Management's Discussion and Analysis

Timbercreek Mortgage Investment Corporation

For the three and nine months ended September 30, 2015

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

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

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

This MD&A is dated November 10, 2015. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investments is available on the Company's website at www.timbercreekmic.com. Additional information about the Company, including its AIF, can be found at www.sedar.com.

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BUSINESS OVERVIEW

Timbercreek Mortgage Investment Corporation (the "Company") is a mortgage investment corporation domiciled in Canada. The registered office of the Company is 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2. The Company is incorporated under the laws of the Province of Ontario by articles of incorporation dated April 30, 2008. The common shares of the Company are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol 'TMC'.

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

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

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

BASIS OF PRESENTATION

This MD&A has been prepared to provide information about the financial results of the Company for the three and nine months ended September 30, 2015 ("Q3 2015" and "YTD 2015", respectively). This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three and nine months ended September 30, 2015 and 2014 and the consolidated financial statements for the years ended December 31, 2014 and 2013, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as applicable to interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting.

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

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

NON-IFRS MEASURES

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

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

- Net mortgage investments – represents total mortgage investments, net of mortgage syndication liabilities and before adjustments for interest receivable, unamortized lender fees and allowance for mortgage investments loss as at the reporting date;
- Average net mortgage investment portfolio – represents the daily average of net mortgage investments for the stated period;
- Weighted average loan-to-value – a measure of advanced and unadvanced mortgage commitments on a mortgage investment, including priority or pari-passu debt on the underlying real estate, as a percentage of the fair value of the underlying real estate collateral at the time of approval of the mortgage investment. For construction/redevelopment mortgage investments, fair value is based on an 'as completed' basis;
- Turnover ratio – represents total mortgage repayments during the stated period, expressed as a percentage of the average net mortgage investment portfolio for the stated period;
- Leverage – represents the total of gross convertible debentures and the total credit facility balance divided by total assets less mortgage syndication liabilities;
- Weighted average interest rate for the period – represents the weighted average of daily interest rates (not including lender fees) on the net mortgage investments for the stated period;
- Weighted average lender fees – represents the cash lender fees received on individual mortgage investments during the stated period, expressed as a percentage of the Company's advances on those mortgage investments. If the entire lender fee is received but the mortgage investment is not fully funded, the denominator is adjusted to include the Company's unadvanced commitment;
- Targeted dividend yield – represents the average 2-Year Government of Canada Bond Yield for the stated period plus 550 basis points;
- Actual dividend yield – represents the annualized total per share dividend for common shares divided by the trading close price as at the reporting date;
- Expense ratio – represents total expenses (excluding financing costs, net operating (income) loss on foreclosed properties held for sale ("FPHFS"), fair value adjustment on FPHFS and provision for mortgage investments loss) for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities;
- Fixed expense ratio – represents expenses as calculated under expense ratio, less performance fees, for the stated period, expressed as an annualized percentage of total assets less mortgage syndication liabilities; and
- Payout ratio – represents total common share dividends paid and declared for payment, divided by distributable income for the stated period.

RECENT DEVELOPMENTS AND OUTLOOK

The Company’s performance in the third quarter was generally in-line with expectations. Focus remains on making high-quality mortgage investments with over 89% of the loans secured by cash-flowing real estate and 77% of the portfolio in first mortgages at completion of the quarter. The Company was able to deploy approximately $95 million in net mortgage investments in the three month period which has allowed the company to grow the portfolio by 13% over the quarter to $444 million.

We also continue to experience good turnover in the portfolio with $43 million in repayments received which further demonstrates the quality of our loans and the strength of our underwriting. Over 85% of the loans funded were concentrated in first mortgage loans and over 50% were secured by multi-residential real estate. This higher concentration in first mortgages and loans secured by income-producing multi-residential real estate along with delays in syndications has put some temporary downward pressure on the weighted average interest rate in the period. Syndication plans that were delayed past the end of the third quarter will be completed in the fourth quarter after which we expected the weighted average interest in the portfolio to move back in-line with previous quarters. At the end of the quarter, we recognized a specific provision allowance of $0.9 million in relation to a mortgage investment that has been in litigation for several years. Although we previously recouped all of the original mortgage investment, a partial interest accrual and other costs has remained outstanding. Given the uncertainty around the results of a recent settlement, we felt it was prudent to take a provision at this point. If the settlement is favourable, we will reverse this decision at that time.

While the Company may experience variations in income throughout the year, distributable income year-to-date has exceeded dividends paid resulting in a pay-out ratio of less than 100% over the nine month period. We continue to see momentum in the market and aim for a payout ratio of less than 100% through year-end, while maintaining a high-quality portfolio of loans. We look forward to reporting on these results to investors early in the new year.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at	September 30, 2015	September 30, 2014	December 31, 2014
KEY FINANCIAL POSITION INFORMATION			
Mortgage investments, including mortgage syndications	$ 744,568	$ 445,041	$ 616,174
Total assets	$ 760,880	$ 503,476	$ 634,069
Credit facility	$ 59,078	$ –	$ 9,075
Convertible debentures	$ 32,760	$ 32,265	$ 32,387
Total liabilities	$ 397,987	$ 137,018	$ 269,123
CAPITAL STRUCTURE			
Shareholders' equity	$ 362,893	$ 366,459	$ 364,946
Convertible debentures, gross	$ 34,500	$ 34,500	$ 34,500
Credit facility	$ 59,078	$ –	$ 9,075
Credit facility limit	$ 60,000	$ 25,000	$ 35,000
Leverage[1]	20.3%	8.5%	10.5%
COMMON SHARE INFORMATION			
Number of common shares outstanding	40,546,428	40,701,528	40,701,528
Closing trading price	$ 7.67	$ 9.11	$ 8.32
Market capitalization	$ 310,991	$ 370,791	$ 338,637

OPERATING RESULTS

	Three months ended		Nine months ended		Year ended
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	December 31, 2014
Net interest income	$ 10,161	$ 8,660	$ 32,189	$ 26,936	$ 36,710
Income from operations	$ 7,015	$ 6,618	$ 24,323	$ 20,834	$ 28,272
Net income and comprehensive income	$ 6,160	$ 6,110	$ 21,116	$ 19,103	$ 24,917
Earnings per share (basic and diluted)	$ 0.15	$ 0.15	$ 0.52	$ 0.49	$ 0.63
Dividends to shareholders	$ 7,311	$ 7,326	$ 21,956	$ 22,937	$ 30,263
Distributable income	$ 7,160	$ 6,559	$ 22,229	$ 20,034	$ 27,899
Distributable income per share (basic and diluted)	$ 0.18	$ 0.16	$ 0.55	$ 0.51	$ 0.71
Targeted dividend yield[1]	5.94%	6.61%	6.05%	6.56%	6.55%
Actual dividend yield[1]	9.31%	7.84%	9.41%	8.54%	9.16%
Payout ratio[1]	102.1%	111.7%	98.8%	114.5%	108.5%
Dividends per common share	$ 0.180	$ 0.180	$ 0.540	$ 0.582	$ 0.762

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

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015

For the three months ended September 30, 2015 ("Q3 2015") and September 30, 2014 ("Q3 2014")

- The Company funded nine new net mortgage investments (Q3 2014 – 21) totalling $75.5 million (Q3 2014 – $64.2 million), had additional advances on existing mortgage investments totalling $19.1 million (Q3 2014 – $62.2 million) and received full repayments on 12 mortgage investments (Q3 2014 – nine) and partial pay downs totalling $43.5 million (Q3 2014 – $75.6 million), resulting in net mortgage investments of $444.3 million as at September 30, 2015 (June 30, 2015 – $393.2 million), an increase of 13.0% from June 30, 2015.
- Net interest income earned by the Company was $10.2 million (Q3 2014 – $8.7 million), an increase of $1.5 million, or 17.3%, from Q3 2014. The increase over Q3 2014 is mainly due to an increase of over $57.4 million in the average net mortgage investments portfolio during Q3 2015 relative to Q3 2014. This was facilitated by increased use of the credit facility during Q3 2015, to fund net mortgage investments.
- Non-refundable lender fees earned by the Company was $1.1 million (Q3 2014 – $1.6 million) or a weighted average lender fee of 1.3% (Q3 2014 – 2.3%). The current year remains within our target range, with Q3 2014 an exception mainly due to two new mortgage investments where the Company was able to generate higher than average lender fees.
- Income from operations generated by the Company was $7.0 million (Q3 2014 – $6.6 million), an increase of $0.4 million, or 6.0%, from Q3 2014. The increase in income from operations is mainly attributed to a larger average net mortgage investments portfolio during Q3 2015 relative to Q3 2014, although reduced mainly by a specific provision for mortgage investment loss of $0.9 million.
- The Company generated net income and comprehensive income of $6.2 million (Q3 2014 – $6.1 million), an increase of $0.1 million, or 0.8%, from Q3 2014, resulting in earnings per share of $0.15 for Q3 2015 (Q3 2014 – $0.15).
- The Board of Directors declared dividends to common shareholders of $7.3 million (Q3 2014 – $7.3 million), or $0.18 (Q3 2014 – $0.18) per share, consistent with the previous quarter.
- The Company acquired 117,700 common shares (Q3 2014 – nil) for cancellation under its normal course issuer bid at a cost of $0.9 million (Q3 2014 – nil) at an average purchase price of $7.89 per common share.

For the nine months ended September 30, 2015 ("YTD 2015") and September 30, 2014 ("YTD 2014")

- The Company funded 40 new net mortgage investments (YTD 2014 – 51) totalling $200.0 million (YTD 2014 – $230.6 million), had additional advances on existing mortgage investments totalling $47.1 million (YTD 2014 – $83.1 million) and received full repayments on 35 mortgage investments (YTD 2014 – 47) and partial pay downs totalling $200.1 million (YTD 2014 – $248.3 million), resulting in net mortgage investments of $444.3 million as at September 30, 2015 (December 31, 2014 – $397.3 million), an increase of 11.8% from December 31, 2014.
- Net interest income earned by the Company was $32.2 million (YTD 2014 – $26.9 million), an increase of $5.3 million, or 19.5%, from YTD 2014. The increase over YTD 2014 is mainly due an increase of $73.1 million in the average net mortgage investments portfolio during YTD 2015 relative to YTD 2014 with no idle cash and increased use of the credit facility during YTD 2015.
- Non-refundable lender fees earned by the Company was $3.3 million (YTD 2014 – $3.3 million) or a weighted average lender fee of 1.4% (YTD 2014 – 1.7%). The current year remains within our target range, with Q3 2014 an exception mainly due to two new mortgage investments where the Company was able to generate higher than average lender fees.
- The Company generated income from operations of $24.3 million (YTD 2014 – $20.8 million), an increase of $3.5 million, or 16.7%, from YTD 2014. The increase in income from operations is attributed to a larger average net mortgage investments portfolio during YTD 2015 relative to YTD 2014, although reduced by a specific provision for mortgage investment loss and higher management and performance fees relative to YTD 2014.
- The Company generated net income and comprehensive income of $21.1 million (YTD 2014 – $19.1 million), an increase of $2.0 million, or 10.5%, from YTD 2014, resulting in earnings per share of $0.52 for YTD 2015 (YTD 2014 – $0.49).
- The Board of Directors declared dividends to common shareholders of $22.0 million (YTD 2014 – $23.0 million), or $0.540 (YTD 2014 – $0.582) per share. Since inception, the dividends have exceeded the Company's targeted dividend yield of the 2-Year Government of Canada Bond Yield ("2-Yr GOC Yield") plus 550 basis points.
- The Company acquired 155,100 common shares (YTD 2014 – nil) for cancellation under its normal course issuer bid at a cost of $1.2 million (YTD 2014 – nil) at an average purchase price of $7.82 per common share.
- Commencing January 1, 2015, the Company instituted a non-executive director deferred share unit plan (the "Plan") whereby, up to 100% of the compensation for a director may be paid in the form of deferred share units ("DSUs"). For YTD 2015, the directors, on average, have elected to receive 95% of their compensation in DSUs. For YTD 2015, 11,719 DSUs were issued and outstanding totalling $0.1 million.
- On January 30, 2015, the Company completed a $15.0 million increase of the credit facility, taking its total available borrowing limit to $50.0 million.
- On March 24, 2015, the Company executed the accordion feature of the credit facility, increasing the available borrowing limit to $60.0 million.

ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

Distributable income

	Three months ended		Nine months ended		Year ended
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	December 31, 2014
Net income and comprehensive income	$ 6,160	$ 6,110	$ 21,116	$ 19,103	$ 24,917
Less: amortization of lender fees	(1,183)	(1,189)	(3,890)	(3,140)	(4,437)
Add: lender fees received	1,126	1,563	3,330	3,338	5,820
Add: amortization of financing costs, credit facility	57	31	165	94	129
Add: amortization of financing costs, debentures	97	96	287	209	303
Add: accretion expense, debentures	29	29	85	67	96
Add: net operating (income) loss from FPHFS	(26)	(81)	86	113	171
Add: unrealized fair value adjustments on FPHFS	–	–	150	–	650
Add: provision for mortgage investments loss	900	–	900	250	250
Distributable income	**7,160**	**6,559**	**22,229**	**20,034**	**27,899**
Less: Dividends	(7,311)	(7,326)	(21,956)	(22,937)	(30,263)
(Over)/under distribution	**$ (151)**	**$ (767)**	**$ 273**	**$ (2,903)**	**$ (2,364)**
Distributable income per share (basic and diluted)	$ 0.18	$ 0.16	$ 0.55	$ 0.51	$ 0.71
Payout ratio	102.1%	111.7%	98.8%	114.5%	108.5%
Turnover ratio	10.7%	23.3%	48.0%	74.5%	112.6%

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

During YTD 2015, the Company increased utilization of the credit facility which resulted in an increase in net interest income over the comparable 2014 periods. However in Q3 2015, due to a delay in syndication plans on a few net mortgage investments, it resulted in lower than targeted distributable income.

The Company continues to have a strong year with distributable income in excess of our current distribution and a payout ratio of less than 100%.

The Company expects minor fluctuations in payout ratios throughout the year as dividends are straight-lined while we experience fluctuations in distributable income.

Statements of income and comprehensive income

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Change	2015	2014	% Change
Net interest income	$ 10,161	$ 8,660	17.3%	$ 32,189	$ 26,936	19.5%
Expenses	(3,146)	(2,042)	(54.0)%	(7,866)	(6,102)	(28.9)%
Income from operations	7,015	6,618	6.0%	24,323	20,834	16.7%
Net operating income (loss) from foreclosed properties held for sale	26	81	68.3%	(87)	(113)	23.6%
Fair value adjustment of foreclosed properties held for sale	–	149	100.0%	(150)	149	200.3%
Financing costs:						
Interest on credit facility	(208)	(67)	(208.9)%	(965)	(188)	(412.2)%
Interest on convertible debentures	(673)	(671)	(0.3)%	(2,005)	(1,579)	(27.0)%
Net income and comprehensive income	**$ 6,160**	**$ 6,110**	**0.8%**	**$ 21,116**	**$ 19,103**	**10.5%**
Earnings per share (basic and diluted)	**$ 0.15**	**$ 0.15**		**$ 0.52**	**$ 0.49**	

Net interest income [1]

For Q3 2015 and YTD 2015, the Company earned net interest income of $10.2 million and $32.2 million (Q3 2014 – $8.7 million; YTD 2014 – $26.9 million). Net interest income includes the following:

(a) Interest income

For Q3 2015 and YTD 2015, the Company earned $9.0 million and $28.3 million (Q3 2014 – $7.3 million; YTD 2014 – $23.4 million) in interest income on the net mortgage investments. The increase over Q3 2014 and YTD 2014 is mainly due to a larger average net mortgage investments portfolio during Q3 2015 and YTD 2015 relative to Q3 2014 and YTD 2014 driven by no idle cash and increased utilization of the Company's credit facility borrowing during Q3 2015 and YTD 2015. The weighted average interest rate for Q3 2015 and YTD 2015 was 9.1% and 9.2% (Q3 2014 – 9.1%; YTD 2014 – 9.4%) on the net mortgage investments and is within our targeted range.

(b) Lender fee income

During Q3 2015 and YTD 2015, the Company received lender fees of $1.1 million and $3.3 million (Q3 2014 – $1.6 million; YTD 2014 – $3.3 million), or a weighted average lender fee of 1.3% and 1.4% (Q3 2014 – 2.3%; YTD 2014 – 1.7%). The current year remains within our target range, with Q3 2014 an exception mainly due to two new mortgage investments where the Company was able to generate

[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.

higher than average lender fees. The lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income but are paid out in the year they are received (see Distributable Income section). For Q3 2015 and YTD 2015, lender fees of $1.2 million and $3.9 million (Q3 2014 – $1.2 million; YTD 2014 – $3.1 million) were amortized to lender fee income. The lender fees generated by the Company continue to be a significant component of income resulting from mortgage investment turnover. The Manager does not retain any portion of the lender fees in order to ensure management's interests are aligned with shareholders.

Expenses

For Q3 2015 and YTD 2015, the Company's expense ratio was 1.9% and 2.0% (Q3 2014 – 2.5%; YTD 2014 – 2.3%), including a fixed expense ratio of 1.4% and 1.5% (Q3 2014 – 2.0%; YTD 2014 – 1.9%). The decrease in expense ratios relative to the 2014 comparable periods is primarily driven by the increase in average net mortgage investments portfolio.

Management fees

(a) Management fees

The Company has entered into a management agreement with Timbercreek Asset Management Inc. (the "Manager") and under the management agreement, the Company pays the Manager an annual management fee of 1.20% 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 mortgage syndication liabilities.

For Q3 2015 and YTD 2015, the Company incurred management fees of $1.4 million and $4.4 million (Q3 2014 – $1.4 million; YTD 2014 – $4.0 million). The increase is directly related to the increase in gross assets averaging $439.3 million in YTD 2015, in comparison to $395.4 million in YTD 2014.

(b) Performance fees

Under the management agreement, the Manager is entitled to a performance fee. In any calendar year where the Company has net earnings available for distribution to shareholders in excess of the hurdle rate (the "Hurdle Rate"), which is defined as the average 2-Yr GOC Yield for the 12-month period then ended plus 450 basis points, the Manager is entitled to receive from the Company a performance fee equal to 20% of the net earnings of the Company available to distribute over the Hurdle Rate. The net earnings of the Company shall mean the net income before performance fees of the Company in accordance with applicable accounting principles and adjusted for certain other non-cash adjustments as defined in the management agreement.

For Q3 2015 and YTD 2015, the Company accrued performance fees of $0.6 million and $1.8 million (Q3 2014 – $0.4 million; YTD 2014 – $1.2 million), which represents an increase of $0.2 million and $0.6 million, or 34.8% and 51.3%, respectively. The increase is attributed to a decrease in the average 2-Yr GOC Yield from 1.11% and 1.06% for Q3 2014 and YTD 2014 to 0.44% and 0.55% for Q3 2015 and YTD 2015, coupled with an increase in the Company's net earnings available to distribute over the Hurdle Rate. The decrease in the average 2-Yr GOC Yield resulted in the decrease of the annualized Hurdle Rate to 4.9% and 5.1% for Q3 2015 and YTD 2015 (5.6% for both Q3 2014 and YTD 2014).

Provision for mortgage investments loss

For Q3 2015 and YTD 2015, the Company has recognized a specific impairment allowance of $0.9 million (Q3 2014 – nil; YTD 2014 – nil) relating to a mortgage investment which represents the total outstanding balance as at September 30, 2015.

General and administrative

For Q3 2015 and YTD 2015, the Company incurred general and administrative expenses of $254 thousand and $741 thousand (Q3 2014 – $221 thousand; YTD 2014 – $623 thousand). 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 investments portfolio. The increase in general and administrative expenses relative to the comparable 2014 periods is attributed to increased professional fees and director fees related to the new DSU plan. The operating expense ratio for Q3 2015 and YTD 2015 equated to 0.2% (0.3% for both Q3 2014 and YTD 2014).

Net operating income (loss) from foreclosed properties held for sale

The Company consolidates the operating activities of the foreclosed properties held for sale. The net operating income (loss) from foreclosed properties held for sale for Q3 2015 and YTD 2015 were $26 and $(87) (Q3 2014 – $(81); YTD 2014 – $113). The loss is primarily attributable to fixed operating expenses at our property located in Montreal, QC which are being incurred while the property is held for sale.

Fair value adjustment on foreclosed properties held for sale

During Q3 2015 and YTD 2015, the Company recorded an unrealized fair value loss of nil and $150 on the FPHFS. The fair value adjustment pertains to disposition costs at our property located in Montreal, QC .

Interest on credit facility

The Company actively monitors the advances and repayments while efficiently using bankers' acceptances ("BA") for the majority of its borrowings to minimize interest costs. Financing costs include interest paid on amounts drawn on the credit facility, 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 2015 and YTD 2015 relating to the credit facility were $0.2 million and $1.0 million (Q3 2014 – $67; YTD 2014 – $0.2 million). The increase over the comparable 2014 periods are directly related to the significant increase in credit facility utilization during Q3 2015 and YTD 2015. The weighted average credit utilization for Q3 2015 and YTD 2015 was $7.6 million and $24.0 million.

The Company incurred $0.2 million of financing costs during YTD 2015 on the increase of the credit facility. These costs are amortized over the term of the credit facility.

Interest on convertible debentures

During Q1 2014, the Company issued $34.5 million of 6.35% convertible unsecured subordinated debentures. Interest costs related to the debentures are recorded in financing costs using the effective interest rate method. For Q3 2015 and YTD 2015, interest on the debentures of $0.7 million and $2.0 million (Q3 2014 – $0.7 million; YTD 2014 – $1.6 million), is made up of the following:

	Three months ended September 30,		Six months ended September 30,	
	2015	**2014**	**2015**	**2014**
Interest on the convertible debentures	$ 548	$ 546	$ 1,633	$ 1,302
Amortization of issue costs	97	96	287	209
Accretion of equity component of the convertible debentures	28	29	85	68
	$ 673	**$ 671**	**$ 2,005**	**$ 1,579**

Earnings per share

For Q3 2015, earnings per share remained flat at $0.15 compared to Q3 2014, whereas, YTD 2015 earnings per share increased to $0.52 per share from $0.49 per share in YTD 2014. Overall, net income and comprehensive income over the comparable 2014 periods was higher, primarily due to higher net interest income generated from a larger net mortgage investments portfolio, but was reduced by higher management and performance fees and a specific provision for mortgage investments loss.

STATEMENTS OF FINANCIAL POSITION

Net mortgage investments

The balance of net mortgage investments is as follows:

	September 30, 2015	December 31, 2014
Mortgage investments, including mortgage syndications	$ 744,568	$ 616,174
Mortgage syndication liabilities	(300,035)	(219,581)
	444,533	396,593
Interest receivable	(5,718)	(4,392)
Unamortized lender fees	4,330	4,890
Allowance for mortgage investments loss	1,150	250
Net mortgage investments	**$ 444,295**	**$ 397,341**

	Three months ended		Nine months ended		Year ended
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	December 31, 2014
Net mortgage investments statistics and ratios[1]					
Total number of net mortgage investments	110	100	110	100	105
Average net mortgage investment	$ 4,039	$ 3,461	$ 4,039	$ 3,461	$ 3,784
Average net mortgage investment portfolio	$ 394,108	$ 336,754	$ 409,328	$ 336,261	$ 340,009
Weighted average interest rate for the period	9.1%	9.1%	9.2%	9.4%	9.4%
Weighted average lender fees	1.3%	2.3%	1.4%	1.7%	1.6%
Turnover ratio	10.7%	23.3%	48.0%	74.5%	112.6%
Weighted average term (years)	2.2	2.3	2.2	2.3	2.1
Remaining term to maturity (years)	1.4	1.5	1.4	1.5	1.4
Net mortgage investments secured by cash-flowing properties	89.6%	83.8%	89.6%	83.8%	81.2%
Weighted average loan-to-value	72.3%	70.1%	72.3%	70.1%	70.8%

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

The Company has developed a lending niche predominantly targeting short-term mortgage investments, secured by cash-flowing properties, while specializing in multi-residential real estate assets. The Company focuses its efforts on diversifying the mortgage investment portfolio, with its greatest concentration in Canada's largest provinces. As at September 30, 2015, 69.8% (December 31, 2014 – 74.9%) of the net mortgage investments were allocated across Ontario, Quebec, British Columbia and Alberta. A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance, which would in effect reduce the weighted average remaining term to maturity.

In YTD 2015, the Company advanced 40 (YTD 2014 – 51) new net mortgage investments totalling $200.0 million (YTD 2014 – $230.6 million), had additional advances on existing net mortgage investments totalling $47.1 million (YTD 2014 – $83.1 million) and received full repayments on 35 (YTD 2014 – 47) net mortgage investments and partial pay downs totalling $200.1 million (YTD 2014 – $248.3 million). Overall, the net mortgage investments portfolio increased by $47.0 million or 11.8% in YTD 2015.

Portfolio allocation

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

(a) Security Position

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
First mortgages	88	77.5%	84	69.5%
Non-first mortgages	22	22.5%	21	30.5%
	110	**100.0%**	**105**	**100.0%**

(b) Region

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
ON	44	38.2%	50	44.4%
QC	23	21.1%	16	14.3%
SK	11	15.2%	7	15.3%
OT	4	10.7%	3	5.3%
AB	7	6.1%	11	6.3%
BC	10	4.4%	10	9.9%
MB	8	3.3%	6	3.3%
NS	2	0.9%	2	1.2%
NB	1	0.1%	–	–
	110	**100.0%**	**105**	**100.0%**

(c) Maturity

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Maturing 2015, balance of year	20	11.8%	42	38.5%
Maturing 2016	37	38.2%	32	34.2%
Maturing 2017	45	31.2%	30	24.9%
Maturing 2018	8	18.8%	1	2.4%
	110	**100.0%**	**105**	**100.0%**

(d) Asset Type

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
Multi-residential	63	58.7%	50	60.7%
Retail	14	18.5%	14	14.3%
Office	10	9.2%	15	8.0%
Single-family residential	2	1.4%	2	1.1%
Unimproved land	7	5.9%	8	6.9%
Retirement	4	2.0%	5	3.0%
Self-storage	1	1.3%	2	0.9%
Hotels	2	1.2%	3	3.1%
Industrial	4	1.0%	4	1.6%
Other-residential	3	0.8%	2	0.4%
	110	**100.0%**	**105**	**100.0%**

(e) Interest Rate

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
9.99% or lower	78	83.8%	67	76.4%
10.00%–10.99%	17	9.6%	21	9.1%
11.00% or greater	15	6.6%	17	14.5%
	110	**100.0%**	**105**	**100.0%**

(f) Loan-to-value

	September 30, 2015		December 31, 2014	
	# of Net Mortgage Investments	% of Net Mortgage Investments	# of Net Mortgage Investments	% of Net Mortgage Investments
55% or less	22	8.2%	20	9.3%
56%–60%	8	4.5%	10	7.2%
61%–65%	12	8.0%	13	8.8%
66%–70%	14	14.1%	11	14.5%
71%–75%	20	21.7%	17	18.6%
76%–80%	16	17.2%	19	11.5%
81%–85%	18	26.3%	15	30.1%
	110	**100.0%**	**105**	**100.0%**

Mortgage syndication liabilities

The Company enters 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. 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 lenders' proportionate share together with all accrued interest. During YTD 2015, the mortgage syndication liabilities have increased to $300.0 million (December 31, 2014 – $219.6 million) as the Company syndicated on several mortgage investments. Mortgage syndication liabilities will vary from quarter to quarter and is dependent on the type of investments seen at any particular time, and not necessarily indicative of a future trend.

Foreclosed properties held for sale

The fair value of the remaining foreclosed properties held for sale as at September 30, 2015 is $13.2 million (December 31, 2014 – $13.9 million). The Company has engaged third party managers to operate the properties while they are held for sale.

During YTD 2015, the Company closed on the sale of three residential units (YTD 2014 – six) from one of the foreclosed properties for net proceeds of $0.5 million (YTD 2014 – $1.0 million). During YTD 2015, the Company recorded an unrealized fair value adjustment on the FPHFS of $0.2 million (Q3 2014 – $0.2 million) on its Montreal, QC property for disposition costs.

During the Q3 2014, the Company foreclosed on the underlying security of a mortgage investment with outstanding principal and costs of $69.5 million and accrued interest of $1.8 million. This underlying security was subsequently sold in the quarter, with the proceeds of sale repaying all of the outstanding principal and interest from the mortgage investment and resulted in a gain of $150. The purchaser also obtained mortgage financing from the Company in respect of the property.

Allowance for mortgage investments loss

For Q3 2015 and YTD 2015, the Company has recognized a specific impairment allowance of $0.9 million (Q3 2014 – nil; YTD 2014 – nil) relating to a mortgage investment which represents the total outstanding balance as at September 30, 2015. The mortgage investment has been the subject of a litigation for several years and following quarter end the litigation process moved into a settlement phase the outcome of which remains sufficiently uncertain. As a result, the Company felt it was prudent to provide for a provision that captures the entire amount of mortgage investment. Should the outcome at a future date be positive to the Company, the provision will be reversed by the final settlement amount.

At a collective level, the Company assesses for impairment to identify losses that have been incurred, but not yet identified, on an individual basis. As part of the Company's analysis, it has grouped mortgage investments with similar risk characteristics, including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings, and assesses them for impairment using statistical data. Based on the amounts determined by the analysis, the Company uses judgement to determine whether or not the actual future losses are expected to be greater or less than the amounts calculated. As at September 30, 2015, the Company has a collective impairment allowance of $0.3 million (December 31, 2014 – $0.3 million) and a specific impairment allowance of $0.9 million (December 31, 2014 – nil).

Net working capital

Net working capital increased by $2.4 million to $2.5 million at September 30, 2015 from $0.1 million at December 31, 2014. The change is mainly due to the increase in other assets and mortgage interest receivable for net mortgage investments where the borrower is allowed to accrue interest on certain types of loans from December 31, 2014.

Credit facility

As at September 30, 2015, the Company has a credit facility with an available limit of $60.0 million (December 31, 2014 – $35.0 million). On January 30, 2015, the Company completed a $15.0 million increase on the credit facility, taking its total available borrowing limit to $50.0 million. On March 24, 2015, the Company executed the accordion feature of the credit facility, increasing the available borrowing limit to $60.0 million. The credit facility bears interest at either the prime rate of interest plus 1.5%, or bankers' acceptances ("BA") with a stamping fee of 2.5% of the face amount of such BA. The credit facility is secured by a general security agreement over the Company's assets. The credit facility matures on October 31, 2016. As at September 30, 2015, $59.1 million was outstanding on the credit facility (December 31, 2014 – $9.1 million). The credit facility allows the Company to better manage the impact of unanticipated portfolio turnover and avoid holding a cash balance.

During Q3 2015 and YTD 2015, the Company significantly increased its utilization of the credit facility relative to the comparable 2014 periods, with a significant portion of borrowing through BAs in order to reduce financing costs.

As at September 30, 2015, there were $0.2 million (December 31, 2014 – $0.2 million) in unamortized financing costs related to the placement of the credit facility netted against the outstanding facility balance. For Q3 2015 and YTD 2015, the Company has amortized financing costs of $57 and $165 (Q3 2014 – $31; YTD 2014 – $94) to interest expense using the effective interest rate method.

Convertible debentures

In 2014, the Company completed a public offering of $34.5 million, 6.35% convertible unsecured subordinated debentures for net proceeds of $32.5 million (the "debentures"). The debentures are listed on the Toronto Stock Exchange (the "TSX") under the symbol 'TMC.DB', mature on March 31, 2019, with interest payable semi-annually on March 31 and September 30 of each year. The Company believes that a modest amount of structural leverage coupled with increased borrowing under the credit facility is accretive to net earnings, while still maintaining a low risk profile. Overall, total leverage available including the maximum credit facility amount plus the convertible debentures at September 30, 2015, equates to approximately 20% of total assets, net of mortgage syndications. 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.

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 of $0.6 million has been recorded as equity, with the remaining $31.9 million 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 $34.5 million. The issue costs of $2.0 million 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.

Shareholders' equity

(a) 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 are entitled to receive dividends as and when declared by the Board of Directors.

(b) Dividends

The Company intends to pay dividends to shareholders on a monthly basis within 15 days following the end of each month. During Q3 2015 and YTD 2015, the Board of Directors declared dividends of $7.3 million and $22.0 million, or $0.18 and $0.54 per common share, (Q3 2014 – $7.3 million, $0.18 per common share; YTD 2014 – $22.9 million, $0.58 per common share).

(c) Dividend reinvestment plan

The Company's dividend reinvestment plan (the "DRIP") provides eligible beneficial and registered holders of common shares of the Company with a means to reinvest dividends declared and payable on such common shares in additional common shares.

Under the 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. During Q3 2015 and YTD 2015, 123,733 and 291,187 common shares were purchased on the open market (Q3 2014 – 83,080; YTD 2014 – 244,805 common shares).

(d) Normal course issuer bid

On November 13, 2014, the Company received the approval of the TSX to commence a normal course issuer bid (the "Bid") to purchase for cancellation up to a maximum of 4,052,822 common shares; representing approximately 10% of the public float of common shares as of November 11, 2014. Furthermore, subject to certain exemptions for block purchases, the purchases are limited to 13,170 common shares on any one trading day. The Bid commenced on November 17, 2014 and provides the Company with the flexibility to repurchase common shares for cancellation until its expiration on November 16, 2015, or such earlier date as the Bid is complete. During Q3 2015 and YTD 2015, the Company acquired 117,700 and 155,100 common shares for cancellation at a cost of $0.9 million and $1.2 million at an average price of $7.89 and $7.82 per common share respectively. The Company intends to apply for the renewal of the normal course issuer bid after its expiry date.

(e) Non-executive director deferred share unit plan

Commencing January 1, 2015, the Company instituted a non-executive director deferred share unit plan for the purpose of: (a) enhancing the Company's ability to provide long-term incentive compensation to directors which is linked to performance of the Company and not dilutive to shareholders, (b) assisting the Company in attracting, retaining and motivating its directors; and (c) promoting a closer alignment of interests between directors and shareholders of the Company. Under the Plan, up to 100% of the compensation for a director may be paid to the director in the form of DSUs, credited quarterly in arrears. Directors may elect annually, in accordance with the Plan, as to how much (if any) of the compensation will be paid in DSUs, having regard at all times for the ownership guidelines of the Plan. 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 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"). DSUs granted entitle the directors to also accumulate DSUs equal to the monthly cash dividends, assuming the reinvestment of the dividends into units is based upon the Fair Market Value of the common shares on the dividend payment date.

Following each calendar quarter, the director's DSU account 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 number of DSUs that is equal to the result of multiplying 25% of the director's DSU issuance up to a maximum value of $5 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 of one common share as of the 24th business day after publication of the condensed consolidated interim financial statements following a director's departure from the Board of Directors.

In conjunction with the Plan, the Company has also adopted a share ownership guideline for the non-executive directors. The ownership guidelines require that each non-executive director acquire and maintain a level of ownership that has a value equal to at least three times their annual retainer and meeting fees, within a five year period.

For the nine months ended September 30, 2015, the directors, on average, have elected to receive 95% of their compensation in DSUs. For Q3 2015 and YTD 2015, 6,090 and 11,719 DSUs were issued and outstanding and no DSUs were exercised or cancelled. As at September 30, 2015, the fair value of the outstanding DSUs amounted to $93, based on a Fair Market Value of $7.90 per common share, and is included in accrued expenses.

STATEMENT OF CASH FLOWS

Net cash from operating activities

Cash from operating activities for Q3 2015 and YTD 2015 was $7.7 million and $22.4 million (Q3 2014 – $7.1 million; YTD 2014 – $18.2 million), an increase of $0.6 million and $4.2 million, or 7.1% and 23.0%, from Q3 2014 and YTD 2014, respectively. The increase is primarily a result of greater net income and comprehensive income and the change in non-cash operating items compared to Q3 2014 and YTD 2014.

Net cash from (used in) financing activities

Uses of cash from financing activities for Q3 2015 and YTD 2015 consisted of the Company's net advances on the credit facility of $52.8 million and $50.0 million (Q3 2014 – nil; YTD 2014 – nil), which were made in order to advance new mortgage investments. The Company paid interest on the debentures and credit facility of $1.2 million and $3.1 million (Q3 2014 – $1.3 million; YTD 2014 – $1.4 million), common share dividends of $7.3 million and $22.0 million (Q3 2014 – $7.6 million; YTD 2014 – $23.0 million) as well as purchases of common shares under the normal course issuer bid of $0.9 million and $1.2 million (Q3 2014 – nil; YTD 2014 – nil). The net cash provided by and used in financing activities for Q3 2015 and YTD 2015 was $43.3 million and $23.7 million (Q3 2014 – $9.0 million used in financing activities; YTD 2014 – $41.3 million provided by financing activities), whereas, in Q3 2014 and YTD 2014, the Company raised proceeds of $32.5 million from the issuance of convertible debentures and $33.2 million from the issuance of common shares.

Net cash used in investing activities

Net cash used in investing activities for Q3 2015 and YTD 2015 was $50.9 million and $46.5 million (Q3 2014 - $16.6 million; YTD 2014 – $30.9 million) and consisted of the funding of net mortgage investments of $94.5 million and $247.1 million respectively, (Q3 2014 – $127.1 million; YTD 2014 – $314.4 million) which was offset by the repayments of net mortgage investments of $43.5 million and $200.1 million respectively (Q3 2014 – $75.6 million; YTD 2014 – $200.1 million). In addition, the Company received proceeds from disposal of FPHFS as well as capital improvements to FPHFS of $0.2 million and $0.5 million (Q3 2014 – $34.9 million; YTD 2014 – $35.2 million).

QUARTERLY FINANCIAL INFORMATION

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

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	$ 10,161	$ 11,532	$ 10,496	$ 9,774	$ 8,660	$ 9,465	$ 8,811	$ 9,926
Expenses	(3,146)	(2,481)	(2,239)	(2,336)	(2,042)	(2,049)	(2,011)	(3,082)
Income from operations	7,015	9,051	8,257	7,438	6,618	7,416	6,800	6,844
Net operating income (loss) from FPHFS	26	(30)	(82)	(58)	81	(97)	(97)	(182)
Fair value adjustment of FPHFS	–	(150)	–	(800)	149	–	–	–
Financing costs:								
Interest on credit facility	(208)	(477)	(281)	(87)	(67)	(57)	(64)	(195)
Interest on convertible debentures	(673)	(672)	(660)	(681)	(671)	(664)	(243)	–
Issuance costs of redeemable shares	–	–	–	–	–	–	–	(3)
Dividends to holders of redeemable shares	–	–	–	–	–	–	–	(2,414)
Total financing costs	881	(1,149)	(941)	(768)	(738)	(721)	(307)	(2,612)
Net income and comprehensive income	**$ 6,160**	**$ 7,722**	**$ 7,234**	**$ 5,812**	**$ 6,110**	**$ 6,598**	**$ 6,396**	**$ 4,050**
Earnings per share (basic and diluted) [1]	$ 0.15	$ 0.19	$ 0.18	$ 0.14	$ 0.15	$ 0.17	$ 0.17	$ –

1 Earnings per share for quarter in 2013 has not been presented as the Company did not have equity instruments, as defined in IAS 33, *Earnings per Share,* as the redeemable shares were classified as financial liability in the statements of financial position.

The variations in net income and comprehensive income by quarter are mainly attributed to the following:

(i) In any given quarter, the Company is subject to volatility from portfolio turnover from both scheduled and early repayments. As a result, net interest income is susceptible to quarterly fluctuations. The Company models the portfolio throughout the year factoring in both scheduled and probable repayments, and the corresponding new mortgage advances to determine its distributable income on a calendar year basis;

(ii) Within expenses, the Company accrues the performance fee payable to the Manager. Given that the performance fee is adjusted for cash items, the volatility of cash receipts in the year (mainly relating to lender fees) will typically have an impact on the amount expensed in any quarter;

(iii) In any given quarter, the Company is subject to volatility from fair value adjustments to FPHFS, resulting in fluctuations in quarterly net income and comprehensive income;

(iv) The utilization of the credit facility to fund mortgage investments results in higher net interest income, which is partially offset by higher financing costs; and,

(v) The dividends to holders of redeemable shares and issuance costs relating to redeemable shares were presented in the statement of income and comprehensive income until October 2013. Following November 29, 2013, the dividends to common shareholders are presented in the statement of changes in equity.

RELATED PARTY TRANSACTIONS

As at September 30, 2015, due to Manager includes management and performance fees payable of $1.8 million (December 31, 2014 – $2.0 million) and nil (December 31, 2014 – $6) related to costs incurred by the Manager on behalf of the Company.

The Manager is responsible for the general management and day to day operations of the Company and, through Timbercreek Mortgage Servicing Inc. ("TMSI"), a company controlled by the Manager, is the Company's mortgage servicer and administrator. As at September 30, 2015, included in other assets is $2.1 million (December 31, 2014 – $3.0 million) of cash held in trust for the Company by TMSI, the balance of which relates to mortgage funding holdbacks, prepaid mortgage interest and lender fees received from various borrowers.

In addition to the above related party transactions, the Company has transacted with other entities managed by the Manager. As at September 30, 2015, the Company, Timbercreek Senior Mortgage Investments Corporation ("TSMIC"), Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), Timbercreek Global Real Estate Fund and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co-invested in several gross mortgage investments totalling $774.2 million (December 31, 2014 – $701.9 million). During YTD 2015, the Company, along with its related parties, funded $321.6 million in co-invested gross mortgage investments and received repayments of $165.7 million. As at September 30, 2015, the Company's share in these gross mortgage investments is $297.2 million (December 31, 2014 – $268.9 million). Included in these amounts is a net mortgage investment of $1.2 million (December 31, 2014 – $1.1 million) loaned to a limited partnership in which T4Q is invested.

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

COMMITMENTS AND CONTINGENCIES

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

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

CRITICAL ACCOUNTING ESTIMATES

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

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgments in the 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.

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

Measurement of fair values

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

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

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

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or 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.

Information about the assumptions made in measuring fair value is included in notes 5 and 18 to the consolidated financial statements for the year ended December 31, 2014.

SIGNIFICANT ACCOUNTING POLICIES

Except for the changes below, the Company has consistently applied the accounting policies set out to all periods presented in its consolidated financial statements for the years ended December 31, 2014 and 2013, which were prepared in accordance with IFRS.

Non-executive director deferred share unit plan

Commencing January 1, 2015, the Company's non-executive directors are participating in a deferred share unit plan (the "Plan") in respect of their compensation as directors of the Company. The benefit resulting from the grant of DSUs under the Plan is recorded in profit and loss when awarded. DSUs granted are included within accrued expenses based on the fair market value of the DSUs on the date of grant and are subsequently measured at each reporting date at their fair value with changes in the carrying amount recognized in profit and loss.

OUTSTANDING SHARE DATA

As at November 10, 2015, the Company's authorized capital consists of an unlimited number of common shares, of which 40,523,728 are issued and outstanding. In addition, as at the date of this MD&A, 3,066,667 common shares are issuable upon conversion or redemption of the debentures (based on the conversion price of $11.25 per common share).

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. During YTD 2015, the Company further increased the available borrowing limit of the credit facility to complement the common shares and convertible debentures. The Company believes that the modest amount of structural leverage gained from the debentures and credit facility is accretive to net earnings, while having a low impact on the risk profile of the business. The Company anticipates meeting all of its contractual liabilities (described below) using its mix of capital structure and cash flow from operating activities.

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 is, and intends to continue to be, qualified as a MIC as defined under Section 130.1(6) of the ITA 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, the credit facility and syndicationing mortgage investments to partners. The Company has a borrowing ability of $60.0 million through its credit facility and intends to utilize 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. As at September 30, 2015, the Company is in compliance with its credit facility covenants and expects to remain in compliance going forward.

The Company routinely forecasts cash flow sources and requirements, including unadvanced commitments, to ensure cash is efficiently utilized.

The following are the contractual maturities of financial liabilities as at September 30, 2015, including expected interest payments:

	Carrying values	Contractual cash flows	Within a year	Following year	3–5 years
Accounts payable and accrued expenses	$ 521	$ 521	$ 521	$ –	$ –
Dividends payable	2,433	2,433	2,433	–	–
Due to Manager	1,839	1,839	1,839	–	–
Mortgage funding holdbacks	884	884	884	–	–
Prepaid mortgage interest	680	680	680	–	–
Credit facility[1]	58,834	61,522	2,471	59,051	–
Convertible debentures	32,760	42,171	2,191	2,191	37,789
Total liabilities	$ 97,951	$ 110,050	$ 11,019	$ 61,242	$ 37,789
Unadvanced gross mortgage commitments[2]	169,043	169,043	169,043	–	–
Total contractual liabilities	**$ 266,994**	**$ 279,093**	**$ 180,062**	**$ 61,242**	**$ 37,789**

1. Includes interest on the credit facility assuming the outstanding balance is not repaid until its maturity in October 2016 and interest is calculated at the prime rate of interest plus 1.50%.
2. Unadvanced mortgage commitments include syndication commitments from third party investors totaling $93.4 million.

As at September 30, 2015, the Company had a cash position of $0.1 million (December 31, 2014 – $0.5 million) and an unutilized credit facility of $0.9 million (December 31, 2014 – $25.9 million). 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 $95.4 million (December 31, 2014 – $42.8 million) relating to the Company's syndication partners. The Company expects the syndication partners to fund this amount.

FINANCIAL INSTRUMENTS

Financial assets

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

Financial liabilities

The Company's accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest, credit facility, convertible debentures and mortgage syndication liabilities are designated as other financial liabilities and are measured at amortized cost. With the exception of convertible debentures and mortgage syndication liabilities, the fair value of these financial liabilities approximate their carrying amounts due to their short-term nature. The fair value of mortgage syndication liabilities approximate their carrying value given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. The fair value of the convertible debentures is based on the market trading price of convertible debentures at the reporting date.

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. There have been no changes to the Company, which may affect the overall risk of the Company.

For a full discussion of the risks and uncertainties affecting the Company, please also refer to the "Risk Factors" section of our AIF for the year ended December 31, 2014.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company evaluated, or caused to be evaluated under their direct supervision, the design of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")) at September 30, 2015 and, based on that evaluation, have concluded that the design of such disclosure controls and procedures was appropriate.

The Manager is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The CEO and the CFO assessed, or under their direct supervision caused an assessment of, the design of the Company's internal controls over financial reporting as at September 30, 2015 in accordance with the COSO Internal Control – Independent Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment they determined that the design of the Company's internal controls over financial reporting was appropriate.

During YTD 2015, the Manager implemented a new mortgage administration and portfolio management software. This new software allows the Manager to monitor the portfolio in real-time. The Manager has assessed that the new software did not cause significant or material changes to the design of internal controls over financial reporting.

There were no other changes made in our design of internal controls over financial reporting during Q3 2015 and YTD 2015, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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

ADDITIONAL INFORMATION

Phone

Calling the Company at 1-866-898-8868, 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 the Company's website at www.timbercreekmic.com

Mail

Writing to the Company at:

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