FIRM CAPITAL
MORTGAGE INVESTMENT CORPORATION

CAPITAL PRESERVATION • DISCIPLINED INVESTING

REPORT TO SHAREHOLDERS

FIRST QUARTER
MARCH 31, 2021

FIRM CAPITAL
MORTGAGE INVESTMENT CORPORATION

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A
MANAGEMENT DISCUSSION AND ANALYSIS

FIRST QUARTER
MARCH 31, 2021

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 are able to 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.

RECENT DEVELOPMENTS AND OUTLOOK

The Corporation’s investment portfolio (the “Investment Portfolio”) has continued to revolve in 2021 with significant investment repayments. Management’s position continues to be that we will turn the Investment Portfolio, if need be, at lower interest rates to ensure we originate solid investments.

We continue to monitor the COVID-19 pandemic and the resulting economic impact on the Investment Portfolio and the Corporation. There continues to be no material signs of deterioration in the Investment Portfolio and borrower repayment performance has remained consistent with pre-COVID-19 performance. In addition, no payment deferral arrangements have been granted. At March 31, 2021, the Corporation’s loan arrears are not materially different from pre-COVID balances and, to date, we have not experienced defaults attributed to the COVID-19 pandemic.

The Mortgage Banker does not service or underwrite mortgages on hotels, hospitality properties or long-term care facilities and, as such, the Corporation does not have any investment exposure to these asset types.

The Corporation's investment underwriting and loan management team at the Mortgage Banker have been together since the Corporation went public in 1999 and have worked together since the 1990's real estate recession. This management team has over 23 years of experience of working together, in dealing with risk mitigation, collections, and underwriting. Since going public, management has maintained its stated primary objective of *"Protecting Shareholders Equity"* first.

In the current market, the Corporation is reinvesting selectively, with the investment policy of holding a hard line on acceptable exposure levels, borrower quality and warranted interest rate pricing. There are no assurances on achievable new lending interest rates or portfolio size as the primary focus is on security. The Mortgage Banker continues to reject a significant number of potential investments that do not meet our investment criteria and risk tolerance. As a result, there are no assurances that there will be growth in the portfolio in 2021.

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 Management's Discussion and Analysis ("MD&A") is dated as of May 11, 2021 and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Corporation and the notes thereto as at, and for the three months ended March 31, 2021 and 2020, as well as the Corporation's audited consolidated financial statements for the years ended December 31, 2020 and 2019, and the related Management's Discussion and Analysis, including the section on "Risk and Uncertainties", and each of our quarterly reports for 2020.

HIGHLIGHTS

INCOME

For the three months ended March 31, 2021, net income increased by 17.2% to $7,306,837as compared to $6,236,442 reported for the same period in 2020.

EARNINGS PER SHARE

Basic weighted average earnings per share for the three months ended March 31, 2021, was $0.237 (2020 – $0.218), an increase of 8.7% over the comparable period. Diluted weighted average earnings per share for the three months ended March 31, 2021, was $0.234 (2020 – $0.218), an increase of 7.4% over the comparable period.

REVENUES

Revenues for the three months ended March 31, 2021 increased by 8.8% to $11,478,744 as compared to $10,550,399 reported for the same period in 2020. The increase is mainly a result of higher interest income due to a larger average Investment Portfolio size (on average $37.1 million higher in the first quarter of 2021 relative to the first quarter of 2020) and a higher weighted average portfolio interest rate, over the comparable period in 2020.

INVESTMENT PORTFOLIO

The Corporation's Investment Portfolio decreased by $11.6 million to $547.4 million as at March 31, 2021, in comparison to $559.0 million as at December 31, 2020 (in each case, gross of impairment provision). The impairment provision as at March 31, 2021 was $5.58 million (December 2020 - $5.61 million).

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. Income for the three months ended March 31, 2021 when annualized, represented a return on shareholders' equity (based on the month end average shareholders' equity in the quarter) of 8.50%, representing a return on shareholders' equity of 832 basis points per annum over the average one-year Government of Canada Treasury bill yield of 0.18%.

INVESTMENT PORTFOLIO

The Corporation's Investment Portfolio was $541,861,355 as at March 31, 2021 (net of the provision for impairment of $5,579,000) and was $553,398,922 as at December 31, 2020 (net of the provision for impairment of $5,609,000). On March 31, 2021, the Investment Portfolio was comprised of 196 investments (183 as at December 31, 2020). The average gross investment size was approximately $2.8 million, with 21 investments individually exceeding $7.5 million. As at December 31, 2020, 23 of the 183 investments exceeded $7.5 million.

	March 31, 2021			December 31, 2020			
Mortgage Amount	**Number**	**Total Amount** (before provision)	**% of Portfolio**	**Number**	**Total Amount** (before provision)	**% of Portfolio**	***% Change***
$0 - $2,500,000	142	$ 143,237,201	26.2%	130	$ 124,049,075	22.2%	*15.5%*
$2,500,001 - $5,000,000	26	95,774,953	17.5%	22	81,408,128	14.6%	*17.6%*
$5,000,001 - $7,500,000	7	39,099,871	7.1%	8	50,790,465	9.1%	*(23.0%)*
$7,500,001 +	21	269,328,330	49.2%	23	302,760,253	54.1%	*(11.0%)*
Total Investments	**196**	**$ 547,440,355**	**100%**	**183**	**$ 559,007,922**	**100%**	*(2.1%)*
Less: Impairment Allowance		(5,579,000)			(5,609,000)		
Investment Portfolio		**$ 541,861,355**			**$ 553,398,922**		***(2.1%)***

Unadvanced committed funds under the existing Investment Portfolio amounted to $106 million as at March 31, 2021 (December 31, 2020 – $108 million).

The allocation of the Investment Portfolio between the five main investment categories (as well as the weighted average interest rate) is as follows:

Investment Categories	March 31, 2021 W.A Interest Rate	March 31, 2021 Outstanding amount	March 31, 2021 % of Portfolio	December 31, 2020 W.A Interest Rate	December 31, 2020 Outstanding amount	December 31, 2020 % of Portfolio	% Change
Conventional First Mortgages	*8.02%*	$ 354,590,833	64.8%	*8.10%*	$ 396,063,172	69.6%	*(10.5%)*
Conventional Non-First Mortgages	*8.29%*	66,816,578	12.2%	*8.75%*	39,441,874	8.8%	*69.4%*
Related Debt Investments	*8.93%*	97,723,044	17.9%	*8.57%*	110,915,226	19.9%	*(11.9%)*
Debtor In Possession Loan	*8.50%*	16,500,000	3.0%	-	-	-	-
Discounted Debt Investments*	-	4,546,900	0.8%	-	5,209,650	1.1%	*(12.7%)*
Non-Conventional Mortgages	*9.39%*	7,263,000	1.3%	*10.83%*	7,378,000	0.6%	*(1.6%)*
Total Investments	***8.18%***	**$ 547,440,355**	**100%**	***8.20%***	**$ 559,007,922**	**100%**	
Less: Impairment Allowance		(5,579,000)			(5,609,000)		
Investment Portfolio		**$ 541,861,355**			**$ 553,398,922**		***(2.1%)***

** The yield on Discounted Debt Investments will be determined upon final repayment of the investments.*

The related debt investment category is a basket of investments that are all participating in debt investments to a variety of third-party borrowers. Such debt investments are not secured by mortgage charges, and instead have other forms of security or recourse.

A debtor in possession loan ("DIP Loan"), is a loan obtained by an insolvent debtor while that debtor is restructuring its business under the Companies' Creditors Arrangement Act (Canada). A DIP Loan has "super-priority" security on the assets of the debtor company awarded by the court.

The $11.6 million decrease in the Investment Portfolio (before the provision for impairment) was mainly due to the decrease in the amount of the conventional first mortgages category, related debt investments and discounted debt investments, offset by an increase in conventional non-first mortgages, and a new DIP Loan. During the first quarter of 2021, new investment funding was $112.4 million (2020 – $141.4 million). As the repayments were $124.0 million during the quarter (2020 – $101.2 million), there was a decrease in the Investment Portfolio size.

Conventional first mortgages decreased by 10.5% and represented 64.8% of the Investment Portfolio as at March 31, 2021 (69.6% as at December 31, 2020). Conventional non-first mortgages increased by 69.4% and represented 12.2% of the Investment Portfolio at March 31, 2021 (8.8% as at December 31, 2020). Related debt investments decreased by 11.9% and represented 17.9% of the Investment Portfolio as at March 31, 2021 (19.9% as at December 31, 2020). DIP Loan is a new investment category and represented 3.0% of the Investment Portfolio as at March 31, 2021. Discounted debt investments decreased by 12.7% and represented 0.8% of the Investment Portfolio, as at March 31, 2021 (1.1% as at December 31, 2020). Non-conventional mortgages decreased 1.6% and represented 1.3% of the Investment Portfolio as at March 31, 2021 (0.6% as at December 31, 2020).

The weighted average face interest rate on the Corporation's Investment Portfolio was 8.18% per annum as at March 31, 2021, compared to 8.20% per annum as at December 31, 2020.

The provision for impairment is $5,579,000 as at March 31, 2021 (December 31, 2020 - $5,609,000), of which $4,593,000 (December 31, 2020 – $4,529,000) 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. As at March 31, 2021, the Corporation carries a collective provision balance of $986,000 (December 31, 2020 - $1,080,000).

The allocation of the Investment Portfolio between its nine property types is as follows:

	March 31, 2021			December 31, 2020			
Property Type		**Total Amount** (before provision)	**% of Portfolio**	**Number**	**Total Amount** (before provision)	**% of Portfolio**	***% Change***
Construction Mortgages	57	$ 97,121,235	17.7%	49	$ 111,215,505	19.9%	*(12.7%)*
Single Family	49	58,454,818	10.7%	50	59,226,350	10.6%	*(1.3%)*
Land	43	147,836,601	27.0%	36	138,258,791	24.7%	*6.9%*
Condo/*Including multi unit condo loans*	8	36,283,447	6.6%	9	34,612,735	6.2%	*4.8%*
Multi Family Resi Mortgages	8	46,182,043	8.4%	9	58,453,165	10.5%	*(21.0%)*
Industrial	4	8,614,598	1.6%	4	8,614,598	1.5%	-
Retail	5	26,000,000	4.7%	5	26,000,000	4.7%	-
Related Debt Investments	15	97,723,044	17.9%	16	110,915,226	19.8%	*(11.9%)*
Other	7	29,224,570	5.3%	5	11,711,552	2.1%	*149.5%*
	196	**$ 547,440,355**	**100%**	**183**	**$ 559,007,922**	**100%**	***(2.1%)***

The Corporation continues to focus its lending into core markets that can be monitored closely during evolving economic conditions, with a strong focus on Ontario. The Mortgage Banker does not service or underwrite mortgages on hotels, hospitality properties or on long-term care facilities and, as such, the Corporation does not have any investment exposure to these asset types.

As at March 31, 2021, the value of the mortgage Investment Portfolio that is secured by properties outside of Ontario is 17.4%, compared to 17.0% as at December 31, 2020.

Geographic Segment	**Number**	**Total Amount**	**% of**	**Number**	**Total Amount**	**% of**	***Change***
Greater Toronto Area	116	$ 250,028,541	55.7%	113	$ 282,201,783	63.0%	*(11.4%)*
Non-GTA Ontario	45	121,188,243	26.9%	32	85,549,680	19.1%	*41.7%*
Quebec	13	19,955,057	4.4%	15	14,738,739	3.3%	*35.4%*
Alberta	3	42,796,757	9.5%	3	48,825,000	10.9%	*(12.3%)*
Saskatchewan	2	10,694,649	2.4%	2	10,694,649	2.4%	-
British Columbia	1	2,664,996	0.6%	1	4,166,664	0.9%	*(36.0%)*
United States	1	2,389,069	0.5%	1	1,916,182	0.4%	*24.7%*
Mortgage Investment Portfolio	**181**	**$ 449,717,311**	**100%**	**167**	**$ 448,092,696**	**100%**	
Related Debt Investments	15	97,723,044		16	110,915,226		
	196	**$ 547,440,355**		**183**	**$ 559,007,922**		

The allocation of the Investment Portfolio between the underlying security types, is as follows:

	March 31, 2021			December 31, 2020			
Underlying Security Type	**Number**	**Total Amount** (before provision)	**% of Portfolio**	**Number**	**Total Amount** (before provision)	**% of Portfolio**	***% Change***
Residential	160	$ 342,609,366	62.6%	148	$ 356,930,394	69.4%	*(4.0%)*
Commercial	21	107,107,946	19.6%	19	91,162,302	10.7%	*17.5%*
Related Debt Investments	15	97,723,044	17.9%	16	110,915,226	19.9%	*(11.9%)*
	196	**$ 547,440,355**	**100%**	**183**	**$ 559,007,922**	**100%**	***(2.1%)***

The residential category includes mortgages on single family dwellings, residential condominiums, residential land, residential construction, and multifamily residential.

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.

The weighted average loan to value ratio on conventional mortgages (being the combined conventional first and conventional non-first mortgages) is under 60% based on the appraisals obtained at the time of funding each mortgage loan.

Included in conventional first mortgages is one United States ("US") dollar denominated investment (at amortized cost) of $2,389,069 (US$1,899,856) (December 31, 2020 - one US dollar denominated investments of $1,916,182 (US$1,503,013)).

Included in related debt investments, classified at fair value through profit or loss ("FVTPL"), are four US dollar denominated investments totaling $16,484,885 (US$13,109,252), (December 31, 2020 - four US dollar denominated investments totaling $16,669,235 (US$13,092,393)). These investments are a participation by the Corporation in limited partnerships that have provided equity to real estate entities in the US.

For the three months ended March 31, 2021, income recorded on the US investments (at amortized cost and FVTPL) was $437,476 (US$345,685), (2020 - $323,318 (US$224,849)). These amounts are included in interest and fees income.
Related debt investments (classified as FVTPL) as at March 31, 2021 also included three Canadian investments (December 31, 2020 - three Canadian investments) totaling $19,009,000 (December 31, 2020 - $18,973,000).

As at March 31, 2021, the Investment Portfolio includes four investments totaling $14,378,425 (December 31, 2020 - six investments totaling $25,137,615) for which a specific allowance of $4,593,000 (December 31, 2020 - $4,529,000) was recorded in the Corporation's provision for impairment.

As at March 31, 2021, the Investment Portfolio had one investment totaling $5,537,583 (December 31, 2020 – one investment with balances totaling $822,854) with contractual interest arrears greater than 60 days past due amounting to $537,783 (December 31, 2020 – $68,440), the interest arears amount has not been recognized in income.

As at March 31, 2021, the Investment Portfolio includes four investments totaling $25,728,461 (December 31, 2020 - seven investments totaling $30,245,129) with maturity dates that are past due and for which no extension or renewal was in place. None of the four investments was paid out after March 31, 2021 (December 31, 2020 - one investment was paid out in the amount of $822,854). Three of these investments totaling $12,636,363 (December 31, 2020 - three investments totaling $11,431,554) have an allowance against them included in the Corporation's provision for impairment. The remaining investment with a maturity date that is past due and for which no extension or renewal in place amounts to $13,092,098 (December 31, 2020 - three investments totaling $17,990,721) has been determined not to require a specific provision.

As at March 31, 2021, the Investment Portfolio continued to be heavily concentrated in short-term investments, with approximately 73% maturing on or before March 31, 2022. 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. Renewals are offered to borrowers when deemed appropriate.
The contractual maturity dates of the Investment Portfolio are as follows:

	March 31, 2021		
Years	Number	Total Amount (before provision)	% of Portfolio
2021	110	295,646,788	54.01%
2022	77	222,456,678	40.64%
2023	5	21,165,412	3.87%
2024	3	8,026,879	1.47%
2025	1	144,598	0.03%
	196	**$ 547,440,355**	**100%**

A significant number of the Corporation's investments are shared with other syndicate partners, including several members of the Board of Directors and senior management of the Mortgage Banker and/or officers and directors of the Corporation. The Corporation ranks equally with other members of the syndicate as to receipt of principal, interest, and fees. As at March 31, 2021, 140 of the Corporation's 196 investments (investment amount of $457,471,075) are shared with other participants, and 23 of which (with a total investment amount of $85,879,859) the Corporation is a participant for less than 50% percent of the loan amount.

Certain members of our Board of Directors and senior management and their related entities co-invested approximately $66 million with the Corporation alongside its Investment Portfolio as at March 31, 2021.

The Mortgage Banker services the entire investment in which the Corporation is a participant, on behalf of all participants and except for the case of an investment with a first priority syndicate participant (i.e. loans payable), the Corporation ranks pari passu with other members of the syndicate as to the receipt of principal, interest, and fees. As at March 31, 2021, and December 31, 2020, there were no mortgages with first priority participants. During 2020, the Corporation's loans payable balance was $27,000,000 and the principal balance outstanding under the mortgage for which a first priority charge had been granted was $37,125,000. The mortgage and the related loan payable were fully repaid on July 2, 2020.

RESULTS OF OPERATIONS

REVENUES

For the three months ended March 31, 2021, revenues increased by 8.8% to $11,478,744 compared to $10,550,3993 for the three months ended March 31, 2020.

Revenues for the three months ended March 31, 2021 and March 31, 2020 are broken down as follows:

Three Months Ended		March 31, 2021	%		March 31, 2020	%	% Change
Interest	$	10,835,164	94.4%	$	9,935,096	94.2%	9.1%
Commitment & Renewal Fees		639,580	5.6%		542,452	5.1%	17.9%
Other Income		4,000	0.0%		72,851	0.7%	(94.5%)
	$	**11,478,744**	**100.0%**	**$**	**10,550,399**	**100.0%**	**8.8%**

For the three months ended March 31, 2021, interest income was $10,835,164, an increase of 9.1% over the $9,935,096 reported for the comparable period in 2020. The increase is mainly a result of higher interest income due to a larger average portfolio size and a higher weighted average portfolio interest rate, over the comparable period in 2020.

For the three months ended March 31, 2021, commitment and renewal fees were $639,580, an increase of 17.9% from $542,452 reported for the comparable period in 2020. As at March 31, 2021, the Corporation had deferred commitment fee revenue of $1,105,882 (December 31, 2020 – $1,091,717). The Corporation's policy is to recognize commitment fees over the term of the related loan. The unrecognized component of the fees is recorded as deferred revenue on the Corporation's balance sheet. These fees have been received and are not refundable to borrowers.

For the three months ended March 31, 2021 other income was $4,000 (2020 – $72,851).

CORPORATION MANAGER INTEREST ALLOCATION

During the three months ending March 31, 2021, the Corporation Manager received $968,920 (2020 – $859,813), through a joint venture interest arrangement with the Corporation. The increase in the interest is related to the increase in the size of the Corporation's average Investment Portfolio over the comparable period in 2020.

INTEREST EXPENSE

For the three months ended March 31, 2021, interest expense decreased by 5.9% to $2,559,207 as compared to $2,719,230 for the three months ended March 31, 2020. Lower interest expense resulted from less aggregate convertible debentures outstanding over the comparable period, no loans payable and a lower cost of borrowing on the bank line.

Interest expense is broken down as follows:

Three Months Ended		**March 31, 2021**	**%**		**March 31, 2020**	**%**	**% Change**
Bank Interest Expense	$	345,899	13.5%	$	278,088	10.2%	24.4%
Loan Payable Interest Expense		-	0.0%		134,695	5.0%	(100.0%)
Debenture Interest Expense		2,213,308	86.5%		2,306,447	84.8%	(4.0%)
	$	**2,559,207**	**100.0%**	**$**	**2,719,230**	**100.0%**	**(5.9%)**

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

For the three months ended March 31, 2021, G&A expense was $283,041 (2020 – $332,163).

SHARE BASED COMPENSATION

The following is the status of the stock options issued under the Corporation's stock option plan:

	March 31, 2021			December 31, 2020		
	Number of Options	Weighed Average Exercise Price	Amount	Number of Options	Weighed Average Exercise Price	Amount
Outstanding, beginning of period	2,690,000	$11.77	$987,067	880,000	$11.91	$87,186
Exercised	(30,000)	$11.70	(15,899)	(65,000)	$11.78	(6,250)
Options Granted / Amortization Amount	-	-	4,532	1,875,000	$11.70	906,131
Cancelled	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding, end of period	**2,660,000**	**$11.77**	**$975,700**	**2,690,000**	**$11.77**	**$987,067**
Number of options exercisable	**2,485,000**	**$11.77**	-	**2,515,000**	**$11.77**	

The following options were issued and outstanding as at March 31, 2021:

Expiry Date	**Number of Options Outstanding**	**Number of Options Exercisable**	**Exercise Price**
November 11, 2023	710,000	710,000	$11.78
November 11, 2023	35,000	35,000	$12.21
November 11, 2023	70,000	70,000	$13.15
August 14, 2030	1,845,000	1,670,000	$11.70
	2,660,000	**2,485,000**	

On August 14, 2020, the board of directors of the Corporation granted options to certain of the officers, directors and employees of the Corporation and the Mortgage Banker to purchase up to 1,875,000 Shares (2020 – nil) at a price of $11.70 per Share with the expiry date of August 14, 2030. Of the 1,875,000 options granted, 1,700,000 options vested immediately, and the remaining 175,000 options will vest on August 14, 2025. The fair value of the options granted was estimated at $991,093 using the Black-Scholes options pricing model.

The total number of stock options outstanding as at March 31, 2021 is 2,660,000 (December 31, 2020 – 2,690,000), of which 2,485,000 stock options are vested and exercisable (December 31, 2020 – 2,515,000).

During the first quarter of 2021, 30,000 options were exercised under our stock option plan (2020 - 65,000 options were exercised).

For the three months ended March 31, 2021, the share-based compensation expense was $4,532 (2020 – $nil).

PROVISION FOR IMPAIRMENT ON INVESTMENT PORTFOLIO AND INTEREST RECEIVABLE

The provision for impairment for the three months ended March 31, 2021 was $356,207 (2020 – $402,751). Further details are described in the Provision for Impairment section.

NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income for the three months ended March 31, 2021, was $7,306,837 (2020 – $6,236,442), which represents an increase of 17.2% over the comparable quarter.

Income for the quarter ended March 31, 2021 represented an annualized return on shareholders' equity (based on the month end average shareholders' equity in the quarter) of 8.50%. This return on shareholders' equity represents 832 basis points per annum over the average one-year Government of Canada Treasury bill yield of 0.18% 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.

EARNINGS PER SHARE

Basic weighted average earnings per share for the three months ended March 31, 2021, was $0.237 (2020 – $0.218), which represents an increase of 8.7% over the comparable quarter.

Diluted weighted average earnings per share for the three months ended March 31, 2021, was $0.234 (2020 – $0.218), which represents an increase of 7.4% over the comparable quarter.

QUARTERLY FINANCIAL INFORMATION

($ in millions except per unit amounts)	Mar. 31 2021	Dec. 31 2020	Sep. 30 2020	Jun. 30 2020	Mar. 31 2020	Dec. 31 2019	Sep. 30 2019	Jun. 30 2019	Mar. 31 2019
Operating revenue	$ 11.48	$ 11.72	$ 10.69	$ 11.21	$ 10.55	$ 11.04	$ 12.23	$ 12.21	$ 11.86
Interest expense	2.56	2.69	2.43	2.70	2.72	2.77	2.93	3.37	3.60
Corporation manager spread interest allocation	0.97	1.00	0.93	0.98	0.86	0.82	0.90	1.01	0.95
General & administrative expenses	0.28	0.31	0.28	0.28	0.33	0.38	0.33	0.28	0.24
Share based compensation	-	-	0.90	-	-	-	-	-	-
Impairment loss on investment portfolio	0.36	0.40	0.22	0.38	0.40	0.39	0.38	0.50	0.47
Income	**$ 7.31**	**$ 7.32**	**$ 5.93**	**$ 6.87**	**$ 6.24**	**$ 6.68**	**$ 7.69**	**$ 7.05**	**$ 6.60**
Earnings per share									
- Basic	**$0.237**	**$0.249**	**$0.207**	**$0.239**	**$0.218**	**$0.237**	**$0.273**	**$0.251**	**$0.246**
- Diluted	**$0.234**	**$0.247**	**$0.207**	**$0.237**	**$0.218**	**$0.209**	**$0.260**	**$0.244**	**$0.241**
Dividends per share	**$0.234**	**$0.242**	**$0.234**	**$0.234**	**$0.234**	**$0.304**	**$0.234**	**$0.234**	**$0.234**

DIVIDENDS

For the three months ended March 31, 2021, the Corporation declared dividends on the Shares totaling $7,222,663 or $0.234 per Share (2020 – $6,700,959 or $0.234 per Share). The number of Shares outstanding at March 31, 2021 was 30,891,265, compared to 28,700,531 at March 31, 2020.

Three Months Ended		March 31, 2021		March 31, 2020	Change
Cash Flow From Operating Activities (net of cash interest paid)	$	9,102,786	$	7,864,372	**16%**
Profit	$	7,306,837	$	6,236,442	**17%**
Declared Dividends	$	7,222,663	$	6,700,959	**8%**
Excess Cash Flow From Operating Activities Over Declared Dividends	$	1,880,123	$	1,163,413	
Surplus (Deficit) Over Declared Dividends	$	84,174	$	(464,517)	

CHANGES IN FINANCIAL POSITION

AMOUNTS RECEIVABLE & PREPAID EXPENSES

The amounts receivable and prepaid expenses of $3,944,786 as at March 31, 2021, comprise interest receivable (net of impairment provision) of $3,506,915, prepaid expenses of $177,447, and fees receivable of $260,424, compared to $4,428,874 as at December 31, 2020.

MARKETABLE SECURITIES

The Corporation holds publicly traded units of a Canadian real estate investment trust. The units were mostly acquired through the exercise of warrants that were granted by the issuer as part of a loan facility in which the Corporation was a participant. The units generate distributions that are consistent with the Corporation's overall yield objective. The $56,274 (investment cost $50,966) balance reported on the Corporation's balance sheet as at March 31, 2021 represents the fair value of the marketable securities (December 31, 2020 – $47,073, investment cost $50,966).

CREDIT FACILITY AND BANK INDEBTEDNESS

As at March 31, 2021, the credit facility drawn amount was $40,873,956 and bank indebtedness was $17,617,431 (December 31, 2020, the credit facility drawn amount was $53,585,420 and bank indebtedness was $18,666,939).

CONVERTIBLE DEBENTURES

As at March 31, 2021, the Corporation had six series of convertible debentures outstanding, as outlined below:

Ticker Symbol	Coupon	Issue Date	Maturity Date	Current Principal	Strike Price Per Share	Carrying Value
FC.DB.E	5.30%	Apr. 17, 2015	May. 31, 2022	22,111,000	13.95	21,910,081
FC.DB.F	5.50%	Dec. 22, 2015	Dec. 31, 2022	20,497,000	14.00	20,144,577
FC.DB.G	5.20%	Dec. 21, 2016	Dec. 31, 2023	22,500,000	15.25	21,909,015
FC.DB.H	5.30%	Jun. 27, 2017	Aug. 31, 2024	26,500,000	15.25	25,757,486
FC.DB.I	5.40%	Jun. 21, 2018	Jun. 30, 2025	25,000,000	15.00	24,069,394
FC.DB.J	5.50%	Nov. 23, 2018	Jan. 31, 2026	24,983,000	14.60	23,641,139
Total / Average	**5.37%**			**$ 141,591,000**		**$ 137,431,692**

As at March 31, 2021, the principal balance for the outstanding convertible debentures was $141,591,000 (December 31, 2020 – $141,591,000). The aggregate convertible debenture carrying value as at March 31, 2021 was $137,431,692 (December 31, 2020 – $137,117,831). The weighted average effective interest rate of the convertible debentures is 5.37% per annum (December 31, 2020 – 5.37%).

During 2020, convertible debentures in the amount of $3,389,000 were converted into 242,501 Shares.

OTHER LIABILITIES

Other liabilities for the Corporation include the following:

Additional Liabilities		Mar. 31, 2021		Dec. 31, 2020	% Change
Accounts Payable and Accrued Liabilities	$	2,447,073	$	1,412,668	73.2%
Deferred Revenue		1,105,882		1,091,717	1.3%
Shareholders' Dividend Payable		2,409,519		2,652,512	(9.2%)
Total	**$**	**5,962,474**	**$**	**5,156,897**	**15.6%**

Accounts payable and accrued liabilities increased by $1,034,405 to $2,447,073 as at March 31, 2021, compared to $1,412,668 as at December 31, 2020. Accounts payable and accrued liabilities include interest payable of $1,780,816 (December 31, 2020 – $619,347) and accrued liabilities of $666,257 (December 31, 2020 – $793,321).

Deferred revenue is comprised of commitment fees generated on the Corporation's mortgage investments. As at March 31, 2021, the deferred commitment revenue was $1,105,882 (December 31, 2020 – $1,091,717). The Corporation's policy is to recognize deferred commitment fees over the term of the related loans.

SHAREHOLDERS' EQUITY

Shareholders' equity at March 31, 2021 totaled $343,976,862 compared to $343,347,782 as at December 31, 2020. The Corporation had 30,891,265 Shares issued and outstanding as at March 31, 2021 compared to 30,843,166 Shares as at December 31, 2020.

On March 30, 2020, the Corporation received approval from the Toronto Stock Exchange ("TSX") for its intention to make a normal course issuer bid (the "NCIB") with respect to the Shares. The notice provided that the Corporation may, during the 12-month period commencing April 3, 2020 and ending no later than April 2, 2021, purchase through the facilities of the TSX or alternative Canadian Trading Systems up to 2,800,000 Shares in total, being approximately 10% of the "public float" of Shares as of March 30, 2020. Since commencement under the NCIB, the Corporation has not purchased and cancelled any Shares. The NCIB expired on April 2, 2021.

During 2020, convertible debentures in the amount of $3,389,000 were converted into 242,501 Shares.

On November 30, 2020, the Corporation completed an equity offering of 1,860,000 common shares at a price of $12.10 per share for gross proceeds of $22,506,000. The over-allotment option, granted to the underwriters of this offering, was exercised in full and the Corporation issued an additional 279,000 shares at a price of $12.10 per share for gross proceeds of $3,375,900. The total number of shares issued pursuant to this offering was 2,139,000.

PROVISION FOR IMPAIRMENT

Investments in the Investment Portfolio consist primary 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 investments are measured at amortized cost using the effective interest method, less any provision for impairment. The Corporation assesses individually significant investments at each reporting date to determine whether there is objective evidence of impairment. The provision for impairment in respect of each investment measured at amortized cost is calculated as the difference between its carrying amount and the amount of the future cash flows estimated to be recoverable 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 provision for impairment. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision. Changes in the provision for impairment are recognized in the statement of income and reflected in the provision for impairment against the investments. Interest on the impaired asset continues to be recognized to the extent it is deemed to be collectible.

The provision for credit losses is as follows:

	March 31, 2021		December 31, 2020	
Investment Categories	**Specific Provision**	**Investment Portfolio**	**Specific Provision**	**Investment Portfolio**
Conventional First Mortgages	2,310,000	$ 354,590,833	2,700,000	$ 396,063,172
Conventional Non-First Mortgages	-	66,816,578	-	39,441,874
Related Debt Investments	2,283,000	97,723,044	883,000	110,915,226
Debtor In Possession Loan	-	16,500,000	-	-
Discounted Debt Investments	-	4,546,900	-	5,209,650
Non-Conventional Mortgages	-	7,263,000	946,000	7,378,000
Specific Provision / Investment Portfolio	**$ 4,593,000**	**$ 547,440,355**	**$ 4,529,000**	**$ 559,007,922**
IFRS 9 Collective Provision	986,000	-	1,080,000	-
Total Provision / Investment Portfolio	**$ 5,579,000**	**$ 547,440,355**	**$ 5,609,000**	**$ 559,007,922**

The following table presents the changes to the provision for credit losses on loans as at March 31, 2021:

The changes to the provision	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2021	$ 568,000	$ 23,000	$5,018,000	$5,609,000
Provision for credit losses	84,000	(1,000)	418,206	501,206
Transfer to (from):	-	-	-	-
Stage 1	2,000	-	-	2,000
Stage 2	-	5,000	-	5,000
Stage 3	-	-	(152,000)	(152,000)
Allocation of provision to interest receivable	-	-	(386,206)	(386,206)
Balance at March 31, 2021	**$ 654,000**	**$ 27,000**	**$4,898,000**	**$5,579,000**

The loans comprising the Investment Portfolio are stated at amortized cost or FVTPL. As of March 31, 2021, the provision for impairment is $5,579,000 (December 31, 2020 – $5,609,000) of which $4,593,000 (December 31, 20120– $4,529,000) 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 in default.

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 provision 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 this analysis, the Corporation used judgement to determine the amounts calculated. As at March 31, 2021, the Corporation carries a collective impairment provision of $986,000 (December 31, 2020 – $1,080,000). The Corporation has allocated the impairment provision in the amount of $1,657,000 (2020 – $1,270,864) to interest receivable related to loans in default.

As at March 31, 2021, the Investment Portfolio includes four investments totaling $14,378,425 (December 31, 2020 - six investments totaling $25,137,615) for which a specific allowance of $4,593,000 (December 31, 2020 - $4,529,000) was recorded in the Corporation's provision for impairment.

The following table presents the staging of the gross investments at amortized cost as at March 31, 2021 and December 31, 2020:

Gross investments at amortized cost	As at March 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 305,579,927	$ 19,893,750	$ 29,117,156	$ 354,590,833
Conventional non-first mortgages	63,816,578	3,000,000	-	66,816,578
Related debt investments	58,911,792	-	3,317,366	62,229,158
Debtor in possession loan	16,500,000	-	-	16,500,000
Discounted debt investments	126,900	4,420,000	-	4,546,900
Non-conventional mortgages	3,763,000	-	3,500,000	7,263,000
Total gross investments at amortized cost	**$ 448,698,198**	**$ 27,313,750**	**$ 35,934,522**	**$ 511,946,470**
Related debt investments (at FVTPL)				$ 35,493,885
Total investments, gross				**$ 547,440,355**

The following table presents the staging of gross investments at amortized cost as at December 31, 2020:

Gross investments at amortized cost	As at December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 347,011,643	$ 18,318,750	$ 30,732,779	$ 396,063,172
Conventional non-first mortgages	36,256,874	-	3,185,000	39,441,874
Related debt investments	73,062,433	-	2,210,557	75,272,990
Discounted debt investments	139,650	5,070,000	-	5,209,650
Non-conventional mortgages	378,000	-	7,000,000	7,378,000
Total gross investments at amortized cost	**$ 456,848,600**	**$ 23,388,750**	**$ 43,128,336**	**$ 523,365,686**
Related debt investments (at FVTPL)				$ 35,642,235
Total investments, gross				**$ 559,007,921**

As at March 31, 2021 The Corporation's gross Investment Portfolio was $547,440,355 (comprised of gross investments at amortized cost of $511,946,470 and related debt investments at FVTPL of $35,493,885). As at December 20, 2020, the gross Investment Portfolio was $559,007,921 (comprised of gross investments of $523,365,686 and related debt investments at FVTPL of $35,642,235) as at December 31, 2020.

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's Manager (a company related to certain officers and/or directors of the Corporation) receives an allocation of interest, calculated at 0.75% per annum of the Corporation's daily outstanding performing investment balances. For the three months ended March 31, 2021, this amount was $968,920 (2020 - $859,813). Included in accounts payable and accrued liabilities at March 31, 2021 are amounts payable to the Corporation's Manager of $322,589 (December 31, 2020 - $345,968).

The Mortgage Banker (a company related to officers and/or directors of the Corporation) receives certain fees 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 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 $129,000 for the three months ended March 31, 2021 (2020 - $115,000). 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 Joint Venture Agreement and Mortgage Banking Agreement contain, respectively, 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.

The Corporation holds a mortgage investment totaling $4,420,000 at March 31, 2021 (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, 2020 – $5,070,000). 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 March 31, 2021, the Corporation recognized interest earned of $123,660 (2020 - $nil) from this investment. No impairment provision was recorded on this loan as at March 31, 2021 (December 31, 2020 – $nil).

KEY MANAGEMENT COMPENSATION

Aggregate compensation paid to key management personnel (including payments to related parties for recovery of costs), consisted of short-term employee compensation of $930,649 for the three months ended March 31, 2021 (2020 - $589,754), all of which was paid by the Corporation's Manager and not by the Corporation.

For the three months ended March 31, 2021, total director's fees paid were $80,250 (2020 – $76,750). Certain key management personnel are also directors of the Corporation and received compensation from the Corporation's Manager. The directors and officers of the Corporation held 583,628 Shares as at March 31, 2021 (December 31, 2020 – 657,587 Shares).

During the quarter ended March 31, 2021, no options were issued under our stock option plan (2020 – 1,875,000, of which 1,230,000 options were issued to the directors of the Corporation).

Related party transactions are further discussed and detailed in the Corporation's AIF and in note 12 of the accompanying unaudited interim condensed consolidated financial statements of the Corporation for the three months ended March 31, 2021.

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 each 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 investments are assessed at each reporting date to determine an impairment provision. Losses are recognized in the statement of income and reflected in the provision 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.

CLASSIFICATION & MEASUREMENT OF FINANCIAL ASSETS
Mortgage investments and other loans are classified based on the business model for managing assets and the contractual cash flow characteristics of the asset. The Corporation exercises judgment in determining both the business model for managing the assets and whether cash flows consist solely of principal and interest.

MEASUREMENT OF EXPECTED CREDIT LOSS
The expected credit loss model requires the recognition of credit losses based on 12 months of expected losses for performing loans and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination.

The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due as well as other criteria, such as watch list status and changes in weighted probability of default since origination.
The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, the Corporation must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the provision for credit losses.

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic inputs, such as gross domestic product factors by province and house price indices.

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 the 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 prime rate.

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 TSX for the applicable date.

The fair value of marketable securities has been determined based on the closing price of the security of the respective entity listed on the TSX for the applicable date.

The tables in note 15 of the unaudited interim condensed consolidated financial statements of the Corporation for the three months ended March 31, 2021 and audited consolidated financial statements of the Corporation for the years ended December 31, 2020 and 2019 present the fair values of the Corporation's financial instruments as at March 31, 2021 and December 31, 2020 and 2019, respectively.

CONTRACTUAL OBLIGATIONS

Contractual obligations as at March 31, 2021 are due as follows:

	Total	Less than 1 year	1-3 years	4 - 7 years
Bank indebtedness	$ 17,617,431	$ 17,617,431	$ -	$ -
Credit facility	40,873,956	40,873,956	-	-
Accounts payable and accrued liabilities	2,447,073	2,447,073	-	-
Shareholder dividends payable	2,409,519	2,409,519	-	-
Convertible debentures	141,591,000	-	91,608,000	49,983,000
Subtotal - Liabilities	$ 204,938,979	$ 63,347,979	$ 91,608,000	$ 49,983,000
Future advances under portfolio	105,964,653	105,964,653	-	-
Liabilities and contractual obligations	$ 310,903,632	$ 169,312,632	$ 91,608,000	$ 49,983,000

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used are consistent with those as described in note 3 of the Corporation's audited consolidated financial statements for the years ended December 31, 2020 and 2019.

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 March 31, 2021, 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 $106 million as at March 31, 2021 (December 31, 2020 – $108 million). 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 to fund the timing differences between mortgage advances and mortgage repayments. There are limitations in the availability of funds under the revolving line of credit, which is made up of a demand facility of $100 million and a committed facility of $20 million. The Corporation is in compliance with the covenants contained in the credit facility and expects to be in compliance with such covenants going forward. 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, as outlined in the AIF. Our 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's directors take an active role in approving the investments that the Corporation makes. During the first quarter of 2021, 26 investment proposals were sent to the Board of Directors for approval. During the fiscal year of 2020, 88 investment proposals were sent to the Board of Directors for approval. Under the investment guidelines, investment amounts between $1 million to $2 million, require one Independent Director's approval, and investments with total investment amounts over $2 million, require no less than three Independent Directors' approvals.

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.

- *On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, requiring important protective measures be taken to prevent its spread. This pandemic has had disruptive and some adverse impacts on the global economy including by rendering the markets more volatile, disrupting global supply chains and provoking an economic slowdown. Governments, monetary authorities and regulators have responded to help support the economy and the financial system, including by adopting fiscal and monetary measures to increase liquidity and support incomes. The volatility and disruption related to the COVID-19 pandemic and the reactions to it may result in a disruption or deferral in borrower payments, a decline in the appraised value or salability of properties, a decline of interest rates, a deterioration of the credit worthiness of the borrowers, and inability for borrowers to obtain additional financing should the need arise, and/or the need to extend the maturity date of/or renew a mortgage. Accordingly, our business, results of operations and financial position may decline, potentially impacting our credit losses as result of changes in the financial condition of our borrower-clients, the responsiveness of our borrower-clients, housing prices and real estate market statistics and employment statistics and others. Each of the aforementioned factors can have an impact on our expected or actual credit losses. At this point, the extent to which COVID-19 may continue to impact us is uncertain. We will continue to monitor the effects and potential consequences of the COVID-19 pandemic in 2021.*
- *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 market interest rates would increase the Corporation's cost of borrowing. Increases in market interest rates could also negatively impact borrowers debt services ability in general and could impact real estate values.*
- *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 Income Tax Act (Canada) (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.*
- *Investment Portfolio size. The Investment Portfolio size (and income generated thereon) can fluctuate and will decrease when repayments exceed new advances. 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. Repayments of investments can be significant given the open prepayment provision associated with most investments.*
- *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.*
- *Liquidity risk. Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they come due. The Corporation's approach to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient liquidity to meet its liabilities when they come due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's credit worthiness. The Corporation manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. If the Corporation is unable to continue to have access to its loans and mortgages syndications and revolving operating facility, the size of the Corporation's loan and mortgage investments will decrease, and the income historically generated through holding larger investments by utilizing leverage will not be earned.*
- *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.*
- *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.*
- *Litigation risk. We may, from time to time, become involved in legal proceedings in the course of our business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, we might not receive payments of interest or principal on a mortgage that is the subject of litigation, which would affect our cash flows. An unfavourable resolution of any legal proceedings could have a material adverse effect on us, our financial position and results of operations.*
- *Ability to manage growth. We intend to grow our Investment Portfolio. In order to effectively deploy our capital and monitor our loans and investments in the future, we, the Corporation Manager and/or the Mortgage Banker will need to retain additional personnel and may be required to augment, improve or replace existing systems and controls, each of which can divert the attention of management from their other responsibilities and present numerous challenges. As a result, there can be no assurance that we would be able to effectively manage our growth and, if unable to do so, our Investment Portfolio, and the market price of our securities, may be materially adversely affected.*
- *Cyber risk. We collect and store confidential and personal information. Unauthorized access to our computer systems could result in the theft or publication of confidential information or the deletion or modification of records or could otherwise cause interruptions in our operations. In addition, despite implementation of security measures, our systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access, cyber-attack and other similar disruptions. Any such system failure, accident or security breach could disrupt our business and make our applications unavailable. If a person penetrates our network security or otherwise misappropriates sensitive data, we could be subject to liability or our business could be interrupted, and any of these developments could have a material adverse effect on our business, results of operations and financial condition.*
- *Convertible debentures. Risks relating to the ownership of our outstanding Convertible Debentures are set out in the section entitled "Risk Factors" contained in each of our (final) prospectuses or prospectus supplements qualifying the distribution of such outstanding Convertible Debentures, which sections are incorporated herein by reference and available on SEDAR at www.sedar.com.*
- *Currency risk. Currency risk is the risk that the fair value or future cash flows of the Corporation's foreign currency-denominated investments and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates. Consequently, the Corporation is subject to currency fluctuations that may impact its financial position and results of operations. The Corporation manages its currency risk on its investments by borrowing the same amount as the investment in the same currency. As a result, a change in exchange rate of the Canadian dollar against the U.S. dollar will not change the net income and comprehensive income and equity.*

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 unaudited interim condensed consolidated financial statements as at, and for three months ended, March 31, 2021 and 2020.

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, 2020 and March 31, 2021 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 for periods effective January 1, 2010. 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 March 31, 2021. 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 period ended March 31, 2021 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 2020 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 above 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 the impact of existing or future waves in the COVID-19 pandemic, 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; adequate bank indebtedness is available to the Corporation; and a non-material impact resulting from the COVID-19 pandemic. 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.

FIRM CAPITAL
MORTGAGE INVESTMENT CORPORATION

CAPITAL PRESERVATION • DISCIPLINED INVESTING

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FIRST QUARTER
MARCH 31, 2021

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Balance Sheets

(in Canadian dollars)

(Unaudited)

As at		March 31, 2021		December 31, 2020
Assets				
Amounts receivable and prepaid expenses (note 4)	$	3,944,786	$	4,428,874
Marketable securities (note 5)		56,274		47,073
Investment portfolio (note 6)		541,861,355		553,398,922
Total assets	$	545,862,415	$	557,874,869
Liabilities				
Bank indebtedness (note 7)	$	17,617,431	$	18,666,939
Credit facility (note 7)		40,873,956		53,585,420
Accounts payable and accrued liabilities		2,447,073		1,412,668
Deferred revenue		1,105,882		1,091,717
Shareholders' dividends payable		2,409,519		2,652,512
Convertible debentures (note 8)		137,431,692		137,117,831
Total liabilities	$	201,885,553	$	214,527,087
Shareholders' Equity				
Common shares (note 9)	$	340,340,705	$	339,784,430
Equity component of convertible debentures		2,076,500		2,076,500
Stock options (note 9)		975,700		987,067
Contributed surplus		1,863,776		1,863,776
Deficit		(1,279,819)		(1,363,991)
Total shareholders' equity	$	343,976,862	$	343,347,782
Commitments (note 6)				
Contingent liabilities (note 14)				
Total liabilities and shareholders' equity	$	545,862,415	$	557,874,869

See accompanying notes to interim condensed consolidated financial statements.

On behalf of the Directors:

"Eli Dadouch" *"Jonathan Mair"*

ELI DADOUCH JONATHAN MAIR

Director Director

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Statements of Income and Comprehensive Income

(in Canadian dollars)

(Unaudited)

	March 31, 2021	March 31, 2020
Revenues		
Interest and fees income	$ 11,474,744	$ 10,477,548
Other income	4,000	72,851
	11,478,744	10,550,399
Operating expenses		
Corporation manager interest allocation (note 12)	968,920	859,813
Interest expense (note 13)	2,559,207	2,719,230
General and administrative expenses	283,041	332,163
Share based compensation (note 9)	4,532	--
Provision for impairment on investment portfolio and interest receivable (note 4 and 6)	356,207	402,751
	$ 4,171,907	$ 4,313,957
Net income and comprehensive income for the period	$ 7,306,837	$ 6,236,442
Earnings per share (note 10)		
Basic	$0.237	$0.218
Diluted	$0.234	$0.218

See accompanying notes to interim condensed consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(in Canadian dollars)

(Unaudited)

	Common shares	Equity component of convertible debentures	Stock options	Contributed surplus	Surplus (Deficit)	Shareholders' equity
Balance at January 1, 2021	$ 339,784,430	$ 2,076,500	$ 987,067	$ 1,863,776	($1,363,993)	$343,347,780
Offering costs	(53,032)	-	-	-	-	(53,032)
Proceeds from issuance of shares from dividend reinvestment	242,408	-	-	-	-	242,408
Exercise of stock options (note 9 (b))	366,899	-	(15,899)	-	-	351,000
Amortization of stock option granted (note 9 (b))	-	-	4,532	-	-	4,532
Net income and comprehensive income for the period	-	-	-	-	7,306,837	7,306,837
Dividends to shareholders (note 11)	-	-	-	-	(7,222,663)	(7,222,663)
Balance at March 31, 2021	**$ 340,340,705**	**$ 2,076,500**	**$ 975,700**	**$ 1,863,776**	**(1,279,819)**	**$ 343,976,862**
Shares issued and outstanding (note 9)	**30,891,265**					

	Common shares	Equity component of convertible debentures	Stock options	Contributed surplus	Surplus (Deficit)	Shareholders' equity
Balance at January 1, 2020	$ 310,158,598	$ 2,111,650	$ 87,186	$ 1,828,626	($286,655)	$ 313,899,405
Offering costs	1,649	-	-	-	-	1,649
Proceeds from issuance of shares from dividend reinvestment	838,835	-	-	-	-	838,835
Conversion and redemption of debentures	3,389,000	(35,150)	-	35,150	-	3,389,000
Exercise of stock options (note 9 (b))	771,950	-	(6,250)	-	-	765,700
Net income and comprehensive income for the period	-	-		-	6,236,442	6,236,442
Dividends to shareholders (note 11)	-	-	-	-	(6,700,959)	(6,700,959)
Balance at March 31, 2020	**$ 315,160,032**	**$ 2,076,500**	**$ 80,936**	**$ 1,863,776**	**(751,172)**	**318,430,072**
Shares issued and outstanding (note 9)	**28,700,531**					

See accompanying notes to interim condensed consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Interim Condensed Consolidated Statements of Cash Flows

(in Canadian dollars)

(Unaudited)

	March 31, 2021	March 31, 2020
Cash provided by (used in):		
Operating activities:		
Income and profit for the period	$ 7,306,837	$ 6,236,442
Adjustments for:		
Financing costs (net of implicit interest rate and deferred finance cost amortization)	2,245,346	2,322,974
Implicit interest rate in excess of coupon rate - convertible debentures (note 8)	71,400	87,444
Deferred finance cost amortization - convertible debentures (note 13)	242,461	308,812
Provision for impairment on investment portfolio and interest receivable	356,207	402,751
Amortization of stock option granted (note 9 (b))	4,532	--
Share-based compensation, net	--	(6,250)
Unrealized (gain)/loss on marketable securities investments (note 5)	(9,201)	74,086
Accrued interest payable	(1,161,473)	(1,344,925)
Receivables and prepaid expenses	97,879	(680,467)
Accounts payable and accrued liabilities	1,034,405	1,296,443
Deferred revenue	14,165	145,111
Net cash flow from operating activities	$ 10,202,558	$ 8,842,421
Financing activities:		
Issuance of shares from dividend reinvestment	242,408	838,835
Exercise of stock options	351,000	771,950
Equity offering costs	(53,032)	1,649
Credit facility (note 7)	(12,711,464)	21,511,692
Repayment of loan payable	--	27,000,000
Cash interest paid (note 13)	(1,083,873)	(978,049)
Dividends to shareholders paid during the period (note 11)	(7,465,656)	(8,655,894)
Net cash flow from (used in) financing activities	$ (20,720,617)	$ 40,490,183
Investing activities:		
Sales of marketable securities	--	134,060
Funding of investment portfolio	(112,402,767)	(141,352,007)
Discharging of investment portfolio	123,970,334	101,210,274
Net cash flow from (used in) investing activities	$ 11,567,566	$ (40,007,673)
Net (decrease) increase in cash flow for the period	$ 1,049,507	$ 9,324,931
Bank indebtedness, beginning of period	(18,666,939)	(1,175,463)
Cash and cash equivalents (bank indebtedness), end of period (note 7)	$ (17,617,431)	$ 8,149,468
Cash flows from operating activities include:		
Interest received	$ 11,036,029	$ 8,390,064

1. Organization of Corporation:

Firm Capital Mortgage Investment Corporation (the "Corporation"), through its mortgage banker, Firm Capital Corporation (the "Mortgage Banker), 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 Canada on October 22, 2010.

2. Basis of presentation:

The unaudited interim condensed 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 interim condensed 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, 2020, since they do not contain all disclosures required by IFRS for annual financial statements. These unaudited interim condensed 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 interim condensed 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 interim condensed consolidated financial statements were approved by the Board of Directors on May 11, 2021.

3. Significant accounting policies:

The significant accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those as described in note 3 of the Corporation’s audited consolidated financial statements for the year ended December 31, 2020.

(in Canadian dollars)

4. Amounts receivable and prepaid expenses:

The following is a breakdown of amounts receivable and prepaid expenses as at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Interest receivable, net of impairment provision	$ 3,506,915	$ 3,727,709
Prepaid expenses	177,447	224,113
Fees receivable	260,285	471,501
Special income receivable	139	5,551
Amounts receivable and prepaid expenses	$ 3,944,786	$ 4,428,874

Interest receivable is net of the impairment provision of $1,657,000 (December 31, 2020 - $1,270,864); see note 6.

5. Marketable securities:

The Corporation holds units in publicly traded real estate investment trusts, which are classified as fair value through profit or loss ("FVTPL"). The fair value of the units 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 other income. The fair value of the marketable securities at March 31, 2021 is $56,274 (December 31, 2020 - $47,073). For the three months ended March 31, 2021, the Corporation recorded an unrealized gain of $9,201 (2020 - an unrealized loss of $69,152) in other income.

6. Investment portfolio:

The following is a breakdown of the investment portfolio as at March 31, 2021 and December 31, 2020:

	March 31, 2021		December 31, 2020	
Conventional first mortgages	$ 354,590,833	64.8%	$ 396,063,172	70.9%
Conventional non-first mortgages	66,816,578	12.2%	39,441,874	7.1%
Related debt investments	62,229,159	11.4%	75,272,991	13.5%
Debtor in possession loan	16,500,000	3.0%	-	-
Discounted debt investments	4,546,900	0.8%	5,209,650	0.9%
Non-conventional mortgages	7,263,000	1.3%	7,378,000	1.3%
Total investments (at amortized cost)	511,946,470	93.5%	$ 523,365,687	93.7%
Provision for impairment	(5,579,000)		(5,609,000)	
Total investments (at amortized cost), net	506,367,470		517,756,687	
Related debt investments (at FVTPL)	35,493,885	6.5%	35,642,235	6.3%
Total investments (at FVTPL)	35,493,885		35,642,235	
Investment portfolio, net	541,861,355		553,398,922	
Total investments, gross	$ 547,440,355	100.0%	$ 559,007,922	100.0%
By geography:				
Canada	$ 528,566,401	96.6%	$ 540,422,505	96.7%
United States	18,873,954	3.4%	18,585,417	3.3%
Total	$ 547,440,355	100%	$ 559,007,922	100%

Included in conventional first mortgages is one United States ("US") dollar denominated investment (at amortized cost) of $2,389,069 (US$1,899,856) (December 31, 2020 - one US dollar denominated investments of $1,916,182 (US$1,503,013)).

(in Canadian dollars)

Included in related debt investments (classified at FVTPL) are four US dollar denominated investments totaling $16,484,885 (US$13,109,252), (December 31, 2020 - four US dollar denominated investments totaling $16,669,235 (US$13,092,393)). These investments are a participation by the Corporation in limited partnerships that have provided equity to real estate entities in the US.

For the three months ended March 31, 2021, income recorded on the US investments (at amortized cost and FVTPL) was $437,476 (US$345,685), (2020 - $323,318 (US$224,849)). These amounts are included in interest and fees income.

Related debt investments (classified as FVTPL) as at March 31, 2021 also included three Canadian investments (December 31, 2020 - three Canadian investments) totaling $19,009,000 (December 31, 2020 - $18,973,000).

As at March 31, 2021, and December 31, 2020, there were no mortgages with first priority participants. During 2020, the Corporation's loans payable balance was $27,000,000 and the principal balance outstanding under the mortgage for which a first priority charge had been granted was $37,125,000. The mortgage and the related loan payable were fully repaid on July 2, 2020.

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 debt investments are loans that may not necessarily be secured by mortgage charge security. A debtor in possession loan ("DIP Loan"), is a loan obtained by an insolvent debtor while that debtor is restructuring its business under the Companies' Creditor Arrangement Act (Canada). A DIP Loan has top priority on the assets of the debtor company awarded by the court. 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%. Related investments and non-conventional mortgage investments at times are a source of special profit participation earned by the Corporation.

The following is a breakdown of the investment portfolio as at March 31, 2021:

	March 31, 2021		
	Gross carrying amount	Provision for impairment	Net carrying amount
Conventional first mortgages	$ 354,590,833	$ 2,966,000	$ 351,624,833
Conventional non-first mortgages	66,816,578	201,000	66,615,578
Related debt investments	97,723,044	2,382,000	95,341,044
Debtor in possession loan	16,500,000	17,000	16,483,000
Discounted debt investments	4,546,900	6,000	4,540,900
Non-conventional mortgages	7,263,000	7,000	7,256,000
Total investment portfolio	$ 547,440,355	$ 5,579,000	$ 541,861,355

Included in the total provision for impairment of $5,579,000 is a collective allowance of $986,000.

The following is a breakdown of the investment portfolio as at December 31, 2020:

	December 31, 2020		
	Gross carrying amount	Provision for impairment	Net carrying amount
Conventional first mortgages	$ 396,063,172	$ 3,436,000	$ 392,627,172
Conventional non-first mortgages	39,441,874	227,000	39,214,874
Related debt investments	110,915,226	995,000	109,920,226
Discounted debt investments	5,209,650	5,000	5,204,650
Non-conventional mortgages	7,378,000	946,000	6,432,000
Total	$ 559,007,922	$ 5,609,000	$ 553,398,922

Included in the total provision for impairment of $5,609,000 is a collective allowance of $1,080,000.

(in Canadian dollars)

The following table presents the staging of gross investments at amortized cost as at March 31, 2021:

Gross investments at amortized cost	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 305,579,927	$ 19,893,750	$ 29,117,156	$ 354,590,833
Conventional non-first mortgages	63,816,578	3,000,000	-	66,816,578
Related debt investments	58,911,792	-	3,317,366	62,229,159
Debtor in possession loan	16,500,000	-	-	16,500,000
Discounted debt investments	126,900	4,420,000	-	4,546,900
Non-conventional mortgages	3,763,000	-	3,500,000	7,263,000
Total gross investments at amortized cost	$ 448,698,197	$ 27,313,750	$ 35,934,522	$ 511,946,470
By geography:				
Canada	$ 446,309,129	$ 27,313,750	$ 35,934,523	$ 509,557,401
United States	2,389,069	-	-	2,389,069
Total gross investments at amortized cost	**$ 448,698,198**	**$ 27,313,750**	**$ 35,934,523**	**$ 511,946,470**
Related debt investments (at FVTPL)				
Canada				$ 16,484,885
United States				19,009,000
				$ 35,493,885
Total investments, gross	**$ 448,698,198**	**$ 27,313,750**	**$ 35,934,523**	**$ 547,440,355**

The following table presents the staging of gross investments at amortized cost as at December 31, 2020:

Gross investments at amortized cost	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 347,011,643	$ 18,318,750	$ 30,732,779	$ 396,063,172
Conventional non-first mortgages	36,256,874	-	3,185,000	39,441,874
Related debt investments	73,062,433	-	2,210,557	75,272,990
Discounted debt investments	139,650	5,070,000	-	5,209,650
Non-conventional mortgages	378,000	-	7,000,000	7,378,000
Total gross investments at amortized cost	$ 456,848,600	$ 23,388,750	$ 43,128,336	$ 523,365,687
By geography:				
Canada	$ 454,932,418	$ 23,388,750	$ 43,128,336	$ 521,449,505
United States	1,916,182	-	-	1,916,182
Total gross investments at amortized cost	$ 456,848,600	$ 23,388,750	$ 43,128,336	$ 523,365,687
Related debt investments (at FVTPL)				
Canada				$ 16,669,235
United States				18,973,000
				$ 35,642,235
Total investments, gross	**$ 456,848,600**	**$ 23,388,750**	**$ 43,128,336**	**$ 559,007,922**

As at March 31, 2021 The Corporation's gross Investment Portfolio was $547,440,355 (comprised of gross investments at amortized cost of $511,946,470 and related debt investments at FVTPL of $35,493,885). As at December 20, 2020, the gross Investment Portfolio was $559,007,922 (comprised of gross investments of $523,365,687 and related debt investments at FVTPL of $35,642,235) as at December 31, 2020.

(in Canadian dollars)

The following table presents the provision for credit losses on investments as at March 31, 2021:

Provision for impairment of credit losses on loans	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 331,000	$ 20,000	$ 2,615,000	$ 2,966,000
Conventional non-first mortgages	196,000	5,000	-	201,000
Related debt investments	99,000	-	2,283,000	2,382,000
Debtor in possession loan	17,000	-	-	17,000
Discounted debt investments	2,000	4,000	-	6,000
Non-conventional mortgages	7,000	-	-	7,000
Total	$ 652,000	$ 29,000	$ 4,898,000	$ 5,579,000
By geography:				
Canada	$ 650,000	$ 29,000	$ 4,898,000	$ 5,577,000
United States	2,000	-	-	2,000
Total	$ 652,000	$ 29,000	$ 4,898,000	$ 5,579,000

The following table presents the provision for credit losses on investments as at December 31, 2020:

Provision for impairment of credit losses on loans	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 378,000	$ 18,000	$ 3,040,000	$ 3,436,000
Conventional non-first mortgages	75,000	-	152,000	227,000
Related debt investments	112,000	-	883,000	995,000
Discounted debt investments	-	5,000	-	5,000
Non-conventional mortgages	-	-	946,000	946,000
Total	$ 565,000	$ 23,000	$ 5,021,000	$ 5,609,000
By geography:				
Canada	$ 563,000	$ 23,000	$ 5,021,000	$ 5,607,000
United States	2,000	-	-	2,000
Total	$ 565,000	$ 23,000	$ 5,021,000	$ 5,609,000

The following table presents the changes to the provision for credit losses on investments as at March 31, 2021:

The changes to the provision	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	$ 568,000	$ 23,000	$ 5,018,000	$ 5,609,000
Provision for credit losses	84,000	(1,000)	418,206	501,206
Transfer to (from):	-			
Stage 1	2,000	-	-	2,000
Stage 2	-	5,000	-	5,000
Stage 3	-	-	(152,000)	(152,000)
Allocation of provision to interest receivable			(386,206)	(386,206)
Balance at March 31, 2021	$ 654,000	$ 27,000	$ 4,898,000	$ 5,579,000

The loans comprising the investment portfolio are stated at amortized cost or FVTPL. As at March 31, 2021 the provision for impairment is $5,579,000 (2020 - $5,609,000) of which $4,593,000 (2020 - 4,529,000) 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 in default.

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 March 31, 2021, the Corporation carries a collective allowance of $986,000 (2020 - $1,080,000). The Corporation has allocated the impairment provision in the amount of $386,206 (2020 - $1,270,864) to interest receivable (note 4) related to loans in default.

(in Canadian dollars)

The investment portfolio as at March 31, 2021, includes four investments totaling $14,378,425 (December 31, 2020 - six investments totaling $25,137,615) for which a specific allowance of $4,593,000 (December 31, 2020 - $4,529,000) was recorded in the Corporation's provision for impairment.

The loans comprising the Investment portfolio bear interest at the weighted average rate of 8.18% per annum as at March 31, 2021 (December 31, 2020 - 8.20% per annum) and mature between 2021 and 2025.

The unadvanced funds under the existing investment portfolio (which are commitments of the Corporation) amounted to $105,964,653 as at March 31, 2021 (December 31, 2020 - $108,587,859).

The contractual maturity dates of the investment portfolio as at March 31, 2021, are as follows:

2021	295,646,788
2022	222,456,678
2023	21,165,412
2024	8,026,879
2025	144,598
	$ 547,440,355

Borrowers who have open loans generally have the option to repay principal at any time prior to the maturity date without penalty, subject to written notice, according to the terms of each mortgage loan.

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 participation agreements, the Corporation retains 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. Any gross interest and fees earned on the priority participants' interests and the related interest expense is recognized in income and profit.

As at March 31, 2021, the carrying value of the priority participants' interests in the Corporation's investment portfolio and loans payable was $nil (December 31, 2020 - $nil).

The investment portfolio as at March 31, 2021 had one investment totaling $5,537,583 (December 31, 2020 – one investment with balances totaling $822,854) with contractual interest arrears greater than 60 days past due amounting to $537,783 (December 31, 2020 – $68,440), for which management has determined that no provision for impairment is required.

The investment portfolio as at March 31, 2021, includes four investments totaling $25,728,461 (December 31, 2020 - seven investments totaling $30,245,129) with maturity dates that are past due and for which no extension or renewal was in place. None of the four investments was paid out after March 31, 2021 (December 31, 2020 - one investment was paid out in the amount of $822,854). Three of these investments totaling $12,636,363 (December 31, 2020 - three investments totaling $11,431,554) have an allowance against them included in the Corporation's provision for impairment. The remaining investment with a maturity date that is past due and for which no extension or renewal was in place amounts to $13,092,098 (December 31, 2020 - three investments totaling $17,990,721) has been determined not to require a specific provision.

As at March 31, 2021, 140 of the Corporation's 196 investments (investment amount of $457,471,075) are shared with other participants.

The Mortgage Banker services the entire investment in which the Corporation is a participant, on behalf of all participants and except for the case of an investment with a first priority syndicate participant (i.e. loans payable), the Corporation ranks pari passu with other members of the syndicate as to receipt of principal, interest and fees. As at March 31, 2021, no investment with first priority syndicate participation was outstanding.

Investments classified at FVTPL:
As at March 31, 2021, there are seven investments totalling $35,493,885 (December 31, 2020 - six investments totalling $35,642,235) that are carried at FVTPL.

7. Credit facility and bank indebtedness

The Corporation has revolving credit facilities with its principal banker of which $58,491,387 includes the credit facility and bank indebtedness balance as at March 31, 2021 (December 31, 2020 - $72,252,359). Interest on the credit facility and 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 facility, a component of which is a demand facility and a component of which had a committed term extended to September 30, 2021 (as further detailed in note 16 (c)). Bank indebtedness is secured by a general security agreement. The credit agreement contains certain financial covenants that must be maintained. As at March 31, 2021 and December 31, 2020, the Corporation was in compliance with all financial covenants.

As at March 31, 2021, the credit facility drawn amount was $40,873,956 and the bank indebtedness was $17,617,431 (December 31, 2020, the credit facility drawn amount was $53,585,420 and the bank indebtedness was $18,666,939).

The draw on the credit facility in the amount of $40,873,956 at March 31, 2021 (December 31, 2020 - $53,585,420), related to both borrowings in Canadian dollars of $22,000,000 (December 31, 2020 - $35,000,000) and US dollar borrowings of $15,009,110 (in Canadian dollars $18,873,955), (December 31, 2020 US dollar borrowings $14,597,408 (in Canadian dollars $18,585,420)). The borrowing in US dollars exactly matches that amount of US investments, thereby acting as an economic hedge against currency exposure.

8. Convertible debentures:

	Three Months Ended March 31, 2021	Year Ended December 31, 2020
Carrying value, beginning of the period	$ 137,117,831	$ 139,161,491
Conversions of debentures to shares	-	(3,389,000)
Implicit interest rate in excess of coupon rate	71,400	295,673
Deferred finance cost	242,461	1,049,666
Carrying value, end of the period	$ 137,431,692	$ 137,117,831

The continuity of the convertible debentures for the three months ended March 31, 2021:

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
5.30%	21,867,107	-	-	5,517	37,457	-	21,910,081	May 31, 2022
5.50%	20,095,314	-	-	12,558	36,705	-	20,144,577	Dec 31, 2022
5.20%	21,856,890	-	-	11,533	40,592	-	21,909,015	Dec 31, 2023
5.30%	25,704,610	-		7,285	45,591	-	25,757,486	Aug 31, 2024
5.40%	24,017,456	-	-	10,347	41,591	-	24,069,394	Jun 30, 2025
5.50%	23,576,454	-	-	24,160	40,525	-	23,641,139	Jan 31, 2026
Total	$ 137,117,831	$ -	$ -	$ 71,400	$ 242,461	$ -	$ 137,431,692	

(in Canadian dollars)

As at March 31, 2021, debentures payable bear interest at the weighted average effective rate of 5.37% per annum (December 31, 2020 - 5.37% per annum). Notwithstanding the carrying value of the convertible debentures, the principal balance outstanding to the debenture holders is $141,591,000 as at March 31, 2021 (December 31, 2020 - $141,591,000).

The continuity of the convertible debentures for the year ended December 31, 2020:

Convertible debenture	Balance, beginning of year	Issued	Conversions	Implicit interest rate in excess of coupon rate	Deferred finance cost amortization	Repayments upon Redemption	Balance, end of year	Maturity date
5.30%	23,539,994	-	(1,885,000)	28,529	183,584	-	21,867,107	May 31, 2022
5.50%	21,339,774	-	(1,487,000)	60,875	181,665	-	20,095,314	Dec 31, 2022
5.20%	21,647,210	-	-	44,605	165,075	-	21,856,890	Dec 31, 2023
5.30%	25,490,648	-		28,560	185,402	-	25,704,610	Aug 31, 2024
5.40%	23,808,324	-	-	39,995	169,137	-	24,017,456	Jun 30, 2025
5.50%	23,335,542	-	(17,000)	93,109	164,803	-	23,576,454	Jan 31, 2026
Total	$ 139,161,491	$ -	$ (3,389,000)	$ 295,673	$ 1,049,666	$ -	$ 137,117,831	

During 2020, convertible debentures in the amount of $3,389,000 were converted into 242,501 common shares.

9. 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 March 31, 2021:

	# of shares	Amount
Balance, beginning of period	30,843,166	$ 339,784,430
Equity offering costs	-	(53,032)
Options exercised in the period	30,000	366,899
New shares issued during the period under Dividend Reinvestment Plan	18,099	242,408
Balance, end of period	30,891,265	$ 340,340,705

(in Canadian dollars)

The following shares were issued and outstanding as at December 31, 2020:

	# of shares	Amount
Balance, beginning of year	28,334,972	$ 310,158,598
New shares from equity offering	2,139,000	25,881,900
Conversion of convertible debenture to shares	242,501	3,389,000
Equity offering costs	-	(1,297,013)
Options exercised in the year	65,000	771,950
New shares issued during the year under Dividend Reinvestment Plan	61,693	879,995
Balance, end of year	30,843,166	$ 339,784,430

On November 30, 2020, the Corporation completed an equity offering of 1,860,000 common shares at a price of $12.10 per share for gross proceeds of $22,506,000. The over-allotment option, granted to the underwriters of this offering, was exercised in full and the Corporation issued an additional 279,000 common shares at a price of $12.10 per share for gross proceeds of $3,375,900. The total number of shares issued pursuant to this offering was 2,139,000.

During 2020, convertible debentures in the amount of $3,389,000 were converted into 242,501 common shares.

(b) Incentive options plan:

The following is the status of the stock options issued under the Corporation's stock option plan:

	March 31, 2021			**December 31, 2020**		
	Number of Options	Weighed Average Exercise Price	Amount	Number of Options	Weighed Average Exercise Price	Amount
Outstanding, beginning of period	2,690,000	$11.77	$987,067	880,000	$11.91	$87,186
Exercised	(30,000)	$11.70	(15,899)	(65,000)	$11.78	(6,250)
Options Granted / Amortization Amount	-	-	4,532	1,875,000	$11.70	906,131
Cancelled	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Outstanding, end of period	**2,660,000**	**$11.77**	**$975,700**	**2,690,000**	**$11.77**	**$987,067**
Number of options exercisable	**2,485,000**	**$11.77**	-	**2,515,000**	**$11.77**	

The following options were issued and outstanding as at March 31, 2021:

Expiry Date	**Number of Options Outstanding**	**Number of Options Exercisable**	**Exercise Price**
November 11, 2023	710,000	710,000	$11.78
November 11, 2023	35,000	35,000	$12.21
November 11, 2023	70,000	70,000	$13.15
August 14, 2030	1,845,000	1,670,000	$11.70
	2,660,000	**2,485,000**	

(in Canadian dollars)

On August 14, 2020, the board of directors of the Corporation granted options to certain of the officers, directors and employees of the Corporation and the Mortgage Banker to purchase up to 1,875,000 Shares at a price of $11.70 per Share with the expiry date of August 14, 2030. Of the 1,875,000 options granted, 1,700,000 options vested immediately, and the remaining 175,000 options will vest on August 14, 2025. The fair value of the options granted was estimated at $991,093 using the Black-Scholes options pricing model.

The total number of stock options outstanding as at March 31, 2021 is 2,660,000 (December 31, 2020 – 2,690,000), of which 2,485,000 stock options are vested and exercisable (December 31, 2020 – 2,515,000).

During three months ended March 31,2021, 30,000 options were exercised under our stock options plan (2020 - 65,000 options were exercised).

(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 or purchase additional shares of the Corporation at a share price equivalent to the weighted average price of shares for the preceding five-day period.

(d) Normal course issuer bid:

On March 30, 2020, the Corporation received approval from the Toronto Stock Exchange ("TSX") for its intention to make a normal course issuer bid (the "NCIB") with respect to the Shares. The notice provided that the Corporation may, during the 12-month period commencing April 3, 2020 and ending no later than April 2, 2021, purchase through the facilities of the TSX or alternative Canadian Trading Systems up to 2,800,000 Shares in total, being approximately 10% of the "public float" of Shares as of March 30, 2020. Since commencement under the NCIB, the Corporation has not purchased and cancelled any Shares. The NCIB expired on April 2, 2021.

10. Per share amounts:

Earnings per share calculation:

The following table reconciles the numerators and denominators of the basic and diluted earnings per share for the three months ended March 31, 2021 and 2020.

Basic earnings per share calculation:

	Three Months Ended	
	March 31, 2021	**March 31, 2020**
Numerator for basic earnings per share:		
Net earnings for the year	$ 7,306,837	$ 6,236,442
Denominator for basic earnings per share:		
Weighted average shares	30,858,018	28,548,027
Net basic earnings per share	$ 0.237	0.218

(in Canadian dollars)

Diluted earnings per share calculation:

	Three Months Ended	
	March 31, 2021	**March 31, 2020**
Numerator for diluted earnings per share:		
Net earnings for the period	$ 7,306,837	$ 6,236,442
Interest on convertible debentures	1,805,106	-
Net diluted earnings per share	$ 9,111,943	$ 6,236,442
Denominator for diluted earnings per share:		
Weighted average shares	30,858,018	28,548,027
Net shares that would be issued:		
Assuming the proceeds from options are used to repurchase units at the average share price	116,642	49,268
Assuming debentures are converted	7,928,871	-
Diluted weighted average shares	38,903,531	28,597,295
Diluted earnings per share:	$ 0.234	$ 0.218

11. 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 March 31, 2021, the Corporation recorded dividends of $7,222,663 (2020 - $6,700,959) to its shareholders. Dividends were $0.234 per share (2020- $0.234 per share).

12. Related party transactions and balances:

The Corporation's Manager (a company related to certain officers and/or directors of the Corporation) receives an allocation of interest, referred to as the Corporation's joint venture interest arrangement, calculated at 0.75% per annum of the Corporation's daily outstanding performing investment balances. For the three months ended March 31, 2021, this amount was $968,920 (2020 - $859,813). Included in accounts payable and accrued liabilities at March 31, 2021 are amounts payable to the Corporation's Manager of $322,589 (December 31, 2020 - $345,968).

The Mortgage Banker (a company related to certain 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 $129,000 for the three months ended March 31, 2021 (2020 - $115,000). 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 Joint Venture Agreement and Mortgage Banking Agreement contain, respectively, 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)

The Corporation holds a mortgage investment totaling $4,420,000 at March 31, 2021 (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, 2020 - $5,070,000). 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 March 31, 2021, the Corporation recognized interest earned of $123,660 (2020 - $nil) from this investment. No impairment provision was recorded on this loan as at March 31, 2021 (December 31, 2020 - $nil).

Key management compensation:

For the three months ended March 31, 2021, the total directors' fee paid were $80,250 (2020 - $76,750). Certain key management personnel are also directors of the Corporation and received compensation from the Corporation's Manager. The Directors and Officers held 583,628 shares in the Corporation as at March 31, 2021 (December 31, 2020 - 657,919).

During the quarter ended March 31, 2021, no options were issued under our stock option plan (2020 – 1,875,000, of which 1,230,000 options were issued to the directors of the Corporation).

Aggregate compensation paid to key management personnel (including payments to related parties for their recovery of costs), consisted of short-term employee compensation of $930,649 for the three months ended March 31, 2021 (2020 - $589,745), all of this compensation was paid by the Corporation's Manager and not by the Corporation.

13. Interest expense:

	March 31, 2021	March 31, 2020
Bank interest expense	$ 345,899	$ 278,088
Loans payable interest expense	-	134,695
Debenture interest expense	2,213,308	2,306,447
Interest expense	**$ 2,559,207**	**$ 2,719,230**
Deferred finance cost amortization - convertible debentures	(242,461)	(308,812)
Implicit interest rate in excess of coupon rate - convertible debentures	(71,400)	(87,444)
Change in accrued interest payable	(1,161,473)	(1,344,925)
Cash interest paid	**$ 1,083,873**	**$ 978,049**

(in Canadian dollars)

14. 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.

15. Fair value:

The fair values of amounts receivable, bank indebtedness, credit facility, 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 generally 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 following table presents the changes in related debt investments (at FVTPL) as at March 31, 2021

Changes to related debt investments at FVTPL		
Balance at January 1, 2021	$	35,642,235
Funding of investments		-
Discharging of investments		(99,611)
Unrealized foreign exchange		(48,740)
Balance at March 31, 2021	$	35,493,885

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 tables below present the fair values heirarchy of the Corporation's financial instruments as at March 31, 2021 and December 31, 2020. 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:

March 31, 2021		Level 1	Level 2	Level 3		Total
Marketable securities	$	56,274	-	-	$	56,274
Convertible debentures		143,815,835	-	-		143,815,835

December 31,2020		Level 1	Level 2	Level 3		Total
Marketable securities	$	47,073	-	-	$	47,073
Convertible debentures		142,409,853	-	-		142,409,853

(in Canadian dollars)

16. 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 March 31, 2021, 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	$ 3,944,786	-	-
Marketable securities	56,274	-	-
Investment portfolio	541,861,355	-	3,285,593
Financial liabilities:			
Bank indebtedness	17,617,431	176,174	(176,174)
Credit facility	40,873,956	408,740	(408,740)
Accounts payable and accrued liabilities	2,447,073	-	-
Shareholders dividends payable	2,409,519	-	-
Convertible debentures	$ 137,431,692	-	-
Total increase		$ 584,914	$ 2,700,679

(in Canadian dollars)

(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 the 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 carrying 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 March 31, 2021, 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 $105,964,653 as at March 31, 2021 (December 31, 2020 - $108,587,859). 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 $100 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 extended to September 30, 2021.

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, when implemented, 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.

Contractual obligations as at March 31, 2021 are due as follows:

	Total	Less than 1 year	1-3 years	4-7 years
Bank indebtedness	$ 17,617,431	$ 17,617,431	$ -	$ -
Credit facility	40,873,956	40,873,956	-	-
Accounts payable and accrued liabilities	2,447,073	2,447,073	-	-
Shareholders dividends payable	2,409,519	2,409,519	-	-
Convertible debentures	141,591,000	-	91,608,000	$ 49,983,000
Subtotal - Liabilities	$ 204,938,979	$ 63,347,979	$ 91,608,000	$ 49,983,000
Future advances under portfolio	105,964,653	105,964,653	-	-
Liabilities and contractual obligations	$ 310,903,632	$ 169,312,632	$ 91,608,000	$ 49,983,000

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 $7,597,783 for less than 1 year, $10,175,445 for 1 to 3 years and $4,791,828 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 convertible debentures 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.

(e) Currency risk:

Currency risk is the risk that the fair value or future cash flows of the Corporation's foreign currency-denominated investments and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates. Consequently, the Corporation is subject to currency fluctuations that may impact its financial position and results of operations. The Corporation manages its currency risk on its investments by borrowing the same amount as the investment in the same currency. As a result, a 1% change in the exchange rate of the Canadian dollar against the U.S. dollar will not result in a significant change to the net income and comprehensive income and equity.

(f) COVID-19 risk:

On March 11, 2020, the World Health Organization declared COVID-19 outbreak a pandemic, requiring important protective measures to be implemented to prevent its spread. The governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency and enacted measures to contain the spread of the virus. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, temporary business closures, quarantines, a general reduction in commercial activity due to reduced consumer spending related to job loss and other adverse economic effects attributable to COVID-19. Given the unprecedented and pervasive impact of changing circumstances surrounding COVID-19, there is inherently greater uncertainty related to the Corporation's future operating assumptions as compared to the prior periods. Given this, it is not possible to forecast with certainty the duration and scope of the economic impact of COVID-19 and the impact it will have on the Corporation's estimate of allowance for credit losses and investments measured at FVTPL, both in the short term and in the long term. The duration of the business disruption due to government lockdown orders and their related financial impact cannot be reasonably estimated at this time and may be instituted, terminated and re-instituted from time to time due as the COVID-19 outbreak worsens or waves of COVID outbreaks may occur. The volatility and disruption related to the COVID-19 outbreak and the reactions to it may result in a disruption or deferral in borrower payments, a decline in the appraised value or salability of properties, a decline of interest rates, a deterioration of the credit worthiness of the borrowers, an inability for the borrowers to obtain additional financing, should the need arise, and/or the need to extend the maturity date of the mortgage. At this point, the extent to which COVID-19 may impact the Corporation is uncertain.

In the near-term, there have been no material signs of deterioration in the Investment Portfolio as a result of COVID-19. Borrower repayment performance has remained consistent with pre-COVID-19 performance with no payment deferral arrangements have been implemented.