

Condensed Consolidated
Interim Financial Statements of

Timbercreek Mortgage Investment Corporation

Three months and nine months ended September 30, 2015 and 2014



TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	\$ 122,808	\$ 463,092
Other assets (note 13(b))	2,978,141	3,582,038
Mortgage investments, including mortgage syndications (note 5)	744,568,145	616,173,629
Foreclosed properties held for sale (note 6)	13,210,410	13,850,521
Total assets	\$ 760,879,504	\$ 634,069,280
LIABILITIES AND EQUITY		
Accounts payable and accrued expenses	\$ 521,063	\$ 855,527
Dividends payable (note 9(b))	2,432,786	2,442,092
Due to Manager (note 13(a))	1,839,144	1,975,958
Mortgage funding holdbacks	883,867	483,762
Prepaid mortgage interest	680,398	2,560,472
Credit facility (note 7)	58,834,606	8,836,959
Convertible debentures (note 8)	32,759,537	32,387,457
Mortgage syndication liabilities (note 5)	300,035,331	219,581,032
Total liabilities	397,986,732	269,123,259
Shareholders' equity	362,892,772	364,946,021
Total liabilities and equity	\$ 760,879,504	\$ 634,069,280
Commitments and contingencies (notes 5 and 15)		
Subsequent event (note 9(b))		

See accompanying notes to the condensed consolidated interim financial statements.

TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest income:				
Interest, including mortgage syndications	\$ 12,101,628	\$ 8,413,237	\$ 36,530,229	\$ 26,493,484
Fees and other income, including mortgage syndications	1,477,309	1,373,854	4,624,921	3,785,682
Gross interest income	13,578,937	9,787,091	41,155,150	30,279,166
Interest and fees expense on mortgage syndications (note 5(b))	(3,417,930)	(1,126,616)	(8,965,688)	(3,342,746)
Net interest income	10,161,007	8,660,475	32,189,462	26,936,420
Expenses:				
Management fees (note 11)	1,412,058	1,391,250	4,387,772	4,020,949
Performance fees (note 11)	580,254	430,325	1,839,107	1,215,834
Provision for mortgage investments loss (note 5(c))	900,000	–	900,000	250,000
Net foreign exchange (gain) loss	–	–	–	(7,977)
General and administrative	253,341	220,618	739,573	623,100
Total expenses	3,145,653	2,042,193	7,866,452	6,101,906
Income from operations	7,015,354	6,618,282	24,323,010	20,834,514
Net operating income (loss) from foreclosed properties held for sale	25,603	80,872	(86,524)	(113,322)
Fair value adjustment on foreclosed properties held for sale (note 6)	–	149,579	(150,000)	149,579
Financing costs:				
Interest on credit facility (note 7)	207,527	67,190	965,477	188,508
Interest on convertible debentures (note 8)	673,077	671,331	2,004,640	1,578,897
Total financing costs	880,604	738,521	2,970,117	1,767,405
Net income and comprehensive income	\$ 6,160,353	\$ 6,110,212	\$ 21,116,369	\$ 19,103,366
Earnings per share (note 12)				
Basic and diluted	\$ 0.15	\$ 0.15	\$ 0.52	\$ 0.49

See accompanying notes to the condensed consolidated interim financial statements.

TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

Nine months ended September 30, 2015	Common Shares	Retained Earnings	Equity Component of Convertible Debentures	Total
Shareholders' equity, beginning of period	\$ 370,547,438	\$ (6,145,974)	\$ 544,557	\$ 364,946,021
Dividends	-	(21,956,491)	-	(21,956,491)
Issuance of common shares under dividend reinvestment plan	2,362,161	-	-	2,362,161
Repurchase of common shares under dividend reinvestment plan	(2,362,161)	-	-	(2,362,161)
Repurchase of common shares under normal course issuer bid	(1,213,127)	-	-	(1,213,127)
Net income and comprehensive income	-	21,116,369	-	21,116,369
Shareholders' equity, end of period	\$ 369,334,311	\$ (6,986,096)	\$ 544,557	\$ 362,892,772

Nine months ended September 30, 2014	Common Shares	Retained Earnings	Equity Component of Convertible Debentures	Total
Shareholders' equity, beginning of period	\$ 337,367,498	\$ (799,787)	\$ -	\$ 336,567,711
Issuance of common shares, net	33,179,940	-	-	33,179,940
Equity component of convertible debentures, net	-	-	544,557	544,557
Dividends	-	(22,937,051)	-	(22,937,051)
Issuance of common shares under dividend reinvestment plan	2,295,727	-	-	2,295,727
Repurchase of common shares under dividend reinvestment plan	(2,295,727)	-	-	(2,295,727)
Net income and comprehensive income	-	19,103,366	-	19,103,366
Shareholders' equity, end of period	\$ 370,547,438	\$ (4,633,472)	\$ 544,557	\$ 366,458,523

See accompanying notes to the condensed consolidated interim financial statements.

TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
OPERATING ACTIVITIES				
Net income and comprehensive income	\$ 6,160,353	\$ 6,110,212	\$ 21,116,369	\$ 19,103,366
Amortization of lender fees	(1,183,353)	(1,189,398)	(3,889,882)	(3,139,850)
Lender fees received	1,125,626	1,562,797	3,329,886	3,337,891
Provision for mortgage investments loss	900,000	–	900,000	250,000
Financing costs	880,604	738,521	2,970,117	1,767,405
Net foreign exchange loss	–	–	–	33,456
Fair value adjustment on foreclosed properties held for sale	–	(149,579)	150,000	(149,579)
Change in non-cash operating items:				
Interest receivable	(798,352)	(586,024)	(1,325,890)	(1,518,632)
Other assets	114,247	753,594	603,897	(1,251,112)
Accounts payable and accrued expenses	120,553	274,971	147,984	103,073
Due to Manager	576,617	23,454	(136,814)	(1,067,751)
Prepaid mortgage interest	(359,702)	(394,550)	(1,880,074)	742,537
Mortgage funding holdbacks	115,634	85	400,105	(10,204)
	7,652,227	7,144,083	22,385,698	18,200,600
FINANCING ACTIVITIES				
Proceeds from issuance of convertible debentures, net of issue costs	–	(48,364)	–	32,533,220
Proceeds from issuance of common shares, net of issue costs	–	–	–	33,179,940
Repurchase of common shares for cancellation	(929,043)	–	(1,213,127)	–
Advances from (repayments of) credit facility, net	52,804,089	–	50,002,946	–
Interest paid	(1,227,606)	(1,345,107)	(3,085,783)	(1,402,318)
Dividends paid	(7,318,096)	(7,611,185)	(21,965,797)	(22,971,551)
	43,329,344	(9,004,656)	23,738,239	41,339,291
INVESTING ACTIVITIES				
Capital improvements to foreclosed properties held for sale	–	(116,691)	(59,703)	(187,147)
Proceeds from disposition of foreclosed properties held for sale	188,705	35,057,506	549,814	35,396,511
Fundings of mortgage investments, net of mortgage syndications	(94,522,010)	(127,102,587)	(247,092,131)	(314,396,641)
Discharges of mortgage investments, net of mortgage syndications	43,474,542	75,573,075	200,137,799	248,268,268
	(50,858,763)	(16,588,697)	(46,464,221)	(30,919,009)
Increase (decrease) in cash and cash equivalents	122,808	(18,449,270)	(340,284)	28,620,882
Cash and cash equivalents, beginning of period	–	59,418,601	463,092	12,348,449
Cash and cash equivalents, end of period	\$ 122,808	\$ 40,969,331	\$ 122,808	\$ 40,969,331

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2015 and 2014

1. CORPORATE INFORMATION

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 traded on the Toronto Stock Exchange ("TSX") under the symbol 'TMC'.

The investment objective of the Company is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of mortgage investments that generate income which allows the Company to pay monthly dividends to shareholders.

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.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements of the Company have been prepared by management in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The presentation of these condensed consolidated interim financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). The accompanying condensed consolidated interim financial statements should be read in conjunction with the notes to the Company's consolidated financial statements for the year ended December 31, 2014, since these financial statements do not contain all disclosures required by IFRS for annual financial statements. These condensed consolidated interim financial statements reflect all normal and recurring adjustments which are in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

The condensed consolidated interim financial statements were approved by the Board of Directors on November 10, 2015.

(b) Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, including Timbercreek Mortgage Investment Fund. All intercompany transactions and balances are eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2014 and 2013, which were prepared in accordance with IFRS.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2015 and 2014

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") which allows the directors to elect to receive their compensation in the form of deferred share units ("DSUs"). 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.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

In the preparation of these 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. There have been no changes in the critical accounting estimates and judgments which were set out in detail in note 2 of the Company's consolidated financial statements for the year ended December 31, 2014.

5. MORTGAGE INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

As at September 30, 2015	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications (note 5(a) and (b))	\$ 744,052,635	\$ (299,757,548)	\$ 444,295,087
Interest receivable	6,739,156	(1,021,370)	5,717,786
	750,791,791	(300,778,918)	450,012,873
Unamortized lender fees	(5,073,646)	743,587	(4,330,059)
Allowance for mortgage investments loss (note 5(c))	(1,150,000)	–	(1,150,000)
	\$ 744,568,145	\$ (300,035,331)	\$ 444,532,814

As at December 31, 2014	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications (note 5(a) and (b))	\$ 617,038,177	\$ (219,697,422)	\$ 397,340,755
Interest receivable	5,125,457	(733,560)	4,391,897
	622,163,634	(220,430,982)	401,732,652
Unamortized lender fees	(5,740,005)	849,950	(4,890,055)
Allowance for mortgage investments loss (note 5(c))	(250,000)	–	(250,000)
	\$ 616,173,629	\$ (219,581,032)	\$ 396,592,597

As at September 30, 2015, unadvanced mortgage commitments under the existing gross mortgage investments amounted to \$169,042,858 (December 31, 2014 – \$107,366,854).

TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements Three and nine months ended September 30, 2015 and 2014

(a) Net mortgage investments

	%	September 30, 2015	%	December 31, 2014
Interest in first mortgages	77	\$ 344,237,872	69	\$ 276,022,401
Interest in non-first mortgages	23	100,057,215	31	121,318,354
		\$ 444,295,087	100	\$ 397,340,755

The mortgage investments are secured by real property and mature between 2015 and 2018 (December 31, 2014 – 2015 and 2018). The weighted average interest rate earned on net mortgage investments for the nine-months ended September 30, 2015 was 9.2% (nine months ended September 30, 2014 – 9.4%).

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.

For the three and nine months ended September 30, 2015 ("Q3 2015" and "YTD 2015"), the Company received total lender fees, net of fees relating to mortgage syndication liabilities, of \$1,125,626 and \$3,329,886 (three and nine months ended September 30, 2014 ("Q3 2014" and "YTD 2014") – \$1,562,797 and \$3,337,891), which are amortized to interest income over the term of the related mortgage investments using the effective interest rate method.

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

2015, balance of year	\$ 52,441,576
2016	169,516,368
2017	138,680,849
2018	83,656,294
Total	\$ 444,295,087

(b) Mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position. The Company generally retains an option to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. Under certain participation agreements, the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment and therefore has not met the de-recognition criteria. As a result, the lender's portion of the mortgage is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest and fees earned on the transferred participation interests and the related interest expense is recognized in profit and loss. In addition, the Company may sell pari-pasu interests in certain mortgage investments which meet the criteria for de-recognition under IFRS.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2015 and 2014

As at September 30, 2015, the carrying value of the transferred assets in gross mortgage investments, including related interest receivable and unearned lender fees, and corresponding mortgage syndication liabilities is \$300,035,331 (December 31, 2014 – \$219,581,032). For Q3 2015 and YTD 2015, the Company has also recognized interest income of \$3,129,688 and \$8,267,756 (Q3 2014 – \$1,079,362; YTD 2014 – \$3,074,294) and fee income of \$288,242 and \$697,932 (Q3 2014 – \$47,254; YTD 2014 – \$268,452) and a corresponding interest and fee expense of \$3,417,930 and \$8,965,688 (Q3 2014 – \$1,126,616; YTD 2014 – \$3,342,746) in the statements of net income and comprehensive income. The fair value of the transferred assets and mortgage syndication liabilities approximate their carrying values (see note 14).

(c) Allowance for mortgage investments loss

In Q3 2015, the Company has recognized a specific impairment allowance of \$900,000 (Q3 2014 – nil; YTD 2014 – nil) relating to one impaired mortgage investment which represents the outstanding balance as at September 30, 2015.

The Company also assesses for impairment to identify potential future losses on a collective 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. For Q3 2015 and YTD 2015, no additional collective impairment allowance (Q3 2014 – nil; YTD 2014 – \$250,000) was recognized.

During YTD 2014, the Company foreclosed on the underlying security relating to one impaired mortgage investment and reclassified \$550,000 from allowance for mortgage investments loss to foreclosed properties held for sale ("FPHFS").

The changes in the allowance for mortgage investments loss during the three and nine months ended September 30, 2015 and 2014 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Balance, beginning of period	\$ 250,000	\$ 250,000	\$ 250,000	\$ 550,000
Provision for mortgage investments loss	900,000	–	900,000	250,000
Allowance for mortgage investments loss reclassified to FPHFS	–	–	–	(550,000)
Balance, end of period	\$ 1,150,000	\$ 250,000	\$ 1,150,000	\$ 250,000

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2015 and 2014

6. FORECLOSED PROPERTIES HELD FOR SALE

As at September 30, 2015, there are three FPHFS (December 31, 2014 – three) which are recorded at their fair value of \$13,210,410 (December 31, 2014 – \$13,850,521). The fair value has been categorized as a level 3 fair value, based on inputs to the valuation techniques used. The changes in the FPHFS during the three and nine months ended September 30, 2015 and 2014 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Balance, beginning of period	\$ 13,399,115	\$ 15,413,869	\$ 13,850,521	\$ 11,351,435
Foreclosed properties reclassified from mortgage investments	–	71,350,421	–	75,681,402
Capital improvements	–	116,691	59,703	187,147
Fair market value adjustment	–	149,579	(150,000)	149,579
Disposition of foreclosed properties	(188,705)	(72,144,395)	(549,814)	(72,483,398)
Balance, end of period	\$ 13,210,410	\$ 14,886,165	\$ 13,210,410	\$ 14,886,165

During Q3 2015 and YTD 2015, the Company closed on the sale of one and three (Q3 2014 – four; YTD 2014 – six) residential units, respectively in one of the foreclosed properties for net proceeds of \$188,705 and \$549,814 (Q3 2014 – \$644,395; YTD 2014 – \$983,399). During Q3 2015 and YTD 2015, the Company has recorded a fair market value adjustment on the FPHFS of nil and \$150,000 (Q3 2014 – nil; YTD 2014 – nil) on its Montreal, QC property for disposition costs.

During Q3 2014, the Company foreclosed on the underlying security of a mortgage investment with outstanding principal and costs of \$69,731,171 and accrued interest of \$1,768,829. 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 \$149,579. The purchaser also obtained mortgage financing from the Company in respect of the property.

7. CREDIT FACILITY

	September 30, 2015	December 31, 2014
Credit facility balance	\$ 59,078,872	\$ 9,075,926
Unamortized financing costs	(244,266)	(238,967)
Total credit facility	\$ 58,834,606	\$ 8,836,959

The Company has a credit facility with a syndicate of lenders with an available limit of \$60,000,000 (December 31, 2014 – \$35,000,000). On January 30, 2015, the Company completed a \$15,000,000 increase of the credit facility, taking its total available borrowing limit to \$50,000,000. On March 24, 2015, the Company executed the accordion feature of the amended and restated credit facility, increasing the available borrowing limit to \$60,000,000. 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.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2015 and 2014

Interest costs related to the credit facility are recorded in financing costs using the effective interest rate method. For Q3 2015 and YTD 2015, interest on the credit facility of \$207,527 and \$965,477 (Q3 2014 – \$67,190; YTD 2014 – \$188,508) is included in financing costs. For Q3 2015 and YTD 2015, the Company has amortized financing costs of \$56,607 and \$164,565 (Q3 2014 – \$31,261; YTD 2014 – \$93,782) to interest expense using the effective interest rate method.

8. CONVERTIBLE DEBENTURES

On February 25, 2014, the Company completed a public offering of \$30,000,000, with an overallotment option of \$4,500,000 that was completed on March 3, 2014, of 6.35%, convertible unsecured subordinated debentures for net proceeds of \$32,533,220 (the “debentures”). The debentures mature on March 31, 2019 with interest payable semi-annually on March 31 and September 30 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of \$11.25 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

The debentures will not be redeemable prior to March 31, 2017. On and after March 31, 2017 and prior to March 31, 2018, the debentures will be redeemable by the Company, in whole or in part, from time to time at the Company’s sole option, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date of redemption on not more than 60 days’ and not less than 30 days’ prior written notice, provided that the current market price as of the date on which notice of redemption is given is not less than 125% of the conversion price. On and after March 31, 2018 and prior to the maturity date, the debentures will be redeemable, in whole or in part, from time-to-time at the Company’s sole option at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of redemption on not more than 60 days’ and not less than 30 days’ prior written notice.

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 \$577,478 has been recorded as equity, with the remaining \$31,955,742 allocated to long-term debt.

The discount on the debentures is being accreted such that the liability at maturity will equal the face value of \$34,500,000. The issue costs of \$1,966,780 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

The debentures are allocated as follows:

	September 30, 2015
Issued	\$ 34,500,000
Issue costs, net of amortization	(1,376,914)
Equity component	(577,478)
Issue costs attributed to equity component	32,921
Cumulative accretion of equity component	181,008
Debentures, end of period	\$ 32,759,537

TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements Three and nine months ended September 30, 2015 and 2014

Interest costs related to the debentures are recorded in financing costs using the effective interest rate method. Interest on the debentures is included in financing costs and is made up of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest on the convertible debentures	\$ 547,688	\$ 546,187	\$ 1,632,560	\$ 1,302,447
Amortization of issue costs	96,826	96,269	287,322	209,075
Accretion of equity component of the convertible debentures	28,563	28,875	84,758	67,375
Total	\$ 673,077	\$ 671,331	\$ 2,004,640	\$ 1,578,897

9. COMMON SHARES

The Company is authorized to issue an unlimited number of common shares. Common shares are publicly listed on the Toronto Stock Exchange (the "TSX") under the symbol 'TMC'. Holders of common shares are entitled to receive notice of and to attend and vote at all shareholder meetings. The holders of the common shares are entitled to receive dividends as and when declared by the Board of Directors.

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

	Nine months ended September 30,	
	2015	2014
Balance, beginning of period	40,701,528	36,964,028
Issued	–	3,737,500
Repurchased under normal course issuer bid	(155,100)	–
Repurchased under dividend reinvestment plan	(291,187)	(244,805)
Issued under dividend reinvestment plan	291,187	244,805
Balance, end of period	40,546,428	40,701,528

(a) 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 purchased on the open market).

Notes to the Condensed Consolidated Interim Financial Statements

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(b) Dividends

The Company intends to pay dividends on a monthly basis within 15 days following the end of each month. During Q3 2015 and YTD 2015, the Company declared dividends of \$7,311,035 and \$21,956,493, or \$0.18 and \$0.54 per share (Q3 2014 – \$7,326,276, \$0.18 per share; YTD 2014 – \$22,937,051, \$0.58 per share). As at September 30, 2015, \$2,432,786 (December 31, 2014 – \$2,442,092) was payable to the holders of common shares. Subsequent to September 30, 2015, the Board of Directors declared dividends of \$0.06 per common share, to be paid on November 13, 2015 to the holders of common shares of record on July 31, 2015.

(c) 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. 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 \$929,043 and \$1,213,127.

10. NON-EXECUTIVE DIRECTOR DEFERRED SHARE UNIT PLAN

Commencing January 1, 2015, the Company instituted a non-executive director deferred share unit plan, whereby up to 100% of the compensation for a director may be paid 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 to 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 DSU accounts will be credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value. Each director is also entitled to an additional number of DSUs that is equal to the result of multiplying 25% of the DSU issued in the quarter up to a maximum value of \$5,000 per annum.

The Plan will pay a lump sum payment in cash equal to the number of DSUs held by each director multiplied by the Fair Market Value 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.

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. For YTD 2015, DSU expense was \$92,577 based on a Fair Market Value of \$7.90 per common share.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2015 and 2014

As at September 30, 2015, the fair value of the outstanding DSUs amounted to \$92,577 and is included in accrued expenses.

11. MANAGEMENT AND PERFORMANCE FEES

The Manager is responsible for the day-to-day operations of the Company, including administration of the Company's mortgage investments. Under the management agreement, the Company shall pay to the Manager, a management fee equal to 1.20% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. Gross Assets is defined 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. The initial term of the management agreement is 10 years from September 13, 2013 and is automatically renewed for successive five year terms at the expiration of the initial term. For Q3 2015 and YTD 2015, the Company incurred management fees of \$1,412,058 and \$4,387,772 (Q3 2014 – \$1,391,250; YTD 2014 – \$4,020,949).

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 two-year Government of Canada Bond 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, plus applicable taxes. 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. The performance fee is payable to the Manager within 15 days of the issuance of the Company's audited annual consolidated financial statements for that calendar year. The performance fee accrued for Q3 2015 and YTD 2015 is \$580,254 and \$1,839,107 (Q3 2014 – \$430,325; YTD 2014 – \$1,215,834).

12. EARNINGS PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Numerator for earnings per share:				
Net income and comprehensive income	\$ 6,160,353	\$ 6,110,212	\$ 21,116,369	\$ 19,103,366
Denominator for earnings per share:				
Weighted average number of common shares (basic and diluted)	40,638,700	40,701,528	40,667,407	39,154,504
Earnings per share – basic and diluted	\$ 0.15	\$ 0.15	\$ 0.52	\$ 0.49

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2015 and 2014

13. RELATED PARTY TRANSACTIONS

- (a) As at September 30, 2015, due to Manager includes management and performance fees payable of \$1,839,144 (December 31, 2014 – \$1,970,131) and no amounts payable (December 31, 2014 – \$5,827) related to costs incurred by the Manager on behalf of the Company.
- (b) As at September 30, 2015, included in other assets is \$2,110,805 (December 31, 2014 – \$3,044,234) of cash held in trust by Timbercreek Mortgage Servicing Inc., the Company's mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage funding holdbacks, prepaid mortgage interest and lender fees received from various borrowers.
- (c) In addition to the above related party transactions, the Company has transacted with other funds managed by the Manager, or one of its subsidiaries. As at September 30, 2015, the Company, Timbercreek Senior Mortgage Investment 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 \$774,158,991 (December 31, 2014 – \$701,930,591). During the nine months ended September 30, 2015, the Company, along with its related parties, funded \$321,574,020 in co-invested gross mortgage investments and received repayments of \$165,683,672. As at September 30, 2015, the Company's share in these gross mortgage investments is \$297,244,365 (December 31, 2014 – \$268,906,244). Included in these amounts is a net mortgage investment of \$1,242,642 (December 31, 2014 – \$1,147,226) 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.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2015 and 2014

14. FAIR VALUE MEASUREMENTS

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

As at September 30, 2015	Carrying Value			Fair value
	Loans and receivable	Fair value through profit and loss	Other financial liabilities	
Assets measured at fair value				
Foreclosed properties held for sale	\$ -	\$ 13,210,410	\$ -	\$ 13,210,410
Assets not measured at fair value				
Cash and cash equivalents	122,808	-	-	122,808
Other assets	2,978,141	-	-	2,978,141
Mortgage investments, including mortgage syndications	744,568,145	-	-	744,568,145
Financial liabilities not measured at fair value				
Accounts payable and accrued expenses	-	-	521,063	521,063
Dividends payable	-	-	2,432,786	2,432,786
Due to Manager	-	-	1,839,144	1,839,144
Mortgage funding holdbacks	-	-	883,867	883,867
Prepaid mortgage interest	-	-	680,398	680,398
Credit facility	-	-	58,834,606	58,834,606
Convertible debentures	-	-	32,759,537	34,845,000
Mortgage syndication liabilities	-	-	300,035,331	300,035,331

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

(a) Mortgage investments and mortgage syndication liabilities

There is no quoted price in an active market for the mortgage investments or mortgage syndication liabilities. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments and mortgage syndication liabilities approximate their carrying values given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on level 3 inputs.

(b) Other financial assets and liabilities

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

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(c) Convertible debentures

The fair value of the convertible debentures is based on a level 1 input, which is the market closing price of convertible debentures at the reporting date.

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during Q3 2015 and YTD 2015.

15. COMMITMENTS AND CONTINGENCIES

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

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