Condensed Consolidated
Interim Financial Statements of

Timbercreek Financial

Three Months ended March 31, 2017 and 2016

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

In thousands of Canadian dollars
(Unaudited)

	Note		March 31, 2017		December 31, 2016
ASSETS					
Cash and cash equivalents		$	120	$	61
Other assets	14(b)		5,272		3,191
Mortgage investments, including mortgage syndications	5(a)(b)(c)(d)		1,594,073		1,549,849
Other investments			25,013		9,828
Foreclosed properties held for sale	6		11,041		11,041
Total assets		**$**	**1,635,519**	**$**	**1,573,970**
LIABILITIES AND EQUITY					
Accounts payable and accrued expenses		$	1,544	$	2,188
Dividends payable	9(b)		4,214		4,210
Due to Manager	14(a)		893		819
Mortgage funding holdbacks			793		137
Prepaid mortgage interest			1,068		682
Credit facility	7		294,942		299,000
Convertible debentures	8		119,164		76,757
Mortgage syndication liabilities	5		563,630		543,505
Total liabilities		**$**	**986,248**	**$**	**927,298**
Shareholders' equity			649,271		646,672
Total liabilities and equity		**$**	**1,635,519**	**$**	**1,573,970**
Commitments and contingencies	5, 9(b) and 19				
Subsequent events	9(b) and 10				

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

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

	Note		Three months ended March 31, 2017		2016
Interest income:					
Gross interest and other income, including mortgage syndications	5(b) and (e)	$	27,866	$	14,442
Interest and other income on mortgage syndications			(7,102)		(3,644)
Net interest income			20,764		10,798
Expenses:					
Management fees	11		2,497		1,561
Servicing fees	11		157		–
Performance fees	11		–		597
Provision for mortgage investments loss	5(d)		200		–
General and administrative			369		277
Total expenses			3,223		2,435
Income from operations			17,541		8,363
Net operating gain (loss) from foreclosed properties held for sale			64		6
Financing costs:					
Interest on credit facility	7		2,737		527
Interest on convertible debentures	8		1,923		665
Total financing costs			4,660		1,192
Total net income and comprehensive income		**$**	**12,945**	**$**	**7,177**
Earnings per share					
Basic	12	$	0.18	$	0.18
Diluted	12	$	0.17	$	0.18

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars
(Unaudited)

Three months ended March 31, 2017	Common Shares	Retained Earnings	Equity Component of Convertible Debentures	Total
Balance, December 31, 2016	$ 647,173	$ (1,272)	$ 771	$ 646,672
Issuance of convertible debentures, net of issue costs	–	–	1,617	1,617
Dividends	–	(12,636)	–	(12,636)
Issuance of common shares under dividend reinvestment plan	1,004	–	–	1,004
Repurchase of common shares under dividend reinvestment plan	(331)	–	–	(331)
Total net income and comprehensive income	–	12,945	–	12,945
Balance, March 31, 2017	**$ 647,846**	**$ (963)**	**$ 2,388**	**$ 649,271**

Three months ended March 31, 2016	Common Shares	Retained Earnings	Equity Component of Convertible Debentures	Total
Balance, December 31, 2015	$ 369,162	$ (7,378)	$ 545	$ 362,329
Dividends	–	(7,294)	–	(7,294)
Issuance of common shares under dividend reinvestment plan	756	–	–	756
Repurchase of common shares under dividend reinvestment plan	(756)	–	–	(756)
Repurchase of common shares under dividend reinvestment plan	–	–	–	–
Total net income and comprehensive income	–	7,177	–	7,177
Balance, March 31, 2016	**$ 369,162**	**$ (7,495)**	**$ 545**	**$ 362,212**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

In thousands of Canadian dollars
(Unaudited)

	Note	Three months ended March 31, 2017	2016
OPERATING ACTIVITIES			
Total net income and comprehensive income		$ 12,945	$ 7,177
Amortization of lender fees		(1,734)	(1,037)
Lender fees received		1,359	933
Interest income, net of syndications		(19,013)	(9,734)
Interest income received, net of syndications		17,514	8,865
Financing costs		961	1,192
Provision for mortgage investments loss		200	–
Net unrealized foreign exchange loss		37	–
Net change in non-cash operating items	13	(1,338)	(1,549)
		10,931	**5,847**
FINANCING ACTIVITIES			
Net credit facility repayments		(4,301)	(812)
Net proceeds from issuance of convertible debentures		43,663	–
Interest paid		(1,238)	(1,620)
Dividends paid to shareholders		(11,628)	(6,538)
Repurchase of common shares under dividend reinvestment plan		(331)	(756)
		26,165	**(9,726)**
INVESTING ACTIVITIES			
Proceeds from disposition of foreclosed properties held for sale		–	471
Funding of mortgage investments, net of mortgage syndications		(74,798)	(59,345)
Discharges of mortgage investments, net of mortgage syndications		37,761	62,845
		(37,037)	**3,971**
Increase in cash and cash equivalents		59	92
Cash and cash equivalents, beginning of year		61	140
Cash and cash equivalents, end of period		**$ 120**	**$ 232**

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

1. CORPORATE INFORMATION

Timbercreek Financial Corp. (the "Company", "TF" or "Timbercreek Financial"), formerly known as Timbercreek Mortgage Investment Corporation ("TMIC"), 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 traded on the Toronto Stock Exchange ("TSX") under the symbol "TF".

On June 30, 2016, TMIC and Timbercreek Senior Mortgage Investment Corporation ("TSMIC") amalgamated to form the Company under the laws of the Province of Ontario by Articles of Arrangement (the "Amalgamation"). Details of the Amalgamation are outlined in note 4. For purposes of financial reporting, TMIC was considered the acquirer and, as a result, these financial statements reflect the assets, liabilities and results from operations of TMIC prior to June 30, 2016, the effective date of the Amalgamation (the "Effective Date"). References to the Company relating to periods prior to June 30, 2016 refer to TMIC. Results related to TSMIC's operations are included in the Company's financial results beginning June 30, 2016.

The investment objective of the Company is to secure and grow a diversified portfolio of high quality mortgage 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 condensed consolidated interim financial statements of the Company have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting. The presentation of these unaudited condensed consolidated interim financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the notes to the audited consolidated financial statements for the year ended December 31, 2016 since these financial statements do not contain all disclosures required by IFRS for annual financial statements. These unaudited condensed consolidated interim financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented. unaudited condensed

Certain of the comparative amounts have been reclassified to conform with the current period's presentation. Other investments have been separately presented on the statement of financial position as compared to the prior period where it was presented with mortgage investments. In addition, fees and other income, including mortgage syndications have been presented with gross interest and other income, including mortgage syndications. In the prior periods, these amounts were presented separately.

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on May 3, 2017.

(b) Principles of consolidation

These unaudited condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared on the historical cost basis except for foreclosed properties held for sale, which are measured at fair value on each reporting date.

(d) Critical accounting estimates, assumptions and judgments

In the preparation of these unaudited condensed consolidated interim financial statements, Timbercreek Asset Management Inc. (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.

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 the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these unaudited condensed consolidated interim financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the unaudited condensed consolidated interim 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 Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Manager will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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

Note 5 – Mortgage investments, including mortgage syndications;

Note 6 – Foreclosed properties held for sale; and

Note 18 – Fair value measurements.

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 which is not cured during a reasonable period; (ii) whether security of the mortgage is significantly 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.

Convertible debentures

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

Business Combinations

The Manager exercised judgement in determining the accounting treatment of the Amalgamation as described in note 4 which was accounted for in accordance with IFRS 3 – Business Combinations ("IFRS 3"). The Manager considered the guidance in IFRS 3 in determining which entity is considered the "acquirer" based on the relative voting rights in the combined entity after the transaction, the composition of the governing body of the combined entity and the terms of the exchange of equity interests, among others.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited condensed consolidated interim financial statements are the same, except for as noted below, as those applied by the Company in its consolidated financial statements for the year ended December 31, 2016, which were prepared in accordance with IFRS.

(a) Other Investments

Other investments may include investments such as collateralized loans, participating mortgages and marketable securities.

(b) Gross interest and other income

Gross interest and other income includes interest earned on the Company's mortgage and other investments, interest earned on cash and cash equivalents and lender fees. Interest income earned on the mortgage and other investments is accounted for using the effective interest method. Lender fees received are an integral part of the yield on the mortgage and other investments and are amortized to profit and loss over the expected life of the specific mortgage and other investment using the effective interest rate method. Forfeited lender fees are taken to profit and loss at the time a borrower has not fulfilled the terms and conditions of a lending commitment and payment has been received.

(c) Changes in accounting policies

(i) Annual Improvements to IFRS (2014-2016) Cycle

On December 8, 2016, the IASB issued narrow-scope amendments to IFRS 12 Disclosures of Interests in Other Entities ("IFRS 12") as part of its annual improvements process. A clarification was made that IFRS 12 also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017.

(ii) Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016, the IASB issued *Disclosure Initiative* (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

(d) Future changes in accounting policies

A number of new standards, amendments to standards and interpretations are effective in future periods and have not been applied in preparing these unaudited condensed consolidated interim financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

(ii) IFRS 9, Financial Instruments ("IFRS 9")

On July 24, 2014, the IASB issued IFRS 9. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions with early adoption permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(iii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall within the scope of other IFRSs. The new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with earlier application permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue: Barter Transactions Involving Advertising Services. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the new standard to have a material impact on the financial statements.

4. ACQUISITION OF TSMIC

On June 30, 2016, TMIC and TSMIC amalgamated to form the Company. The synergies and scale created from the combined entity is expected to result in a larger float and better liquidity, improved prospects for earnings and dividend growth, improved portfolio characteristics and cost savings.

For financial reporting purposes, the Amalgamation was considered a business combination in accordance with IFRS 3 with TMIC considered as the "acquirer" and TSMIC as the "acquiree". Accordingly, on the Effective Date, TMIC is considered

to have acquired all of the issued and outstanding common shares of TSMIC. The Amalgamation resulted in each TMIC shareholder receiving one TF share for each TMIC share held and each TSMIC shareholder receiving 1.035 TF shares for each TSMIC share held. The total purchase price paid by TMIC consisted of 32,551,941 common shares of TMIC (representing 31,451,154 TSMIC shares at an exchange ratio of 1:1.035) and were valued at $8.34 per share, representing TMIC's closing share price as at June 29, 2016. Under IFRS 3, the share consideration is required to be measured based on the trading price of TMIC's common shares on the closing date of the business combination; whereas, the actual consideration pursuant to the Amalgamation was based on the adjusted book value per share of TMIC and TSMIC as at March 31, 2016.

The Company recorded the identifiable assets and liabilities of TSMIC at fair value resulting in the recognition of a bargain purchase gain of $15,154, representing an excess in the fair value of net assets acquired over the consideration transferred for TSMIC.

The fair value of the acquired identifiable net assets and bargain purchase gain are as follows:

	Total
Fair value of net assets acquired	
Mortgage investments, including mortgage syndications	$ 545,112
Other assets	606
Accounts payable and accrued expenses	(1,303)
Dividends payable	(1,573)
Due to Manager	(441)
Mortgage funding holdbacks	(15)
Prepaid mortgage interest	(504)
Credit facility	(181,650)
Mortgage syndication liabilities	(73,595)
Total net assets acquired	$ 286,637
Consideration transferred	
32,551,941 common shares issued	$ 271,483
Excess of net assets acquired over consideration transferred (bargain purchase gain)	$ 15,154

In connection with the Amalgamation:

- Each of the TMIC credit facility and the TSMIC credit facility were amended and restated in their entirety under the new credit facility (note 7)

- TMIC's management agreement with the Manager was terminated and a new management agreement was entered as of the Effective Date. As consideration of the termination of the management agreement, TMIC agreed to pay the Manager a one-time termination fee of $7,438 (note 11) which was settled in cash of $910 for HST payable and the balance payable to the Manager in 782,830 TMIC shares valued at $8.34 per share, representing TMIC's closing share price as of June 29, 2016. Performance fees of $1,207 accrued for the period prior to the Amalgamation was payable to the Manager upon the termination of the management agreement and was paid by TF in August 2016. The new management agreement has a lower management fee, a servicing fee and does not have any annual performance fee.

- TMIC and TSMIC agreed that each party will pay all fees, costs and expenses incurred by each party with respect to the Amalgamation; however, they will share equally in the payment of, expenses such as, filing fees, proxy solicitation services, and applicable taxes payable in respect of any application, notification or other filing made in respect of any regulatory process contemplated by the Amalgamation. As a result, TMIC's share of transaction costs relating to the Amalgamation was $1,657.

Had the Amalgamation of TSMIC occurred as of April 1, 2016, the Company's net interest income would have been approximately $71,388 and the net income would have been $51,768, inclusive of $4,803 of net non-recurring gains related to the Amalgamation.

As part of the Amalgamation, all mortgage investments held by TSMIC were acquired by TMIC. As the TMIC and TSMIC portfolios are not maintained separately and had various co-invested mortgage investments, it is impracticable for TF to disclose the income and expenses of TSMIC since the acquisition date included in the unaudited condensed consolidated interim statement of net income and comprehensive income.

5. MORTGAGE AND OTHER INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

(a) Mortgage investments

As at March 31, 2017	Note	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	5(b) and (c)	$ 1,584,427	$ (562,310)	$ 1,022,117
Interest receivable		18,256	(2,306)	15,950
		1,602,683	(564,616)	1,038,067
Unamortized lender fees		(7,260)	986	(6,274)
Allowance for mortgage investments loss	5(d)	(1,350)	–	(1,350)
		$ 1,594,073	**$ (563,630)**	**$ 1,030,443**

As at December 31, 2016	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	$ 1,542,198	$ (542,052)	$ 1,000,146
Interest receivable	16,536	(2,452)	14,084
	1,558,734	(544,504)	1,014,230
Unamortized lender fees	(7,735)	999	(6,736)
Allowance for mortgage investments loss	(1,150)	–	(1,150)
	$ 1,549,849	**$ (543,505)**	**$ 1,006,344**

As at March 31, 2017, unadvanced mortgage commitments under the existing gross mortgage investments amounted to $191,365 (December 31, 2016 – $160,715) of which $54,971 (December 31, 2016 – $82,325) belongs to the Company's syndicated partners.

(b) Net mortgage investments

	%	March 31, 2017	%	December 31, 2016
Interest in first mortgages	87	$ 884,485	84	$ 841,108
Interest in non-first mortgages	13	137,632	16	159,038
	100	**$ 1,022,117**	**100**	**$ 1,000,146**

The mortgage investments are secured by real property and will mature between 2017 and 2022 (2016 – 2017 and 2022). During Q1 2017, the Company generated net interest income and other income of $20,166 (Q1 2016 - $10,798). The weighted average interest rate earned on net mortgage investments for the three months ended March 31, 2017 ("Q1 2017") was 7.3% (Three months ended March 31, 2016 "Q1 2016" – 8.9%; Twelve months ended December 31, 2016 – 7.9%).

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.

During Q1 2017, the Company received total lender fees, net of fees relating to mortgage syndication liabilities, of $1,097 (Q1 2016 - $933), which are amortized to interest income over the term of the related mortgage investments using the effective interest rate method.

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

2017	$	401,699
2018		309,816
2019		197,517
2020		82,289
2021 and thereafter		30,796
Total	**$**	**1,022,117**

(c) Mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position. The Company generally retains an option to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. Under certain participation agreements, the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment. As a result, the lender's portion of these mortgages is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest and fees earned on the transferred participation interests and the related interest expense is recognized in profit and loss and accordingly, only the Company's portion of the mortgage is recorded as mortgage investment. The fair value of the transferred assets and mortgage syndication liabilities approximate their carrying values (see note 18).

(d) Allowance for mortgage investments loss

As at March 31, 2017, the Company has concluded that there is no objective evidence of impairment on any individual mortgage investment other than those previously recorded. 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. During Q1 2017, a collective impairment of $200 was recognized (Q1 2016 – nil).

As at March 31, 2017, the Company has a specific unrealized impairment allowance of $900 (December 31, 2016 – $900) and a collective unrealized impairment allowance of $450 (December 31, 2016 – $250).

As at March 31, 2017, the borrower of a first mortgage investment of $27,772 (December 31, 2016 – $27,644) located in Saskatchewan has filed for protection under the Companies' Creditor Arrangement Act in order to stay all creditors and prepare a plan of arrangement. The Manager has evaluated the current status of the borrower, mortgage and as well as the value of the underlying assets and concluded that there is no objective evidence of impairment.

As at March 31, 2017, the Company has filed for receivership against a borrower of a first mortgage investment of $3,453 (2016 – $3,363) located in Ontario. The Manager has evaluated the current status of the borrower, mortgage and as well as the value of the underlying assets and concluded that there is no objective evidence of impairment.

(e) Other investments

During Q1 2017, the Company generated net interest income and other income of $568 (Q1 2016 – nil). During Q1 2017, the weighted average interest rate earned on other investments was 10.3% (Q1 2016 – nil).

6. FORECLOSED PROPERTIES HELD FOR SALE

As at March 31, 2017, there are three foreclosed properties held for sale ("FPHFS") (December 31, 2016 – three) which are recorded at their fair value of $11,041 (December 31, 2016 – $11,041). The fair value has been categorized as a level 3 fair value, based on inputs to the valuation techniques used based on internal fair value assessments.

During Q1 2017, the Company did not sell any additional residential units (Q1 2016 – three) of the foreclosed properties for net proceeds of nil (Q1 2016 – $471).

The fair value measurements have been categorized as a level 3 fair value based on inputs to the valuation techniques used. The key valuation techniques used in measuring the fair values of the FPHFS are set out in the following table:

Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Direct Capitalization Method. The valuation method is based on stabilized net operating income ('NOI') divided by an overall capitalization rate.	• Stabilized NOI is based on the location, type and quality of the property and supported by current market rents for similar properties, adjusted for estimated vacancy rates and expected operating costs. • Capitalization rate is based on location, size and quality of the property and takes into account market data at the valuation date.	The estimated fair value would increase (decrease) if: • Stabilized NOI was higher (lower) • Overall capitalization rates were lower (higher)
Direct Sales Comparison	The fair value is based on comparison to recent sales of properties of similar types, locations and quality.	The significant unobservable input is adjustments due to characteristics specific to each property that could cause the fair value to differ from the property to which it is being compared.

The changes in the FPHFS during the three months ended March 31, 2017 and 2016 were as follows:

	Three months ended March 31,	
	2017	2016
Balance, beginning of period	$ 11,041	$ 12,836
Disposition of FPHFS	–	(471)
Balance, end of period	**$ 11,041**	**$ 12,365**

7. CREDIT FACILITY

	March 31, 2017	December 31, 2016
Credit facility balance	$ 296,279	$ 300,580
Unamortized financing costs	(1,337)	(1,580)
Total credit facility	**$ 294,942**	**$ 299,000**

Concurrent with the Amalgamation, the Company entered into a new credit facility agreement, effective June 30, 2016, which will mature in May 2018. The Credit Facility is secured by a general security agreement over the Company's assets and its subsidiaries. The new credit facility has an available credit limit of $350,000 (December 31, 2016 – $350,000) with interest at either the prime rate of interest plus 1.25% per annum (December 31, 2016– prime rate of interest plus 1.25% per annum) or bankers' acceptances with a stamping fee of 2.25% (December 31, 2016 – 2.25%). The new credit facility has a standby fee of 0.5625% per annum (December 31, 2016 – 0.5625%) on the unutilized credit facility balance. The credit facility also includes an accordion feature that allows the available limit to be increased by up to a further $50,000, subject to certain conditions. As at March 31, 2017, the Company's qualified credit facility limit is $337,561 and is subject to a borrowing base as defined in the new amended and restated credit agreement.

The Company incurred financing costs of $2,137 relating to the credit facility, which includes upfront fees, legal costs and other costs. The financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the new credit facility agreement. The unamortized financing costs from the previous credit facility agreement prior to the Amalgamation have been fully amortized at the time of the Amalgamation.

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q1 2017, included in financing costs is interest on the credit facility of $2,458 (Q1 2016– $465) and financing costs amortization of $279 (Q1 2016 – $62).

8. CONVERTIBLE DEBENTURES

(a) On February 25, 2014, TMIC completed a public offering of $30,000, plus an overallotment of $4,500 on March 3, 2014, of 6.35% convertible unsecured subordinated debentures for net proceeds of $32,533 (the "2014 debentures"). The 2014 debentures mature on March 31, 2019 and pays with interest semi-annually on March 31 and September 30 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $11.25 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures. The 2014 debentures are redeemable on and after March 31, 2017 and prior to the maturity date by the Company, subject to certain conditions, in whole or in part, from time to

time at the Company's sole option, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date of redemption.

In accordance with the Amalgamation, the Company has assumed the obligations of TMIC in respect of the 2014 debentures in the aggregate principal amount of $34,500.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts, which is $545, has been recorded as equity with the remainder allocated to long-term debt. The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $34,500. The issue costs of $1,967 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

(b) On July 29, 2016, the Company completed a public offering of $40,000, plus an overallotment option of $5,800 on August 5, 2016, of 5.40% convertible unsecured subordinated debentures for net proceeds of $43,498 (the "2016 debentures"). The 2016 debentures mature on July 31, 2021 and pays interest semi-annually on January 31 and July 31 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $10.05 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The 2016 debentures are redeemable on and after July 31, 2019 and prior to July 31, 2020, by the Company, subject to certain conditions, in whole or in part, from time to time at the Company's sole option, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date of redemption.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts, which is $226, has been recorded as equity with the remainder allocated to long-term debt. The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $45,800. The issue costs of $2,302 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

(c) On February 7, 2017, the Company completed a public offering of $40,000, plus an overallotment option of $6,000, of 5.45% convertible unsecured subordinated debentures for net proceeds of $43,663 (the "2017 debentures"). The 2017 debentures mature on March 31, 2022 and pays interest semi-annually on September 30 and March 31 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $10.05 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The 2017 debentures are redeemable on and after March 31, 2020 and prior to March 31, 2021, by the Company, subject to certain conditions, in whole or in part, from time to time at the Company's sole option, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date of redemption.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts, which is $1,700, has been recorded as equity with the remainder allocated to long-term debt. The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $46,000. The issue costs of $2,240 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

The debentures are comprised of as follows:

	March 31, 2017	December 31, 2016
Issued	$ 126,300	$ 80,300
Issue costs, net of amortization	(5,203)	(3,117)
Equity component	(2,514)	(814)
Issue costs attributed to equity component	126	43
Cumulative accretion	455	345
Debentures, end of period	**$ 119,164**	**$ 76,757**

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 March 31,	
	2017	2016
Interest on the convertible debentures	$ 1,535	$ 548
Amortization of issue costs	278	89
Accretion of the convertible debentures	110	28
Total	**$ 1,923**	**$ 665**

9. COMMON SHARES

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

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

As a result of the Amalgamation, 40,523,728 TF common shares were issued to shareholders of TMIC at a ratio of one-to-one; whereas 32,551,941 TF common shares were issued to shareholders of TSMIC at an exchange ratio of 1:1.035. For financial reporting purposes, TMIC is considered to have acquired all of the issued and outstanding common shares of TSMIC (note 4).

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

		Three months ended March 31,	
	Note	**2017**	**2016**
Balance, beginning of period		73,858,499	40,523,728
Repurchased under dividend reinvestment plan		(37,603)	(96,089)
Issued under dividend reinvestment plan		112,292	96,089
Balance, end of period		**73,933,188**	**40,523,728**

(a) Dividend reinvestment plan

In connection with the Amalgamation, the DRIP under TMIC was terminated effective June 22, 2016 and a new DRIP was subsequently adopted by the Company on July 13, 2016.

The new DRIP has terms and conditions substantially similar to those of the terminated plan. 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 issued 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 Q1 2017, 37,603 common shares were purchased on the open market (Q1 2016 – 96,089) and 112,292 (Q1 2016 – nil) were purchased from treasury.

(b) Dividends to holders of common shares

The Company intends to pay dividends monthly within 15 days following the end of each month. During Q1 2017, TF declared dividends of $12,636, or $0.171 per share, to the holders of TF common shares (Q1 2016 – $7,294, $0.180 per share). As at March 31, 2017, $4,214 in aggregate dividends (December 31, 2016 – $4,210) was payable to the holders of common shares of TF by the Company. Subsequent to March 31, 2017, the Board of Directors of the Company declared dividends of $0.057 per common share to be paid on May 15, 2017 to the common shareholders of record on April 28, 2017.

(c) Normal course issuer bid

On January 4, 2016, TMIC received TSX approval to commence a normal course issuer bid (the “Bid”) to purchase for cancellation up to a maximum of 4,105,569 common shares, representing approximately 10% of the public float of common shares as of December 22, 2015. The Bid commenced on January 6, 2016 and provided the Company with the flexibility to repurchase common shares for cancellation until it expired on January 5, 2017. Pursuant to the Amalgamation, the Bid was terminated on the Effective Date.

10. NON-EXECUTIVE DIRECTOR DEFERRED SHARE UNIT PLAN

Pursuant to the Amalgamation, on the Effective Date, the DSU plan for TMIC was terminated and the outstanding DSUs were settled by TMIC in accordance with the terms of the respective plans. As a result, TMIC’s outstanding DSUs of 30,497 were cancelled and $300 was paid to the directors in July 2016.

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

Following each calendar quarter, the director DSU accounts will be credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value. Each director is also entitled to an additional 25% of DSUs that are issued in the quarter up to a maximum value of $5,000 per annum.

The 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 Q1 2017, 5,353 units were issued and outstanding and no DSUs were exercised or cancelled resulting in a DSU expense of $50 based on a Fair Market Value of $9.32 per common share. As at March 31, 2017, $41 quarterly compensation was granted in DSUs, which will be issued subsequent to March 31, 2017 at the Fair Market Value.

11. MANAGEMENT AND SERVICING FEES

Concurrently with the Amalgamation, TMIC's management agreement with the Manager was terminated and a new management agreement was entered on the Effective Date. TMIC agreed to pay the Manager a termination fee of $7,438 as compensation for the removal of the performance fees previously incurred by TMIC annually and the reduced management fee under the new agreement. The termination fee was settled in cash of $910 for HST payable and the balance payable to the Manager in 782,830 TMIC shares valued at $8.34 per share, representing TMIC's closing share price as of June 29, 2016. Under IFRS 2 – Share-based Payment, the share consideration is required to be measured based on the trading price of TMIC common shares on the settlement date, whereas, the actual consideration was based on the book value of TMIC at March 31, 2016.

The new management agreement has a term of 10 years and is automatically renewed for successive five year terms at the expiration of the initial term and pays (i) management fee equals to 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes, and (ii) servicing fee equals to 0.10% of the amount of any senior tranche of a mortgage that is syndicated by the Manager to a third party investor on behalf of the Company, where the Company 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.

During Q1 2016, the Company accrued $597 in performance fees. Upon the termination of the management agreement, $1,207 of performance fees accrued up to June 29, 2016 prior to the Amalgamation were paid to the Manager in August 2016.

During Q1 2017, the Company incurred management fees plus applicable taxes of $2,497 (Q1 2016 – $1,561) and servicing fees plus applicable taxes of $157 (Q1 2016 – nil).

12. EARNINGS PER SHARE

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

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

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

The following table shows the computation of per share amounts:

	Three months ended March 31,	
	2017	2016
Total net income and comprehensive income	$ 12,945	$ 7,177
Adjustment for dilutive effect of convertible debentures	750	–
Total net income and comprehensive income (diluted)	13,695	7,177
Weighted average number of common shares (basic)	73,884,124	40,523,728
Convertible debentures*	4,557,214	–
Weighted average number of common shares (diluted)	78,441,338	40,523,728
Earnings per share – basic	**$ 0.18**	**$ 0.18**
Earnings per share – diluted	**$ 0.17**	**$ 0.18**

* 2014 and 2017 debentures are excluded as they are anti-dilutive

13. CHANGE IN NON-CASH OPERATING ITEMS

	Three months ended March 31,	
	2017	2016
Change in non-cash operating items:		
Other assets	$ (2,664)	$ 659
Accounts payable and accrued expenses	210	162
Due to Manager	74	(1,831)
Prepaid mortgage interest	386	(487)
Mortgage funding holdbacks	656	(52)
	$ (1,338)	**$ (1,549)**

14. RELATED PARTY TRANSACTIONS

(a) As at March 31, 2017, Due to Manager includes mainly management and servicing fees payable of $893 (December 31, 2016 - $819).

(b) As at March 31, 2017, included in other assets is $1,917 (December 31, 2016 – $819) 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 funding holdbacks and prepaid mortgage interest received from various borrowers.

(c) As at March 31, 2017, the Company has four mortgage investments which an independent director of the Company is also an officer and/or part-owner of the borrowers of these mortgages:

- A mortgage investment with a total gross commitment of $84,108 (December 31, 2016 – $84,108). The Company's share of the commitment is $29,108 (December 31, 2016– $29,108), of which $8,491 (December 31, 2016 – $7,270) has been funded as at March 31, 2017.

- A mortgage investment with a total gross commitment of $15,600 (December 31, 2016 – $15,600). The Company's share of the commitment is $5,970 (December 31, 2016 – $5,970), of which $3,636 (December 31, 2016 – $3,634) has been funded as at March 31, 2017.

- A mortgage investment with a total gross commitment of $6,000 (December 31, 2016 – $6,000). The Company's share of the commitment is $5,100 (December 31, 2016 – $5,100), of which $2,029 (December 31, 2016 – $2,029) has been funded as at March 31, 2017.

- A mortgage investment with a total gross commitment of $1,920 (December 31, 2016 – $1,920). The Company's share of the commitment is $1,920 (December 31, 2016 – $1,920), of which $1,920 (December 31, 2016 – $1,920) has been funded as at March 31, 2017.

(d) As at March 31, 2017, the Company, Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), Timbercreek Global Real Estate Fund and Timbercreek Canadian Direct LP, related parties as all are managed by the Manager, co-invested in fourteen gross mortgage investments totaling $290,490 (December 31, 2016 – $254,935). The Company's share in

these gross mortgage investments is $126,698 (December 31, 2016 – $109,493). Included in these amounts are two net mortgage investments (December 31, 2016 – two) of $18,527 (December 31, 2016 – $17,681) 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.

15. CAPITAL RISK MANAGEMENT

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

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

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

At March 31, 2017, 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 and maximum non-debenture indebtedness to adjusted shareholders' equity.

16. RISK MANAGEMENT

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

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of March 31, 2017, $134,692 of net mortgage investments bear interest at variable rates. Of these, $122,297 of net mortgage investments include a "floor rate" to protect their negative exposure or a "ceiling rate", while two mortgage investments totaling $12,395 bear interest at a variable rate without a "floor rate". If there were a decrease of 0.50% in interest rates, with all other variables constant, the impact from variable rate mortgage

investments would be a decrease in net income of $62. However, if there were a 0.50% increase in interest rates, with all other variables constant, it would result in an increase in net income of $673. The Company manages its sensitivity to interest rate fluctuations by generally entering into fixed rate mortgage investments or adding a "floor-rate" to protect its negative exposure.

As of March 31, 2017, $25,013 of the other investments bear interest at fixed rates.

In addition, the Company is exposed to interest rate risk on the credit facility, which has a balance of $296,279 as at March 31, 2017. Based on the outstanding credit facility balance as at March 31, 2017, a 0.50% decrease or increase in interest rates, with all other variables constant, will increase or decrease net income by $1,481 annually.

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

(b) Currency risk

Currency risk is the risk that the carrying value of net mortgage investments and other investments will fluctuate due to changes in foreign exchange rates. Currency risk arises from net mortgage investments and other investments that are denominated in a currency other than the Canadian dollar, which represents the functional currency of the Company.

The maximum exposure to currency risk at March 31, 2017 is the carrying values of its net mortgage and other investments that are not denominated in Canadian dollars, in addition to interest receivable recorded within other assets of $34 (December 31, 2016 – $34), amounting to $4,052 (December 31, 2016 – $3,941). If there was a weakening or strengthening of the Canadian dollar by 1%, with all other variables constant, will increase or decrease net income by $41 annually.

(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 investments are approved by the investment committee before funding; and

(iii) actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The maximum exposure to credit risk at March 31, 2017 is the carrying values of its net mortgage and other investments, in addition to interest receivable recorded within other assets of $1,971 (December 31, 2016 – $951), amounting to $1,065,280

(December 31, 2016 – $1,025,129). The Company has recourse under these mortgage investments in the event of default by the borrower; in which case, the Company would have a claim against the underlying collateral.

(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 the 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 as at March 31, 2017, including expected interest payments:

March 31, 2017	Carrying value	Contractual cash flow	Within a year	Following year	3–5 years
Accounts payable and accrued expenses	$ 1,544	$ 1,544	$ 1,544	$ –	$ –
Dividends payable	4,214	4,214	4,214	–	–
Due to Manager	893	893	893	–	–
Mortgage funding holdbacks	793	793	793	–	–
Prepaid mortgage interest	1,068	1,068	1,068	–	–
Credit facility[1]	296,279	308,975	11,703	297,272	–
Convertible debentures[2]	119,164	153,360	43,682	4,980	104,698
Total liabilities	$ 423,955	$ 470,847	$ 63,897	$ 302,252	$ 104,698
Unadvanced mortgage commitments[3]	–	191,365	191,365	–	–
Total contractual liabilities	**$ 423,955**	**$ 662,212**	**$ 255,262**	**$ 302,252**	**$ 104,698**

1 Includes interest based upon the current prime rate of interest plus 1.25% on the credit facility assuming the outstanding balance is not repaid until its maturity on May 6, 2018.

2 The 2014 debentures are assumed to be redeemed on March 31, 2017 as they are redeemable on and after March 31, 2017, the 2016 debentures are assumed to be redeemed on July 31, 2019 as they are redeemable on and after July 31, 2019, and the 2017 debentures are assumed to be redeemed on March 30, 2020 as they are redeemable on and after March 30, 2020

3 Unadvanced mortgage commitments include syndication commitments of which $54,971 belongs to the Company's syndicated partners.

As at March 31, 2017, the Company had a cash position of $120 (December 31, 2016 – $61) and an unutilized credit facility balance of $41,282 (December 31, 2016 – $49,420). The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the credit facility. Included within the unadvanced mortgage commitments is $54,971 (December 31, 2016 – $82,325) relating to the Company's syndication partners. The Company expects the syndication partners to fund this amount.

17. FAIR VALUE MEASUREMENTS

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

As at March 31, 2017	Carrying Value Loans and receivable	Fair value through profit and loss	Other financial liabilities	Fair value
Assets measured at fair value				
Foreclosed properties held for sale	$ –	$ 11,041	$ –	$ 11,041
Assets not measured at fair value				
Cash and cash equivalents	120	–	–	120
Other assets	5,272	–	–	5,272
Mortgage investments, including mortgage syndications	1,594,073	–	–	1,594,073
Other investments	25,013	–	–	25,013
Financial liabilities not measured at fair value				
Accounts payable and accrued expenses	–	–	1,544	1,544
Dividends payable	–	–	4,214	4,214
Due to Manager	–	–	893	893
Mortgage funding holdbacks	–	–	793	793
Prepaid mortgage interest	–	–	1,068	1,068
Credit facility	–	–	294,942	296,279
Convertible debentures	–	–	119,164	128,252
Mortgage syndication liabilities	–	–	563,630	563,630

	Carrying Value			
As at December 31, 2016	Loans and receivable	Fair value through profit and loss	Other financial liabilities	Fair value
Assets measured at fair value				
Foreclosed properties held for sale	$ –	$ 11,041	$ –	$ 11,041
Assets not measured at fair value				
Cash and cash equivalents	61	–	–	61
Other assets	3,191	–	–	3,191
Mortgage investments, including mortgage syndications	1,549,849	–	–	1,549,849
Other investments	9,828	–	–	9,828
Financial liabilities not measured at fair value				
Accounts payable and accrued expenses	–	–	2,188	2,188
Dividends payable	–	–	4,210	4,210
Due to Manager	–	–	819	819
Mortgage funding holdbacks	–	–	137	137
Prepaid mortgage interest	–	–	682	682
Credit facility	–	–	299,000	300,581
Convertible debentures	–	–	76,757	80,416
Mortgage syndication liabilities	–	–	543,505	543,505

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

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

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

(b) Other financial assets and liabilities

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

(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 March 31, 2017.

18. COMPENSATION OF KEY MANAGEMENT PERSONNEL

During Q1 2017, the compensation expense of the members of the Board of Directors amounts to $52 (Q1 2016 - $64), 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 10).

19. 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 materially adverse effect on the Company's financial position.