FIRM CAPITAL
MORTGAGE INVESTMENT CORPORATION

CAPITAL PRESERVATION • DISCIPLINED INVESTING

REPORT TO SHAREHOLDERS

THIRD QUARTER
SEPTEMBER 30, 2017

OUR BUSINESS

Firm Capital Mortgage Investment Corporation (the "Corporation") is a non-bank lender, investing predominantly in short-term residential and commercial real estate mortgage loans and real estate related debt investments. The Corporation operates as a mortgage investment corporation under the Income Tax Act (Canada). Mortgage investment corporations have no income tax payable provided that they satisfy the requirements in subsection 130.1(6) of the Income Tax Act (Canada).

The Corporation's primary investment objective is the preservation of shareholders' equity, while providing shareholders with a stable stream of dividends from the Corporation's investments. The Corporation achieves its investment objectives by pursuing a strategy of investing in loans in select niche real estate markets that are under-serviced by larger financial institutions. The Corporation's more specific objective is to hold an Investment Portfolio that:

(i) is widely diversified across many investments;
(ii) is concentrated in first mortgages;
(iii) reduces exposure as a result of participation in various loan syndicates; and
(iv) is primarily short-term in nature.

Firm Capital Corporation (the "Mortgage Banker") is the Corporation's mortgage banker and acts as the Corporation's loan originator, underwriter, servicer, and syndicator. The Corporation's affairs are administered by FC Treasury Management Inc. (the "Corporation Manager").

The Corporation has in place a Dividend Reinvestment Plan ("DRIP") and a Share Purchase Plan (collectively, with the DRIP, the "Plans") that are available to its shareholders. The Plans allow participants to have their monthly cash dividends reinvested in additional common shares of the Corporation ("Shares") and grant participants the right to purchase additional Shares. Shareholders who wish to enroll or who would like further information about the Plans should contact Investor Relations at (416) 635-0221.

Additional information on the Corporation, its Plans, and its Investment Portfolio is available on the Corporation's web site at www.firmcapital.com. Additional information about the Corporation, including its Annual Information Form ("AIF"), can be found on the SEDAR website at www.sedar.com.

BASIS OF PRESENTATION

The Corporation has adopted International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, as its basis of financial reporting. The Corporation's functional and reporting currency is the Canadian dollar.

The following discussion is dated as of November 7, 2017 and should be read in conjunction with the unaudited condensed interim financial statements of the Corporation and the notes thereto for the three and nine months ended September 30, 2017 and 2016, the audited financial statements of the Corporation and the notes thereto for the years ended December 31, 2016 and 2015, as well as Management's Discussion and Analysis, including the section on "Risks and Uncertainties", along with each of the quarterly reports for 2017 and 2016.

HIGHLIGHTS

INCREASE IN PROFIT

Income and profit (referred to herein as "Profit") for the three months ended September 30, 2017 increased by approximately 9% to $5,903,828 as compared to $5,406,432 for the same period in the prior year. Profit for the nine months ended September 30, 2017 increased by approximately 18% to $18,698,778 compared to $15,821,762 for the nine months ended September 30, 2016.

Basic weighted average profit per share for the three months ended September 30, 2017 and for the three months ended September 30, 2016 was $0.241. Basic weighted average profit for the nine months ended September 30, 2017 was $0.786, compared to $0.733 per share reported for the same period in 2016.

REALIZED GAIN ON DISPOSAL OF MARKETABLE SECURITIES

During the three months ended September 30, 2017, the Corporation sold part of its marketable securities investment portfolio for proceeds of $1,644,171. The Corporation realized a total gain on disposal of marketable security investments of $143,021 and this amount was reclassified from accumulated other comprehensive income to the statements of income.

PORTFOLIO GROWTH

The Corporation's investment portfolio (the "Investment Portfolio") as at September 30, 2017 increased by $90 million to approximately $533.8 million compared to $444.3 million as at December 31, 2016 (before the impairment provision of $5.31 million and $4.46 million respectively).

RETURN ON EQUITY

The Corporation continues to exceed its yield objective of producing a return on shareholders' equity in excess of 400 basis points over the average one year Government of Canada Treasury bill yield. Profit for the quarter ended September 30, 2017 represents an annualized return on shareholders' equity (based on the month end average shareholders' equity in the quarter) of 8.69%, which is 729 basis points per annum over the average one year Government of Canada Treasury bill yield of 1.40%.

REDEMPTION OF 5.75% DEBENTURES THROUGH THE ISSUANCE OF SHARES AND CASH

On September 20, 2017, the Corporation completed an early redemption of its 5.75% convertible unsecured subordinated debentures, which were scheduled to mature on October 31, 2017. This series of convertible unsecured subordinated debentures had a conversion price of $15.90 per share. As part of the early redemption, the holders of the debentures were provided an option to convert at 95% of the weighted average market price per share for the preceding 20 trading days ending on the fifth trading day preceding the redemption date (being September 13, 2017). Of the outstanding $31,443,000 principal, $21,278,427 was converted to 1,759,944 common shares at a price of $12.09 per share and the remaining balance of $10,164,573 was repaid in cash.

INVESTMENT PORTFOLIO

The Corporation's Investment Portfolio totaled $533,868,548 as at September 30, 2017 (net of an impairment loss provision of $5,312,000) compared to $444,294,633 (net of an impairment loss provision of $4,460,000) as at December 31, 2016, representing an increase of approximately $90 million. The September 30, 2017 Investment Portfolio is comprised of 265 investments (245 as at December 31, 2016). The average gross investment size (excluding impairment loss provision) was approximately $2 million with 17 investments individually exceeding $7,500,000.

Amount	Number of Investments		Total Amount (before provision)	
$0 - $2,500,000	217	81.9%	$ 190,018,269	35.2%
$2,500,001 - $5,000,000	24	9.1%	$ 85,111,392	15.8%
$5,000,001 - $7,500,000	7	2.6%	$ 40,653,256	7.6%
$7,500,001 +	17	6.4%	$ 223,397,631	41.4%
	265	**100%**	**$ 539,180,548**	**100%**

Unadvanced committed funds under the existing Investment Portfolio amounted to $102,398,033 as at September 30, 2017 ($131,268,094 as at December 31, 2016). Generally, investments are shared with other syndicate partners where appropriate based on the Corporations' cash availability at the time of funding the investment, and to diversify risk.

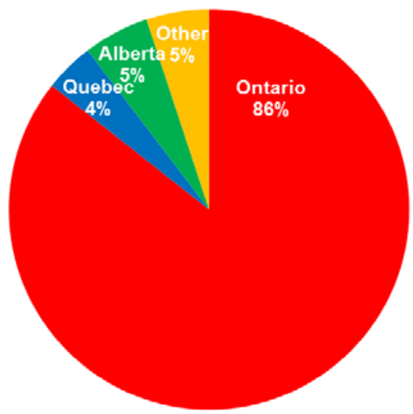
	Sep. 30, 2017		Dec. 31, 2016		% Change
Conventional First Mortgages	$ 389,304,424	72.2%	$ 336,745,396	75.1%	**16%**
Conventional Non-First Mortgages	66,884,389	12.4%	46,265,981	10.3%	**45%**
Related Investments	76,582,946	14.2%	56,734,231	12.6%	**35%**
Discounted Debt Investments	5,407,775	1.0%	5,071,525	1.1%	**7%**
Non-Conventional Mortgages	1,001,014	0.2%	3,937,500	0.9%	**(75%)**
Total Investments (at amortized cost)	**$ 539,180,548**	**100%**	**$ 448,754,633**	**100%**	**20%**
Less: Impairment Provision	(5,312,000)		(4,460,000)		**19%**
Investment Portfolio	**$ 533,868,548**		**$ 444,294,633**		**20%**

The $90 million growth in the Investment Portfolio was mainly achieved by the Corporation increasing the size of its investments in the conventional first mortgage, conventional non-first mortgage, and related investment categories.

Conventional first mortgages increased by 16% and represented 72% of the Corporation's portfolio at September 30, 2017 compared to 75% at December 31, 2016. Conventional non-first mortgages increased by 45% and represented 12% of the Investment Portfolio compared to 10% at December 31, 2016. Related investments increased by 35% and represented 14% of the Corporation's Investment Portfolio in comparison to 13% at December 31, 2016. Non-conventional mortgages decreased by $3 million and represented less than 1% of the Investment Portfolio as at September 30, 2017 and December 31, 2016. The weighted average face interest rate on the Corporation's Investment Portfolio was 8.03% per annum as at September 30, 2017 compared to 7.83% per annum as at December 31, 2016.

The Corporation holds one mortgage investment totaling $4,985,500 at September 30, 2017 (classified as Discounted debt investment) that originated from the purchase of a mortgage loan from a Schedule 1 bank at a discount to its original principal balance (December 31, 2016 - $4,628,000) on which interest payments are not being received. The Corporation's investment is by way of a participation in a mortgage loan to the entity that took title to the real estate following the completion of the enforcement foreclosure of the underlying real estate that occurred after the purchase of the mortgage. Recoveries under the investment resulting from the sale of the secured real estate will be treated in the same fashion as that for all non-conventional mortgage investments held by the Corporation.

The Corporation continues to focus its lending into core markets that can be monitored closely during evolving economic conditions. The mortgage portfolio has some geographic diversification with 14% of the investments in the portfolio secured by properties outside of Ontario.



The Corporation's investment portfolio as at September 30, 2017 included participation in eight mortgage loans on real estate located in Alberta (December 31, 2016 – 13 mortgage loans). The investment amount at September 30, 2017 totals $19.9 million, being 4% of the total portfolio, down from 8% at December 31, 2016. The average investment size is $2.5 million. All Alberta Portfolio loans are secured on residential real estate.

The Corporation's strategy is to mitigate loan loss risk by focusing on those areas of mortgage lending that have historically withstood market corrections and retained their underlying real estate asset value while limiting its exposure to those real estate asset classes that do not.

As at September 30, 2017, the Investment Portfolio continued to be heavily concentrated in short-term investments with 66% of the portfolio maturing by September 30, 2018. The short-term nature of the portfolio provides the Corporation with the ability to continually revolve the portfolio and adapt to changes in the real estate market.

RESULTS OF OPERATIONS

INTEREST AND FEES

For the three months ended September 30, 2017, interest and fees earned increased by 20% to $10,773,907 compared to $8,988,912 for the three months ended September 30, 2016. Interest and fees earned for the nine months ended September 30, 2017 increased by 20% to $32,090,136 as compared to $26,710,152 for the same nine month period in the prior year.

Interest and fees earned for the three months and nine months ended September 30, 2017 and September 30, 2016 are broken down as follows:

Three Months Ended	**Sep. 30, 2017**	**%**	**Sep. 30, 2016**	**%**	**% Change**
Interest	$ 10,202,220	95%	$ 8,458,024	94%	**21%**
Commitment & Renewal Fees	513,051	4%	369,351	4%	**39%**
Special Income	58,636	1%	161,537	2%	**(64%)**
	$ 10,773,907	**100%**	**$ 8,988,912**	**100%**	**20%**

Nine Months Ended	**Sep. 30, 2017**	**%**	**Sep. 30, 2016**	**%**	**% Change**
Interest	$ 27,778,572	87%	$ 25,013,115	94%	**11%**
Commitment & Renewal Fees	1,301,851	4%	1,156,481	4%	**13%**
Special Income	3,009,713	9%	540,556	2%	**457%**
	$ 32,090,136	**100%**	**$ 26,710,152**	**100%**	**20%**

Interest income of $10,202,220 and $27,778,572 for the three and nine months ended September 30, 2017 respectively increased by 21% and 11% as compared to the same three and nine month period in 2016. Interest income represents 95% of the Corporation's revenues for the three months ended September 30, 2017 and 87% for the nine months ended September 30, 2017. The year over year increase in interest income is generally a result of the Corporation holding a larger investment portfolio as compared to the same period in 2016 and an increase in the average portfolio interest rate.

Recorded fee income, relating to commitment and renewal fees, for the quarter ended September 30, 2017 increased by 39% compared to the quarter ended September 30, 2016. As at September 30, 2017, the Corporation had unearned commitment fee income of $807,626 (December 31, 2016 - $879,851). The unrecognized component of the fees are recorded as unearned income on the Corporation's balance sheet. These fees have been received and are not refundable to borrowers.

Special income recorded for the three months ended September 30, 2017 totaled $58,636 as compared to $161,537 for the same period last year. Special income recorded for the nine months ended September 30, 2017 totaled $3,009,713 as compared to $540,556 for the same period last year. $2,737,500 of special income recorded as a receivable as at June 30, 2017 was collected in July from one of the Corporation's non-conventional mortgage investments. Special income relates to certain fees and interest generated from a number of the Corporation's non-conventional mortgages and the timing of earning of such income is not necessarily consistent in each period. The timing of the recognition and collection of special income is difficult to predict and the collection of a particular amount is not a reflection of the future collection of such income. Non-conventional mortgage investments can attract higher loss risk due to their subordinate ranking to other mortgage charges and/or high loan to value ratio. Consequently, this higher risk is compensated for by a higher rate of return. The Corporation remains very selective in cautiously sourcing high yielding, non-conventional mortgages that meet the Corporation's investment criteria.

REALIZED GAIN ON DISPOSAL OF MARKETABLE SECURITIES AND DEBENTURE PORTFOLIO INVESTMENTS

During the three months ended September 30, 2017, the Corporation sold part of its marketable securities investments for proceeds of $1,644,171. The Corporation realized a total gain on disposal of marketable security investments of $143,021 and this amount was reclassified from accumulated other comprehensive income to the statements of income. During the nine months ended September 30, 2017, the Corporation sold part of its marketable securities investments for proceeds of $2,099,067. The Corporation realized a total gain on disposal of marketable security investments of $217,817 and this amount was reclassified from accumulated other comprehensive income to the statements of income. During the nine months ended September 30, 2017, the Corporation realized gains on disposal of debenture portfolio investments of $240,618, and nil for the same period last year.

CORPORATION MANAGER SPREAD INTEREST ALLOCATION

The Corporation Manager, through an interest spread arrangement, received $942,442 for the three months ended September 30, 2017 compared to $779,364 for the three months ended September 30, 2016. For the nine months ended September 30, 2017, the Corporation Manager received $2,646,932 as compared to $2,323,419 for the nine months ended September 30, 2016. The increase is generally due to the increase in the size of the Corporation's daily average Investment Portfolio over the comparable periods.

INTEREST EXPENSE

For the three months ended September 30, 2017, interest expense increased by 40% to $3,624,195 as compared to $2,586,941 for the three months ended September 30, 2016. For the nine months ended September 30, 2017, interest expense increased by 21% to $9,634,376 as compared to the nine months ended September 30, 2016 amount of $7,954,862. Interest expense is higher in 2017 when compared to the same period in the previous year mainly as a result of the Corporation having a larger convertible debentures balance outstanding in 2017 versus 2016, as well as larger loans payable. This additional indebtedness that resulted in an increase in interest expense in 2017 allowed the Corporation to hold a larger investment portfolio, which generated additional interest income when compared to 2016. Interest expense is broken down as follows:

Three Months Ended	Sep. 30, 2017	%	Sep. 30, 2016	%	% Change
Bank Interest Expense	$ 275,094	8%	$ 294,014	11%	**(6%)**
Loans Payable Interest Expense	333,275	9%	-	-	**-**
Debenture Interest Expense	3,015,826	83%	2,292,927	89%	**32%**
	$ 3,624,195	**100%**	**$ 2,586,941**	**100%**	**40%**

Nine Months Ended	Sep. 30, 2017	%	Sep. 30, 2016	%	% Change
Bank Interest Expense	$ 990,950	10%	$ 996,328	13%	**(1%)**
Loans Payable Interest Expense	333,275	4%	93,280	1%	**257%**
Debenture Interest Expense	8,310,151	86%	6,865,254	86%	**21%**
	$ 9,634,376	**100%**	**$ 7,954,862**	**100%**	**21%**

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

G&A expenses totaled $219,463 and $716,485 respectively for the three and nine months ended September 30, 2017 compared to $216,175 and $610,109 respectively for the three and nine months ended September 30, 2016.

INCOME & PROFIT ("PROFIT")

Profit for the three months ended September 30, 2017 increased by approximately 9% to $5,903,828 as compared to $5,406,432 for the same period in the prior year. Profit for the nine months ended September 30, 2017 of $18,698,778 represents approximately an 18% increase compared to $15,821,762 reported for the nine months ended September 30, 2016.

Profit for the quarter ended September 30, 2017 represented an annualized return on shareholders' equity (based on the month end average shareholders' equity in the quarter) of 8.69% versus a previously reported return on shareholders' equity of 9.08% for the quarter ended September 30, 2016. This return on shareholders' equity represents 729 basis points per annum over the average one year Government of Canada Treasury bill yield of 1.40% and is well in excess of the Corporation's stated target yield objective of 400 basis points per annum over the average one year Government of Canada Treasury bill yield. The above return on shareholders' equity is a non-IFRS financial measure and does not have any standardized meaning prescribed by IFRS and is, therefore, unlikely to be comparable to similar measures presented by other issuers. This non-IFRS measure provides useful information to the Corporation's shareholders as it provides a measure of return generated on the Corporation's equity base.

TOTAL COMPREHENSIVE INCOME

As discussed further in the Marketable Securities and Debenture Portfolio Investment sections later herein, the Corporation has invested in units of publicly traded real estate investment trusts and debentures of publicly traded real estate investment trusts. The Corporation classifies these financial assets as available for sale and, as such, records the investments' carrying values at fair value.

The statements of comprehensive income presents the impact of the changes in fair value of the marketable securities and debenture portfolio.

The realized gain on marketable securities and the debenture portfolio reclassified to income for the quarter ended September 30, 2017 was $143,021 compared to nil for the quarter ended September 30, 2016. The realized gain on marketable securities and the debenture portfolio reclassified to income for the nine months ended September 30, 2017 was $458,435 compared to nil for the nine months ended September 30, 2016. The fair value of marketable securities and debenture portfolio increased by $8,029 for the quarter ended September 30, 2017 and $109,815 for the quarter ended September 30, 2016. The change in value of marketable securities and debenture portfolio was $135,857 for the nine month ended September 30, 2017 and $436,590 for the nine months ended September 30, 2016. Total comprehensive income for the three months ended September 30, 2017 was $5,768,836 compared to $5,516,247 for the three months ended September 30, 2016.Total comprehensive income for the nine months ended September 30, 2017 was $18,376,200 compared to $16,258,352 for the nine months ended September 30, 2016.

PROFIT PER SHARE

Basic weighted average profit per share for the three months ended September 30, 2017 and for the three months ended September 30, 2016 was $0.241. Basic weighted average profit per share for the nine months ended September 30, 2017 was $0.786, which is 7% higher compared to the $0.733 per share reported for the nine months ended September 30, 2016.

Diluted weighted average profit per share for the three months ended September 30, 2017 was $0.237 which is slightly higher compared to the $0.236 per share reported for the three months ended September 30, 2016. Diluted weighted average profit per share for the nine months ended September 30, 2017 was $0.753 which is 5% higher compared to the $0.715 per share reported for the nine months ended September 30, 2016.

QUARTERLY FINANCIAL INFORMATION

($ in millions except per unit amounts)	Sep. 30 2017	Jun. 30 2017	Mar. 31 2017	Dec. 31 2016	Sep. 30 2016	Jun. 30 2016	Mar. 31 2016	Dec. 31 2015
Operating revenue	$ 10.92	$ 9.93	$ 11.70	$ 9.33	$ 8.99	$ 8.99	$ 8.72	$ 9.64
Interest expense	3.63	3.01	3.00	2.67	2.59	2.62	2.75	2.42
Corporation manager spread interest allocation	0.94	0.87	0.83	0.83	0.78	0.77	0.77	0.77
General & administrative expenses	0.22	0.28	0.22	0.23	0.21	0.20	0.19	0.24
Impairment loss on investment portfolio	0.23	-	0.63	0.23	-	-	-	0.84
Profit	**$ 5.90**	**$ 5.77**	**$ 7.02**	**$ 5.37**	**$ 5.41**	**$ 5.40**	**$ 5.01**	**$ 5.37**
Profit per share								
- Basic	**$0.241**	**$0.238**	**$0.311**	**$0.239**	**$0.241**	**$0.246**	**$0.246**	**$0.265**
- Diluted	**$0.237**	**$0.234**	**$0.284**	**$0.234**	**$0.236**	**$0.240**	**$0.239**	**$0.258**
Dividends per share	**$0.234**	**$0.234**	**$0.234**	**$0.264**	**$0.234**	**$0.234**	**$0.234**	**$0.289**

Note:
Fourth quarter dividends include one-time payout of accumulated excess earnings throughout the year

DIVIDENDS

For the three and nine months ended September 30, 2017, the Corporation declared dividends totaling $5,823,998 and $16,898,010 respectively, or $0.234 and $0.702 per share, versus $5,248,576 and $15,256,862, or $0.234 and $0.702 per share, for the three and nine months ended September 30, 2016. The per share amount of dividends did not change when compared to the same period in the previous year, however the quantum of dividends is higher as a result of an increase in the number of shares outstanding. The number of shares outstanding at September 30, 2017 was 26,062,635 compared to 22,442,947 at September 30, 2016.

Nine Months Ended	Sep. 30, 2017	Sep. 30, 2016	Change
Cash Flow From Operating Activities (net of interest expense)	$ 20,590,077	$ 16,845,542	**22%**
Profit	$ 18,698,778	$ 15,821,762	**18%**
Declared Dividends	$ 16,898,010	$ 15,256,862	**11%**
Excess Cash Flow From Operating Activities Over Declared Dividends	$ 3,692,067	$ 1,588,680	
Excess Profit Over Declared Dividends	$ 1,800,768	$ 564,900	

CHANGES IN FINANCIAL POSITION

AMOUNTS RECEIVABLE & PREPAID EXPENSES

The amounts receivable and prepaid expenses totaled $4,468,231 as at September 30, 2017 (comprised of interest receivable of $4,070,308, fees receivable of $149,351, special income receivable of $16,983, and prepaid expenses of $231,589) compared to $4,723,191 as at December 31, 2016.

MARKETABLE SECURITIES

The Corporation holds units in publicly traded real estate investment trusts. The units were acquired through the exercise of warrants that were granted by the issuers as part of a loan facility in which the Corporation was a participant. The $215,690 balance reported on the Corporation's balance sheet as at September 30, 2017 represents the fair value of the marketable securities comprising the portfolio (December 31, 2016 – $2,200,329). The Corporation's purchase price for the units was $175,025.

During the three months ended September 30, 2017, the Corporation sold part of its marketable securities investments for proceeds of $1,644,171. The Corporation realized a total gain on disposal of marketable security investments of $143,021 and this amount was reclassified from accumulated other comprehensive income to the statements of income.

DEBENTURE PORTFOLIO INVESTMENT

As of September 30, 2017, the Corporation did not hold any publicly traded convertible debentures of Canadian real estate investment trusts as compared to a portfolio of $2,199,937 held as of December 31, 2016. During the second quarter of 2017 the Corporation sold its debenture portfolio investments. Details on the proceeds of the sale and realized gains are provided in the Realized Gain on Disposal of Marketable Securities and Debenture Portfolio investments section earlier herein.

LOAN ON DEBENTURE PORTFOLIO INVESTMENT

The Corporation did not hold any publicly traded convertible debentures of Canadian real estate investment trusts as of September 30, 2017. As a result, the Corporation had no loan payable against the portfolio at September 30, 2017 (December 31, 2016 - $1,295,184).

BANK INDEBTEDNESS

Bank indebtedness increased by $2,669,593 to $48,106,205 compared to $45,436,612 at December 31, 2016.

LOANS PAYABLE

As at September 30, 2017 the Corporation had Loans payables of $42,312,803 (December 31, 2016 – nil). First priority charges on specific mortgage investments are granted from time to time as security for the loans payable. The loans mature on dates consistent with those of the underlying mortgages. The loans are on a non-recourse basis and bear interest at their contractual rates. The Corporation's principal balance outstanding under the mortgages for which a priority charge has been granted is $53,520,471 at September 30, 2017 (December 31, 2016 - nil).

CONVERTIBLE DEBENTURES

As at September 30, 2017, the Corporation has seven series of convertible debentures outstanding, as outlined below:

Ticker Symbol	**Coupon**	**Issue Date**	**Maturity Date**	**Current Principal**	**Strike Price Per Share**	**Accounting Liability**
FC.DB.B	5.40%	Aug. 23, 2011	Feb. 28, 2019	25,738,000	$ 14.35	25,377,727
FC.DB.C	5.25%	Mar. 31, 2012	Mar. 31, 2019	20,485,000	$ 14.80	20,111,633
FC.DB.D	4.75%	Mar. 28, 2013	Mar. 31, 2020	20,000,000	$ 15.80	19,461,186
FC.DB.E	5.30%	Apr. 17, 2015	May. 31, 2022	25,000,000	$ 13.95	24,088,071
FC.DB.F	5.50%	Dec. 22, 2015	Dec. 31, 2022	23,000,000	$ 14.00	21,835,540
FC.DB.G	5.20%	Dec. 21, 2016	Dec. 31, 2023	22,500,000	$ 15.25	21,184,495
FC.DB.H	5.30%	Jun. 27, 2017	Aug. 31, 2024	26,500,000	$ 15.25	25,016,149
Total / Average	**5.26%**			**$163,223,000**		**$ 157,074,801**

As at September 30, 2017, the current principal balance for the outstanding convertible debentures is $163,223,000. The recorded convertible debenture liability as at September 30, 2017 is $157,074,801 compared to $162,305,989 as at December 31, 2016. The weighted average effective interest rate is 5.26% per annum (5.34% as at December 31, 2016).

On September 20, 2017, the Corporation completed an early redemption of its 5.75% convertible unsecured subordinated debentures, which were scheduled to mature on October 31, 2017. This series of convertible unsecured subordinated debentures had a conversion price of $15.90 per share. As part of the early redemption, the holders of the debentures were provided an option to convert at 95% of the weighted average market price per share for the preceding 20 trading days ending on the fifth trading day preceding the redemption date (being September 13, 2017). Of the outstanding $31,443,000 principal, $21,278,427 was converted to 1,759,944 common shares at a price of $12.09 per share and the remaining balance of $10,164,573 was repaid in cash.

OTHER LIABILITIES

Other liabilities for the Corporation include the following:

Additional Liabilities		Sep. 30, 2017		Dec. 31, 2016	% Change
Accounts Payable and Accrued Liabilities	$	2,211,901	$	2,101,630	**5%**
Unearned Income		807,626		879,851	**(8%)**
Shareholders Dividend Payable		2,032,886		2,428,973	**(16%)**
Total	**$**	**5,052,413**	**$**	**5,410,454**	**(7%)**

Accounts payable and accrued liabilities increased by 5% to $2,211,901 as at September 30, 2017 compared to $2,101,630 as at December 31, 2016. Accounts payable and accrued liabilities include interest payable of $1,470,275 and accrued liabilities of $741,626.

Unearned income relating to commitment fees generated on the Corporation's mortgage investments decreased by 8% to $807,626 as at September 30, 2017 compared to $879,851 as at December 31, 2016. The unrecognized component of the fees is recorded as unearned income on the Corporation's balance sheet.

SHAREHOLDERS' EQUITY

Shareholders' equity at September 30, 2017 totaled $286,006,247 compared to $238,969,851 as at December 31, 2016. The Corporation had 26,062,635 shares issued and outstanding as at September 30, 2017 compared to 22,490,489 as at December 31, 2016. The increase in shares is attributable to an offering of shares that was completed during the first quarter of 2017, shares issued as part of the redemption of the subordinated convertible debentures, and shares issued under the dividend reinvestment plan and stock option plan.

During the first quarter, the Corporation completed an equity offering of 1,420,000 common shares at a price of $14.10 per share for gross proceeds of $20,022,000. The over-allotment option was exercised in full and the Corporation issued an additional 213,000 shares at a price of $14.10 per Share for gross proceeds of $3,003,300. The total additional shares issued was 1,633,000.

On September 20, 2017, the Corporation completed the early redemption and cancellation of its outstanding 5.75% convertible unsecured subordinated debentures, which were scheduled to mature on October 31, 2017. Of the outstanding $31,443,000 principal, $21,278,427 was converted to 1,759,944 common shares at a price of $12.09 per share, which equaled to 95% of the weighted average market price per share for the preceding 20 trading days ending on the fifth trading day preceding the redemption date (being September 13, 2017). The remaining balance of $10,164,573 was repaid in cash.

IMPAIRMENT LOSS

Investments consist of participation in mortgage loans and real estate related debt investments. Such investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage loans are measured at amortized cost using the effective interest method, less any impairment losses. The Company assesses individually significant investments at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of the investments measured at amortized cost is calculated as the difference between its carrying amount and the amount of the future cash flows estimated to be recovered on the loan security. Estimates and assumptions are made as to the gross sale proceeds that would be generated on the forced sale of the real property securing the related mortgage loan and reflect estimates of the current local market conditions. Estimates are made as to the costs of enforcing under the mortgage loan and of realizing on the real property. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Losses are recognized in the statement of income and reflected in an impairment provision against the investments. Interest on the impaired asset continues to be recognized to the extent it is deemed to be collectible.

The impairment provision was $5,312,000 as at September 30, 2017 (December 31, 2016 - $4,460,000), of which $4,912,000 represents the total amount of management's estimate of the shortfall between the investment balances and the estimated recoverable amount from the security under the specific loans. The $4,912,000 comprises a provision against principle of $3,925,580 (December 31, 2016 - $4,460,000) and interest receivable on mortgages in default of $986,420 (December 31, 2016 - nil).

Investments that have been assessed individually and found not to be impaired and all individually insignificant mortgages are then assessed collectively in groups of mortgages with similar risk characteristics to determine whether a collective allowance should be recorded due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account (i) data from the Investment Portfolio (such as borrower financial position, loan defaults and arrears, loan to value ratios, etc.); (ii) economic data (including current real estate prices for various real estate asset categories); and (iii) actual historical loan losses.

Based on the amounts determined by the analysis, the Corporation used judgement to determine the amounts calculated. As September 30, 2017, the Corporation carries a collective impairment loss provision balance of $400,000 (December 31, 2016 - nil).

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income and profit.

RELATED PARTY TRANSACTIONS

Transactions with related parties 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 and are measured at fair value.

The Corporation Manager (a company related to officers and/or directors of the Corporation) receives an allocation of interest, referred to as Corporation Manager spread interest, calculated as 0.75% per annum of the Corporation’s daily outstanding performing investment balances. For the nine months ended September 30, 2017, the amount was $2,646,932 (September 30, 2016 - $2,323,419) and for the three months ended September 30, 2017, this amount was $942,442 (September 30, 2016 - $779,364). Included in accounts payable and accrued liabilities of the Corporation at September 30, 2017 are amounts payable to the Corporation Manager of $315,494 (December 31, 2016 - $275,563).

Total directors' fees paid for the three months ended September 30, 2017 was $71,000 (2016 - $64,000). For the nine months ended September 30, 2017 was $201,333 (September 30, 2016 - $160,375). Certain key management personnel are also directors of the Corporation and receive compensation from the Corporation Manager.

The Mortgage Banker (a company related to officers and/or directors of the Corporation) receives certain fees directly from borrowers as follows: loan servicing fees equal to 0.10% per annum on the principal amount of each of the Corporation's investments; 75% of all the commitment and renewal fees generated from the Corporation's investments; and 25% of all the special profit income generated from the non-conventional investments after the Corporation has yielded a 10% per annum return on its investments. Interest and fee income of the Corporation is net of the loan servicing fees paid to the Mortgage Banker of approximately $126,000 for the three month ended September 30, 2017 (2016 - $104,000), and approximately $353,000 for the nine months ended September 30, 2017 (2016 - $310,000), respectively.

The Corporation Management Agreement and Mortgage Banking Agreement contain provisions for the payment of termination fees to the Corporation Manager and Mortgage Banker in the event that the respective agreements are either terminated or not renewed.

A significant number of the Corporation's investments are shared with other investors of the Mortgage Banker, which may include members of management of the Mortgage Banker and/or officers or directors of the Corporation. The Corporation ranks equally with other members of the syndicate as to receipt of principal and income.

Two mortgage investments totaling $1,400,000 (December 31, 2016 - three mortgage investments totaling $4,850,000) were issued to a borrower controlled by an independent director of the Corporation. The investments were made by way of a participation in a direct loan to the entity controlled by the director. The investment is dealt with in accordance with the Corporation's existing investment and operating policies and is personally guaranteed by the director. For three months ended September 30, 2017, the Corporation recognized interest and fees earned of $29,574 (including the special profit income and interest on the mortgage that was paid out during the quarter) (September 30, 2016 - $164,754) from these investments. For nine months ended September 30, 2017, the Corporation recognized interest and fees earned of $3,185,582 (including the special profit income and interest on the mortgage that was paid out during the second quarter) (September 30, 2016 - $490,681) from these investments.

The Corporation holds a mortgage investment totaling $4,985,500 as at September 30, 2017 (classified as Discounted debt investment) that originated from the purchase of a mortgage loan from a schedule 1 bank at a discount to its original principal balance (December 31, 2016 - $4,628,000). The Corporation's investment is by way of a participation in a mortgage loan to the entity that took title to the real estate following the completion of the enforcement foreclosure of the real estate that occurred after the purchase of the underlying Schedule 1 bank mortgage. The Corporation is a pari passu participant in the mortgage, having the same rights as all other participants in the loan. The entity that holds title to the real estate as agent is related to the other participants in the mortgage loan investment, including entities related to certain directors of the Corporation, and for this reason, the borrower is classified as a related party. The Corporation recognized interest and fees earned of nil (September 30, 2016 - nil) from this investment during the period. The impairment provision recorded on this loan is $1,190,000 as at September 30, 2017 (December 31, 2016 - $1,190,000). Recoveries under the investment resulting from the sale of the secured real estate will be treated the same as for all non-conventional mortgage investments held by the Corporation.

Related party transactions are further discussed and detailed in the Corporation's AIF and in Note 12 of the accompanying financial statements.

INCOME TAXES

The Corporation qualifies as a mortgage investment corporation within the meaning of the Income Tax Act (Canada). As such, the Corporation is entitled to deduct from its taxable income dividends paid to shareholders during the year or within the first 90 days of the following taxation year. In order to maintain its status as a mortgage investment corporation, the Corporation must continually meet all criteria enumerated in the relevant section of the Income Tax Act (Canada) throughout such taxation year. The Corporation intends to maintain its status as a mortgage investment corporation and intends to distribute sufficient dividends in the year and in future years to ensure that the Corporation has no tax payable under the Income Tax Act (Canada). Accordingly, for financial statement reporting purposes, the tax deductibility of the Corporation's dividends results in the Corporation being effectively exempt from taxation and no provision for current or deferred income taxes is required.

CRITICAL ACCOUNTING ESTIMATES

The determination of the impairment provision for the Investment Portfolio is a critical accounting estimate.

The Investment Portfolio is classified as loans and receivables. Such investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage loans are measured at amortized cost using the effective interest method, less any impairment losses. The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of the mortgage investments measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows and cash recoveries discounted at the asset's original effective interest rate. Losses are recognized in the statement of income and reflected in an allowance account against the mortgage investments. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income or profit. Management is required to consider the estimated future cash flow recovery from the collateral securing the mortgage investments. The estimation of cash flow recovery is performed on an individual mortgage basis and is based on assumptions pertinent to each mortgage investment. Each mortgage analysis often has unique factors that are considered in determining the cash flow and realizable value of the underlying security. The estimates are based on historical experience and other assumptions that management believes are responsible and appropriate in the circumstances. Actual results may differ from these estimates. In addition, The Corporation also assessed collectively for impairment to identify potential future losses, by grouping the investment portfolio with similar risk characteristics, to determine whether a collective allowance should be recorded due to loss events for which there is objective evidence but whose effects are not yet evident. Based on the amounts determined by the analysis, the Corporation used judgement to determine the amounts calculated.

As September 30, 2017, the Corporation carries a collective impairment loss provision balance of $400,000 (December 31, 2016 - nil).

FINANCIAL INSTRUMENTS

The fair values of amounts receivable and prepaid expenses, bank indebtedness, accounts payable and accrued liabilities, and shareholder dividends payable approximate their carrying values due to their short-term maturities.

The fair value of the Investment Portfolio approximates its carrying value as the majority of the loans are fully open for repayment at any time without penalty and have floating interest rates. There is no quoted price in an active market for the mortgage and loan investments or mortgage syndication liabilities. Management makes its determinations of fair value based on its assessment of the current lending market for mortgage and loan investments of same or similar terms. As a result, the fair value of mortgage and loan investments is based on Level 3 on the fair value hierarchy.

The fair values of loans payable approximate their carrying values due to the fact that the majority of the loans are: (i) repayable in full, at any time, upon the repayment of the underlying loan that secures the loan payable, and (ii) have floating interest rates linked to bank prime.

The fair value of convertible debentures, including their conversion option, has been determined based on the closing price of the debentures of the Corporation on the Toronto Stock Exchange for the respective date.

The fair value of the debenture portfolio investment has been determined based on the closing price of convertible debenture securities of the respective listed entities on the Toronto Stock Exchange for the respective date.

The fair value of marketable securities has been determined based on the closing price of the security of the respective listed entities on the Toronto Stock Exchange for the respective date.

The fair value of loans on the debenture portfolio approximates its carrying value due to the fact that it is fully open for repayment and has a floating rate of interest.

The tables in note 16 of the financial statements present the fair values of the Corporation's financial instruments as at September 30, 2017 and December 31, 2016. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

CONTRACTUAL OBLIGATIONS

Contractual obligations as at September 30, 2017 are due as follows:

	Total	Less than 1 year	1-3 years	4 - 6 years
Bank indebtedness	$ 48,106,205	$ 48,106,205	$ -	$ -
Accounts payable and accrued liabilities	2,211,901	2,211,901	-	-
Shareholder dividends payable	2,032,886	2,032,886	-	-
Loans payable	42,312,803	-	42,312,803	-
Convertible debentures	163,223,000	-	66,223,000	97,000,000
Subtotal - Liabilities	$257,886,795	$ 52,350,992	$108,535,803	$97,000,000
Future advances under portfolio	102,398,033	102,398,033	-	-
Liabilities and contractual obligations	$360,284,828	$154,749,025	$108,535,803	$97,000,000

SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is described in note 3 of the Corporation's financial statements for the three months and nine months ended September 30, 2017 and year ended December 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

As a result of the Corporation's intent to qualify as a mortgage investment corporation, the Corporation intends to distribute no less than 100% of the taxable income of the Corporation, determined in accordance with the Income Tax Act (Canada), to its shareholders. The result is that growth in the Investment Portfolio can only be achieved through the raising of additional equity, issuing debt, and utilizing available borrowing capacity. As at September 30, 2017, the Corporation had not utilized its full leverage availability, being a maximum of 50% of its first mortgage investments. Unadvanced committed funds under the existing Investment Portfolio amounted to $102,398,033 as at September 30, 2017 (December 31, 2016 - $131,268,094). These commitments are anticipated to be funded from the Corporation's credit facility and borrower repayments under the Investment Portfolio. The Corporation has a revolving line of credit with its principal banker. There are limitations in the availability of funds under the revolving line of credit, which is made up of a small committed component and a large demand component (as further detailed in note 16(c) to the financial statements). The Corporation's investments are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing investments and funding commitments.

RISKS AND UNCERTAINTIES

The Corporation follows investment guidelines and operating policies. The board of directors, in its discretion, may amend or approve investments that exceed these guidelines and policies as investments are made. These policies govern such matters as: (i) restricting exposure per mortgage investment; (ii) requirements for director approvals; and (iii) implementation of operational risk management policies.

The Corporation is faced with the following ongoing risk factors, among others, that would affect shareholders' equity and the Corporation's ability to generate returns. A greater discussion of risk factors that affect the Corporation are included in the AIF under the section "Risk Factors", which section is incorporated herein by reference.

- *Economic conditions that would result in a significant decline in real estate values and corresponding loan losses.*
- *Under various federal, provincial and municipal laws, an owner or operator of real property could become liable for the cost of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The existence of such liability can have a negative impact on the value of the underlying real property securing a mortgage. The Corporation does not own the real property securing its Investment Portfolio and thus would not attract the environmental liability that an owner would be exposed to. In rare circumstances where a mortgage is in default, the Corporation may take possession of real property and may become liable for environmental issues as a mortgagee in possession. The Corporation obtains phase 1 environmental reports for mortgages where the Mortgage Banker determines that such reports would be prudent given the nature of the underlying property.*
- *The inability to obtain borrowings and leverage, thus reducing yield enhancement.*
- *Dependence on the Corporation Manager and Mortgage Banker. The Corporation's earnings are impacted by the Mortgage Banker's ability to source and generate appropriate investments that provide sufficient yields while maintaining pre-determined risk parameters. The Corporation has also entered into long-term contracts with the Mortgage Banker and the Corporation Manager, as more particularly described in the AIF. The Corporation is exposed to adverse developments in the business and affairs of the Corporation Manager and Mortgage Banker, since the day to day activities of the Corporation are run by the Corporation Manager and since all of the Corporation's investments are originated by the Mortgage Banker.*
- *Portfolio face rate fluctuations. The interest rate earned on the Corporation's Investment Portfolio fluctuates given that (i) it continually revolves given that it is short term in nature; and (ii) the portfolio is predominately floating rate interest with floors.*
- *Interest rate risk. The Corporation's operating loan is floating rate and an increase in short term rates would increase the Corporation's cost of borrowing.*
- *No guaranteed return. There is no guarantee as to the return that an investment in Shares of the Corporation will earn.*
- *Qualification as a Mortgage Investment Corporation. Although the Corporation intends to qualify at all times as a mortgage investment corporation, no assurance can be provided in this regard. If for any reason the Corporation does not maintain its qualification as a mortgage investment corporation under the Tax Act, dividends paid by the Corporation on the Shares will cease to be deductible by the Corporation in computing its income and will no longer be deemed by the rules in the Tax Act that apply to mortgage investment corporations to have been received by shareholders as bond interest or a capital gain, as the case may be. In consequence, the rules in the Tax Act regarding the taxation of public corporations and their shareholders should apply, with the result that the combined corporate and shareholder tax may be significantly greater.*
- *Availability of investments. Our ability to make investments in accordance with our objectives and investment policies depends upon the availability of suitable investments and the general economy and marketplace. Increased competition in the lending market place in which the Corporation operates from chartered banks or other public or private lending entities may impact the availability of suitable investments and achievable investment yields for the Corporation.*
- *Limited sources of borrowing. The Canadian financial marketplace is characterized as having a limited number of financial institutions that provide credit to entities such as ours. The limited availability of sources of credit may limit our ability to obtain additional leverage, if required.*
- *Demand loan bank indebtedness. A significant component of the Corporation's bank indebtedness is in the form of a demand facility, repayment of which can be demanded by the bank at any time.*
- *Specific investment risk for non-conventional mortgage and second mortgage investments. Non-conventional and second mortgage investments attract higher loan loss risk due to their subordinate ranking to other mortgage charges and sometimes high loan to value ratio. Consequently, this higher risk is compensated for by a higher rate of return. In order to mitigate risk and maintain a well-diversified investment portfolio, the operating policies of the Corporation generally limit the amount of*

Conventional Non-First Mortgage investments to a maximum of 30% of the Corporation's capital, subject to the Board of Directors' approval for any modifications to the operating policies.

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- *Reliance on Borrowers. After the funding of an investment, we rely on borrowers to maintain adequate insurance and proper adherence to environmental regulations during the ongoing management of their properties.*
- *Credit Risk. The Investment portfolio is exposed to credit risk. Credit risk is the risk that a counterparty to a financial investment will fail to fulfill its obligations or Commitment, resulting in a financial loss to the corporation.*
- *Change in Legislation. There can be no assurance that certain laws applicable to the Corporation, including Canadian federal and provincial tax legislation, commodity and sales tax legislation, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Corporation or fundamentally alter the tax consequences to shareholders acquiring, holding or disposing of Shares.*

SUBSEQUENT EVENT

On October 23, 2017, the Corporation filed a prospectus supplement for at-the-market program (the "ATM Program") that allows the Corporation to issue up to $30 million of common shares from treasury over a period of up to 25 months.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures, and controls to ensure that the information used internally by management and disclosed externally is complete, reliable, and timely. In addition, the Corporation's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Corporation, and have reviewed and approved this MD&A as well as the interim unaudited condensed financial statements as at September 30, 2017 and 2016.

CONTROLS AND PROCEDURES

The Corporation maintains appropriate information systems, procedures, and controls to ensure that information disclosed externally is complete, reliable, and timely. The Corporation's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of the Corporation's disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2016 and September 30, 2017 and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

The Corporation has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The Corporation's Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of, the design and operating effectiveness of the Corporation's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2017. Based on that assessment, it was determined that the Corporation's internal controls over financial reporting were appropriately designed and were operating effectively.

The Corporation did not make any changes to the design of the Corporation's internal controls over financial reporting during the period ended September 30, 2017 that would have materially affected or would be reasonably likely to materially affect the Corporation's internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

FORWARD LOOKING INFORMATION

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2017 objectives and our strategies to achieve those objectives, as well as statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance, or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under Risks and Uncertainties, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include risks associated with mortgage lending, competition for mortgage lending, real estate values, interest rate fluctuations, environmental matters, and shareholder liability. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include the assumption that there is not a significant decline in the value of the general real estate market; market interest rates remain relatively stable; the Corporation is generally able to sustain the size of its Investment Portfolio; adequate investment opportunities are presented to the Corporation; and adequate bank indebtedness are available to the Corporation. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, the Corporation undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

OUTLOOK

For the balance of 2017, we will continue to focus on risk management in light of the significant increase in real estate valuations in certain geographical and asset segments over the past few years.

The Corporation Manager continues to see the ability to increase interest rates on new investments as a result of a reduction in the availability of capital in the bridge financing market place due to a retraction of a few institutional lenders, and the need for larger transactions. There is no certainty if this pattern will continue or if those lenders will re-enter the bridge financing market place. The Corporation may be able to increase the average interest rate on its overall portfolio if this trend continues. Bridge financing remains our primary investment focus, permitting a recycle of capital to adjust to market conditions.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Condensed Interim Consolidated Balance Sheets

(in Canadian dollars)

(Unaudited)

As at		September 30, 2017		December 31, 2016
Assets				
Amounts receivable and prepaid expenses (note 4)	$	4,468,231	$	4,723,191
Marketable securities (note 5)		215,690		2,200,329
Debenture portfolio investments (note 5)		--		2,199,937
Investment portfolio (note 6)		533,868,548		444,294,633
Total assets	$	538,552,469	$	453,418,090
Liabilities				
Bank indebtedness (note 7)	$	48,106,205	$	45,436,612
Loan on debenture portfolio investments (note 5)		--		1,295,184
Accounts payable and accrued liabilities		2,211,901		2,101,630
Unearned income		807,626		879,851
Shareholders' dividends payable		2,032,886		2,428,973
Loans payable (note 8)		42,312,803		--
Convertible debentures (note 9)		157,074,801		162,305,989
Total liabilities	$	252,546,222	$	214,448,239
Shareholders' Equity				
Common shares (note 10)	$	281,536,710	$	236,031,386
Equity component of convertible debentures		2,780,000		2,800,000
Stock options (note 10)		93,653		95,123
Contributed surplus		76,276		1,924
Surplus / (Deficit)		1,478,942		(321,826)
Accumulated other comprehensive income		40,666		363,244
Total shareholders' equity	$	286,006,247	$	238,969,851
Commitments (note 6)				
Contingent liabilities (note 15)				
Total liabilities and shareholders' equity	$	538,552,469	$	453,418,090

Subsequent event (note 18)

See accompanying notes to condensed interim consolidated financial statements.

On behalf of the Directors:

"Eli Dadouch"	*"Jonathan Mair"*
ELI DADOUCH	JONATHAN MAIR
Director	Director

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Condensed Interim Consolidated Statements of Income

(in Canadian dollars)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Interest and fees earned	$ 10,773,907	$ 8,988,912	$ 32,090,136	$ 26,710,152
Realized gains on disposal of debenture portfolio investments (note 5)	--	--	240,618	--
Realized gains on disposal of marketable securities investments (note 5)	143,021	--	217,817	--
	10,916,928	8,988,912	32,548,571	26,710,152
Corporation manager spread interest allocation (note 13)	942,442	779,364	2,646,932	2,323,419
Interest expense (note 14)	3,624,195	2,586,941	9,634,376	7,954,862
General and administrative expenses	219,463	216,175	716,485	610,109
Impairment loss on investment portfolio (note 6)	227,000	--	852,000	--
	$ 5,013,100	$ 3,582,480	$ 13,849,793	$ 10,888,390
Income and profit for the period	$ 5,903,828	$ 5,406,432	$ 18,698,778	$ 15,821,762
Profit per share (note 11)				
Basic	$0.241	$0.241	$0.786	$0.733
Diluted	$0.237	$0.236	$0.753	$0.715

See accompanying notes to condensed interim consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Income

(in Canadian dollars)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**
Income and profit for the period	$ 5,903,828	$ 5,406,432	$ 18,698,778	$ 15,821,762
Other comprehensive income:				
Change in fair value of available for sale marketable securities and debenture investments (note 5)	8,029	109,815	135,857	436,590
Realized gains on disposal of marketable securities and debenture investments reclassified to income (note 5)	(143,021)	--	(458,435)	--
Total comprehensive income for the period	$ 5,768,836	$ 5,516,247	$ 18,376,200	$ 16,258,352

See accompanying notes to condensed interim consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(in Canadian dollars)

(Unaudited)

	Common shares	Equity component of convertible debentures	Stock options	Contributed surplus	Surplus (Deficit)	Accumulated other comprehensive income	Shareholders' equity
Balance at January 1, 2017	$ 236,031,386	$ 2,800,000	$ 95,123	$ 1,924	($321,826)	$ 363,244	$ 238,969,851
Proceeds from issuance of shares	44,303,727	-	-	-	-	-	44,303,727
Offering costs	(1,165,485)	-	-	-	-	-	(1,165,485)
Proceeds from issuance of shares from dividend reinvestment	667,534	-	-	-	-	-	667,534
Conversion and redemption of debentures	155,648	(230,000)		74,352			-
Equity component of debentures issued during the year (note 9)	-	210,000	-	-	-	-	210,000
Stock based compensation (note 10 (b))	-	-	11,030	-	-	-	11,030
Exercise of stock options (note 10 (b))	1,543,900	-	(12,500)	-	-	-	1,531,400
Forfeiture of stock options	-			-	-	-	-
Change in fair value of available for sale marketable securities and debenture investments (note 5)	-	-	-	-	-	135,857	135,857
Realized gains on disposal of marketable securities and debenture investments reclassified to income (note 5)	-	-	-	-	-	(458,435)	(458,435)
Income and profit for the period	-	-	-	-	18,698,778	-	18,698,778
Dividends to shareholders	-	-	-	-	(16,898,010)	-	(16,898,010)
Balance at September 30, 2017	**$ 281,536,710**	**$ 2,780,000**	**$ 93,653**	**$ 76,276**	**$ 1,478,942**	**$ 40,666**	**$ 286,006,247**
Shares issued and outstanding (note 10)	26,062,635						

	Common shares	Equity component of convertible debentures	Stock options	Contributed surplus	Surplus (Deficit)	Accumulated other comprehensive income (loss)	Shareholders' equity
Balance at January 1, 2016	$ 209,220,787	$ 2,484,000	$ 100,531	$ 962	($321,826)	(1,604)	$ 211,482,850
Proceeds from issuance of shares	25,367,850	-	-	-	-	-	25,367,850
Offering costs	(1,246,207)	-	-	-	-	-	(1,246,207)
Proceeds from issuance of shares from dividend reinvestment	1,582,848	-	-	-	-	-	1,582,848
Conversion and redemption of debentures	-	-	-	-	-	-	-
Equity component of debentures issued during the year (note 9)	-	-	-	-	-	-	-
Stock based compensation (note 10 (b))	-	-		-	-	-	-
Exercise of stock options (note 10 (b))	478,015	-	(3,869)	-	-	-	474,146
Forfeiture of stock options	-	-	(962)	962	-	-	-
Change in fair value of available for sale marketable securities and debenture investments (note 5)	-	-	-	-	-	436,590	436,590
Realized gains on disposal of marketable securities and debenture investments reclassified to income (note 5)	-	-	-	-	-	-	-
Income and profit for the period	-	-	-	-	15,821,762	-	15,821,762
Dividends to shareholders	-	-	-	-	(15,256,862)	-	(15,256,862)
Balance at September 30, 2016	**$ 235,403,293**	**$ 2,484,000**	**$ 95,700**	**$ 1,924**	**$ 243,074**	**$ 434,986**	**$ 238,662,977**
Shares issued and outstanding (note 10)	22,442,947						

See accompanying notes to condensed interim consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

(in Canadian dollars)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Cash provided by (used in):				
Operating activities:				
Income and profit for the period	$ 5,903,828	$ 5,406,432	$ 18,698,778	$ 15,821,762
Adjustments for:				
Financing costs (net of implicit interest rate and deferred finance cost amortization)	3,160,321	2,247,335	8,383,853	6,949,573
Implicit interest rate in excess of coupon rate - convertible debentures (note 14)	112,482	84,975	314,511	246,931
Change in impairment loss on investment portfolio	227,000	--	852,000	--
Deferred finance cost amortization - convertible debentures (note 14)	351,392	254,631	936,011	758,358
Realized gains on disposal of debenture portfolio investments (note 5)	--	--	(240,618)	--
Realized gains on disposal of marketable securities investments (note 5)	(143,021)	--	(217,817)	--
Share-based compensation	--	--	11,030	--
Net change in non-cash operating items:				
Increase (decrease) in accrued interest payable	(72,848)	(233,431)	(56,824)	11,668
Decrease (increase) in amounts receivable and prepaid expenses	2,739,622	(420,504)	254,960	144,513
Increase in accounts payable and accrued liabilities	184,635	345,458	110,271	64,745
Increase (decrease) in unearned income	(87,624)	33,226	(72,225)	(202,435)
Net cash flow from operating activities	$ 12,375,787	$ 7,718,122	$ 28,973,930	$ 23,795,115
Financing activities:				
Proceeds from issuance of shares in new offerings	--	--	23,025,300	25,367,850
Proceeds from issuance of shares from dividend reinvestment	13,696	516,481	667,534	1,582,848
Proceeds from exercise of stock options	235,600	--	1,531,400	474,146
Proceeds from convertible debentures issued	--	--	26,500,000	--
Repayment of convertible debentures (note 9)	(10,164,573)	--	(10,164,573)	--
Debenture offering costs	--	--	(1,328,709)	--
Equity offering costs	(24,405)	--	(1,165,485)	(1,246,207)
Funding of loans payable (net)	42,312,803	--	42,312,803	(7,093,535)
Repayment of loan on debenture portfolio	--	(62,877)	(1,295,184)	(128,130)
Cash interest paid (note 14)	(3,087,473)	(2,013,904)	(8,327,030)	(6,961,241)
Dividends to shareholders paid during the period (note 12)	(5,685,079)	(5,245,574)	(17,294,097)	(16,208,066)
Net cash flow from financing activities	$ 23,600,569	$ (6,805,874)	$ 54,461,959	$ (4,212,335)
Investing activities:				
Disposition of marketable securities	1,644,171	--	2,099,067	--
Disposition of debenture portfolio investments	--	--	2,221,366	(9,512)
Funding of investment portfolio	(121,780,368)	(69,875,845)	(269,709,958)	(183,637,729)
Discharging of investment portfolio	72,086,524	48,586,539	179,284,043	153,065,431
Net cash flow used in investing activities	$ (48,049,673)	$ (21,289,306)	$ (86,105,482)	$ (30,581,810)
Net increase in bank indebtedness for the period	(12,073,317)	(20,377,058)	(2,669,593)	(10,999,030)
Bank indebtedness, beginning of period	(36,032,888)	(32,335,100)	(45,436,612)	(41,713,128)
Bank indebtedness, end of period	$ (48,106,205)	$ (52,712,158)	$ (48,106,205)	$ (52,712,158)
Cash flows from operating activities include:				
Interest received	$ 10,115,830	$ 8,111,406	$ 27,980,537	$ 25,108,961

See accompanying notes to condensed interim consolidated financial statements.

1. Organization of Corporation:

Firm Capital Mortgage Investment Corporation (the "Corporation"), through its mortgage banker, Firm Capital Corporation, is a non-bank lender providing primarily residential and commercial short-term bridge and conventional real estate financing, including construction, mezzanine, and equity investments. The shares of the Corporation are listed on the Toronto Stock Exchange under the symbol "FC". The Corporation is a Canadian mortgage investment corporation and the registered office of the Corporation is 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5. FC Treasury Management Inc. is the Corporation's manager (the "Corporation Manager"). The Corporation was incorporated pursuant to the laws of the Province of Ontario on October 22, 2010.

2. Basis of presentation:

The unaudited condensed interim consolidated financial statements of the Corporation have been prepared by management in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The preparation of these unaudited condensed interim consolidated financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the notes to the Corporation's audited consolidated financial statements for the year ended December 31, 2016, since they do not contain all disclosures required by IFRS for annual financial statements. These unaudited condensed interim consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through comprehensive income or available for sale through other comprehensive income, which are measured at fair value. These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 7, 2017.

3. Significant accounting policies:

The accounting policies applied by the Corporation in these unaudited condensed interim consolidated financial statements are the same as those applied by the Corporation in its financial statements for the year ended December 31, 2016.

Future changes in accounting policies:

Various pronouncements have been issued by the IASB or IFRS Interpretations Committee (IFRIC) that will be effective for future accounting periods. The standard that is applicable to the Corporation is summarized below.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments (“IFRS 9”) replacing IAS 39, Financial Instruments Recognition and Measurements. The Corporation intends to adopt IFRS 9 effective January 1, 2018 Corporation. The actual impact of adopting IFRS 9 on the Corporation’s consolidated financial statements in 2018 is not known and cannot be reasonably estimated because it will be dependent on the financial instruments that the Corporation holds and economic conditions at that time, as well as accounting elections and judgments that it will make in the future. The new standard will require the Corporation to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

(i) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Upon initial recognition, each financial asset will be classified as either FVTPL, amortized cost, or FVOCI. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding the instrument to collect contractual cash flows and the cash flows represent solely principal and interest. Otherwise it is recorded at FVTPL.

Based on its preliminary assessment, the Corporation has identified that a significant portion of its investments will continue to be measured at amortized costs subject to IFRS 9 impairment rules and has also identified certain investments that will have a change from their current classification to FVTPL.

(ii) Impairment – Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

• 12-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and

• lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Corporation believes that impairment losses are likely to become more volatile for assets in the scope of the IFRS 9 impairment model. However, the Corporation has not yet finalized the impairment methodologies that it will apply under IFRS 9.

(iii) Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

(in Canadian dollars)

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

• the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

• the remaining amount of change in the fair value is presented in profit or loss.

The Corporation has not designated any financial liabilities as at FVTPL and the Corporation has no current intention to do so. The Corporation's preliminary assessment did not indicate any material impact if IFRS 9's requirements on the classification of financial liabilities were applied at September 30, 2017.

(v) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs. The Corporation plans to implement the system and controls changes that it believes will be necessary to capture the required data.

(vi) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

• The Corporation plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at January 1, 2018;

• The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application;

• The determination of the business model within which a financial asset is held;

• The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL;

• The designation of certain investments in equity instruments not held for trading as at FVOCI.

4. Amounts receivable and prepaid expenses:

The following is a breakdown of amounts receivable and prepaid expenses as at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Interest receivable	$ 4,070,308	$ 4,272,274
Prepaid expenses	231,589	151,795
Fees receivable	149,351	269,807
Special profit income receivable	16,983	29,315
Amounts receivable and prepaid expenses	$ 4,468,231	$ 4,723,191

(in Canadian dollars)

5. Marketable securities and debenture portfolio investments:

The Corporation holds units in publicly traded real estate investment trusts (marketable securities), which are classified as available for sale. The fair value of the marketable securities is based on the closing price of the investments, which are actively traded in the marketplace and any adjustments to fair value are reflected in the Statements of Comprehensive Income until the investments are disposed of or impaired, at which time the Corporation records the change in fair value in the Statements of Income. The fair value of the marketable securities at September 30, 2017 is $215,690 (December 31, 2016 - $2,200,329). The fair value of the debentures portfolio at September 30, 2017 is nil (December 31, 2016 - $2,199,937).

For the three months ended September 30, 2017, the available for sale marketable securities increased in fair value by $8,029 (September 30, 2016 - unrealized gain of $109,815). For the nine months ended September 30, 2017, the available for sale marketable securities and debenture investments increased in fair value by $135,857 (September 30, 2016 - unrealized gain of $436,590) with a corresponding increase in other comprehensive income.

Total cumulative realized gain on disposal of marketable securities and debenture portfolio investments reclassified from accumulated other comprehensive income to statements of income for the three months ended September 30, 2017 is $143,021 (2016 - nil), and for the nine months ended September 30, 2017 is $458,435 (2016 - nil).

During the three months ended September 30, 2017, the Corporation did not hold any debenture portfolio investments. During the nine months ended September 30, 2017, the Corporation sold its entire debenture portfolio investments for proceeds of $2,221,366. The Corporation realized a total gain on disposal of debenture portfolio investments of $240,618 and this amount was reclassified from accumulated other comprehensive income to the statements of income.

During the three months ended September 30, 2017, the Corporation sold a portion of its marketable securities investments for proceeds of $1,644,171. The Corporation realized a total gain on disposal of marketable security investments of $143,021 and this amount was reclassified from accumulated other comprehensive income to the statements of income. During the nine months ended September 30, 2017, the Corporation sold a portion of its marketable securities investments for proceeds of $2,099,067. The Corporation realized a total gain on disposal of marketable security investments of $217,817 and this amount was reclassified from accumulated other comprehensive income to the statements of income.

The Corporation had a margin loan against the debenture portfolio which was fully paid out in the second quarter of 2017. The current interest rate on this loan is equal to the Bank of Canada’s overnight rate plus a spread. The effective rate is equal to 1.5% per annum.

6. Investment portfolio:

The following is a breakdown of the investment portfolio as at September 30, 2017 and December 31, 2016:

	September 30, 2017		December 31, 2016	
Conventional first mortgages	$ 389,304,424	72.2%	$ 336,745,396	75.1%
Conventional non-first mortgages	66,884,389	12.4%	46,265,981	10.3%
Related investments	76,582,946	14.2%	56,734,231	12.6%
Discounted debt investments	5,407,775	1.0%	5,071,525	1.1%
Non-conventional mortgages	1,001,014	0.2%	3,937,500	0.9%
Total investments (at amortized cost)	$ 539,180,548	100.00%	$ 448,754,633	100.00%
Impairment provision	(5,312,000)		(4,460,000)	
Investment portfolio	$ 533,868,548		$ 444,294,633	

(in Canadian dollars)

As at September 30, 2017, $53,520,471 (December 31, 2016 - nil) of the mortgages within the conventional first mortgage portfolio have first priority syndicate participations (December 31, 2016 - nil) (recorded on the Corporation's balance sheets as loans payable (see note 8). The Corporation's net investment in these mortgages is $11,207,668 (December 31, 2016 - nil).

Conventional first mortgages are loans secured by a first priority mortgage charge with loan to values not exceeding 75%. Conventional non-first mortgages are loans with mortgage charges not registered in first priority with loan to values not exceeding 75%. Related investments are loans that may not necessarily be secured by mortgage charge security. Discounted debt investments are loans purchased from arms-length third parties at a discount to their face value. Non-conventional mortgages are loans that in some cases have loan to values that exceed or may exceed 75% and are investments that are the source of all special profit participation earned by the Corporation.

The investment portfolio is stated at amortized cost. The impairment provision is $5,312,000 as at September 30, 2017 (December 31, 2016 - $4,460,000), of which $4,912,000 represents the total amount of management's estimate of the shortfall between the investment balances and the estimated recoverable amount from the security under the specific loans. The $4,912,000 comprises a provision against principal of $3,925,580 (December 31, 2016 - $4,460,000) and interest receivable on mortgages in default of $986,420 (December 31, 2016 - nil).

The Corporation also assessed collectively for impairment to identify potential future losses, by grouping the investment portfolio with similar risk characteristics, to determine whether a collective allowance should be recorded due to loss events for which there is objective evidence but whose effects are not yet evident. Based on the amounts determined by the analysis, the Corporation used judgement to determine the amounts calculated. As at September 30, 2017, the Corporation carries a collective impairment loss provision balance of $400,000 (December 31, 2016 - nil).

The loans comprising the Investment portfolio bear interest at the weighted average rate of 8.03% per annum (December 31, 2016 - 7.83% per annum) and mature between 2017 and 2020.

The unadvanced funds under the existing investment portfolio (which are commitments of the Corporation) amounted to $102,398,033 as at September 30, 2017 (December 31, 2016 - $131,268,094).

Principal repayments based on contractual maturity dates are as follows:

Balance of 2017	$ 188,681,133
2018	248,401,182
2019	90,727,295
2020	11,370,938
	$ 539,180,548

Borrowers who have open loans have the option to repay principal at any time prior to the maturity date without penalty.

The Corporation enters into participation agreements with respect to certain mortgage investments from time to time, whereby the other participating investors take the senior position and the Corporation retains a subordinated position. Under these certain participation agreements, the Corporation has retained a residual portion of the credit and/or default risk as a result of holding the subordinated interest in the mortgage and has therefore not met the de-recognition criteria described in the notes to the annual financial statements.

The portion of such mortgage interests held by the priority participant is included in investment portfolio and recorded as loans payable (note 8). Any gross interest and fees earned on the priority participant's interests and the related interest expense is recognized in income and profit.

(in Canadian dollars)

As at September 30, 2017, the carrying value of the priority participants' interests in the Corporation's investment portfolio and loans payable is $42,312,803 (December 31, 2016 - nil).

7. Bank indebtedness:

The Corporation has entered into credit arrangements of which $48,106,205 has been drawn as at September 30, 2017 (December 31, 2016 - $45,436,612). Interest on bank indebtedness is predominantly charged at a rate that varies with bank prime and may have a component with a fixed interest rate established based on a formula linked to bankers' acceptance rates. The credit arrangement comprises a revolving operating facililty, a component of which is a demand facility and a component of which has a committed term to September 30, 2018 (as further detailed in note 17 (c)). Bank indebtedness is secured by a general security agreement. The credit agreement contains certain financial covenants that must be maintained. As at September 30, 2017 and December 31, 2016, the Corporation was in compliance with all financial covenants.

8. Loans payable:

First priority charges on specific mortgage investments have been granted as security for the loans payable. The loans mature on dates consistent with those of the underlying mortgages. The loans are on a non-recourse basis and bear interest at a rate of 5.35% as at September 30, 2017 (December 31, 2016 – nil). The Corporation's principal balance outstanding under the mortgages for which a first priority charge has been granted is $53,520,471 as at September 30, 2017 (December 31, 2016 - nil).

The loans are repayable at the earlier of the contractual expiry date of the underlying mortgage investments and the date the underlying mortgage is repaid. Repayments based on contractual maturity dates are as follows:

Balance of 2017	$ -
2018	31,843,738
2019	10,469,065
	$ 42,312,803

9. Convertible debentures:

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Liability component, beginning of period	$ 162,305,989	$ 139,904,049
Issued	24,961,290	21,026,222
Conversions of debentures to shares	(21,278,427)	-
Repayments upon maturity	(10,164,573)	-
Implicit interest rate in excess of coupon rate	314,511	357,767
Deferred finance cost amortization	936,011	1,017,951
Carrying value, end of period	$ 157,074,801	$ 162,305,989

(in Canadian dollars)

The breakdown of the convertible debentures for the nine months ended September 30, 2017 presented in the above table is as follows:

Convertible debenture	Balance, beginning of period	Issued	Conversions	Implicit interest rate in excess of coupon rate	Deferred finance cost amortization	Repayments upon Redemption	Balance, end of period	Maturity date
5.75%	$ 31,243,770	-	$(21,278,427)	$ 32,423	$ 166,807	$ (10,164,573)	$ -	Oct 31, 2017
5.40%	25,177,718	-		70,272	129,737		25,377,727	Feb 28, 2019
5.25%	19,930,572	-		80,425	100,636		20,111,633	Mar 31, 2019
4.75%	19,300,141	-		47,250	113,795		19,461,186	Mar 31, 2020
5.30%	23,944,422	-		15,272	128,377		24,088,071	May 31, 2022
5.50%	21,676,254	-		34,386	124,900		21,835,540	Dec 31, 2022
5.20%	21,033,112	-		28,254	123,129		21,184,495	Dec 31, 2023
5.30%	-	24,961,290		6,229	48,630		25,016,149	Aug 31, 2024
Total	$ 162,305,989	$ 24,961,290	$(21,278,427)	$ 314,511	$ 936,011	$ (10,164,573)	$ 157,074,801	

The breakdown of the convertible debentures for the year ended December 31, 2016 presented in the above table is as follows:

Convertible debenture	Balance, beginning of year	Issued	Conversions	Implicit interest rate in excess of coupon rate	Deferred finance cost amortization	Repayments upon maturity	Balance, end of year	Maturity date
5.75%	$ 30,994,955	-	$ -	$ 36,795	$ 212,020	$ -	$ 31,243,770	Oct 31, 2017
5.40%	24,914,687	-	$ -	89,097	173,934	$ -	25,177,718	Feb 28, 2019
5.25%	19,693,717	-	$ -	101,937	134,918	$ -	19,930,572	Mar 31, 2019
4.75%	19,087,320	-	$ -	60,261	152,560	$ -	19,300,141	Mar 31, 2020
5.30%	23,748,170	-	$ -	24,142	172,110	$ -	23,944,422	May 31, 2022
5.50%	21,465,200	-	$ -	43,606	167,448	$ -	21,676,254	Dec 31, 2022
5.20%	-	21,026,222	$ -	1,929	4,961	$ -	21,033,112	Dec 31, 2023
Total	$ 139,904,049	$ 21,026,222	$ -	$ 357,767	$ 1,017,951	$ -	$ 162,305,989	

On June 27, 2017, the Corporation completed a public offering of 26,500 5.30% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $26,500,000, less issuance costs of $1,328,709. The debentures mature on August 31, 2024 and interest is paid semi-annually on the last day of February and August of each year. The debentures are convertible at the option of the holder at any time prior to the maturity date at a conversion price of $15.25. The debentures may not be redeemed by the Corporation prior to August 31, 2020. On or after August 31, 2020, but prior to August 31, 2022, the debentures are redeemable at a price equal to the principal, plus accrued and unpaid interest, at the Corporation's option on not more than 60 days' and not less than 30 days' notice, provided that the weighted average trading price of the shares on the Toronto Stock Exchange for the 20 consecutive trading days ending 5 trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after August 31, 2022 and prior to the maturity date, the debentures are redeemable at a price equal to the principal amount plus accrued and unpaid interest, at the Corporation's option on not more than 60 days' and not less than 30 days' prior notice. On redemption or at maturity, the Corporation may, at its option, on not more than 60 days' and not less than 40 days' prior notice, elect to satisfy its obligation to pay all or a portion of the principal of the debenture by issuing that number of shares of the Corporation obtained by dividing the principal amount being repaid by 95% of the weighted average trading price of the shares for the 20 consecutive trading days ending on the fifth day preceding the redemption or maturity date.

(in Canadian dollars)

The convertible debentures were allocated into liability and equity components on the date of issuance as follows:

Liability	$ 26,290,000
Equity	210,000
Principal	$ 26,500,000

On September 20, 2017, the Corporation completed an early redemption of its 5.75% convertible unsecured subordinated debentures, which were scheduled to mature on October 31, 2017. This series of convertible unsecured subordinated debentures had a conversion price of $15.90 per share. As part of the early redemption, the holders of the debentures were provided an option to convert at 95% of the weighted average market price per share for the preceding 20 trading days ending on the fifth trading day preceding the redemption date (being September 13, 2017). Of the outstanding $31,443,000 principal, $21,278,427 was converted to 1,759,944 common shares at a price of $12.09 per share and the remaining balance of $10,164,573 was repaid in cash.

As at September 30, 2017, debentures payable bear interest at the weighted average effective rate of 5.26% per annum (December 31, 2016 - 5.34% per annum). Notwithstanding the carrying value of the convertible debentures, the principal balance outstanding to the debenture holders is $163,223,000 as at September 30, 2017 (December 31, 2016 - $168,166,000).

10. Shareholders' equity:

The beneficial interest in the Corporation is represented by a single class of shares that are unlimited in number. Each share carries a single vote at any meeting of shareholders and carries the right to participate pro rata in any dividends.

(a) Shares issued and outstanding:

The following shares were issued and outstanding as at September 30, 2017:

	# of shares	Amount
Balance, beginning of year	22,490,489	$ 236,031,386
New shares issued from equity offering	1,633,000	23,025,300
New shares issued from debenture conversion (note 9)	1,759,944	21,278,427
Debenture equity conversion		155,648
Equity offering costs		(1,165,485)
Options exercised in the period	130,000	1,543,900
New shares issued during the period under Dividend Reinvestment Plan	49,202	667,534
Balance, end of period	26,062,635	$ 281,536,710

The following shares were issued and outstanding as at December 31, 2016:

	# of shares	Amount
Balance, beginning of year	20,313,943	$ 209,220,787
New shares from equity offering	1,966,500	25,367,850
New shares from debenture conversion (note 9)	-	-
Equity offering costs	-	(1,246,207)
Options exercised in the year	46,250	549,272
New shares issued during the year under Dividend Reinvestment Plan	163,796	2,139,684
Balance, end of year	22,490,489	$ 236,031,386

(in Canadian dollars)

During the third quarter of 2017, the Corporation completed an early redemption of 5.75% convertible unsecured subordinated debentures due October 31, 2017. Of the outstanding $31,443,000 principal, $21,278,427 was converted to common shares at a price of $12.09 per share, which equaled to 95% of the weighted average market price per share for the preceding 20 trading days ending on the fifth trading day preceding the redemption date. The remaining balance of $10,164,573 was repaid in cash.

During the first quarter of 2017, the Corporation completed an equity offering of 1,420,000 common shares at a price of $14.10 per share for gross proceeds of $20,022,000. The over-allotment option was exercised in full and the Corporation issued an additional 213,000 shares at a price of $14.10 per share for gross proceeds of $3,003,300. The total shares issued was 1,633,000.

During the second quarter of 2016, the Corporation completed an equity offering of 1,710,000 common shares at a price of $12.90 per share for gross proceeds of $22,059,000. The over-allotment option was exercised in full and the Corporation issued an additional 256,500 shares at a price of $12.90 per share for gross proceeds of $3,308,850. The total shares issued was 1,966,500.

(b) Incentive option plan:

During the second quarter of 2017, the Corporation granted 70,000 options at an exercise price of $13.15 per share. These options fully vested upon granting.

As at September 30, 2017, of the 1,145,000 options granted, the total options excerised to date is 177,750 and the total amount of options forfeited to date is 20,000.

During the three months ended September 30, 2017, 20,000 options were exercised, all of which were exercised by an officer of the Corporation. During the nine months ended September 30, 2017, 130,000 options were exercised, of which 125,000 options were exercised by the officers of the Corporation.

	# of options		Amount
Balance at December 31, 2015	1,063,500	$	100,531
Options exercised	(46,250)		(4,446)
Options forfeited	(10,000)		(962)
Balance at December 31, 2016	1,007,250	$	95,123
Options issued	70,000		11,030
Options exercised	(130,000)		(12,500)
Balance at September 30, 2017	947,250	$	93,653

(in Canadian dollars)

(c) Dividend reinvestment plan and direct share purchase plan:

The Corporation has a dividend reinvestment plan and direct share purchase plan for its shareholders that allows participants to reinvest their monthly cash dividends in additional shares of the Corporation at a share price equivalent to the weighted average price of shares for the preceding five-day period.

11. Per share amounts:

Profit per share calculation:

The following table reconciles the numerators and denominators of the basic and diluted profit per share for the three months ended September 30, 2017 and September 30, 2016.

Basic profit per share calculation:

	Three months ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Numerator for basic profit per share:				
Net income and profit for the period	5,903,828	$ 5,406,432	$ 18,698,778	$ 15,821,762
Denominator for basic profit per share:				
Weighted average shares	24,511,623	22,423,814	23,789,101	21,590,440
Basic profit per share	$ 0.241	$ 0.241	$ 0.786	0.733

Diluted profit per share calculation:

	Three months ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Numerator for diluted profit per share:				
Net income and profit for the period	$ 5,903,828	$ 5,406,432	$ 18,698,778	$ 15,821,762
Interest on convertible debentures	2,533,661	1,778,375	6,799,935	5,323,155
Net profit for diluted profit per share	$ 8,437,489	$ 7,184,807	$ 25,498,713	$ 21,144,917
Denominator for diluted profit per share:				
Weighted average shares	24,511,623	22,423,814	23,789,101	21,590,440
Net shares that would be issued:				
Assuming the proceeds from options are used to repurchase units at the average share price	70,621	112,930	99,277	112,930
Assuming debentures are converted	11,091,621	7,878,506	9,964,977	7,878,506
Diluted weighted average shares	35,673,865	30,415,250	33,853,355	29,581,876
Diluted profit per share:	$ 0.237	$ 0.236	$ 0.753	$ 0.715

12. Dividends:

The Corporation intends to make dividend payments to the shareholders on a monthly basis on or about the 15th day of each following month. The operating policies of the Corporation set out that the Corporation intends to distribute to shareholders within 90 days after the year end at least 100% of the net income of the Corporation determined in accordance with the Income Tax Act (Canada), subject to certain adjustments.

For the three months ended September 30, 2017, the Corporation recorded dividends of $5,823,998 (2016 - $5,248,576) to its shareholders. Dividends were $0.234 per share (2016 - $0.234 per share). For the nine months ended September 30, 2017, the Corporation recorded dividends of $16,898,010 (2016 - $15,256,862) to its shareholders. Dividends were $0.702 per share (2016 - $0.702 per share).

13. Related party transactions and balances:

The Corporation's Manager (a company related to officers and/or directors of the Corporation) receives an allocation of interest, referred to as the Corporation Manager spread interest, calculated at 0.75% per annum of the Corporation's daily outstanding performing investment balances. For the three months ended September 30, 2017 , this amount was $942,442 (2016 - $779,364). For the nine months ended September 30, 2017, this amount was $2,646,932 (2016 - $2,323,419). Included in accounts payable and accrued liabilities at September 30, 2017 are amounts payable to the Corporation's Manager of $315,494 (December 31, 2016 - $275,563).

For the three months ended September 30, 2017, the total directors' fee expensed was $71,000 (2016 - $64,000). For the nine months ended September 30, 2017, the total directors' fee expensed was $201,333 (2016 - $160,375). Key management personnel are also directors of the Corporation and receive compensation from the Corporation's Manager. The Directors held 474,707 shares in the Corporation as at September 30, 2017 (December 31, 2016 - 430,946).

For the three months ended September 30, 2017, no options were issued under the incentive option plan (2016 - nil). For the nine months ended September 30, 2017, two directors were awarded 70,000 options under the incentive option plan (2016 - nil).

The Mortgage Banker (a company related to officers and/or directors of the Corporation) receives certain fees from the borrowers as follows: loan servicing fees equal to 0.10% per annum on the principal amount of each of the Corporation's investments; 75% of all of the commitment and renewal fees generated from the Corporation's investments; and 25% of all of the special profit income generated from the non-conventional investments after the Corporation has yielded a 10% per annum return on its investments. Interest and fee income of the Corporation is net of the loan servicing fees paid to the Mortgage Banker of approximately $126,000 for the three month ended September 30, 2017 (2016 - $104,000), and approximately $353,000 for the nine months ended September 30, 2017 (2016 - $310,000), respectively. The Mortgage Banker also retains all overnight float interest and incidental fees and charges payable by borrowers on the Corporation's investments.

The Corporation's Management Agreement and Mortgage Banking Agreement contains provisions for the payment of termination fees to the Corporation Manager and Mortgage Banker in the event that the respective agreements are either terminated or not renewed.

A significant number of the Corporation's investments are shared with other investors of the Mortgage Banker, which may include members of management of the Mortgage Banker and/or Officers or directors of the Corporation. The Corporation ranks equally with other members of the syndicate as to receipt of principal and income.

(in Canadian dollars)

Two mortgage investments totaling $1,400,000 (December 31, 2016 - three mortgages investment totaling $4,850,000) were issued to a borrower controlled by an independent director of the Corporation. The investments were made by way of a participation in a direct loan to the entity controlled by the director. The investment is in accordance with the Corporation's existing investment and operating policies and is personally guaranteed by the director. For the three months ended September 30, 2017, the Corporation recognized interest and fees earned of $29,574 (September 30, 2016 - $164,754) from these investments. For the nine months ended September 30, 2017, the Corporation recognized interest and fees earned of $3,185,582 (including the special profit income and interest on mortgage that was paid out during the second quarter) (September 30, 2016 - $490,681) from these investments.

The Corporation holds a mortgage investment totaling $4,985,500 at September 30, 2017 (classified as discounted debt investment) that originated from the purchase of a mortgage loan from a Schedule 1 bank at a discount to its original principal balance (December 31, 2016 - $4,628,000). The Corporation's investment is by way of a participation in a mortgage loan to the entity that took title to the real estate following the completion of the enforcement foreclosure that occurred after the purchase of the underlying Schedule 1 bank mortgage. The Corporation is a pari passu participant in the mortgage, having the same rights as all other participants in the loan. The entity that holds title to the real estate as agent is related to the other participants in the mortgage loan investment, including entities related to certain directors of the Corporation, and for this reason, the borrower is classified as a related party. For the three months ended September 30, 2017, the Corporation recognized interest and fees earned of nil (September 30, 2016 - nil) from this investment. For the nine months ended September 30, 2017, the Corporation recognized interest and fees earned of nil (September 30, 2016 - nil) from this investment. The impairment provision recorded on this loan was $1,190,000 as at September 30, 2017 (December 31, 2016 - $1,190,000). Recoveries under the investment resulting from the sale of the secured real estate will be treated the same as for all non-conventional mortgage investments held by the Corporation.

Key management compensation:

Aggregate compensation paid to key management personnel (including payments to related parties for their recovery of overhead costs), all consisting of short-term employee compensation, was $529,517 for the quarter ended September 30, 2017 (2016 - $485,329), all of which was paid by the Corporation's Manager and nil by the Corporation.

14. Interest expense:

	Three months ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Bank interest expense	$ 275,094	$ 294,014	$ 990,950	$ 996,328
Loans payable interest expense	333,275	-	333,275	93,280
Debenture interest expense	3,015,826	2,292,927	8,310,151	6,865,254
Interest expense	**$ 3,624,195**	**$ 2,586,941**	**$ 9,634,376**	**$ 7,954,862**
Deferred finance cost amortization - convertible debentures	(351,392)	(254,631)	(936,011)	(758,358)
Implicit interest rate in excess of coupon rate - convertible debentures	(112,482)	(84,975)	(314,511)	(246,931)
Change in accrued interest payable	(72,848)	(233,431)	(56,824)	11,668
Cash interest paid	**$ 3,087,473**	**$ 2,013,904**	**$ 8,327,030**	**$ 6,961,241**

(in Canadian dollars)

15. Contingent liabilities:

The Corporation is involved in certain litigation arising out of the ordinary course of investing in loans. Although such matters cannot be predicted with certainty, management believes the claims are without merit and does not consider the Corporation's exposure to such litigation to have a material impact on these financial statements.

16. Fair value:

The fair values of amounts receivable and prepaid expenses, bank indebtedness, accounts payable and accrued liabilities, and shareholders dividends payable approximate their carrying values due to their short-term maturities.

The fair value of the investment portfolio approximates its carrying value as the majority of the loans are repayable in full at any time without penalty and have floating interest rates. There is no quoted price in an active market for the mortgage and loan investments or mortgage syndication liabilities. The Corporation makes its determinations of fair value based on its assessment of the current lending market for mortgage and loan investments of same or similar terms. As a result, the fair value of mortgage and loan investments is based on Level 3 of the fair value hierarchy.

The fair values of loans payable approximate their carrying values due to the fact that the majority of the loans are: (i) repayable in full, at any time, upon the repayment of the underlying loan that secures the loan payable, and (ii) have floating interest rates linked to bank prime.

The fair value of convertible debentures, including their conversion option, has been determined based on the closing price of the debentures of the Corporation on the Toronto Stock Exchange for the respective date.

The fair value of marketable securities has been determined based on the closing price of the security of the respective listed entities on the Toronto Stock Exchange for the respective date.

The fair value of debenture portfolio investment has been determined based on the closing price of convertible debenture securities of the respective listed entities on the Toronto Stock Exchange for the respective date.

The fair value of loans on the debenture portfolio approximates its carrying value due to the fact that it is fully open for repayment and has a floating rate of interest.

The tables below present the fair values of the Corporation's financial instruments as at September 30, 2017 and December 31, 2016. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

September 30, 2017	Level 1	Level 2	Level 3	Total
Debenture portfolio investment	$ -	-	-	$ -
Marketable securities	215,690	-	-	215,690
Convertible debentures	163,568,540	-	-	163,568,540

December 31, 2016	Level 1	Level 2	Level 3	Total
Debenture portfolio investment	$ 2,199,937	-	-	$ 2,199,937
Marketable securities	2,200,329	-	-	2,200,329
Convertible debentures	168,831,871	-	-	168,831,871

(in Canadian dollars)

17. Risk management:

The Corporation is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition, and operating results. Many of these risk factors are beyond the Corporation's direct control. The Corporation Manager and Board of Directors play an active role in monitoring the Corporation's key risks and in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

The Corporation's business activities, including its use of financial instruments, exposes the Corporation to various risks, the most significant of which are interest rate risk, credit and operational risks, and liquidity risk.

(a) Interest rate risk:

Interest rate risk is the risk that fair value of future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates.

The Corporation’s operations are subject to interest rate fluctuations. The interest rate on the majority of the investments is set at the greater of a floor rate and a formula linked to bank prime. The floor interest rate mitigates the effect of a drop in short-term market interest rates on existing investments while the floating component linked to bank prime allows for increased interest earnings on a component of the investments where short-term market rates increase.

(i) Interest income risk:

A significant portion of the Corporation's investment portfolio comprise investments in short term mortgage loans that generally are repaid by the borrowers in under twenty-four months. The reinvestment of funds received from such repayments are invested at current market interest rates. As such, the weighted average interest rate applicable to the investment portfolio changes with time. This creates an ongoing risk that the weighted average interest rate on the investment portfolio will decrease, which will have a negative impact on the Corporation's interest income and net profit.

(ii) Interest expense risk:

The Corporation's floating-rate debt comprises bank indebtedness, and loan on debenture portfolio investment, with each bearing interest based on bank prime and/or based on short term bankers' acceptance interest rates as a benchmark.

At September 30, 2017, if interest rates at that date had been 100 basis points lower or higher, with all other variables held constant, comprehensive income and equity for the year would be affected as follows:

	Carrying Value	-1%	+1%
Financial assets:			
Amounts receivable and prepaid expenses	$ 4,468,231	-	-
Marketable securities	215,690	-	-
Debenture portfolio investment	-	-	-
Investment portfolio	533,868,548	(4,516,049)	4,516,049
Financial liabilities:			
Bank indebtedness	48,106,205	481,062	(481,062)
Accounts payable and accrued liabilities	2,211,901	-	-
Shareholders dividends payable	2,032,886	-	-
Loans payable	42,312,803	-	-
Convertible debentures	$ 157,074,801	-	-
Total increase		$ (4,034,987)	$ 4,034,987

(b) Credit and operational risks:

Credit risk is the possibility that a borrower under one of the mortgages comprising the investment portfolio, may be unable to honour their debt commitment as a result of a negative change in the borrowers' financial position or market conditions that could result in a loss to the Corporation.

Any instability in the real estate sector or an adverse change in economic conditions in Canada could result in declines in the value of real property securing the Corporation's investments. There have been significant increases in real estate values in various sectors of the Canadian market over the past few years. A correction or revaluation of real estate in such sectors will result in a reduction in values of the real estate securing mortgage loans that comprise the Corporation's investment portfolio. This could result in impairments in the mortgage loans or loan losses in the event the real estate security has to be realized upon by the lender. The Corporation's maximum exposure to credit risk is represented by the fair values of amounts receivable and the investment portfolio.

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its financial obligations as they become due.

The Corporation's liquidity requirements relate to its obligations under its bank indebtedness, loans payable, convertible debentures, and its obligations to make future advances under its existing portfolio. Liquidity risk is managed by ensuring that the sum of (i) availability under the Corporation's bank borrowing line, (ii) the sourcing of other borrowing facilities, and (iii) projected repayments under the existing investment portfolio, exceeds projected needs (including funding of further advances under existing and new investments).

As at September 30, 2017, the Corporation had not utilized its full leverage availability, being a guideline of 50% of its first mortgage investments. Unadvanced committed funds under the existing investment portfolio amounted to $102,398,033 as at September 30, 2017 (December 31, 2016 - $131,268,094). These commitments are anticipated to be funded from the Corporation's credit facility and borrower repayments. The Corporation has a demand revolving line of credit of $70 million and a committed revolving line of credit with its principal banker to fund the timing differences between investment advances and investment repayments. The committed line of $20 million is a committed facility with a maturity date of September 30, 2018. If the committed line is not renewed on September 30, 2018, the terms of the facility allow for the Corporation to repay the balance owed on September 30, 2018 within 12 months. In the current economic climate and capital market conditions, there are no assurances that the bank borrowing line will be renewed or that it could be replaced with another lender if not renewed. If it is not extended at maturity, repayments under the Corporation's investment portfolio would be utilized to repay the bank indebtedness. There are limitations in the availability of funds under the revolving line of credit. The Corporation's investments are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing investments creates liquidity for ongoing investments and funding commitments. Loans payable relate to borrowings on specific investments within the Corporation's portfolio and only have to be repaid once the specific loan is paid out by the borrower.

If the Corporation is unable to continue to have access to its bank borrowing line and loans payable, the size of the Corporation's investment portfolio will decrease and the income historically generated through holding a larger portfolio by utilizing leverage will not be earned.

(in Canadian dollars)

Contractual obligations as at September 30, 2017 are due as follows:

	Total	Less than 1 year	1-3 years	4 - 7 years
Bank indebtedness	$ 48,106,205	$ 48,106,205	$ -	$ -
Accounts payable and accrued liabilities	2,211,901	2,211,901	-	-
Shareholders dividends payable	2,032,886	2,032,886	-	-
Loans payable	42,312,803		42,312,803	-
Convertible debentures	163,223,000	-	66,223,000	97,000,000
Subtotal - Liabilities	$ 257,886,795	$ 52,350,992	$ 108,535,803	$ 97,000,000
Future advances under portfolio	102,398,033	102,398,033	-	-
Liabilities and contractual obligations	$ 360,284,828	$ 154,749,025	$ 108,535,803	$ 97,000,000

The bank indebtedness and loans payable are liabilities resulting from the funding of the Corporation's investments. Repayment of investments results in a direct and corresponding pay down of the bank indebtedness and/or loans payable. The obligations for future advances under the Corporation's investment portfolio are anticipated to be funded from the Corporation's credit facility and borrower repayments. Upon funding of same, the funded amount forms part of the Corporation's investments.

Interest payments on debentures (assuming the amounts remain unchanged) would be $8,579,815 for less than 1 year, $18,035,336 for 1 to 3 years and $9,193,542 for 4 to 7 years.

(d) Capital risk management:

The Corporation defines capital as being the funds raised through the issuance of publicly traded securities of the Corporation. The Corporation's objectives when managing capital/equity are:

- to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and
- to provide an adequate return to shareholders by obtaining an appropriate amount of debt, commensurate with the level of risk.

The Corporation manages the capital/equity structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Corporation may issue new shares or repay bank indebtedness (if any) and loans payable.

The Corporation's investment guidelines, which can be varied at the discretion of the Board of Directors, incorporate various guidelines and investment operating policies. The Corporation's guidelines include the following: the Corporation (i) will not invest more than 10% of the amount of its capital in any single conventional first mortgage where the loan to value on such loan is less than 60%, (ii) will not invest more than 8% of the amount of its capital in any single conventional first mortgage where the loan to value on such loan is between 60% and 70%, (iii) will not invest more than 5% of the amount of its capital in any single conventional first mortgages where the loan to value on such loan exceeds 70%, (iv) will not invest more than 2.5% of the amount of its capital in any single non-conventional mortgage or conventional investment that is not a first mortgage, and (v) will only borrow funds in order to acquire or invest in investments in amounts up to 60% of the book value of the Corporation's portfolio of conventional first mortgages. Capital is defined as the sum of shareholders' equity plus the face amount of convertible debentures.

The Corporation is required by its bank lender to maintain various covenants, including minimum equity amount, interest coverage ratios, indebtedness as a percentage of the performing first mortgage portfolio size, and indebtedness to total assets. The Corporation is in compliance with all such bank covenants.

All of the Corporation's operations and investments are denominated in Canadian dollars, resulting in no direct foreign exchange risk.

18. Subsequent event:

On October 23, 2017, the Corporation established an at-the-market program (the "ATM Program") that allows the Corporation to issue up to $30 million of common shares from treasury over a period of 25 months.