Condensed Consolidated Interim Financial Statements of

Timbercreek Senior Mortgage Investment Corporation

Three months and nine months ended September 30, 2014 and 2013

Timbercreek
Senior Mortgage Investment Corporation

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

		September 30, 2014		December 31, 2013
ASSETS				
Other assets (note 12(d))	$	2,887,002	$	3,209,643
Mortgage investments, including mortgage syndications (note 5)		465,143,202		515,797,118
Total assets	**$**	**468,030,204**	**$**	**519,006,761**
LIABILITIES AND EQUITY				
Accounts payable and accrued expenses	$	281,774	$	1,091,467
Dividends payable (note 9(b))		1,577,831		1,577,831
Due to Manager (note 12(a))		3,604		322,505
Credit facility (note 6)		128,468,357		108,745,727
Mortgage funding holdbacks		429,026		1,459,055
Prepaid mortgage interest		765,662		1,636,355
Mortgage syndication liabilities (note 5(b))		47,850,883		115,412,273
Total liabilities		**179,377,137**		**230,245,213**
Shareholders' equity		**288,653,067**		**288,761,548**
Total liabilities and equity	**$**	**468,030,204**	**$**	**519,006,761**
Commitments and contingencies (notes 5(a) and 14)				
Subsequent event (note 9(b))				

See accompanying notes to the condensed consolidated interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Interest income:				
Interest, including mortgage syndications	$ 6,710,633	$ 7,897,639	$ 21,665,701	$ 21,763,240
Fees and other income, including mortgage syndications	792,405	777,305	2,596,386	1,855,995
	7,503,038	8,674,944	24,262,087	23,619,235
Interest and fees expense on mortgage syndications	(863,994)	(1,297,532)	(3,277,039)	(2,710,653)
Net interest income	6,639,044	7,377,412	20,985,048	20,908,582
Expenses:				
Management fees (note 10(a))	956,809	1,001,192	2,870,475	2,985,500
Trailer fees (note 10(b))	–	–	–	805,292
Provision for mortgage investments loss (note 5(c))	–	–	175,000	–
Transition related costs (note 1)	–	3,731,943	–	3,731,943
General and administrative	200,430	219,872	629,280	697,646
	1,157,239	4,953,007	3,674,755	8,220,381
Income from operations	5,481,085	2,424,405	17,310,293	12,688,201
Financing costs:				
Interest on credit facility (note 6)	884,493	661,897	3,218,302	1,807,482
Issuance costs of redeemable shares	–	59,928	–	3,297,819
Dividends to holders of redeemable shares (note 8(a))	–	5,643,633	–	17,022,848
	884,493	6,365,458	3,218,302	22,128,149
Net income (loss) and comprehensive income (loss)	**$ 4,597,312**	**$ (3,941,053)**	**$ 14,091,991**	**$ (9,439,948)**
Net income per share (note 11)				
Basic and diluted	$ 0.15	$ –	$ 0.45	$ –

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

(Unaudited)

For the nine months ended September 30, 2014	Common Shares
Shareholders' equity, beginning of period	$ 288,761,548
Dividends to shareholders	(14,200,472)
Issuance of common shares under dividend reinvestment plan	761,127
Repurchase of common shares	(761,127)
Net income and comprehensive income	14,091,991
Shareholders' equity, end of period	**$ 288,653,067**

For the nine months ended September 30, 2013	Class A Shares	Class B Shares	Class I Shares	Class J Shares	Total
Net assets attributable to holders of redeemable shares, beginning of period	$ 289,697,929	$ –	$ 3,261,849	$ 3,096,991	$ 296,056,769
Gross proceeds from issuance of redeemable shares	58,276,993	2,205,590	1,840,000	300,000	62,622,583
Issuance of redeemable shares under dividend reinvestment plan	1,085,831	–	–	–	1,085,831
Redemption of redeemable shares	(161,882)	–	–	–	(161,882)
Repurchase of redeemable shares under normal course issuer bid	(8,892,717)	–	–	–	(8,892,717)
Repurchase of redeemable shares under dividend reinvestment plan	(485,693)	–	–	–	(485,693)
Exchange of redeemable shares	2,792,360	(9,330)	(148,950)	(2,634,080)	–
Net loss and comprehensive loss	(9,293,984)	(65,270)	(60,099)	(20,595)	(9,439,948)
Net assets attributable to holders of redeemable shares, end of period	**$ 333,018,837**	**$ 2,130,990**	**$ 4,892,800**	**$ 742,316**	**$ 340,784,943**

See accompanying notes to the condensed consolidated interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(Unaudited)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
OPERATING ACTIVITIES				
Net income (loss) and comprehensive income (loss)	$ 4,597,312	$ (3,941,053)	$ 14,091,991	$ (9,439,948)
Amortization of lender fees	(723,460)	(725,913)	(2,286,633)	(1,667,650)
Provision for mortgage investments loss	–	–	175,000	–
Financing costs	884,493	6,365,458	3,218,302	22,128,149
Lender fees received	954,447	560,216	1,359,448	2,162,300
Change in non-cash operating items:				
Restricted cash	–	(10)	–	1,400,826
Interest receivable	170,182	50,797	98,804	(542,899)
Other assets	13,035,225	(1,624,414)	442,361	(3,135,990)
Accounts payable and accrued expenses	6,434	3,768,807	(630,826)	3,182,220
Due to Manager	(311,991)	4,262	(318,901)	(154)
Prepaid mortgage interest	(113,988)	1,494,350	(870,692)	1,041,651
Mortgage funding holdbacks	(919,463)	(982,197)	(1,030,029)	(215,943)
	17,579,191	**4,970,303**	**14,248,825**	**14,912,562**
FINANCING ACTIVITIES				
Proceeds from issuance of Class A redeemable shares	–	–	–	58,276,993
Redemption of Class A redeemable shares	–	(56,097)	–	(161,882)
Proceeds from issuance of Class B redeemable shares	–	–	–	2,205,590
Proceeds from issuance of Class I redeemable shares	–	–	–	1,840,000
Proceeds from issuance of Class J redeemable shares	–	300,000	–	300,000
Advances from (repayment of) credit facility	32,257,158	(5,657,631)	20,254,229	17,797,496
Financing costs paid	(949,507)	(530,045)	(4,048,486)	(1,412,458)
Repurchase of redeemable shares for cancellation	–	(8,487,593)	–	(8,892,717)
Issuance costs of redeemable shares	–	(59,928)	–	(3,297,819)
Dividends to holders of redeemable shares	–	(5,689,254)	–	(16,150,249)
Dividends to holders of common shares	(4,733,488)	–	(14,200,472)	–
	26,574,163	**(20,180,548)**	**2,005,271**	**50,504,954**
INVESTING ACTIVITIES				
Funding of mortgage investments, net of mortgage syndications	(111,467,160)	(52,843,443)	(203,008,166)	(273,532,484)
Discharge of mortgage investments, net of mortgage syndications	34,908,001	52,754,221	186,754,070	213,710,566
	(76,559,159)	**(89,222)**	**(16,254,096)**	**(59,821,918)**
Increase (decrease) in cash and cash equivalents	(32,405,805)	(15,299,467)	–	5,595,598
Cash and cash equivalents, beginning of period	32,405,805	24,094,659	–	3,199,594
Cash and cash equivalents, end of period	**$ –**	**$ 8,795,192**	**$ –**	**$ 8,795,192**

See accompanying notes to condensed consolidated interim financial statements.

Timbercreek Senior 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 Canada Business Corporations Act by articles of incorporation dated December 1, 2011. On September 13, 2013, in connection with the Transition as defined in note 1 below, the Company filed articles of amendment with the Ministry of Government Services of Ontario, effective as of September 13, 2013 (the "Effective Date"), to amend, among other things, certain provisions of the articles of the Company related to the rights attached to the existing redeemable Class A, Class B, Class I, Class J and voting classes of shares and provided for the creation of a new class of common shares for which all existing classes of redeemable shares were exchanged on November 29, 2013.

The 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 in order to allow the Company to pay monthly dividends to shareholders.

1. TRANSITION TO PUBLIC COMPANY REGIME

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

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

As part of the Transition, the Company provided a one-time special redemption right of up to 15% of the issued and outstanding shares of each class (the "Special Redemption"). The Company redeemed requests from holders of 5,454,283 Class A shares, 32,933 Class B shares, 74,000 Class I shares and no Class J shares for the Special Redemption. The total redemptions payable of $51,549,583 was paid on November 27, 2013. On November 29, 2013 (the "Exchange Date"), the Company exchanged all of the 30,825,108 outstanding Class A shares, 186,626 outstanding Class B shares, 424,700 outstanding Class I shares and 86,250 outstanding Class J shares into a newly created class of common shares. The common shares commenced trading on the Toronto Stock Exchange ("TSX") on November 29, 2013, continuing under the symbol 'MTG', and the Class A shares ceased to trade after the close of market on November 28, 2013.

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

In connection with the Transition, the Company incurred total costs of $4,120,883, which included soliciting dealer fees, soliciting broker fees, audit fees, legal fees and other related costs. The Manager elected to assume responsibility for $250,000 of costs relating to the Transition.

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 IFRS. These 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, 2013, since they 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 4, 2014.

(b) Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and a wholly owned subsidiary of the Company, Timbercreek Senior Mortgage Trust. 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, 2013, which were prepared in accordance with IFRS.

Changes in accounting policies

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

(a) IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7")

In December 2011, the IASB published Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) and issued new disclosure requirements in IFRS 7, with the amendments applied retrospectively. The implementation of this amendment has resulted in presentation of cash and cash equivalents separately, which was previously offset against the advances from (repayments of) credit facility in the cash flow statement. For the three months and nine months ended September 30, 2013, the impact of this change in financing activities is a decrease of $15,299,467 and an increase of $5,595,598, respectively.

Future changes in accounting policies

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

(a) IFRS 9, *Financial Instruments* ("IFRS 9")

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

(b) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

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

(c) IAS 27, Separate Financial Statements ("Amendments to IAS 27")

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

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. 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, 2013.

5. MORTGAGE INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

As at September 30, 2014	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications (a) and (b)	$ 465,597,319	$ (47,886,760)	$ 417,710,559
Interest receivable	2,274,541	(195,971)	2,078,570
	467,871,860	(48,082,731)	419,789,129
Unamortized lender fees	(2,553,658)	231,848	(2,321,810)
Allowance for mortgage investments loss (c)	(175,000)	–	(175,000)
	$ 465,143,202	**$ (47,850,883)**	**$ 417,292,319**

As at December 31, 2013	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications (a) and (b)	$ 516,642,938	$ (115,186,473)	$ 401,456,465
Interest receivable	2,638,539	(461,165)	2,177,374
	519,281,477	(115,647,638)	403,633,839
Unamortized lender fees	(3,484,359)	235,365	(3,248,994)
	$ 515,797,118	**$ (115,412,273)**	**$ 400,384,845**

(a) Net Mortgage investments

The net mortgage investments are secured by a first priority charge, bearing interest at a weighted average interest rate of 6.21% (December 31, 2013 – 6.52%) and mature between 2014 and 2017 (December 31, 2013 – 2014 and 2016).

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 months and nine months ended September 30, 2014, the Company received total lender fees, net of fees relating to mortgage syndication liabilities, of $954,447 and $1,359,448 (2013 – $560,216 and $2,162,300), respectively, which are amortized to interest income over the term of the related net mortgage investments using the effective interest rate method.

The unadvanced net mortgage commitments under the existing net mortgage investments amounted to $110,356,612 as at September 30, 2014 (December 31, 2013 – $34,909,805). Subsequent to the quarter end, $6,742,202 of the commitments have expired (December 31, 2013 – $6,621,775).

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

2014, balance of year	$	5,255,395
2015		161,634,942
2016		158,173,175
2017		92,647,047
Total	**$**	**417,710,559**

(b) Non-recourse mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements with mainly third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position, all of which are secured by first mortgage positions. The Company generally retains an option to repurchase the senior position, not the obligation, at a purchase price equal to the outstanding principal amount of the lender's 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. The difference between the carrying value of such interest sold and the proceeds on sale are recognized as a gain or loss in profit and loss.

As at September 30, 2014, the carrying value of the transferred assets and corresponding non-recourse mortgage syndication liabilities is $47,850,883 (December 31, 2013 – $115,412,273). For the three and nine months ended September 30, 2014, the Company has also recognized interest and fee income and a corresponding interest and fee expense of $863,994 and $3,277,039 (2013 – $1,297,532 and $2,710,653) in the statements of net income (loss) and comprehensive income (loss). The fair value of the transferred assets and non-recourse mortgage syndication liabilities approximate their carrying values (see note 13(a)).

(c) Allowance for mortgage investments loss

As at September 30, 2014, the Company has concluded that there is no objective evidence of impairment on any individual mortgage investments. At a collective level, the Company assesses for impairment to identify losses that have been incurred, but not yet identified, on an individual basis. As part of the Company's analysis it has grouped mortgage investments with similar risk characteristics including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings and 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, 2014, the Company has a collective impairment allowance of $175,000 (September 30, 2013 – nil).

6. CREDIT FACILITY

Effective June 18, 2014, the Company amended and extended the term of its credit agreement (the "credit facility"). The credit facility is for an amount of up to $145,000,000 (December 31, 2013 - $130,000,000) bearing interest at either the prime rate of interest plus 1% or bankers' acceptances ("BA") with a stamping fee of 2% of the face amount of such BA. The Company also has an option to increase the limit by another $45,000,000 (December 31, 2013 - $60,000,000), subject to certain terms and conditions. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The credit facility is secured by a general security agreement over the Company's assets. The credit facility matures on June 23, 2016.

As at September 30, 2014, $129,224,875 (December 31, 2013 – $108,970,646) was outstanding on the credit facility.

Interest costs related to the credit facility are recorded as financing costs using the effective interest rate method. For the three months and nine months ended September 30, 2014, interest on the credit facility of $884,493 and $3,218,302 (2013 – $661,897 and $1,807,482), is included in financing costs.

As at September 30, 2014, unamortized financing costs related to placement of the credit facility were $756,518 (December 31, 2013 – $224,919). For the three months and nine months ended September 30, 2014, the Company has amortized financing costs of $68,758 and $449,542 (2013 – $131,852 and $395,024) to interest expense using the effective interest rate method.

7. VOTING SHARES

As part of the Transition outlined in note 1, on the Exchange Date all voting shares were re-purchased for a nominal amount and cancelled.

Prior to the Transition, the Company was authorized to issue an unlimited amount of voting shares. The voting shares were held by certain shareholders of the Manager.

8. REDEEMABLE SHARES

As part of the Transition outlined in note 1, on the Exchange Date all classes of redeemable share including Class A, Class B, Class I and Class J shares were exchanged into common shares at the ratios specified in note 9.

Prior to the Transition, Class A shares were publicly listed on the TSX under the symbol ‘MTG’. Class B shares were issued to fee-based and institutional investor accounts and were not listed on any stock exchange. Class I shares and Class J shares were issued by private placement from time-to-time to accredited investors, institutions, trusts, endowment funds and other discretionary pools of capital and were not listed on any stock exchange. The Company was authorized to issue these classes of shares, which were redeemable at the holder's option and were subject to different fee structures. The Company classifies financial instruments issued as either financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The redeemable shares were classified as financial liabilities and presented as "net assets attributable to holders of redeemable shares" in the statements of financial position with any cost incurred on the issuance expensed as financing costs in the statements of net income (loss) and comprehensive income (loss).

The changes in the number of Class A, Class B, Class I and Class J shares are as follows:

Nine months ended September 30, 2013	Class A	Class B	Class I	Class J
Balance, beginning of period	31,029,784	–	329,700	331,000
Issued	5,916,446	220,559	184,000	31,250
Issued under dividend reinvestment plan	120,233	–	–	–
Exchanged	298,470	(1,000)	(15,000)	(276,000)
Redeemed	(17,802)	–	–	–
Repurchased	(1,033,240)	–	–	–
Balance, end of period	**36,313,891**	**219,559**	**498,700**	**86,250**

2013

On January 8, 2013, the Company completed a public offering of 5,916,446 Class A shares, for gross proceeds of $58,276,993. The Company also completed an offering of 220,559 Class B shares, for gross proceeds of $2,205,590. In connection with these share offerings, the Company incurred $3,237,891 in issuance costs.

On May 13, 2013, the Company completed a private placement and issued 184,000 Class I shares for gross proceeds of $1,840,000.

On August 30, 2013, the Company completed a private placement and issued 31,250 Class J shares for gross proceeds of $300,000.

In connection with the above-noted share offerings, the Company incurred $59,928 and $3,297,819 in issuance costs for the three months and nine months ended September 30, 2013, respectively. Under IFRS, Class A, B, I and J shares are considered debt instruments, and accordingly, the Company has recorded these issuance costs through profit and loss.

(a) Dividends to holders of redeemable shares

Prior to the Transition, the Company paid the following dividends to holders of redeemable shares:

	Three months ended September 30, 2013		Nine months ended September 30, 2013	
	Dividends per share	Total	Dividends per share	Total
Class A shares	$ 0.15	$ 5,506,003	$ 0.45	$ 16,608,338
Class B shares	$ 0.16	35,569	$ 0.49	106,922
Class I shares	$ 0.16	81,599	$ 0.49	208,294
Class J shares	$ 0.16	20,462	$ 0.47	99,294
Total		**$ 5,643,633**		**$ 17,022,848**

(b) Normal course issuer bid

On June 6, 2013, the Company received the approval of the TSX to commence a normal course issuer bid (the "Bid") to purchase for cancellation up to 3,709,327 Class A shares, representing approximately 10% of the Class A shares float on June 4, 2013. The Bid commenced on June 13, 2013, and provided the Company with flexibility to repurchase Class A shares for cancellation until June 9, 2014, or on such earlier date as the Bid is complete. From June 10, 2013 to September 30, 2013, the Company acquired for cancellation 979,900 Class A shares at a cost of $8,892,717.

9. COMMON SHARES

As outlined in note 1, on the Effective Date the shareholders of the Company approved the automatic exchange of all outstanding Class A, Class B, Class I and Class J shares, on a specified date, into a new class of common shares. The exchange ratio approved was 1 to 1 for each Class A share and an exchange ratio for each of the Class B, Class I and Class J shares equal to the quotient obtained by dividing the net redemption value per Class B, Class I and Class J share by the net redemption value per Class A share on the last business day of the month immediately preceding such exchange date. On the Exchange Date, 30,825,108 Class A shares, 186,626 Class B shares, 424,700 Class I shares and 86,250 Class J shares were exchanged into 31,556,608 common shares.

On November 29, 2013, upon completion of the exchange in accordance with the Company’s articles, the common shares commenced trading on the TSX, continuing under the symbol ‘MTG’.

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

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

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

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

(a) Dividend reinvestment plan

The Company has amended and restated its dividend reinvestment plan effective as of November 20, 2013. The amended and restated dividend reinvestment plan (the "Amended DRIP") replaces, in its entirety, the original DRIP (the "Original DRIP") established by the Company on April 18, 2012.

The Amended 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. For the purpose of the Amended DRIP, "common shares" includes any Class A shares of the Company prior to their exchange into common shares on the Exchange Date, pursuant to the amendment to the articles of the Company that came into effect on September 13, 2013.

Under the Amended DRIP, shareholders may enroll to have their cash dividends reinvested to purchase additional common shares. The Manager can elect to purchase common shares on the open market or issue common shares from treasury. For the three and nine months ended September 30, 2014, 29,467 and 85,984 common shares (2013 – 41,162 and 120,233 Class A share) issued under the Original DRIP) were issued under the Amended DRIP which were acquired from the market.

(b) Dividends to holders of common shares

The Company intends to pay dividends on a monthly basis within 15 days following the end of each month.

During the nine months ended September 30, 2014, the Company declared $14,200,474 ($0.45 per share) to the holders of common shares (2013 – nil). As at September 30, 2014, $1,577,831 (December 31, 2013 – $1,577,831) was payable to the holders of common shares. Subsequent to September 30, 2014, the Company declared dividends of $1,577,831 ($0.05 per share) to the holders of common shares.

10. EXPENSES

(a) Management fees

The Manager is responsible for the day-to-day operations of the Company, including administration of the Company's mortgage investments. As a part of the Transition detailed in note 1, the Company has entered into a new management agreement with the Manager effective from September 13, 2013. Under the new management agreement, the Company shall pay to the Manager a management fee equal to 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. Gross assets are 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 new management agreement is 10 years from the Effective Date and is automatically renewed for successive five year terms at the expiration of the initial term.

For the three and nine months ended September 30, 2014, the Company incurred management fees of $956,809 and $2,870,475 (2013 – $1,001,192 and $2,985,500).

(b) Trailer fees

Prior to September 13, 2013, the Company paid each registered dealer a trailer fee equal to 0.50% annually of the net redemption value per Class A share for each Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter. In conjunction with the Transition, effective September 13, 2013 the Company no longer pays trailer fees on Class A shares to registered dealers. As such, the Company paid no Class A trailer fees for the three and nine months ended September 30, 2014 (2013 – nil and $802,497).

Prior to September 13, 2013, the Company paid each registered dealer a trailer fee equal to 0.25% annually of the net redemption value per Class J share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter. Effective September 13, 2013 the Company no longer pays trailer fees on Class J shares to registered dealers. As such, the Company paid no Class J trailer fees for the three and nine months ended September 30, 2014 (2013– nil and $2,795).

11. NET INCOME PER SHARE

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

(a) Basic and diluted earnings per share

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

	Three months ended September 30, 2014	Nine months ended September 30, 2014
Numerator for net income per share:		
Net income and comprehensive income	$ 4,597,312	$ 14,091,991
Denominator for net income per share:		
Weighted average of common shares (basic and diluted)	31,556,608	31,556,608
Net income per share – basic and diluted	$ 0.15	$ 0.45

12. RELATED PARTY TRANSACTIONS

(a) As at September 30, 2014, due to Manager includes management fees payable of nil (December 31, 2013 – $318,266) and $3,604 (December 31, 2013 – $4,239) relating to costs incurred by the Manager on behalf of the Company.

(b) As at September 30, 2014, the Company, Timbercreek Mortgage Investment Corporation ("TMIC"), Timbercreek Four Quadrant Global Real Estate Partners ("T4Q") and Timbercreek Canadian Direct LP, related parties by virtue of common management, have co-invested in several gross mortgage investments, totaling $595,803,777 (December 31, 2013 – $683,157,039). The Company's share in these net mortgage investments is $396,612,738 (December 31, 2013 – $465,961,118). Included in these amounts are:

i. A mortgage investment of $8,575,421 (December 31, 2013 – $7,669,738) was provided to a limited partnership, which is partially owned by T4Q.

ii. The Company co-invested in a mortgage investment with a total gross commitment of $76,097,424, with the Company's share of the commitment totaling $48,594,072. The president of one of the co-investors in the financing is also an independent director of the Company. As at September 30, 2014, the Company has funded $4,764,579.

iii. The Company has entered into a mortgage investment with a total gross commitment of $84,108,000, with the Company's share of the commitment totaling $14,190,000. One independent director of the Company is an officer of an indirect investor in the borrower. Another independent director is an officer and a part-owner of another co-investor in the borrower. During the three months ended September 30, 2014, the Company funded $1,611,196.

iv. The Company has entered into a mortgage investment with a total gross commitment of $4,640,000, with the Company's share of the commitment totaling $3,901,095. An independent director is an officer and a part-owner of the borrower. During the three months ended September 30, 2014, the Company funded a total amount of $3,901,095 and was subsequently repaid in full.

(c) As at September 30, 2014, no amount (December 31, 2013 – $281,126) is payable by the Company to TMIC relating to amounts paid on behalf of the Company.

(d) As at September 30, 2014, included in other assets is $2,638,634 (December 31, 2013 – $3,095,410), of cash held in trust for the Company by Timbercreek Mortgage Servicing Inc., a company controlled by the Manager. The balance relates to mortgage investments, mortgage funding deposits and prepaid mortgage interest received from various borrowers.

13. FAIR VALUES MEASUREMENTS

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

	Carrying Value		
September 30, 2014	Loans and receivable	Other financial liabilities	Fair value
Financial assets not measured at fair value			
Other assets	$ 2,887,002	$ –	$ 2,887,002
Mortgage investments, including mortgage syndications	$ 465,143,202	$ –	$ 465,143,202
Financial liabilities not measured at fair value			
Accounts payable and accrued expenses	$ –	$ 281,774	$ 281,774
Dividends payable	$ –	$ 1,577,831	$ 1,577,831
Due to Manager	$ –	$ 3,604	$ 3,604
Credit facility	$ –	$ 129,224,875	$ 129,224,875
Mortgage funding holdbacks	$ –	$ 429,026	$ 429,026
Prepaid mortgage interest	$ –	$ 765,662	$ 765,662
Mortgage syndication liabilities	$ –	$ 47,850,883	$ 47,850,883

The fair value hierarchy, valuation techniques and the inputs used for the Company's assets and liabilities 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 other assets, credit facility, mortgage funding holdbacks, prepaid mortgage interest, dividends payable, due to Manager and accounts payable and accrued expenses approximate their carrying amounts due to their short-term maturities.

There were no transfers between level 1, level 2 and level 3 in the three and nine months ended September 30, 2014 and 2013.

14. 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.