence was confirmed.

As at March 31, 2016, the Company co-invested in a mortgage investment with a total gross commitment of $55.0 million (December 31, 2015 – $55.0 million), where one independent director of the Company holds a minority interest in the borrower. The Company's share of the commitment is $27.0 million (December 31, 2015 – $27.0 million) and was fully advanced in 2015. Subsequent to the quarter-end, the Company received a partial repayment of $22.4 million from the borrower. The investment was reviewed and approved by the governance committee, with the conflicted director abstaining, in conformity with the Company's conflict review policy.

As at March 31, 2016, the Company has co-invested a mortgage investment with a total gross commitment of $6.0 million where one independent director of the Company is an officer of an indirect investor in the borrower. The Company's share of the commitment is $5.1 million, of which $1.8 million has been funded.

In addition to the above related party transactions, the Company has transacted with other entities managed by the Manager. As at March 31, 2016, the Company, TMIC and Timbercreek Four Quadrant Global Real Estate Partners ("T4Q") and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co-invested in several gross mortgage investments, totalling $560.4 million (December 31, 2015 – $570.3 million). During Q1 2016, the Company, along with its related parties, funded $47.9 million in co-invested gross mortgage investments and received repayments of $60.3 million. As at March 31, 2016, the Company's share in these gross mortgage investments is $402.0 million (December 31, 2015 – $401.8 million). Included in these amounts are two (December 31, 2015 – one) net mortgage investments of $14.7 million (December 31, 2015 – $9.8 million) loaned to a limited partnership in which T4Q is invested.

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

COMMITMENTS AND CONTINGENCIES

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

Mortgage investments

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

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

Measurement of fair values

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

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

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

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Manager assesses 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.

SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the accounting policies set out in the consolidated financial statements for the years ended December 31, 2015 and 2014.

OUTSTANDING SHARE DATA

As at May 13, 2016, the Company's authorized capital consists of an unlimited number of common shares, of which 31,451,154 are issued and outstanding.

CAPITAL STRUCTURE AND LIQUIDITY

Capital structure

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

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

Liquidity

Access to liquidity is an important element of the Company as it allows the Company to implement its investment strategy. The Company intends to qualify as a MIC as defined under Section 130.1(6) of the Income

Tax Act (Canada) and as a result is required to distribute not less than 100% of the taxable income of the Company to its shareholders. The Company manages its liquidity position through various sources of cash flows including cash generated from operations and the credit facility. The Company routinely forecasts cash flow sources and requirements to ensure cash is efficiently utilized.

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

March 31, 2016	Carrying value	Contractual cash flow	Within a year
Accounts payable and accrued expenses	$ 586	$ 586	$ 586
Dividends payable	1,573	1,573	1,573
Due to Manger	42	42	42
Mortgage funding holdbacks	266	266	266
Prepaid mortgage interest	130	130	130
Credit facility[1]	175,185	176,738	176,738
	177,782	179,335	179,335
Unadvanced gross mortgage commitments[2]	94,243	94,243	94,243
	$ 272,025	$ 273,578	$ 273,578

1. Contractual cash flows include interest on the credit facility assuming the outstanding balance is not repaid until its maturity in June 2016 and interest is calculated at the prime rate of interest plus 1.0%.

2. Unadvanced gross mortgage commitments include syndication commitments from third party investors totaling $27.9 million.

As at March 31, 2016, the Company has an unutilized credit facility balance of $10.0 million (December 31, 2015 – $10.5 million), based on the available borrowing base as at March 31, 2016. The available borrowing base can be increased by $4.8 million, being the credit facility limit, subject to terms of the credit agreement. The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the credit facility. Included within the $94.2 million of the unadvanced mortgage commitments is $27.9 million (December 31, 2015 – $28.9 million) relating to the Company's syndication partners. The Company expects the syndication partners to fund their obligation.

FINANCIAL INSTRUMENTS

Financial assets

The Company's other assets and mortgage investments, including mortgage syndications, are designated as loans and receivables and are measured at amortized cost. The fair values of other assets approximate their carrying amounts due to their short-term nature. The fair value of mortgage investments, including mortgage syndications, approximate their carrying value given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on Level 3 inputs.

Financial liabilities

The Company's accounts payable and accrued expenses, dividends payable, mortgage funding holdbacks, prepaid mortgage interest, credit facility and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. With the exception of mortgage syndication liabilities, the fair value of these financial liabilities approximate their carrying amounts due to their short-term nature. The fair value of mortgage syndication liabilities approximate their carrying value given the underlying mortgage investments 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 is based on Level 3 inputs.

RISKS AND UNCERTAINTIES

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

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

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Manager is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The CEO and the CFO assessed, or under their direct supervision caused an assessment of, the design of the Company's internal controls over financial reporting as at March 31, 2016 in accordance with the COSO Internal Control - Independent Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment they determined that the design of the Company's internal controls over financial reporting was appropriate.

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

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

ADDITIONAL INFORMATION

Phone

Calling the Company at 1-844-304-9967, Carrie Morris, Managing Director Capital Markets & Corporate Communications.

Shareholders who wish to enroll in the DRIP or who would like further information about the plan should contact Corporate Communications at (416) 923-9967 ext. 7266 (collect if long distance).

Internet

Visiting SEDAR at www.sedar.com; or the Company's website at www.timbercreekseniormic.com.

Mail

Writing to the Company at:

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Attention: Corporate Communications
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Toronto, Ontario M4W 1Z1