Condensed Consolidated Interim Financial Statements of

Timbercreek Mortgage Investment Corporation

Three months ended March 31, 2014 and 2013

Timbercreek
Asset Management

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

	March 31, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	$ 15,833,015	$ 12,348,449
Other assets (note 15(d))	1,738,948	1,540,102
Mortgage investments, including mortgage syndications (note 5)	433,090,829	442,165,777
Foreclosed properties held for sale (note 6)	15,752,873	11,351,435
Total assets	**466,415,665**	**467,405,763**
LIABILITIES AND EQUITY		
Accounts payable and accrued expenses	773,107	592,421
Dividends payable (notes 12(b) and 11(a))	2,476,590	2,476,592
Due to Manager (note 15(a))	764,237	2,349,736
Convertible debentures (note 8)	32,385,023	–
Mortgage funding holdbacks	28,809	28,809
Prepaid mortgage interest	1,218,870	1,011,565
Mortgage syndication liabilities (note 5)	92,684,357	124,378,929
Total liabilities	**130,330,993**	**130,838,052**
Shareholders' equity	**336,084,672**	**336,567,711**
Total liabilities and equity	**$ 466,415,665**	**$ 467,405,763**
Commitments and contingencies (notes 5 and 17)		
Subsequent event (note 18)		

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(Unaudited)

	Three months ended March 31, 2014	2013
Interest income:		
Interest, including mortgage syndications	$ 8,762,420	$ 9,386,814
Fees, including mortgage syndications	1,304,679	1,569,850
	10,067,099	10,956,664
Interest and fees expense on mortgage syndications	(1,255,859)	(436,351)
Net interest income	8,811,240	10,520,313
Expenses:		
Management fees (note 13(a))	1,239,247	1,229,373
Performance fees (note 13(a))	334,337	656,285
Trailer fees (note 13(b))	–	366,190
Provision for mortgage investments loss (note 5(c))	250,000	400,000
Net foreign exchange gain	(3,287)	–
General and administrative	190,497	198,692
	2,010,794	2,850,540
Income from operations	6,800,446	7,669,773
Net operating loss from foreclosed properties held for sale	97,062	–
Financing costs:		
Interest on credit facility (note 7)	64,197	90,307
Interest on convertible debentures	243,198	–
Dividends to holders of redeemable shares (note 11(a))	–	7,297,368
	307,395	7,387,675
Net income and comprehensive income	**$ 6,395,989**	**$ 282,098**
Net income per share (note 14)		
Basic and diluted	$ 0.173	–

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)

Three months ended March 31, 2014 and 2013

2014	Common Shares	Equity Component of Convertible Debentures	Total
Shareholders' equity, beginning of period	$ 336,567,711	$ –	$ 336,567,711
Dividends to shareholders	(7,429,769)	–	(7,429,769)
Issuance of common shares under dividend reinvestment plan	727,880	–	727,880
Repurchase of common shares	(727,880)	–	(727,880)
Equity component of convertible debentures, net	–	550,741	550,741
Net income and comprehensive income	6,395,989	–	6,395,989
Shareholders' equity, end of period	**$ 335,533,931**	**$ 550,741**	**$ 336,084,672**

2013	Class A Shares	Class B Shares	Total
Net assets attributable to holders of redeemable shares, beginning of period	$ 319,585,511	$ 35,942,459	$ 355,527,970
Issuance of redeemable shares under dividend reinvestment plan	987,130	–	987,130
Redemption of redeemable shares	(38,760)	–	(38,760)
Exchange of redeemable shares	850,000	(850,000)	–
Net income and comprehensive income	223,842	58,256	282,098
Net assets attributable to holders of redeemable shares, end of period	**$ 321,607,723**	**$ 35,150,715**	**$ 356,758,438**

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(Unaudited)

	Three months ended March 31, 2014	2013
OPERATING ACTIVITIES		
Net income and comprehensive income	$ 6,395,989	$ 282,098
Amortization of lender fees	(978,289)	(1,501,822)
Financing costs	307,395	7,387,675
Net unrealized foreign exchange loss	3,071	–
Provision for mortgage investments loss	250,000	400,000
Change in non-cash operating items:		
Restricted cash	–	70,771
Interest receivable	(861,051)	(516,949)
Other assets	(230,107)	180,498
Accounts payable and accrued expenses	(87,712)	(348,211)
Due to Manager	(1,585,499)	(1,789,026)
Prepaid mortgage interest	207,305	61,471
Mortgage funding holdbacks	–	65,377
Lender fees	668,762	1,327,638
	4,089,864	**5,619,520**
FINANCING ACTIVITIES		
Issuance of convertible debentures, net of issue costs	32,902,639	–
Advances from (repayment of) credit facility	–	(8,836,425)
Interest paid	(32,937)	(51,312)
Dividends to holders of redeemable shares	–	(6,304,097)
Dividends to holders of common shares	(7,429,771)	–
	25,439,931	**(15,191,834)**
INVESTING ACTIVITIES		
Capital improvements to foreclosed properties held for sale	(70,456)	–
Funding of mortgage investments, net of mortgage syndications	(72,184,215)	(82,849,984)
Discharge of mortgage investments, net of mortgage syndications	46,209,442	96,974,724
	(26,045,229)	**14,124,740**
Increase in cash and cash equivalents	3,484,566	4,552,426
Cash and cash equivalents, beginning of period	12,348,449	992,671
Cash and cash equivalents, end of period	**$ 15,833,015**	**$ 5,545,097**

See accompanying notes to condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2014 and 2013

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. Effective September 13, 2013 (the "Effective Date"), the Company filed articles of amendment with the Ministry of Government Services of Ontario in connection with the Transition, as defined in note 1 below, 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 and voting classes of shares, and provide for the creation of a new class of common shares for which all existing classes of redeemable shares were exchanged on November 29, 2013.

The 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 allowing 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 1,674,568 Class A shares and 259,771 Class B shares for the Special Redemption. The total redemption payable of $18,026,557 was paid on November 27, 2013. On November 29, 2013 (the "Exchange Date"), the Company exchanged all of the 32,829,013 outstanding Class A shares and 3,887,053 outstanding Class B 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 'TMC' 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 for the Company's mortgage investments.

In connection with the Transition, the Company incurred total costs of $3,780,417, which includes soliciting dealer fees, soliciting broker fees, audit fees, legal fees and other related costs. Timbercreek Asset Management Inc., in its capacity as 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 Standards ("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. 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, 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 May 6, 2014.

(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. ACCOUNTING POLICIES ADOPTED IN THE PERIOD

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.

(a) Convertible debentures:

The convertible debentures are a compound financial instrument as it contains both a liability and an equity component.

At the date of issuance, the liability component of convertible debentures is recognized at its estimated fair value of a similar liability that does not have an equity conversion option and the residual is allocated to the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest rate method. The equity component is not re-measured subsequent to initial recognition and will be transferred to share capital when the conversion option is exercised or, if unexercised, at maturity.

Interest, losses and gains relating to the financial liability are recognized in profit or loss.

(b) Changes in accounting policies

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

(i) IAS 32, *Financial Instruments: Presentation* ("IAS 32"):

In December 2011, the IASB published Offsetting Financial Assets and Financial Liabilities and issued new disclosure requirements in IFRS 7 with the amendments applied retrospectively. The Company has adopted the amendments to IAS 32 in these condensed consolidated interim financial statements for the three months ended March 31, 2014 and 2013. The implementation of these standards had no impact on these condensed consolidated interim financial statements.

(ii) Levies

In 2013, the International Accounting Standards Board (IASB) issued IFRIC 21, "Levies" ("IFRIC 21"). The IFRIC addresses accounting for a liability to pay a levy within the scope of IAS 37, "Provisions, contingent liabilities and contingent assets" ("IAS 37"). A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes. The standard is applied retrospectively. The implementation of this standard had no impact on these condensed consolidated interim financial statements.

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 3 of the Company's consolidated financial statements for the year ended December 31, 2013.

5. MORTGAGE INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

March 31, 2014	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications (a) and (b)	$ 431,537,629	$ (92,492,060)	$ 339,045,569
Interest receivable	5,199,643	(390,391)	4,809,252
	436,737,272	(92,882,451)	343,854,821
Unamortized lender fees	(3,396,443)	198,094	(3,198,349)
Allowance for mortgage investments loss (c)	(250,000)	–	(250,000)
	$ 433,090,829	**$ (92,684,357)**	**$ 340,406,472**

December 31, 2013	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications (a) and (b)	$ 441,136,647	$ (123,982,494)	$ 317,154,153
Interest receivable	5,384,798	(694,227)	4,690,571
	446,521,445	(124,676,721)	321,844,724
Unamortized lender fees	(3,805,668)	297,792	(3,507,876)
Allowance for mortgage investments loss (c)	(550,000)	–	(550,000)
	$ 442,165,777	**$ (124,378,929)**	**$ 317,786,848**

(a) Mortgage investments:

	%	March 31, 2014	%	December 31, 2013
Interest in first mortgages	58	$ 195,765,443	61	$ 193,574,221
Interest in non-first mortgages	42	143,280,126	39	123,579,932
	100	**$ 339,045,569**	**100**	**$ 317,154,153**

The mortgage investments are secured by real property, bear interest at a weighted average interest rate of 9.49% (December 31, 2013 – 9.81%) and mature between 2014 and 2017 (December 31, 2013 – 2014 and 2017).

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 ended March 31, 2014 , the Company received total lender fees, net of fees relating to mortgage syndication liabilities of $668,762 (three months ended March 31, 2013 ("Q1 2013") – $1,327,638), which are amortized to interest income over the term of the related mortgage investments using the effective interest rate method.

The unadvanced mortgage commitments under the existing mortgage investments amounted to $15,249,784 as at March 31, 2014 (December 31, 2013 – $61,563,733). Subsequent to the quarter end, $186,472 (December 31, 2013 – $1,863,751) of the commitments have expired.

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

2014	$ 85,593,505
2015	146,545,137
2016	74,175,243
2017	32,731,684
Total	**$ 339,045,569**

(b) Non-recourse 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. The difference between the carrying value of such interest sold and the proceeds on sale are recognized as gain or loss in profit and loss.

For those investments which have not met the de-recognition criteria, the participation transactions have resulted in the Company recognizing the participating mortgages and corresponding non-recourse mortgage syndication liabilities on its statements of financial position. As at March 31, 2014 the carrying value of the transferred assets and corresponding non-recourse liabilities is $92,684,357 (December 31, 2013 – $124,378,929). The Company has also recognized interest and fee income and a corresponding interest and fee expense of $1,255,859 (Q1 2013 – $436,351) in the statements of net income and comprehensive income. The fair value of the transferred assets and non-recourse mortgage syndicated liabilities approximate their carrying values (see note 16).

(c) Allowance for mortgage investments loss:

As at March 31, 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 a statistical model. Based on the amounts determined by the analysis, the Company will use judgement to determine whether or not the actual future losses are expected to be greater or less than the amounts calculated.

For the three months ended March 31, 2014 the Company has recognized a collective impairment provision of $250,000 (Q1 2013 – $400,000).

During the three months ended March 31, 2014, the Company foreclosed on the underlying security relating to one impaired mortgage investment and $550,000 was reclassified from provision for mortgage investments loss to foreclosed properties held for sale ("FPHFS").

The changes in the allowance for mortgage investments loss during the three months ended March 31, 2014 and 2013 was as follows:

	Three months ended March 31, 2014	2013
Balance, beginning of period	$ 550,000	$ –
Provision for mortgage investments loss	250,000	400,000
Allowance for mortgage investments loss reclassified to FPHFS	(550,000)	–
Balance, end of period	**$ 250,000**	**$ 400,000**

6. FORECLOSED PROPERTIES HELD FOR SALE

As at March 31, 2014, there are three foreclosed properties held for sale ("FPHFS") (December 31, 2013 – two) and are recorded at their fair value of $15,752,873 (December 31, 2013 – $11,351,435). The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Three months ended March 31, 2014	2013
Balance, beginning of period	$ 11,351,435	$ –
Foreclosed properties reclassified from mortgage investments	4,330,982	–
Capital expenditures	70,456	–
Balance, end of period	**$ 15,752,873**	**$ –**

The fair value is based on valuations by independent external appraisers accredited by professional institutes with recent experience in the location of the property being valued. The fair value measurements have been categorized as a level 3 fair value based on inputs to the valuation techniques used.

The key valuation techniques used in measuring the fair values of the foreclosed properties are set out in the following table:

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

7. CREDIT FACILITY

As at March 31, 2014, the Company has available a credit facility with a limit of $25,000,000 (December 31, 2013 – $25,000,000). The credit facility expires in October 2014 and is subject to an interest rate equal to the bank's prime rate of interest plus 1.50% (December 31, 2013 – bank's prime rate of interest plus 1.50%). The credit facility is secured by a general security agreement over the Company's assets. As at March 31, 2014, no amount was outstanding on the credit facility (December 31, 2013 – nil).

Interest costs related to the credit facility are recorded in financing costs using the effective interest rate method.

As at March 31, 2014, there were $76,342 (December 31, 2013 – $107,603) in unamortized financing costs related to the placement of the credit facility. For the three months ended March 31, 2014, the Company has amortized financing costs of $31,261 (Q1 2013 – $38,995), 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 $32,902,639 (the "debentures"). The debentures mature on March 31, 2019 with interest payable semi-annually on March 31 and September 30 of each year. The first interest payment will occur on September 30, 2014. 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 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 $32,325,161 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 $1,597,361 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 at period end:

		March 31, 2014
Issued	$	34,500,000
Issue costs, net of amortization		(1,573,861)
Equity component		(577,478)
Issue costs attributed to equity component		26,737
Accretion for the period		9,625
Debentures, end of period	$	32,385,023

Interest costs related to the debentures are recorded in financing costs using the effective interest rate method. For the three months ended March 31, 2014, interest on the debentures of $243,198 (Q1 2013 – nil), is included in financing costs and is made up of the following:

Three months ended March 31, 2014		
Accrued interest on the convertible debentures	$	210,073
Amortization of issue costs		23,500
Accretion of equity component of the convertible debentures		9,625
	$	243,198

9. FOREIGN EXCHANGE FORWARD CONTRACT

The Company entered into a foreign exchange forward contract with its bank to lock in the Company's rate to exchange U.S. dollars into Canadian dollars. At March 31, 2014, the fair value of the foreign currency contract was a liability of $130,022 (December 31, 2013 – $71,696) and is included in the accounts payable and accrued expenses in the statements of financial position.

10. 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. The voting shares were held by certain shareholders of the Manager.

11. REDEEMABLE SHARES

As part of the Transition outlined in note 1, on the Exchange Date all classes of redeemable shares, including Class A and Class B shares, were exchanged into common shares at the ratios specified in note 12.

Prior to the Transition, Class A shares were publicly listed on the TSX under the symbol 'TMC'. Class B shares were privately held and there was no market through which these shares could be sold. 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.

The changes in the number of Class A and Class B shares were as follows:

Three months ended March 31, 2013	Class A	Class B
Balance, beginning of period	34,561,122	3,742,597
Issuance under dividend reinvestment plan	101,770	–
Exchanged	90,100	(85,000)
Redeemed	(4,000)	–
Balance, end of period	**34,748,992**	**3,657,597**

(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 March 31, 2013		Dividends per share		Total
Class A shares	$	0.189	$	6,562,191
Class B shares		0.201		735,177
Total			**$**	**7,297,368**

12. 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 shares and Class B shares 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 Shares equal to the quotient obtained by dividing the net redemption value per Class B 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, 32,829,013 Class A shares and 3,887,053 Class B Shares were exchanged into 36,964,028 common shares.

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

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 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 are as follows:

Three months ended March 31, 2014	
Balance, beginning of period	36,964,028
Repurchased	(77,511)
Issuance under dividend reinvestment plan	77,511
Balance, end of period	36,964,028

(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 May 19, 2010.

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 purposes 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 common shares are issued from treasury at a price of 95% of the average of the daily volume weighted average closing price on the TSX for the 5 trading days preceding payment, the price of which will not be less than the book value per common share. For the three months ended March 31, 2014, 77,511 (Q1 2013 – 101,770 class A shares under the original DRIP) common shares were issued under the Amended DRIP.

(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.

As at March 31, 2014 $2,476,590 (December 31, 2013 – $2,476,592) was payable to the holders of common shares. Subsequent to March 31, 2014, Company declared dividends of $2,467,590 ($0.067 per share) to holders of common shares.

13. EXPENSES

(a) 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. As a part of the Transition detailed in note 1, the Company 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 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 syndicated 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 months ended March 31, 2014, the Company incurred management fees of $1,239,247 (Q1 2013 – $1,229,373).

Under the new management agreement, the Manager continues to be 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 fees accrued for the three months ended March 31, 2014 is $334,337 (Q1 2013 – $656,285).

(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 months ended March 31, 2014 (Q1 2013 – $366,190).

14. NET INCOME PER SHARE

The Company has not disclosed net income per share for the three months ended March 31, 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 statement 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 March 31, 2014

Numerator for net income per share:		
Net income and comprehensive income	$	6,395,989
Denominator for net income per share:		
Weighted average of common shares (basic and diluted)		36,964,028
Net income per share – basic and diluted	$	0.173

15. RELATED PARTY TRANSACTIONS

(a) As at March, 31, 2014, due to Manager includes management and performance fees payable of $757,856 (December 31, 2013 – $2,346,745) and $6,381 (December 31, 2013 – $2,991) related to costs incurred by the Manager on behalf of the Company.

(b) As at March 31, 2014, the Company, Timbercreek Global Real Estate Fund ("TGREF") and Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), related parties by virtue of common management, have co-invested in three (December 31, 2013 – three) mortgage investments amounting to $21,876,699 (December 31, 2013 – $21,210,032). Timbercreek Asset Management Ltd., a wholly owned subsidiary of the Manger, has been retained by TGREF and T4Q to provide fund management and portfolio advisory services.

(c) As at March 31, 2014, the Company and Timbercreek Senior Mortgage Investment Corporation ("TSMIC"), a related party by virtue of common management, have co-invested in several mortgage investments, including mortgage syndications, totaling $659,344,931 (December 31, 2013 – $681,960,996), which are secured primarily by multi residential, office, retail, retirement and other commercial properties. The Company holds subordinated mortgage positions in these co-investments in relation to TSMIC. The Company's net share in these investments is $206,345,071 (December 31, 2013 – $215,999,878), and included in this amount is a mortgage investment of $1,033,794 (December 31, 2013 - $1,044,252) to a limited partnership, which is co-owned by T4Q. In addition, $500 (December 31, 2013 – $281,126) is receivable by the Company from TSMIC relating to amounts paid by the Company on behalf of TSMIC.

(d) As at March 31, 2014, included in other assets is $1,247,679 (December 31, 2013 – $1,040,374) of cash held in trust for the Company by Timbercreek Mortgage Servicing Inc., a related party by virtue of common management. The balance relates to mortgage funding holdbacks and prepaid mortgage interest received from various borrowers.

16. FAIR VALUE MEASUREMENTS

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

	Carrying Value			
March 31, 2014	**Loans and receivable**	**FVTPL**	**Other financial liabilities**	**Fair Value**
Assets not measured at fair value				
Mortgage investments, including mortgage syndications	$ 433,090,829	$ –	$ –	$ 433,090,829
Foreclosed properties held for sale (note 6)	15,752,873	–	–	15,752,873
Other assets	1,738,948	–	–	1,738,948
Cash and cash equivalents	15,833,015	–	–	15,833,015
Financial liabilities measured at FVTPL				
Foreign exchange forward contract	–	130,022	–	130,022
Financial liabilities not measured at fair value				
Non-recourse mortgage syndication liabilities	–	–	92,684,357	92,684,357
Mortgage funding holdbacks	–	–	28,809	28,809
Dividends payable	–	–	2,476,590	2,476,590
Due to Manager	–	–	764,237	764,237
Prepaid mortgage interest	–	–	1,218,870	1,218,870
Convertible debentures	–	–	32,385,023	32,385,023
Accounts payable and accrued expenses	–	–	773,107	773,107

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, mortgage funding holdbacks, dividends payable, due to Manager, prepaid mortgage interest and accounts payable and accrued expenses approximate their carrying amounts due to their short-term maturities.

(c) Foreign exchange forward contracts:

Foreign exchange forward contracts are measured at fair value using a market comparison technique. The fair values are based on broker quotes from Bloomberg. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. As a result, the fair value of foreign exchange forward contracts is based on level 2 inputs.

There were no transfers between level 1, level 2 and level 3 during the three months ended March 31, 2014 and 2013.

17. COMMITMENTS AND CONTINGENCIES

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

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

18. SUBSEQUENT EVENT

On April 24, 2014, the Company closed on a public offering for 3,737,500 common shares, including exercising the overallotment option, at a price of $9.35 per common share. The Company received net proceeds of $33,460,801.