Management's Discussion and Analysis

Timbercreek Senior Mortgage Investment Corporation

For the three and nine months ended September 30, 2014

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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.

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 November 4, 2014. 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 its Manager's website at www.timbercreekseniormic.com. Additional information about the Company, including its Annual Information Form ("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 incorporated under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011. On September 13, 2013, in connection with the Transition, as explained below, the Company filed articles of amendment effective as of September 13, 2013 (the "Effective Date"), to amend, among other things, certain provisions of the articles of the Company related to the rights attached to the existing Class A, Class B, Class I, Class J and voting shares, and provide for the creation of a new class of common shares for which all existing classes of redeemable shares were exchanged. On November 29, 2013 (the "Exchange Date"), all issued and outstanding Class A, Class B, Class I and Class J shares were exchanged into common shares.

The Company invests in first mortgage investments selected and determined to be high quality by the Manager. The Company intends to qualify 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:

- Preserve shareholder capital of the Company; and
- Provide shareholders with a stable stream of monthly dividends.

The Company intends to meet its investment objectives by investing in a diversified portfolio of first mortgage investments, consisting primarily of conventional mortgages secured directly by multi-residential, retirement homes, office, retail and industrial real property across Canada, primarily located in urban markets and surrounding areas.

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TRANSITION TO PUBLIC COMPANY REGIME

On September 12, 2013, the Company received shareholder approval for the Company's transition (the "Transition") from the Canadian securities regulatory regime for investment funds to the regulatory regime for non-investment fund reporting issuers (the "Public Company Regime").

Beginning on the Effective Date, the Company was subject to and files all continuous disclosure materials in compliance with the Public Company Regime requirements, which includes preparation of its financial statements in accordance with International Financial Reporting Standards ("IFRS"), along with a Management's Discussion and Analysis.

As part of the Transition, the Company provided a one-time special redemption right of up to 15% of the issued and outstanding shares of each class (the "Special Redemption"). The Company redeemed requests from holders of 5,454,283 Class A shares, 32,933 Class B shares, 74,000 Class I shares and no Class J shares for the Special Redemption. The total redemptions payable of $51.5 million were paid on November 27, 2013. On the Exchange Date, the Company exchanged all of the outstanding 30,825,108 Class A shares, 186,626 Class B shares, 424,700 Class I shares and 86,250 Class J shares into a newly created class of common shares. The common shares commenced trading on the Toronto Stock Exchange ("TSX") on the Exchange Date, continuing under the symbol 'MTG', and the Class A shares ceased to trade after the close of market on November 28, 2013.

Effective September 13, 2013, the Company entered into a new management agreement with the Manager and terminated its management agreement with Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager. The Manager is responsible for the day-to-day operations and providing all general management and administrative services of the Company's mortgage investments.

Additionally, Messrs. Ugo Bizzarri, Andrew Jones and Ed Boomer were elected as additional directors of the Company.

In connection with the Transition, the Company incurred total costs of $4.1 million which includes soliciting dealer fees, soliciting broker fees, audit fees, legal fees and other related costs. The Manager elected to assume responsibility for $0.3 million of costs related to the Transition.

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the three and nine months ended September 30, 2014 and 2013. This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three and nine months ended September 30, 2014 and 2013, which are prepared in accordance with 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 consolidated financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below. The Company has presented such non-IFRS measures because the Manager believes they are relevant measures of the ability of the Company to earn and distribute cash dividends to shareholders and to evaluate the Company's performance. These non-IFRS measures should not be construed as alternatives to net income (loss) and comprehensive income (loss) or cash flows from operating activities as determined in accordance with IFRS as indicators of the Company's performance.

- Expense ratio – represents total expenses (excluding financing costs, transition related costs and provision for mortgage investments loss) for the stated period, expressed as an annualized percentage of the average net mortgage investment portfolio;
- 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 investment loss as at the reporting date;
- Average net mortgage investment – represents the total net mortgage investments divided by the total number of mortgage investments at the reporting date;
- Average net mortgage investment portfolio – represents the monthly average of the net mortgage investment portfolio over the stated period;
- Weighted average interest rate – represents the weighted average interest rate (not including lender fees) on the net mortgage investments at the reporting date;
- Weighted average lender fees – represents the cash lender fees received on individual mortgage investments during the stated period, expressed as a percentage of the Company's advances on those mortgage investments. If the entire lender fee is received but the mortgage investment is not fully funded, the denominator is adjusted to include the Company's unadvanced commitment;
- Turnover ratio – represents total mortgage repayments during the stated period, expressed as a percentage of the average net mortgage investment portfolio for the stated period; and
- Payout ratio – represents total dividends paid to the holders of redeemable shares and common shares during the stated period, divided by distributable income for the stated period.

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RECENT DEVELOPMENTS AND OUTLOOK

The Company's mortgage portfolio performed well in the third quarter of 2014 and continues to be comprised of high-quality, first mortgage loans primarily secured by income-producing real estate in strong markets. Over $111.0 million of capital was deployed in the quarter bringing the total portfolio size to $417.7 million representing a growth of 22% since the end of the second quarter. This strong investment activity coupled with modest repayments of $34.9 million has helped move the portfolio reach its target utilization and move closer to full capacity despite the large number of repayments received in the second quarter. We expect portfolio turnover to remain low through the fourth quarter as approximately 50% of the portfolio was funded in this calendar year.

While performance remains strong in the portfolio, we continue to see above average competition in the market for high-quality, short-duration commercial real estate debt. This added competition, coupled with a sustained lower interest rate environment, has put some downward pressure on interest rates and has resulted in a slightly lower average interest rate for the Company in the third quarter of 6.2% compared to 6.4% in the second quarter.

In spite of increased competition, the Manager continues to identify, high-quality mortgage investments that fit within the company's investment strategy without compromising quality in the portfolio. Since the end of the third quarter, the Company has syndicated certain mortgage investments in October bringing the weighted average interest rate at October 31, 2014 to 6.3%. With this strong momentum leading into the fourth quarter, the Manager is confident the portfolio will achieve full capacity by year end.

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FINANCIAL HIGHLIGHTS

The financial highlights of the Company are as follows:

	Three months ended		Nine months ended		Year ended
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (as at)	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	December 31, 2013
Mortgage investments, including mortgage syndications	$ 465,143	$ 500,132	$ 465,143	$ 500,132	$ 515,797
Total assets	$ 468,030	$ 512,801	$ 468,030	$ 512,801	$ 519,007
Credit facility	$ 128,468	$ 54,993	$ 128,468	$ 54,993	$ 108,746
Net assets attributable to holders of redeemable shares	$ –	$ 340,785	$ –	$ 340,785	$ –
Shareholders' equity	$ 288,653	$ –	$ 288,653	$ –	$ 288,762
FINANCIAL INFORMATION (for the period ended)					
Distributable income	$ 4,897	$ 5,461	$ 13,789	$ 15,502	$ 21,082
Targeted dividend yield[1]	4.61%	4.69%	4.56%	4.61%	4.61%
Actual dividend yield[2]	6.51%	6.64%	6.58%	6.71%	7.03%
Closing trading price	$ 9.14	$ 8.96	$ 9.14	$ 8.96	$ 8.54
Payout ratio[3]	96.66%	103.35%	102.98%	109.81%	104.50%
Net income per share (basic and diluted)[4]	$ 0.15	$ –	$ 0.45	$ –	$ 0.42
Dividends per share:					
Class A	$ –	$ 0.15	$ –	$ 0.45	$ 0.50
Class B	$ –	$ 0.16	$ –	$ 0.49	$ 0.54
Class I	$ –	$ 0.16	$ –	$ 0.49	$ 0.54
Class J	$ –	$ 0.16	$ –	$ 0.47	$ 0.52
Common	$ 0.15	$ –	$ 0.45	$ –	$ 0.10
MORTGAGE INVESTMENTS INFORMATION[3]					
Net mortgage investments	$ 417,711	$ 392,821	$ 417,711	$ 392,821	$ 401,456
Total number of net mortgage investments	65	57	65	57	62
Average net mortgage investment	$ 6,426	$ 6,892	$ 6,426	$ 6,892	$ 6,475
Weighted average interest rate	6.21%	6.71%	6.21%	6.71%	6.52%
Weighted average lender fee[5]	0.70%	0.91%	0.67%	0.90%	0.90%
Turnover ratio	8.97%	13.58%	48.68%	55.85%	84.35%

1 Targeted dividend yield equals the monthly average 2-Year Government of Canada Bond Yield plus 350 basis points.

2 Actual dividend yield equals the total per share dividend for the stated period for Class A shares and common shares divided by the trading close price at the stated period end (annualized).

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

4 The Company has not disclosed net income (loss) per share for the three and nine months ended September 30, 2013 as the Company did not have equity instruments, as defined in IAS 33, *Earnings per Share* as the redeemable shares were classified as a financial liability in the statements of financial position.

5 The Company has revised weighted average lender fee ratios for prior periods based on updated definition included in Non-IFRS measures.

For the three months ended September 30, 2014 ("Q3 2014") and September 30, 2013 ("Q3 2013")

- The Company funded 15 new net mortgage investments (Q3 2013 – 13) totaling $103.6 million (Q3 2013 – $47.4 million), had additional advances on existing net mortgage investments totaling $7.9 million (Q3 2013 – $5.5 million) and received four full repayments (Q3 2013 – 10) and partial paydowns totaling $34.9 million (Q3 2013 – $52.8 million), resulting in net mortgage investments of $417.7 million as at September 30, 2014 (June 30, 2014 – $341.2 million).
- The Company received non-refundable lender fees of $1.0 million (Q3 2013 – $0.6 million) or a weighted average lender fee of 0.70% (Q3 2013 – 0.91%).
- Net interest income earned by the Company was $6.6 million (Q3 2013 – $7.4 million), a decrease of $0.7 million, or 10.0% from Q3 2013, mainly due to a lower average net mortgage investment portfolio caused by the one-time redemption in November 2013.
- The Company generated income from operations of $5.5 million (Q3 2013 – $2.4 million), an increase of $3.1 million, or 126.1%, from Q3 2013. In Q3 2013, the Company incurred a one-time cost of $3.7 million relating to the Company's Transition.
- The Company declared dividends of $0.15 per common share for a total of $4.7 million (Q3 2013 – nil; nil). During Q3 2013, the Company declared dividends of $0.15 per Class A share for a total of $5.5 million, $0.16 per Class B share for a total of $0.04 million, $0.16 per Class I share for a total of $0.08 million and $0.16 per Class J share for a total of $0.02 million. Total dividends declared in Q3 2013 were $5.6 million.

For the nine months ended September 30, 2014 (the "Period") and September 30, 2013 ("YTD 2013")

- The Company funded 27 new net mortgage investments (YTD 2013 – 42) totaling $159.9 million (YTD 2013 – $254.0 million), had additional advances on existing net mortgage investments totaling $43.1 million (YTD 2013 – $19.5 million) and received 24 full repayments (YTD 2013 – 17) and partial paydowns totaling $186.8 million (YTD 2013 – $213.7 million), resulting in net mortgage investments of $417.7 million as at September 30, 2014 (December 31, 2013 – $401.5 million).
- The Company received non-refundable lender fees of $1.4 million (YTD 2013 – $2.2 million) or a weighted average lender fee of 0.68% (YTD 2013 – 0.90%). The Company generates lender fees predominantly from fundings of new mortgage investments which is directly impacted by $59.3 million of equity, net of issue costs, raised in 2013.
- Net interest income earned by the Company was $21.0 million (YTD 2013 – $20.9 million), an increase of $0.1 million, or 0.4%, from YTD 2013. The average net mortgage investment portfolio in 2014 was lower than the same period in 2013 resulting in lower interest income; although this was in part offset by increased lender fees amortization in 2014.
- The Company generated income from operations of $17.3 million (YTD 2013 – $12.7 million), an increase of $4.6 million, or 36.2%, from YTD 2013. In Q3 2013, the Company incurred a one-time cost of $3.7 million relating to the Company's Transition.
- The Company declared dividends of $0.45 per common share for a total of $14.2 million (YTD 2013 – nil; nil). During YTD 2013, the Company declared dividends of $0.45 per Class A share for a total of $16.6 million, $0.49 per Class B share for a total of $0.1 million, $0.49 per Class I share for a total of $0.2 million and $0.47 per Class J share for a total of $0.1 million. Total dividends declared in YTD 2013 were $17.0 million. The total dividends paid in the Period were lower due to the reduction in equity resulting from the one-time special redemption in the last quarter of 2013. On an overall basis, the dividends exceeded the Company's targeted dividend yield of the 2-Yr GOC Yield plus 350 basis points.
- The Board of Directors appointed Andrew Jones as Chief Executive Officer of the Company, effective January 20, 2014, to replace Blair Tamblyn. Blair Tamblyn remains as Chairman of the Board of Directors.
- The Board of Directors appointed David Melo as Chief Financial Officer of the Company, effective March 25, 2014, to replace Ugo Bizzarri. Ugo Bizzarri was added to the Board of Directors as part of the Transition.
- On June 18, 2014, the Company amended and extended the term of its credit facility agreement with its syndicate of lenders to increase the facility limit to $145.0 million from $130.0 million, amongst other enhancements, that will allow the Company to deploy leverage more efficiently. The new maturity date is June 23, 2016.

ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Distributable income

	Three months ended		Nine months ended		Year ended
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	December 31, 2013
Net income (loss) and comprehensive income (loss)	$ 4,597	$ (3,941)	$ 14,092	$ (9,440)	$ (6,453)
Less: amortization of lender fees	(723)	(726)	(2,287)	(1,668)	(2,330)
Add: one-time transition related costs	–	3,732	–	3,732	3,871
Add: lender fees received during the period	954	560	1,359	2,162	3,267
Add: amortization of financing costs	69	132	450	395	552
Add: issuance cost of redeemable shares	–	60	–	3,298	3,301
Add: dividends to holders of redeemable shares	–	5,644	–	17,023	18,874
Add: provision for mortgage investments loss	–	–	175	–	–
Distributable income	**$ 4,897**	**$ 5,461**	**$ 13,789**	**$ 15,502**	**$ 21,082**
Less: dividends to holders of redeemable shares	–	(5,644)	–	(17,023)	(18,874)
Less: dividends to common shareholders	(4,733)	–	(14,200)	–	(3,156)
(Over) / under distribution	**$ 164**	**$ (183)**	**$ (411)**	**$ (1,521)**	**$ (948)**

Distributable income per share	$ 0.16	$ 0.14	$ 0.44	$ 0.41	$ 0.57
Payout ratio	96.66%	103.35%	102.98%	109.81%	104.50%
Turnover ratio	8.97%	13.58%	48.68%	55.85%	84.35%
Credit facility balance at period end	$ 129,225	$ 55,200	$ 129,225	$ 55,200	$ 108,971
Credit facility limit	$ 145,000	$ 130,000	$ 145,000	$ 130,000	$ 130,000
Credit facility utilization of total assets at period end	30.75%	13.64%	30.75%	13.64%	27.01%

The distributable income reconciliation above provides a link between the Company's IFRS reporting requirements, and its ability to generate recurring income for dividends.

The Board of Directors have set a dividend policy that is predicated on what they believe to be a long-term sustainable objective, which is to pay-out cash flow generated by net mortgage investments. A number of factors are assessed and evaluated each time the Board of Directors reviews, and approves dividends. Overall, we are pleased with the performance of the Company during the Period. Although the year to date payout ratio is at 103%, we expect an improved fourth quarter as the Company operates at its targeted leverage levels.

STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three months ended September 30, 2014	Three months ended September 30, 2013	% Change	Nine months ended September 30, 2014	Nine months ended September 30, 2013	% Change
Net interest income	$ 6,639	$ 7,377	(10.0%)	$ 20,985	$ 20,909	0.4%
Expenses	(1,158)	(4,954)	76.6%	(3,675)	(8,220)	55.3%
Income from operations	5,481	2,423	126.2%	17,310	12,689	36.4%
Financing costs:						
Interest on credit facility	(884)	(662)	(33.5%)	(3,218)	(1,808)	(78.0%)
Issuance costs of redeemable shares	–	(60)	100.0%	–	(3,298)	100.0%
Dividends to holders of redeemable shares	–	(5,644)	100.0%	–	(17,023)	100.0%
Net income (loss) and comprehensive income (loss)	**$ 4,597**	**$ (3,941)**	**216.6%**	**$ 14,092**	**$ (9,440)**	**249.3%**

Net interest income[1]

The Company earned net interest income for Q3 2014 and the Period of $6.6 million and $21.0 million (Q3 2013 – $7.4 million; YTD 2013 – $20.9 million), respectively. Net interest income is made up of the following:

(a) **Interest income**

In Q3 2014 and the Period, the Company earned $5.9 million and $18.5 million (Q3 2013 – $6.6 million; YTD 2013 – $19.1 million) in interest income on net mortgage investments. The decrease in interest income in Q3 2014 and the Period of $0.7 million and $0.6 million, respectively, is mainly attributable to a lower average net mortgage investment portfolio, as well as slightly lower comparative average interest rates.

The weighted average interest rate on the net mortgage investment portfolio decreased slightly to 6.21% at September 30, 2014 from 6.52% at December 31, 2013. Although the lending market has seen increased competition in 2014, following period end the Company syndicated certain mortgage investments which increased the weighted average portfolio interest rate more in line with past quarters.

[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.

(b) Lender fee income

In Q3 2014 and the Period, the Company received non-refundable lender fees of $1.0 million and $1.4 million (Q3 2013 – $0.6 million; YTD 2013 - $2.2 million), or weighted average lender fees of 0.70% and 0.68% (Q3 2013 –0.91%; YTD 2013 – 0.90%) of new mortgage investments funded in the Period. The Company generates lender fees predominantly from fundings of new mortgage investments which was directly impacted by $59.3 million of equity, net of issue costs, raised in 2013 relative to no equity raised in 2014.

The lender fees are amortized using the effective interest rate method over the expected life of the net mortgage investments to lender fee income. In Q3 2014 and the Period, $0.7 million and $2.3 million (Q3 2013 – $0.7 million; YTD 2013 – $1.7 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, unlike other competing mortgage investment corporations, ensuring management interests are aligned with the Company.

(c) Other income

In Q3 2014 and the Period, the Company earned $0.04 million and $0.2 million, respectively (Q3 2013 – $0.05 million; YTD 2013 – $0.2 million) in other income. Other income includes fees earned on mortgage investment fundings, prepayment penalties and exit fees earned on mortgage investment repayments and other miscellaneous fees.

Expenses

The Company's expense ratio[2] for Q3 2014 and the Period was 1.2% and 1.2%, respectively (Q3 2013 – 1.2%; YTD 2013 – 1.7%). The year to date decrease in the expense ratio was primarily driven by the removal of trailer fees.

(a) Management fees

As part of the Transition, the Company has entered into a new management agreement with Timbercreek Asset Management Inc. (the "Manager") and terminated its management agreement with Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manager. Under the new 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.

In Q3 2014 and the Period, the Company incurred management fees of $1.0 million and $2.9 million (Q3 2013 – $1.0 million; YTD 2013 - $3.0 million).

[2] Defined in non-IFRS measures section.

(b) Trailer fees

In conjunction with the shareholder approval for the Transition, the Company is no longer required to pay trailer fees to brokers effective for the quarter ended September 30, 2013. Prior to September 30, 2013, the Company was paying each registered dealer a trailer fee equal to 0.50% annually of the net redemption value per Class A share and 0.25% annually of the net redemption value per Class J share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter. As such, the Company paid no trailer fees during Q3 2014 and the Period (Q3 2013 – nil; YTD 2013 – $0.8 million).

(c) General and administrative

In Q3 2014 and the Period, the Company incurred general and administrative expenses of $0.2 million and $0.6 million (Q3 2013 – $0.2 million; YTD 2013 – $0.7 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees and other operating costs associated with operating the Company and administration of the mortgage investment portfolio.

(d) Interest on credit facility

Financing costs include interest paid on amounts drawn on the credit facility, stand-by fees charged on unutilized credit facility amounts and amortization of financing costs which were incurred on closing of the credit facility. Financing costs for Q3 2014 and the Period relating to the credit facility were $0.9 million and $3.2 million (Q3 2013 – $0.7 million; YTD 2013 – $1.8 million). Interest on the credit facility has increased due to the increased use of leverage since Q1 2013 to fund net mortgage investments which is in-line with the Company's business strategy.

As at September 30, 2014, the Company's leverage was 30.75% (September 30, 2013 – 13.64%) of the total assets of the Company.

(e) Issuance costs of common shares and redeemable shares

The common shares are classified as equity and thus, any incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity. For Q3 2014 and the Period, the Company did not incur any issuance costs as there were no equity offerings during the Period.

As the Class A, B, I and J shares were classified as liabilities under IFRS prior to the Transition, the issuance costs associated with periodic equity offerings were recorded as financing costs and were recognized in profit and loss during Q3 2013 and YTD 2013. In Q3 2013 and YTD 2013, the Company incurred $0.06 million and $3.3 million relating to the issuance of Class A, B, I and J shares on total gross proceeds of $62.6 million. The issuance costs include agent's commissions, legal, professional and other costs relating to the offerings.

(f) Dividends to holders of common shares and redeemable shares

The Company intends to pay dividends to shareholders on a monthly basis within 15 days following the end of each month. Below is a summary of the dividends to holders of common shares and holders of redeemable shares for the three and nine months ended September 30, 2014 and 2013.

	Three months ended September 30, 2014		Nine months ended September 30, 2014	
	Dividends per share	Total	Dividends per share	Total
Common	$ 0.15	$ 4,733	$ 0.45	$ 14,200

	Three months ended September 30, 2013		Nine months ended September 30, 2013	
	Dividends per share	Total	Dividends per share	Total
Class A	$ 0.15	$ 5,506	$ 0.45	$ 16,609
Class B	$ 0.16	36	$ 0.49	107
Class I	$ 0.16	82	$ 0.49	208
Class J	$ 0.16	20	$ 0.47	99
		$ 5,644		**$ 17,023**

The actual dividend yield of 6.58% (YTD 2013 – 6.71%) on common shares (based on the closing market price of common shares at period end) is in excess of the Company's targeted dividend yield of 4.56% (YTD 2013 – 4.61%).

STATEMENT OF FINANCIAL POSITION

Net mortgage investments

The balance of net mortgage investments is as follows:

	September 30, 2014	December 31, 2013	Change
Gross mortgage investments, including mortgage syndications	$ 465,143	$ 515,797	$ (50,654)
Mortgage syndication liabilities	(47,851)	(115,412)	67,561
	417,292	400,385	16,907
Interest receivable	(2,079)	(2,177)	98
Unamortized lender fees	2,323	3,249	(926)
Allowance for mortgage investments loss	175	–	175
Net mortgage investments	**$ 417,711**	**$ 401,457**	**$ 16,254**

The Company funded 27 new net mortgage investments (YTD 2013 – 42) totaling $159.9 million (YTD 2013 – $254.0 million), had additional advances on existing net mortgage investments totaling $43.1 million (YTD 2013 – $19.5 million) and received 24 full repayments (YTD 2013 – 17) and partial paydowns totaling $186.8 million (YTD 2013 – $213.7 million), resulting in net mortgage investments of $417.7 million as at September 30, 2014 (December 31, 2013 – $401.5 million) or a portfolio turnover rate of 48.68% (YTD 2013 – 55.9%). As at September 30, 2014, the average net mortgage investment was approximately $6.4 million (December 31, 2013 – $6.5 million), generally in-line with year-end.

As at September 30, 2014, the Company has concluded that there is no objective evidence of impairment on any individual mortgage investments. 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 assessed them for impairment using statistical data. Based on the amounts determined by the analysis, the Company will determine whether or not the actual future losses are expected to be greater or less than the amounts calculated. The Company has not recognized a collective impairment in Q3 2014, although for the Period, the Company has recognized a collective provision for mortgage investments loss of $175 (Q3 2013 – nil; YTD 2013 – nil).

The Company enters into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, all of which is secured by first mortgage positions, whereby the lenders take the senior position and the Company retains the subordinated first position. These agreements generally provide an option to the Company to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lender's proportionate share together with all accrued interest. During the Period, the mortgage syndication liabilities have decreased to $47.9 million (December 31, 2013 – $115.4 million), as the Company received full repayments on a few syndicated mortgage investments during the Period.

As at September 30, 2014, the portfolio comprised of 65 mortgage investments (December 31, 2013 – 62) which were allocated across the following categories:

(a) Region

	September 30, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
ON	30	48.6%	31	45.5%
QC	10	23.5%	9	20.7%
AB	8	4.0%	9	10.3%
BC	7	10.7%	6	14.1%
SK	7	11.4%	4	5.7%
OT	–	–	1	1.9%
NS	1	1.3%	1	1.6%
MB	2	0.5%	1	0.2%
	65	**100.0%**	**62**	**100.0%**

The Company continued to focus its efforts on diversifying the mortgage investment portfolio, with its greatest concentration in Canada's largest provinces. As at September 30, 2014, 86.8% of the mortgage investments (December 31, 2013 – 90.6%) were allocated 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.

(b) Maturity

	September 30, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Maturing 2014	3	1.3%	17	17.1%
Maturing 2015	25	38.6%	33	59.4%
Maturing 2016	24	37.9%	12	23.5%
Maturing 2017	13	22.2%	–	–
	65	**100.0%**	**62**	**100.0%**

During Q3 2014 and the Period, the Company's portfolio turnover rate was 8.97% and 48.68% (Q3 2013 – 13.58%; YTD 2013 – 55.85%), which for YTD 2014 is higher than the Company's long-term expectation; however, the Company's strong portfolio turnover helps generate fee income, all of which goes to the Company while ensuring the Company is able to respond quickly to a changing interest rate environment. The weighted average term to maturity as at September 30, 2014 is 2.5 years (December 31, 2013 – 2.2 years), in-line with the portfolio's target maturity of 2 – 3 years.

(c) Asset Type

	September 30, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Multi-residential	29	37.7%	23	40.3%
Office	11	19.4%	9	14.6%
Retail	8	16.0%	9	12.3%
Retirement	1	5.1%	3	8.7%
Industrial	5	6.6%	6	6.4%
Other-residential	3	6.2%	2	5.5%
Hotels	2	4.6%	2	4.8%
Unimproved land	4	4.0%	4	4.1%
Single-residential	1	0.1%	2	1.7%
Self-storage	1	0.3%	2	1.6%
	65	**100.0%**	**62**	**100.0%**

The Company predominantly targets lending on cash-flowing assets. Historically, the Company has little exposure to land development, single-family residential mortgages and construction loans, where demand is largely impacted by the strength or weakness of the Canadian housing market and typically do not generate cash flow to service the mortgage investment.

(d) Interest Rate

	September 30, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
5.00% or lower	7	12.5%	4	13.2%
5.01%–5.49%	12	20.6%	4	8.4%
5.50%–5.99%	9	8.9%	9	13.8%
6.00%–6.49%	10	23.8%	6	10.5%
6.50%–6.99%	7	9.4%	6	11.3%
7.00% or greater	20	24.8%	33	42.8%
	65	**100.0%**	**62**	**100.0%**

The weighted average interest rate, excluding lender fee income, on the net mortgage investments at September 30, 2014 was 6.21% (December 31, 2013 – 6.52%). Although the lending market has seen increased competition in 2014, following Period end the Company syndicated certain mortgage investments which increased the weighted average portfolio interest rate more in line with past quarters.

(e) Loan-to-value

	September 30, 2014		December 31, 2013	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
55% or less	34	47.5%	29	44.2%
56%–60%	6	7.5%	7	7.3%
61%–65%	8	18.4%	16	30.5%
66%–70%	17	26.6%	10	18.0%
	65	**100.0%**	**62**	**100.0%**

As at September 30, 2014, the average loan-to-value on the mortgage investment portfolio was 51.1% (December 31, 2013 – 45.1%) whereas the weighted average loan-to-value was 52.3% (December 31, 2013 – 50.8%). Although the portfolio has experienced an increase over prior year mainly due to competition, we believe the loan-to-value is conservative and is still well below the Company's asset allocation model ceiling of 70%.

Net working capital

Net working capital increased by $2.6 million to $1.9 million at September 30, 2014 from ($0.7) million at December 31, 2013 mainly due to the receivable from Timbercreek Mortgage Servicing Inc., a Company controlled by the Manager, relating to the repayment of a mortgage investment. The Company has capacity available on its credit facility to manage its working capital while seeking to maintain its target leverage level.

Credit facility

Effective June 18, 2014, the Company amended and extended the term of its credit agreement (the "credit facility"). The credit facility is for an amount of up to $145.0 million (December 31, 2013 – $130.0 million) bearing interest at either, the prime rate of interest plus 1% or bankers' acceptances ("BA") with a stamping fee of 2% of the face amount of such BA. The Company also has an option to increase the limit by another $45.0 million (December 31, 2013 – $60.0 million), subject to certain terms and conditions. The leverage of the Company in aggregate cannot exceed 40% of the total 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.

At September 30, 2014, $129.2 million (December 31, 2013 – $109.0 million) was outstanding on the credit facility.

As at September 30, 2014, there were $0.8 million (December 31, 2013 – $0.2 million) in unamortized financing costs related to the structuring of the credit facility, which are netted against the credit facility. In Q3 2014 and the Period, the Company amortized financing costs of $0.07 million and $0.5 million (Q3 2013 – $0.1 million; YTD 2013 – $0.4 million), to interest expense using the effective interest rate method.

Net assets attributable to holders of redeemable shares

Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem the shares for cash or another financial asset, to be classified as a financial liability. Prior to the Transition, the Company's Class A, Class B, Class I and Class J shares did not meet the criteria in IAS 32 for classification as equity and therefore, were classified as financial liabilities. In addition, the dividends and issuance costs related to these shares were also presented as financing costs in the statement of net income and comprehensive income. Subsequent to the Transition, Class A, Class B, Class I and Class J shares were exchanged into common shares and are classified as equity.

During YTD 2013, the Company completed a public offering of 5,916,446 Class A shares for gross proceeds of $58.3 million. The Company also completed a non-brokered private placement of 220,559 Class B shares, for gross proceeds of $2.2 million; an offering of 184,000 Class I shares, for gross proceeds of $1.8 million and an offering of 31,250 Class J shares, for gross proceeds of $0.3 million.

Normal course issuer bid

On June 6, 2013, the Company received the approval of the TSX to commence a normal course issuer bid (the "Bid") to purchase for cancellation up to 3,709,327 Class A shares, representing approximately 10% of the Class A shares float on June 4, 2013. The Bid commenced on June 10, 2013, and provided the Company with the flexibility to repurchase Class A shares for cancellation until its expiration on June 9, 2014. From June 10, 2013 to September 30, 2013, the Company acquired for cancellation 979,900 Class A shares at a cost of $8.9 million.

Dividend reinvestment plan

As part of the Transition, the Company has amended and restated its dividend reinvestment plan ("DRIP") effective as of November 20, 2013. The amended and restated DRIP (the "Amended DRIP") replaces in its entirety the original DRIP (the "Original DRIP") established by the Company on April 18, 2012. During the Period, 85,984 common shares were issued under the Amended DRIP, which were acquired from the market (YTD 2013 – 120,233 Class A shares under the Original DRIP).

Under the Amended DRIP, shareholders may enroll to have their cash dividends reinvested to purchase additional common shares. The Manager can elect to purchase common shares on the open market or issue common shares from treasury.

Common shares

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

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

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

Nine months ended September 30, 2014	
Common shares outstanding, beginning of period	31,556,608
Issued under dividend reinvestment plan	85,984
Repurchased	(85,984)
Common shares outstanding, end of period	**31,556,608**

QUARTERLY FINANCIAL INFORMATION

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

	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Net interest income	$ 6,639	$ 7,084	$ 7,262	$ 7,325	$ 7,377	$ 6,964	$ 6,567	$ 5,504
Expenses	(1,158)	(1,167)	(1,350)	(1,436)	(4,954)*	(1,613)	(1,655)	(1,333)
Income from operations	5,481	5,917	5,912	5,889	2,4223	5,351	4,912	4,171
Financing costs:								
Interest on credit facility	(884)	(1,107)	(1,227)	(1,048)	(662)	(679)	(466)	(451)
Issuance costs of redeemable shares	–	–	–	(4)	(60)	3	(3,241)	(33)
Dividends to holders of redeemable shares	–	–	–	(1,851)	(5,644)	(5,708)	(5,671)	(4,757)
	(884)	(1,107)	(1,227)	(2,903)	(6,366)	(6,384)	(9,378)	(5,241)
Net income (loss) and comprehensive income (loss)	**$ 4,597**	**$ 4,810**	**$ 4,685**	**$ 2,986**	**$ (3,941)**	**$ (1,033)**	**$ (4,466)**	**$ (1,070)**

* Includes one-time costs of $3,732 relating to the Transition.

The variations in net income (loss) and comprehensive income (loss) by quarter are attributed to the following:

- The Company has raised gross proceeds of approximately $62.6 million since Q4 2012. The proceeds from these offering have been used to fund net mortgage investments, and existing mortgage investment maturities, which vary throughout the year. Following past periodic equity offerings, the Company has been subject to holding idle cash while it originates new mortgage investments or waits for the closing of existing mortgage investment commitments. The Company seeks to deploy idle cash within 60 to 90 days of closing an equity offering.
- The dividends to holders of redeemable shares and issuance costs relating to redeemable shares were presented in the statement of income (loss) and comprehensive income (loss) until October 2013, whereas, the dividends to common shareholders are now presented in the statement of changes in equity from the Exchange Date onwards.
- In Q3 2013, the Company incurred $3.7 million of one-time costs relating to the Transition, which is included in expenses.

RELATED PARTY TRANSACTIONS

(a) As at September 30, 2014, due to Manager includes management fees payable of no amount (December 31, 2013 – $0.3 million) and $0.04 million in additional amounts (December 31, 2013 – $0.04 million) relating to costs incurred by the Manager on behalf of the Company.

(b) As at September 30, 2014, the Company, Timbercreek Mortgage Investment Corporation ('TMIC') , 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, totaling $595.8 million (December 31, 2013 – $683.2 million). The Company's net share in these net mortgage investments is $396.6 million (December 31, 2013 – $466.0 million). Included in these amounts are:

i. A mortgage investment of $8.6 million (December 31, 2013 – $7.7 million) was provided to a limited partnership, which is partially owned by T4Q.

ii. The Company has co-invested in a mortgage investment with a total gross commitment of $76.1 million, with the Company's share of the commitment totaling $48.6 million. The president of one of the co-investors in the financing is also an independent director of the Company. As at September 30, 2014, the Company has funded $4.8 million.

iii. The Company has entered into a mortgage investment with a total gross commitment of $84.1 million with the Company's share of the commitment totaling $14.2 million. 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. During Q3 2014, the Company funded $1.6 million.

iv. The Company has entered into a mortgage investment with a total gross commitment of $4.6 million with the Company's share of the commitment totaling $3.9 million. An independent director is an officer and a part-owner of the borrower. The Company funded a total amount of $3.9 million and subsequently was repaid in full.

(c) As at September 30, 2014, no amount (December 31, 2013 – payable of $0.3 million) is payable by the Company to TMIC relating to amounts paid on behalf of the Company.

(d) As at September 30, 2014, included in other assets is $2.6 million (December 31, 2013 – $3.1 million), of cash held in trust for the Company by Timbercreek Mortgage Servicing Inc., the Company's mortgage servicing and administration provider and controlled by the Manager. The balance relates to mortgage investments, mortgage funding holdbacks and prepaid mortgage interest received from various borrowers.

As a measure of effective corporate governance, and in accordance with the corporate governance committee charter, each related party transaction that represents a conflict of interest for an independent board member is reviewed by the governance committee and, if necessary, the independent directors of the Company as a whole (other than the conflicted director), to determine the effect, if any, on the director's independence.

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 these consolidated 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: 1) payment default by a borrower; 2) whether security of the mortgage negatively impacted by some event; and 3) 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.

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.

CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and revised standards, along with any consequential amendments in previous periods, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

(i) IFRS 7, Financial Instruments: Disclosures ("IFRS 7"):

In December 2011, the IASB published Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) and issued new disclosure requirements in IFRS 7, with the amendments applied retrospectively. The implementation of this amendment has resulted in presentation of cash and cash equivalents separately, which was previously offset against the credit facility balance. For the three months and nine months ended September 30, 2013, the impact of this change in financing activities is a decrease of $15.3 million and an increase of $5.6 million respectively.

FUTURE CHANGES IN ACCOUNTING POLICIES:

A number of new standards, amendments to standards and interpretations are effective in a future annual period and have not been applied in preparing these 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) IFRS 9, Financial Instruments ("IFRS 9"):

On July 24, 2014, the IASB issued IFRS 9. This new standard replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") and addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the four categories of financial assets as required by IAS 39 with two measurement categories as follows: (i) those measured at fair value; and (ii) those measured at amortized cost. Changes in fair value will be recorded in net earnings under IFRS 9 instead of through other comprehensive income (loss) ("OCI") under IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in OCI instead of through net earnings unless this would create an accounting mismatch. The standard will be effective for annual periods beginning on or after January 1, 2018 and will be applied retrospectively with some exemptions. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

In May 2014, the IASB issued IFRS 15. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017 and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

(iii) IAS 27, Separate Financial Statements ("Amendments to IAS 27"):

In August 2014, the IASB published Separate Financial Statements (Amendments to IAS 27). The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. Amendments to IAS 27 become effective for annual periods beginning on or after January 1, 2016 and is to be applied retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

OUTSTANDING SHARE DATA

As at November 4, 2014, the Company's authorized capital consists of an unlimited number of common shares, of which 31,556,608 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, equity offerings and the credit facility. The Company routinely forecasts cash flow sources and requirements including unfunded commitments, to ensure cash is efficiently utilized. In addition, the Company has the borrowing ability of $145.0 million through its credit facility and seeks to maintain a targeted leverage ratio of approximately 30% and use the credit facility to manage the fluctuations in cash flows as a result of the timing of mortgage investment fundings and repayments and other working capital needs. During the Period, the Company is in compliance with it's covenants relating to its credit facility and expects to remain in compliance going forward.

The following are the contractual maturities of financial liabilities as at September 30, 2014, including expected interest payments:

	Carrying values	Contractual cash flows	Within a year	Following year	2–5 years	Over 5 years
Credit facility[1]	$ 129,225	$ 138,175	$ 6,713	$ 131,462	$ –	$ –
Mortgage funding holdbacks	429	429	429	–	–	–
Dividends payable	1,578	1,578	1,578	–	–	–
Due to Manager	4	4	4	–	–	–
Prepaid mortgage interest	766	766	766	–	–	–
Accounts payable and accrued expenses	282	282	282	–	–	–
Unadvanced mortgage commitments	–	110,357	110,357	–	–	–
	$ 132,284	**$ 251,591**	**$ 120,129**	**$ 131,462**	**$ –**	**$ –**

1 Contractual cash flows include interest on the credit facility assuming the outstanding balance is not repaid until its maturity in September 2016.

As at September 30, 2014, the Company's cash position was no amount (December 31, 2013 – nil) and there was an undrawn credit facility balance of $15.8 million (December 31, 2013 – $21.0 million). The Company is confident that it will be able to finance its operations using the cash flow generated from operations, the credit facility and any proceeds raised through new equity offerings.

FINANCIAL INSTRUMENTS

The Company has designated its financial instruments as follows:

	Classification	Measurement
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Mortgage investments, including mortgage syndications	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Due to Manager	Other financial liabilities	Amortized cost
Credit facility	Other financial liabilities	Amortized cost
Mortgage funding holdbacks	Other financial liabilities	Amortized cost
Prepaid mortgage interest	Other financial liabilities	Amortized cost
Mortgage syndication liabilities	Other financial liabilities	Amortized cost

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

The fair value of mortgage investments and mortgage syndication liabilities approximate their carrying values given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

The Company's use of financial instruments exposes the Company to various related risks which are outlined the consolidated financial statements of the Company for the year ended December 31, 2013. There were no changes in risks during the Period.

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, 2013.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO on a timely basis, so that appropriate decisions can be made regarding public disclosures.

The preparation of this information is supported by a set of disclosure controls and procedures ("DC&P's") implemented by management. In fiscal 2013, these controls and procedures were reviewed and the effectiveness of their design and operation was evaluated. This evaluation confirmed the effectiveness of the design and operation of DC&P's as at December 31, 2013. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework (1992) adopted by the Company and the requirements of National Instrument 52-109 of the Canadian Securities Administrators titled, 'Certification of Disclosure in Issuers' Annual and Interim Filings'. In 2013, the COSO issued an updated Internal Control Integrated Framework known as COSO (2013). The Company expects to transition to this updated framework on or before December 15, 2014, the required transition date, and is currently considering the impact that COSO 2013 will have on internal controls over financing reporting.

There were no changes made to our DC&P during the three and nine months ended September 30, 2014.

The Company continues to review the design of DC&P's to provide reasonable assurance that material information relating to the Company is properly communicated to certifying officers responsible for establishing and maintaining DC&P's, as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings as at December 31, 2013. The Company confirmed the effectiveness of the design of Internal Controls over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements and information the Company may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business.

As at December 31, 2013, the Company confirmed the effectiveness of the design of internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements and information. The Company may, from time-to-time, make changes aimed at enhancing its effectiveness and ensuring that our systems evolve with the changing needs. The design of ICFR are reviewed and updated, if necessary, to ensure they remain effective to provide reasonable assurance regarding the reliability of financial statements and information. There were no changes made in our ICFR during the three and nine months ended September 30, 2014, that have materially affected, or are reasonably likely to materially affect, our ICFR.

ADDITIONAL INFORMATION

Phone

Calling the Company at 1-866-898-8868, 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) 306-9967 ext. 7266 (collect if long distance).

Internet

Visiting SEDAR at www.sedar.com; or www.timbercreekseniormic.com

Mail

Writing to the Company at:

Timbercreek Senior Mortgage Investment Corporation
Attention: Corporate Communications
1000 Yonge Street, Suite 500
Toronto, Ontario M4W 2K2