PrimeWest

Mortgage Investment Corporation

Condensed Interim Financial Statements (Unaudited)

Three months and nine months ended September 30, 2015

AMENDED

REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been amended by PrimeWest Mortgage Investment Corporation's management.

This amendment was necessitated by correspondence from the Financial and Consumer Affairs Authority of Saskatchewan. The amendment only affects the presentation of the financial statement. There are no changes to the financial results.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statement of Financial Position

As at September 30, 2015
(Expressed in Canadian Dollars)

	Notes	September 30, 2015 $	December 31, 2014 $ (Audited)
ASSETS			
Cash and cash equivalents		60,774	62,848
Loan receivable	4	10,800	10,800
Prepaid expenses		36,625	24,455
Mortgages receivable	5	24,325,741	24,605,080
Mortgage interest receivable		195,337	236,256
Property and equipment		16,101	12,081
Assets taken in settlement of debt	6	945,921	660,884
Total Assets		25,591,299	25,612,404
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Demand loan	7	8,257,316	8,642,384
Trade and other payables		111,988	128,062
Unearned revenue		147,361	374,004
		8,516,665	9,144,450
Shareholders' Equity			
Shareholders' capital	8	14,254,915	14,135,065
Retained earnings		2,819,719	2,332,889
		17,074,634	16,467,954
Total Liabilities and Shareholders' Equity		25,591,299	25,612,404
Shares outstanding	8	1,740,086	1,722,193
Commitments	12		
Subsequent Events	15		

The accompanying notes are an integral part of these Financial Statements.

"Tom Archibald"
Director

"Doug Frondall"
Director

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statement of Comprehensive Income
For the three and nine months ended September 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Notes	For the three months ended September 30, 2015 $	For the three months ended September 30, 2014 $	For the nine months ended September 30, 2015 $	For the nine months ended September 30, 2014 $ (note 14)
Income					
Mortgage interest		667,466	633,653	1,990,014	1,778,676
Mortgage interest on delinquents	5	40,925	(17,860)	101,255	111,557
Fees		214,916	259,078	633,681	697,726
		923,307	874,871	2,724,950	2,587,959
Interest and fees expense					
Interest		97,000	51,887	302,742	84,380
Fees		2,525	8,739	8,646	52,233
		99,525	60,626	311,388	136,613
Net interest and fees income		823,782	814,245	2,413,562	2,451,346
(Recovery) bad debts and change in provision for mortgage losses	5	-	-	(97,711)	2,080
Provision for interest on delinquents	5	40,925	(17,860)	101,255	111,557
(Gain) loss on disposal of assets taken in settlement of debt		-	75,645	97,916	131,045
Net interest and fees income after provision for mortgage losses		782,857	756,460	2,312,102	2,206,664
Expenses					
Advertising and promotion		22,733	12,554	57,602	42,538
Contracted services		9,812	9,122	41,451	24,601
Depreciation of property and equipment		2,976	2,621	8,080	7,725
Directors' fees	9	28,500	29,100	85,500	87,300
Insurance		9,875	8,155	22,190	24,230
Office and administration		35,671	31,700	94,138	96,741
Professional fees		15,409	26,344	61,913	114,032
Rent		13,751	13,081	37,419	36,587
Wages and benefits		135,661	133,149	389,471	449,862
		274,388	265,826	797,764	883,616
Total comprehensive income for the year		508,469	490,634	1,514,338	1,323,048
Earnings per share					
Basic and diluted		$.29	$0.26	$0.88	$0.66

The accompanying notes are an integral part of these Financial Statements.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statement of Changes in Shareholders' Equity
For the nine months ended September 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Notes	Shareholders' capital $	Retained earnings $	Total equity $
As at January 1, 2014		17,617,162	1,977,281	19,594,443
Share issuance		100,000	-	100,000
Share redemption		(3,421,371)	-	(3,421,371)
Dividends			(1,186,088)	(1,186,088)
Total comprehensive income for the year		-	1,323,048	1,323,048
As at September 30, 2014		14,295,791	2,114,241	16,410,032
As at January 1, 2015		14,135,065	2,332,889	16,467,954
Share issuance	8	1,961,746	-	1,961,746
Share redemption	8	(1,841,896)	-	(1,841,896)
Dividends		-	(1,027,508)	(1,027,508)
Total comprehensive income for the year		-	1,514,338	1,514,338
As at September 30, 2015		14,254,915	2,819,719	17,074,634

The accompanying notes are an integral part of these Financial Statements.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statement of Cash Flows
For the nine months ended September 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Notes	September 30, 2015 $	September 30, 2014 $ (note 14)
Operating activities			
Total comprehensive income for the year		1,514,338	1,323,048
Non-cash adjustments to reconcile loss from operations to net cash flows:			
Depreciation of property and equipment		8,080	7,725
(Recovery) bad debt and provision for mortgage losses	5	(97,711)	2,080
Provision for interest on delinquents	5	101,255	111,557
(Gain) loss on disposal of assets taken in settlement of debt		97,916	131,045
Mortgages funded during the year		(4,566,468)	(6,591,314)
Mortgages discharged during the year		4,323,618	5,689,437
Costs incurred to sell asset taken on settlement of debt		(32,808)	(49,323)
Proceeds from disposal of assets taken in settlement of debt		168,500	650,887
Net change in non-cash working capital relating to operating activities:			
Mortgage interest receivable		40,920	3,208
Prepaid expenses		(12,170)	29,228
Trade and other payables		(16,074)	(11,917)
Unearned revenue		(226,643)	(170,551)
Net cash flows from operating activities		1,302,753	1,125,110
Investing activities			
Purchase of property and equipment		(12,100)	(616)
Net cash flows from investing activities		(12,100)	(616)
Financing activities			
Issuance of share capital	8	1,961,746	100,000
Redemption of share capital	8	(1,841,896)	(3,421,371)
Dividends paid		(1,027,508)	(1,186,088)
Repayment of demand loan		(385,069)	3,376,743
Net cash flows from financing activities		(1,292,727)	(1,130,716)
Net increase (decrease) in cash and cash equivalents		(2,074)	(6,222)
Cash and cash equivalents, beginning of period		62,848	69,085
Cash and cash equivalents, end of period		60,774	62,863
Supplemental cash flow information:			
Interest paid		302,742	88,380

The accompanying notes are an integral part of these Financial Statements.

1 Incorporation and Operations

PrimeWest Mortgage Investment Corporation (the "Company") was incorporated under *The Saskatchewan Business Corporations Act* on March 22, 2005 and commenced operations in October 2005. The Company operates as a Mortgage Investment Corporation (MIC) as defined in the Income Tax Act.

The Company lends on security of mortgages on real properties situated in the Provinces of Saskatchewan, Manitoba, Alberta and British Columbia. The mortgages transacted by the Company do not generally meet the underwriting criteria of conventional lenders. As a result the investments are subject to greater risk and accordingly earn a higher rate of interest than is generally obtainable through conventional mortgage lending activities. MIC lending securities regulations allow MIC lenders to provide mortgages up to 95% of loan to value however as a general practice, the Company restricts lending to a maximum of 85%.

The Company is a reporting issuer under securities laws.

The address of the registered office is #700 – 750 Spadina Crescent East, Saskatoon, Saskatchewan S7K 3H3.

2 Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements for the period ended September 30, 2015 represent the Company's quarterly financial statements. They were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and Interpretations of the IFRS Interpretations Committee.

The Financial Statements of the Company for the period ended September 30, 2015 were authorized for issue in accordance with a resolution of the directors on November 26, 2015.

The Amended Financial Statements of the Company for the period ended September 30, 2015 were authorized for reissue in accordance with a resolution of the directors on March 1, 2016.

3 Recent accounting pronouncements

The corporation adopted amendments to IFRS 7, IAS 32, IFRS 13 and IAS 1. There was no material impact to the Company's financial statements as a result of the adoption of those standards.

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company.

i) **IFRS 9 Financial instruments**
In July 2014, the IASB issued a final revised IFRS 9 standard. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also includes an expected credit loss model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company will assess the impact of this standard in conjunction with the other phases, when the final standard including all phases is issued.

(Unaudited – Expressed in Canadian Dollars)

3 Recent accounting pronouncements (continued)

ii) **IFRS 15 Revenue from Contracts with Customers**

In May 2014, the International Accounting Standard Board (IASB) issued a new International Financial Reporting Standard (IFRS) on the recognition of revenue from contracts with customers. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:

- Identify the contract(s) with the customer.
- Identify the performance obligation(s) in the contract.
- Determine the transaction price.
- Allocate the transaction price to each performance obligation in the contract.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company does not expect this amendment to have a material impact on its financial statements.

4 Loan receivable

The loan receivable relates to a loan to a past director to acquire shares of the Company. This loan is non-interest bearing, due on demand and is secured by Company shares held in trust. On demand, this loan bears interest at prime plus 2%.

5 Mortgages receivable

Portfolio of 59 (December 31, 2014 – 74) mortgages bearing interest at fixed rates from 3.95% to 14.0% maturities ranging from October 2015 to June 2017, secured by real property to which they relate and by additional security in certain circumstances.

The preparation of the financial statements in conformity with IFRS requires that interest continue to accrue on delinquent accounts. IFRS also requires that a provision in the same amount is set up to recognize the interest may not be collected.

	Principal Performing	*Principal Impaired*	*Specific Allowance*	*September 30, 2015 Net carrying value*
Residential mortgages (53)	**17,537,358**	-	**101,255**	**17,436,103**
Commercial mortgages (6)	**6,889,638**	-	-	**6,889,638**
Total	**24,426,996**	-	**101,255**	**24,325,741**

(Unaudited – Expressed in Canadian Dollars)

5 Mortgages receivable (continued)

	Principal Performing	*Principal Impaired*	*Specific Allowance*	*December 31, 2014 Net carrying value*
Residential mortgages (68)	18,018,135	-	97,711	17,920,424
Commercial mortgages (6)	6,684,656	-	-	6,684,656
Total	24,702,791	-	97,711	24,605,080

Mortgage allowance details

	September 30, 2015	*December 31, 2014*
Balance, beginning of year	**97,711**	70,000
(Recovery) bad debts and change in provision for mortgage losses	**(97,711)**	(12,920)
Change in provision for interest on delinquents	**101,255**	97,711
	101,255	154,791
Less: accounts written off	**-**	(57,080)
Balance, end of period	**101,255**	97,711

Mortgages past due but not impaired

A mortgage is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of mortgages at period end that are past due but not classified as impaired because they are either i) less than 90 days past due, or ii) fully secured and collection efforts are reasonably expected to result in repayment.

September 30, 2015

	Under 30 days	***31-60 days***	***61-90 days***	***91 days and greater***	***Total***
Residential	**285,885**	**136,533**	**116,579**	**2,467,950**	**3,006,947**
Commercial	**-**	**3,427,138**	**-**	**2,725,299**	**6,152,437**
	285,885	**3,563,671**	**116,579**	**5,193,249**	**9,159,384**
Appraised value of collateral	**335,000**	**6,647,750**	**217,000**	**8,044,315**	**15,244,065**

(Unaudited – Expressed in Canadian Dollars)

5 Mortgages receivable (continued)

December 31, 2014

	Under 30 days	*31-60 days*	*61-90 days*	*91 days and greater*	*Total*
Residential	164,139	3,541,769	-	1,035,387	4,741,295
Commercial	-	-	-	-	-
	164,139	3,541,769	-	1,035,387	4,741,295
Appraised value of collateral	363,000	15,424,106	-	1,213,200	17,000,306

The principal collateral and other credit enhancements the Company holds as security for loans include (i) insurance, and mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. The Company has policies in place to monitor the existence of undesirable concentration in the collateral supporting its credit exposure. In management's estimation, the fair value of the collateral is sufficient to offset the risk of loss on the mortgages past due but not impaired.

During the year some mortgages were renegotiated that would have otherwise been past due or impaired since the equity value in the property justified extension of the loan.

Distribution of mortgages:

	Effective interest rates	**Number of mortgages**	***September 30 2015* Amortized cost and fair value**	*Number of mortgages*	*December 31 2014 Amortized cost and fair value*
	3 – 4%	**1**	**295,969**	1	295,668
	5 – 6%	**1**	**1,172,797**	-	-
	6 – 7%	**1**	**299,712**	1	283,260
	7 – 8%	**1**	**54,245**	2	475,198
	8 – 9%	**4**	**1,368,152**	5	2,021,680
	9 – 10%	**4**	**1,481,962**	3	1,165,578
	10 – 11%	**5**	**4,383,446**	6	4,207,944
	11 – 12%	**7**	**5,027,048**	9	5,469,694
	12 – 13%	**27**	**6,257,871**	38	7,049,493
	13 – 14%	**8**	**4,085,794**	9	3,734,276
Allowance for mortgage losses			**(101,255)**		(97,711)
		59	**24,325,741**	74	24,605,080

(Unaudited – Expressed in Canadian Dollars)

5 Mortgages receivable (continued)

Residential mortgages contain a prepayment option whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

Maturities and yields:

September 30, 2015	***Within 3 months***	***Over 3 months to 1 year***	***1 - 2 years***	***Total***
Total mortgages	18,498,658	5,385,769	441,314	24,325,741
Effective interest rate %	11.4%	12.4%	12.1%	11.7%

December 31, 2014	***Within 3 months***	***Over 3 months to 1 year***	***1 - 2 years***	***Total***
Total mortgages	13,667,023	9,737,207	1,200,850	24,605,080
Effective interest rate %	12.0%	11.5%	12.2%	11.8%

6 Assets taken in settlement of debt

	Properties	**Amount $**
At December 31, 2013	4	780,500
Mortgages settled during the year by taking property	4	835,348
Costs incurred to sell		79,664
Properties sold during the year	(3)	(893,500)
Realized gain (loss) on sale of property		(83,288)
Unrealized gain		(57,840)
At December 31, 2014	5	660,884
Mortgages settled during the year by taking property	2	518,645
Costs incurred to sell		32,808
Properties sold during the year		(168,500)
Realized gain (loss) on sale of property		(205)
Unrealized gain (loss)		(97,711)
At September 30, 2015	7	945,921

All of the assets taken on settlement of debt are residential properties.

7 Demand loan

	September 30, 2015 $	**December 31, 2014 $**
Operating line of credit	8,257,316	8,648,384
Less: deferred financing charges	-	(6,000)
	8,257,316	8,642,384

(Unaudited – Expressed in Canadian Dollars)

7 Demand loan (continued)

The margined, demand operating line of credit bears interest at prime plus 1.5% (2014 – prime plus 1.50%), has an authorized limit which is the lesser of the margin calculation and $15,000,000 and is secured by a general security agreement and an assignment of mortgages receivable. The operating line's margin is calculated using variable percentages of eligible mortgages as set out by the bank.

At period-end the maximum margin available was $10,120,300 (December 31, 2014 - $9,703,155).

The credit agreement contains certain financial covenants that must be maintained. As at September 30, 2015 the Company was in compliance with all financial covenants.

8 Shareholders' equity

A) Authorized shares

The Company's authorized share capital consists of:

- An unlimited number of Class A voting, common shares, redeemable at the option of the Company and retractable at the option of the holder at $10 per share. The maximum annual redemption is 10% of the issued and outstanding shares at the beginning of the fiscal year. The Company will consider maintaining capital base by transfer of shares in place of redemption.
- An unlimited number of Class B common shares may, at any time, or from time to time, be issued in one or more series. The Board of Directors, subject to certain limitations, shall determine upon issuance of any Class B shares the number of shares to be issued and the designation, rights, privileges, restrictions and conditions attached to those shares. None of these are defined in the articles of the Company and would therefore be presented to shareholders for approval.

B) Issued and outstanding

Class A Common shares	**Number of Shares/Units**	**$**
At December 31, 2013	2,095,305	17,617,162
Shares redeemed	(383,112)	(3,582,097)
Shares issued for cash	10,000	100,000
At December 31, 2014	**1,722,193**	**14,135,065**
Shares redeemed	(192,667)	(1,841,896)
Shares issued for cash	210,560	1,961,746
At September 30, 2015	**1,740,086**	**14,254,915**

The aggregate potential redemption amount of the outstanding Class A shares is $17,400,860 (December 31, 2014 - $17,221,930). Class A shares represent the residual equity interest of the Company, the redemption feature applies to all the Class A shares, the shares have no preferential rights and the redemption event is the same for all the Class A shares and accordingly are recorded as equity.

(Unaudited – Expressed in Canadian Dollars)

8 Shareholders' equity (continued)

As at January 1, 2014, the Company passed a resolution that would allow redemptions (at the discretion of the Corporation) and retractions (at the discretion of holders of Class A Shares) at a price that is less than $10.00 per Class A Share. This change ensures that when a shareholder calls for retraction of Class A shares, restrictions under the Act will not inhibit the Company's ability to redeem such shares.

Accordingly, when a shareholder calls for redemption of shares held by such shareholder by giving notice to the Corporation during the period April 1 to April 30th of a particular year (the "Redemption Period"), the Corporation shall on or before July 31st, and provided redemption requests for the year do not exceed 10% of the issued and outstanding Class A Shares, redeem the shares at the price equal to the lesser of (a) $10.00 per share; and (b) the book value per Class A Share as stated in the audited financial statements for the year ended immediately prior to the Redemption Period. The Board may at its discretion waive the restriction and increase the number of Class "A" shares that the Corporation may redeem in any fiscal year.

9 Related party disclosure

Compensation of key management personnel

Key management personnel ("KMP") consist of the CEO and the CFO. KMP remuneration includes the following expenses:

	September 30, 2015 $	September 30, 2014 $
Salaries, fees and short-term benefits	**207,066**	175,927

The remuneration of directors during the year consisted of directors fees in the amount of $85,500 (September 30, 2014 – $87,300).

Transactions with key management personnel

Legal fees of $2,645 (December 31, 2014 - $5,418) were paid to a law firm that a director is a partner in.

These transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10 Capital management

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, redeem shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and issue new debt to replace existing debt.

Pursuant to the Company's credit agreement (Note 7) it is required to meet certain financial covenants. If the Company is in violation of any of these covenants its ability to pay dividends may be inhibited. The Company monitors these covenants to ensure it remains in compliance. At September 30, 2015 the Company was in compliance with all financial covenants.

There were no changes in the Company's approach to capital management during the year.

11 Financial instruments and risk management

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Risk management policy

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk. The Company's overall risk management program focuses on avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Company follows risk management policies approved by its Board of Directors.

These risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Company;
- Balance risk and return;
- Manage credit, market and liquidity risk through preventative and detective controls;
- Ensure credit quality is maintained;
- Ensure credit, market, and liquidity risk are maintained at acceptable levels;
- Diversify risk in transactions, customer relationships and loan portfolios;
- Price according to risk taken; and
- Use consistent credit risk exposure tools.

Risk management is carried out by senior management, the policies of which are determined by the Board of Directors.

There have been no significant changes from the previous year in the exposure to risk, policies and procedures or methods used to measure risk.

Credit risk

Credit risk is defined as the risk that a mortgagor will be unable to fulfill their mortgage commitments. Credit risk primarily arises from mortgages receivable. Management and the Board of Directors review and update the credit risk policy annually.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region, and indicate the relative sensitivity of the Company's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Company due to its primary service area being Saskatoon, Regina and surrounding areas.

Credit risk management for mortgage portfolio

The Company mitigates this risk by having well established lending policies in place. Policies include but are not limited to:

1. All mortgage applications undergo a comprehensive due diligence process adhering to investment restrictions and operating policies development by the Company.
2. Prior to funding, the Company will obtain current appraisals on all properties which secure the loan. The appraisals will be completed by an accredited appraiser approved by the Company.
3. All mortgages are registered as charges against real property, provided that the overall loan to appraised value ratio does not exceed 95% (including prior charges).
4. The initial term of a mortgage cannot exceed 24 months.

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

5. The Company will not make a mortgage loan, if immediately after the closing of the loan transaction; the amount so lent would be greater than 20% of the Company's net assets.
6. Management actively monitors the mortgage portfolio.

Risk is measured by reviewing qualitative and quantitative factors that impact the mortgage portfolio and starts at the time of a credit application and continues until the loan is fully repaid.

Analysis of maximum exposure to credit and collateral
The maximum exposure to credit risk at September 30, 2015 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total $24,531,878 (December 31, 2014 - $24,852,136).

To reduce the exposure the Company holds collateral as security on its mortgages. The collateral consists of a charge against real property on each mortgage. At September 30, 2015 the fair value of the collateral on the mortgages receivable is in excess of the fair value of the mortgages receivable.

Credit quality, mortgage types and renegotiated mortgages
The Company`s portfolio consists of both residential and commercial mortgages as follows:

	September 30, 2015 $	December 31, 2014 $
Residential first mortgages	**13,190,472**	14,204,899
Residential second mortgages	**4,338,440**	3,776,539
Commercial first mortgages	**4,485,165**	4,336,879
Commercial second mortgages	**2,404,473**	2,347,777
Residential mortgages with no security	**8,446**	36,697
Provision for mortgage losses	**(101,255)**	(97,711)
	24,325,741	24,605,080

*First mortgages are loans secured by a first priority mortgage charge with loan to values not exceeding 85%.
**Second mortgages are loans with mortgage charges not registered in first priority with loan to values not exceeding 85%.

The mortgage portfolio consists of mortgages that have been registered 93.7% in Saskatchewan (December 31, 2014 – 94.0%), 3.9% in Alberta (December 31, 2014 – 3.7%) and 2.4% in Manitoba (December 31, 2014 – 2.3%).

The Company does not internally assign credit quality ratings to its mortgages that are neither past due or impaired. In addition, there is a limited market for such a portfolio of mortgages so standard credit ratings have not been used. However, the Company actively monitors its mortgage portfolio, the quality of the mortgages and any impairment.

Additional information on credit quality, renegotiated mortgages and mortgages past due but not impaired is included in Note 5.

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Collateral obtained

During the year the Company obtained assets by taking possession of collateral it holds as security in settlement of debt. The Company took possession of $518,645 (December 31, 2014 - $835,348) of property. The Company`s policy for these assets is to sell the assets to recover funds loaned.

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due. To limit this risk, the Company`s approach is to ensure that it has sufficient cash and credit facilities to meet its liabilities when due, under both normal and stressed circumstances.

The Company maintains significant committed borrowing facilities from its bank for credit room of at least equal to ten percent of the line of credit plus two months operating costs. The Company also maintains adequate cash held in trust to meet its trust fund obligations.
The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining additional debt financing. In addition, the mortgage receivables have short maturity terms (3 – 24 months) which provide additional liquidity in the event of an unforeseen interruption of cash flow. The Company can convert the mortgages, if needed, to cash instead of renewing for another term or lending under a new mortgage.

The table below summarizes the maturity profile of the Company’s financial liabilities based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at September 30, 2015					
Demand loan	**8,257,316**	**-**	**-**	**-**	**8,257,316**
Trade and other payables	**-**	**111,988**	**-**	**-**	**111,988**
Due to related parties	**-**	**-**	**-**	**-**	**-**
Unearned revenue	**-**	**63,287**	**84,074**	**-**	**147,361**
	8,257,316	**175,275**	**84,074**	**-**	**8,516,665**

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at December 31, 2014					
Demand loan	8,642,384	-	-	-	8,642,384
Trade and other payables	-	128,062	-	-	128,062
Due to related parties	-	-	-	-	-
Unearned revenue	-	109,941	262,918	1,145	374,004
	8,642,384	238,003	262,918	1,145	9,144,450

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

The Company manages liquidity risk on a net asset and liability basis. The following tables explain the contractual maturities of financial assets held for the purpose of managing liquidity risk.

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at September 30, 2015					
Cash and cash equivalents	**60,774**	**-**	**-**	**-**	**60,774**
Loan receivable	**10,800**	**-**	**-**	**-**	**10,800**
Mortgages receivable	**-**	**18,498,658**	**5,385,769**	**441,314**	**24,325,741**
Mortgage interest receivable	**-**	**195,337**	**-**	**-**	**195,337**
	71,574	**18,693,995**	**5,385,769**	**441,314**	**24,592,652**

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at December 31, 2014					
Cash and cash equivalents	62,848	-	-	-	62,848
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	13,667,023	9,737,207	1,200,850	24,605,080
Mortgage interest receivable	-	236,256	-	-	236,256
	73,648	13,903,279	9,737,207	1,200,850	24,914,984

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Company’s exposure changes depending on market conditions. Market risks that have a significant impact on the Company include fair value risk and interest rate risk.

Risk measurement

The Company’s risk position is measured and monitored each quarter to ensure compliance with policy. Management provides quarterly reports on these matters to the Company's Board of Directors.

Objectives, policies and processes

Management is responsible for managing the Company’s interest rate risk, monitoring approved limits and compliance with policies. The Company manages market risk by developing and implementing policies, which are approved and periodically reviewed by the Board.

The Company’s goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Company’s investment management policies periodically to ensure they remain relevant and effective in managing and controlling risk.

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of the fair values of financial instruments.

The Company is exposed to interest rate price risk both on its demand loan and its mortgage receivables. The demand loan consists of an operating line of credit that bears interest at variable rates, which exposes the Company to cash flow fluctuations. An increase in prime interest rates will have a direct impact on the cash flows required to service the debt. The fair value of the Company`s mortgage receivables will also be impacted by changes in the market interest rate. The Company`s mortgages are short, fixed term mortgages ranging up to 24 months. Any change in the market interest rate will expose the Company to fair value fluctuations in their portfolio.

The Company has managed this risk by maintaining an adequate spread between the interest rate paid on the demand loan and the interest received on the fixed, short-term mortgages. The Company also manages the risk by maintaining a mortgage portfolio of short term, fixed mortgages with rates at a premium from market rates. The average interest rate of the mortgages as at period end was 11.7% (December 31, 2014 – 11.8%). There is no specific market for mortgages of similar type, term and credit risk.

The following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant:

	Demand loan – sensitivity	***Mortgages receivable – sensitivity***	***Total September 30, 2015***	*Demand loan – sensitivity*	*Mortgages receivable – sensitivity*	*Total December 31, 2014*
Increase in 25 basis points	**(20,643)**	**60,814**	**40,171**	(21,606)	61,513	39,907
Increase in 50 basis points	**(41,286)**	**121,628**	**80,342**	(43,212)	123,026	79,814
Decrease in 25 basis points	**20,643**	**(60,814)**	**(40,171)**	21,606	(61,513)	(39,907)
Decrease in 50 basis points	**41,286**	**(121,628)**	**(80,342)**	43,212	(123,026)	(79,814)

Demand Loan sensitivity is calculated by applying the basis point change to the balance of the demand loan at period end. The mortgage receivable sensitivity is calculated by applying the basis point change to the balance of the mortgage receivables at period end.

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Interest rate re-price

	On demand	*Within 3 months*	*Over 3 months to 1 year*	*1 - 2 years*	*Not interest sensitive*	*September 30, 2015 Total*	*December 31, 2014 Total*
Assets							
Cash and cash equivalents	**60,774**	**-**	**-**	**-**	**60,774**	**60,774**	62,848
Effective interest rate %	**-**	**-**	**-**	**-**	**-**	**-**	-
Loan receivable	**10,800**	**-**	**-**	**-**	**10,800**	**10,800**	10,800
Effective interest rate %	**-**	**-**	**-**	**-**	**-**	**-**	-
Mortgage interest receivable	**-**	**195,337**	**-**	**-**	**195,337**	**195,337**	236,256
Mortgages receivable	**-**	**18,498,658**	**5,385,769**	**441,314**	**-**	**24,325,741**	24,605,080
Effective interest rate %	**-**	**11.4%**	**12.4%**	**12.1%**	**-**	**11.7%**	11.8%
	71,574	**18,693,995**	**5,385,769**	**441,314**	**266,911**	**24,592,652**	24,914,984
Liabilities							
Demand loan	**8,257,316**	**-**	**-**	**-**	**-**	**8,257,316**	8,642,384
Effective interest rate %	**4.2%**	**-**	**-**	**-**	**-**	**4.2%**	4.5%
Trade and other payables	**111,988**	**-**	**-**	**-**	**111,988**	**111,988**	128,062
	8,369,304	**-**	**-**	**-**	**111,988**	**8,369,304**	8,770,446

Fair values

The Company's financial instruments recognized on the Statement of Financial Position consist of cash, loan receivable, mortgages receivable, mortgage interest receivable, demand loan, trade and other payables, and due to related parties. The fair values of these recognized financial instruments, excluding mortgages receivable, approximate their carrying values due to their short-term maturity. The fair values of mortgages receivable approximates its carrying value given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

Recurring fair value measurements

The Company’s assets and liabilities measured at fair value on a recurring basis have been categorized in the fair value hierarchy as follows:

September 30, 2015	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash	**60,774**	**60,774**	**-**	**-**

December 31, 2014				
Assets				
Cash	62,848	62,848	-	-

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Asset and liabilities for which fair value is only disclosed

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at September 30, 2015 but for which fair value is disclosed:

September 30, 2015	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Loan receivable	**10,800**	**-**	**-**	**10,800**
Mortgages receivable	**24,325,741**	**-**	**-**	**24,325,741**
Mortgage interest receivable	**195,337**	**-**	**-**	**195,337**
Total Assets	**24,531,878**	**-**	**-**	**24,531,878**
Liabilities				
Demand loan	**8,257,316**	**-**	**8,257,316**	**-**
Trade and other payables	**111,988**	**-**	**-**	**111,988**
Due to related parties	**-**	**-**	**-**	**-**
Unearned revenue	**147,361**	**-**	**-**	**147,361**
Total Liabilities	**8,516,665**	**-**	**8,257,316**	**259,349**

December 31, 2014	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	10,800	-	-	10,800
Mortgages receivable	24,605,080	-	-	24,605,080
Mortgage interest receivable	236,256	-	-	236,256
Total Assets	24,852,136	-	-	24,852,136
Liabilities				
Demand loan	8,642,384	-	8,642,384	-
Trade and other payables	128,062	-	-	128,062
Due to related parties	-	-	-	-
Unearned revenue	374,004	-	-	374,004
Total Liabilities	9,144,450	-	8,642,384	502,066

All fair values disclosed and categorized within Level 2 of the hierarchy use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

For mortgages receivable classified as Level 3 of the hierarchy, as there are no quoted prices in an active market for these mortgages receivable, the Company makes its determination of fair value based on its assessment of the current mortgage market for mortgages receivable of same or similar terms. Typically, these mortgage investments approximate their carrying values given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. When collection of the principal amount of a mortgage is no longer reasonably assured, the fair value of the mortgage is reduced to the estimated net realizable value of the underlying security.

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Other legal and regulatory risk

Legal and regulatory risk is the risk that the Company has not complied with requirements set out in terms of compliance with *The Trust and Loan Corporations, Act 1997* of Saskatchewan, *The Mortgage Brokers Act* of Saskatchewan and Manitoba, Reporting Issuer requirements, anti-money laundering legislation or their code of conduct/conflict of interest requirements. In seeking to manage these risks, the Company has established policies and procedures and monitors to ensure ongoing compliance.

12 Commitments

The Company has entered into a lease agreement for its premises with future minimum lease commitments as follows:

	$
2015	9,188
2016	36,750
2017	36,750
2018	15,313
Total	98,001

At period end the Company has not committed to funding any (December 31, 2014 – 3) mortgages, (December 31, 2014 - $772,493).

13 Income taxes

The Company has non-capital loss carry forwards for income tax purposes of $1,126,858 which will expire as follows:

	$
2028	926
2029	216,424
2030	378,183
2031	126,422
2032	208,725
2033	196,178
Total	1,126,858

The potential benefit of these loss carry forwards has not been recognized in these financial statements.

14 Reclassification

Certain of prior year balances presented for comparative purposes have been reclassified to conform with current presentation.

15 Subsequent Events

Subsequent to period end, the Company redeemed or committed to redeem an additional 77,327 Class A shares as part of the normal redemption process at the December 2014 audited NAV of $9.56 per share. The shareholder(s) had agreed to delay actual redemption until the end of October 2015.