



Interim Financial Statements (Unaudited)

June 30, 2014

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.

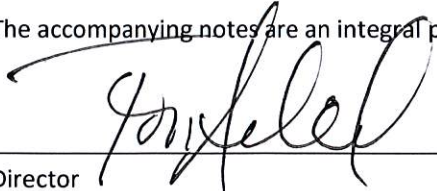
The accompanying unaudited interim financial statements of the Company have been prepared by PrimeWest Mortgage Investment Corporation's management.

The Company's independent auditor has not performed a review of the accompanying unaudited interim financial statements in accordance with standards established by the CICA for a review of interim financial statements by an entity's auditor.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Interim Statement of Financial Position
(Expressed in Canadian Dollars)

	Notes	June 30, 2014 \$	December 31, 2013 \$	January 1, 2013 \$
ASSETS				
Cash and cash equivalents	8	64,778	69,085	1,079,464
Loan receivable	10	10,800	10,800	10,800
Prepaid expenses		37,257	31,382	52,299
Mortgages receivable	11	20,732,291	21,407,051	25,283,207
Mortgage interest receivable		161,533	173,137	226,663
Property and equipment	12	17,305	21,793	17,630
Assets taken in settlement of debt	13	815,424	780,500	718,800
Total Assets		21,839,388	22,493,748	27,388,863
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Demand loan	14	1,630,298	2,281,782	5,759,091
Trade and other payables	15	120,020	138,319	183,214
Due to related parties	18	-	-	1,500,000
Unearned revenue		400,335	479,204	504,917
		2,150,653	2,899,305	7,947,222
Shareholders' Equity				
Shareholders' capital	16	17,717,162	17,617,162	17,617,162
Retained earnings	17	1,971,573	1,977,281	1,824,479
		19,688,735	19,594,443	19,441,641
Total Liabilities and Shareholders' Equity		21,839,388	22,493,748	27,388,863
Shares outstanding	17	2,105,305	2,095,305	2,095,305
Shareholders' Equity per share	17	\$9.35	\$9.35	\$9.28
Commitments and contingencies	21			
Subsequent event	23			

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



Director



Director

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Interim Statement of Comprehensive Income
(Expressed in Canadian Dollars)

		For the six months ended	
	Notes	June 30, 2014 \$	June 30, 2013 \$
Income			
Mortgage interest		1,145,023	1,122,836
Mortgage interest on delinquents	11	129,417	-
Fees		381,568	559,432
		<u>1,656,008</u>	<u>1,682,268</u>
Interest and fees expense			
Interest		32,493	120,502
Fees		43,494	6,072
		<u>75,987</u>	<u>126,574</u>
Net interest and fees income			
(Recovery) bad debts and change in provision for mortgage losses	11	(55,000)	(68,246)
Change in provision for interest on delinquents	11	129,417	-
(Gain) loss on disposal of assets taken in settlement of debt		55,400	(60,224)
Net interest and fees income after provision for mortgage losses		<u>1,450,204</u>	<u>1,684,164</u>
Expenses			
Advertising and promotion		29,984	15,220
Contracted services		15,479	18,746
Depreciation of property and equipment	12	5,104	3,205
Directors' fees	18	58,200	59,158
Insurance		16,075	31,074
Office and administration		65,041	64,628
Professional fees		87,688	74,868
Rent		23,506	24,646
Wages and benefits		316,713	282,040
		<u>617,790</u>	<u>573,585</u>
Total comprehensive income for the period attributable to shareholders of the Company		<u>832,414</u>	<u>1,110,579</u>
Earnings per share			
Basic and diluted	17	\$.40	\$.53

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Interim Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Shareholders' capital \$	Retained earnings \$	Total equity \$
As at January 1, 2013	17,617,162	1,824,479	19,441,641
Dividends	-	(838,132)	(838,132)
Total comprehensive income for the period	-	1,110,579	1,110,579
As at June 30, 2013	17,617,162	2,096,926	19,714,088
As at January 1, 2014	17,617,162	1,977,281	19,594,443
Share issuance	100,000	-	100,000
Share redemption	-	-	-
Dividends	-	(838,122)	(838,122)
Total comprehensive income for the period	-	832,414	832,414
As at June 30, 2014	17,717,162	1,971,573	19,688,735

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Interim Statement of Cash Flows
(Expressed in Canadian Dollars)

	Notes	For the six months ended June 30, 2014 \$	June 30, 2013 \$
Operating activities			
Total comprehensive income for the period		832,414	1,110,579
Non-cash adjustments to reconcile loss from operations to net cash flows:			
Depreciation of property and equipment	12	5,104	3,205
(Recovery) bad debt and provision for mortgage losses	11	(55,000)	(68,246)
Change in provision for interest on delinquents	11	129,417	-
(Gain) loss on disposal of assets taken in settlement of debt		55,400	(60,224)
Mortgages funded during the year		(4,396,762)	(5,164,218)
Mortgages discharged during the year		4,456,705	10,189,330
Costs incurred to sell asset taken on settlement of debt		(34,393)	(21,203)
Proceeds from disposal of assets taken in settlement of debt		484,469	-
Net change in non-cash working capital relating to operating activities:			
Mortgage interest receivable		11,604	(118)
Prepaid expenses		(5,875)	33,193
Trade and other payables		(18,299)	(107,066)
Unearned revenue		(78,869)	(189,402)
Net cash flows from operating activities		1,385,915	5,725,830
Investing activities			
Purchase of property and equipment	12	(616)	(6,595)
Net cash flows from investing activities		(616)	(6,595)
Financing activities			
Due to related parties	18	-	(1,500,000)
Issuance of share capital		100,000	-
Dividends paid		(838,122)	(838,132)
Repayment of demand loan		(651,484)	(4,389,401)
Net cash flows from financing activities		(1,389,606)	(6,727,533)
Net increase (decrease) in cash and cash equivalents		(4,307)	(1,008,298)
Cash and cash equivalents (deficiency), beginning of period		69,085	1,079,464
Cash and cash equivalents (deficiency), end of period		64,778	71,166
Cash and cash equivalents (deficiency) are comprised of:			
Cash		64,778	71,166
Cash equivalents		-	-
		64,778	71,166
Supplemental cash flow information:			
Interest paid		27,493	118,836

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

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

Reporting status change

As at January 1, 2014, the Company has transitioned from an Investment Fund to a Regular Reporting Issuer. The reclassification did not have any impact on the corporate governance of the Company other than the Independent Review Committee was dissolved. Some key differences between the operation of the Company before and after reclassification are as follows:

	Investment Fund	Regular Reporting Issuer
Financial Statements:		
Unaudited	Semi-Annual	Quarterly
Audited	Annually	Annually
Basis of Accounting:		
Disclosure	IFRS	IFRS
Discussion of Results:		
Report	Management Report of Fund Performance	Management’s Discussion and Analysis
Form	81-106F1	51-102F1
Frequency	Semi-Annual	Quarterly
CEO and CFO Certifications:		
Frequency	N/A	Quarterly Annually
Annual Information Form:		
Form	81-101F2	N/A

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

2. Statement of Compliance

These Financial Statements for the period ended June 30, 2014 represent the Company's quarterly Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The Company adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") with a transition date to IFRS of January 1, 2013. Consequently the comparative figures for 2013 and the Company's Statement of Financial Position as at January 1, 2013 have been restated from pre-changeover accounting principles generally accepted in Canada ("pre-changeover Canadian GAAP") to comply with IFRS.

IFRS 1 allows certain exemptions from retrospective application of IFRS in the opening statement of financial position. Where these have been used they are explained in note 3.

The Financial Statements of the Company for the period ended June 30, 2014 were authorized for issue in accordance with a resolution of the directors on July 24, 2014.

3. First-Time Adoption and Explanation of Transition to IFRS

In preparing these Financial Statements, the Company has elected to apply the following transitional provisions permitted by IFRS 1:

Exemptions:

- The Company has elected to make use of the optional exemption which allows prospective application for modifications made on or after the Transition Date of IFRIC 4 regarding arrangements containing a lease
- The Company has elected to retain the expense recognized under Canadian Generally Accepted Accounting Principles with regards to IFRS 2 Share Based Payments. As a result IFRS will not be applied retrospectively to stock options that vested before the Transition Date.

Exceptions:

- Estimates made in accordance with IFRSs at the date of transition are consistent with estimates made in accordance with Canadian GAAP on the same date; unless objective evidence exists that indicates that those estimates were in error. Any estimates made at January 1, 2013 that were not required under Canadian GAAP reflect conditions that existed at that date.
- The Company has not recognized any financial assets or financial liabilities under IFRS that were derecognized under Canadian GAAP unless they qualify for recognition as a result of a later transaction or event.

The accounting policies in note 6 have been applied in preparing the Financial Statements for the period ended June 30, 2014, the comparative information for the period ended June 30, 2013, and the opening IFRS statement of financial position as at January 1, 2013.

There were no changes in the Statement of Financial Position, Statement of Comprehensive Income or Statement of Cash Flows upon transition from Canadian GAAP to IFRS.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

4. Basis of Preparation

Basis of measurement

The Financial Statements were prepared under the historical cost convention except for the following:

- Assets taken in settlement of debt are stated at the lower of carrying amount and fair value less costs to sell; and
- Mortgages receivable are recorded at fair value.

The principal accounting policies are set out in note 6.

Use of estimates and judgments

The preparation of Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements are disclosed in note 5.

Functional and presentation currency

These Interim Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

5. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Financial Statements are:

Allowance for mortgage losses

The Company reviews its individually significant mortgages at each reporting date to assess whether an impairment loss should be recognized. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Company makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

5. Significant Accounting Judgements, Estimates and Assumptions (continued)

Mortgages receivable that have been assessed individually and found not to be impaired and all individually insignificant mortgages are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The provision assessment takes account of data from the mortgage portfolio such as credit quality, delinquency, historical performance and industry economic outlook. The impairment loss on mortgages receivable is disclosed in more detail in Note 11.

Key assumptions in determining the allowance for impaired loans provision

The Company has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Company estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment (losses). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

For purposes of the collective provision loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security. The Company currently does not require a collective provision for loans as specific provisions are determined to be adequate.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The Company utilizes its budget for the upcoming financial year and a longer term projection based on mortgage portfolio expectations to determine the cash flows for the five year discounted cash-flow calculation. The Company's budget does not include any future restructuring to which the Company is not yet committed nor any future costs for improving or enhancing the asset's performance. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

At each reporting date, the Company assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to amortization, such as goodwill, are tested annually for impairment or more frequently if impairment indicators exist. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

5. Significant Accounting Judgements, Estimates and Assumptions (continued)

Useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Financial instrument not traded on active markets

For financial instruments not traded in active markets, where fair values are determined, they are determined using valuation techniques such as the discounted cash flow model that rely on assumptions that are based on observable active markets or rates. Certain assumptions take into consideration liquidity risk, credit risk and volatility.

6. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A) Financial instruments

Classification and measurement

All financial instruments are initially recognized at fair value at acquisition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities as described below. Transactions to purchase or sell these items are recorded on the settlement date. During the year, there has been no reclassification of financial instruments.

Financial instruments classified as fair value through profit or loss

Financial instruments classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's financial instruments classified as fair value through profit or loss include cash and cash equivalents.

Available for sale financial assets

Available for sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Certain equity instruments which do not trade in an open market and whose fair value cannot be reliably measured are recorded at cost. The Company does not have any financial instruments classified as available for sale.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

6. Summary of Significant Accounting Policies (continued)

Held-to-maturity financial assets

Financial assets classified as held-to-maturity are subsequently measured at amortized cost using the effective interest rate method. The Company does not have any financial instruments classified as held to maturity.

Loan and receivables

Financial assets classified as loans and receivables are subsequently measured at amortized cost. The Company's financial instruments classified as loans and receivables include all mortgages receivable and accrued interest thereon.

Other financial liabilities

Financial instruments classified as other financial liabilities include demand loan, trade and other payables, due to related parties and unearned revenue. Other financial liabilities are subsequently carried at amortized cost.

De-recognition of financial assets

De-recognition of a financial asset occurs when:

- The Company does not have rights to receive cash flows from the asset;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
 - The Company has transferred substantially all the risks and rewards of the asset, or
 - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred or retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in comprehensive income.

B) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014
(Unaudited – Expressed in Canadian Dollars)

6. Summary of Significant Accounting Policies (continued)

The Company classifies fair value measurements recognized in the Statement of Financial Position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

C) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management system. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

D) Mortgages receivable

Mortgages receivable are initially measured at fair value plus incremental direct transaction costs. Mortgages receivable are subsequently re-measured at their amortized cost, net of allowance for credit losses, using the effective interest method, which approximates fair value. Interest revenue is recorded on the accrual basis using the effective interest method. Mortgage administration fees are amortized over the term of the mortgage using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

E) Allowance for loan impairment

Allowance for loan impairment represents specific and collective provisions established as a result of reviews of individual loans and groups of loans. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes judgments about the credit worthiness of the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Mortgages receivable that have been assessed individually and found not to be impaired are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective provision takes account of data from the loan portfolio and based on analysis of historical data, such as credit quality, levels of arrears, historical performance and economic outlook.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

6. Summary of Significant Accounting Policies (continued)

Individual allowances are established by reviewing the credit worthiness of individual borrowers and the value of the collateral underlying the loan. Collective allowances are established by reviewing specific arrears and current economic conditions.

Restructured loans are not considered impaired where reasonable assurance exists that the borrower will meet the terms of the modified debt agreement. Restructured loans are defined as loans greater than 90 days delinquent that have been restructured outside the Company's normal lending practices as it relates to extensions, amendments and consolidations.

A mortgage receivable is classified as impaired and a provision for loss established when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. It is the Company's policy that whenever a payment is 90 days past due, mortgages are classified as impaired unless they are fully secured or collection efforts are reasonably expected to result in repayment of the debt. The Company maintains a delinquency report and when three payments are missed the Company includes the mortgage on this report.

Impairment is assessed at each reporting date, on a mortgage-by-mortgage basis and specific allowances are recorded if management determines that the mortgage receivable is impaired. In such cases, a specific provision is established to write down the loan to the estimated future net cash flows from the loan discounted at the loans' original effective interest rate. In cases where it is impractical to estimate the future cash flows, the carrying amount of the loan is reduced to its fair value calculated based on an observable market price. Any previously accrued but unpaid interest on the loan is charged to the allowance for loan impairment. Interest income after the impairment is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

F) Assets taken as settlement of debt

Assets taken as settlement of debt are initially recorded at the lower of cost and estimated net realizable value. Cost comprises the balance of the loan at the date on which the Company obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Assets taken as settlement of debt are subsequently valued at the lower of their carrying amount and fair value less cost of disposal.

G) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses if any. Such cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different lives, they are accounted for as separate items of property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the Statement of Comprehensive Income as incurred.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

6. Summary of Significant Accounting Policies (continued)

Depreciation is calculated to recognize the cost less estimated residual value using the straight-line method over the estimated useful life of the assets as follows:

	Rate
Computer equipment	3 years
Furniture and equipment	3 years

Supplies are expensed in the year consumed.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of an item of property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Comprehensive Income when the asset is derecognized.

H) Impairment of financial assets

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the financial asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the financial asset is reduced through the use of the provision for impaired financial assets and the amount of the impairment loss is recognized in profit or loss.

The present value of the estimated future cash flows is discounted at the financial assets' original effective interest rate. The calculation of the present value of estimated future cash flows reflects the projected cash flows including provisions for impaired financial assets, prepayment losses, and costs to securitize and service financial assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

6. Summary of Significant Accounting Policies (continued)

I) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating units (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU’s, or otherwise they are allocated to the smallest group of CGU’s for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

J) Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a finance lease. At the inception of a finance lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset’s fair market value at inception of the lease. Assets under finance leases are amortized on the straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

K) Taxes

The Company is a Mortgage Investment Corporation (“MIC”) as defined in the Income Tax Act. Therefore, the Company is able to deduct, in computing taxable income, dividends paid to its shareholders during the year or within 90 days after year end. The Company intends to continue maintaining its status as a MIC and pay dividends to its shareholders to ensure it will not be subject to income taxes. Therefore, for financial statement reporting purposes, the tax deductibility of the Company’s distributions result in the Company being effectively exempt from taxation and no provision for current or deferred income taxes is required for the Company.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

6. Summary of Significant Accounting Policies (continued)

L) Increase in shareholders' equity per share

Increase in shareholders' equity per share is computed by dividing total comprehensive income for the year by the weighted average number of shares outstanding during the year. Diluted increase in shareholders' equity per share is computed similarly to basic increase in shareholders' equity per share, except that the weighted average number of shares outstanding is increased to include additional shares from the assumed conversion of the convertible debentures, if dilutive, and net earnings are adjusted to remove any interest paid to the holders of the convertible debentures. The number of additional shares is calculated by assuming that the outstanding convertible debentures were exercised at the earlier of issue date and the beginning of the fiscal year, and that the proceeds from such conversions were used to acquire shares at the average market price during the year. There were no convertible debentures in 2014 or 2013.

M) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, sales taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

- Interest income is recognized on the Statement of Comprehensive Income for all financial assets measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.
- Fee income received is amortized into income over the term of the specific mortgage.
- Other income is recorded as related services are provided.

N) Unearned revenue

Unearned revenue includes fees received from borrowers that are amortized over the contractual terms of the mortgage to fee income.

O) Share issue costs

Share issue costs include legal and accounting fees and brokerage commissions. These costs are charged against share capital in the year of share issuance. Costs incurred for shares that have not been issued at year end are deferred until such time as the related shares are issued.

P) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company has determined that there are no separate operating segments of the Company. Decisions about continuing or disposing of assets are made at the entity level, not by individual mortgage segment or province.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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7. Recent accounting pronouncements

The Company has not yet applied the following new standards, interpretations or amendments to standards that have been issued as at June 30, 2014 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

i) **IFRS 2 Share-based payment**

The amendments to IFRS 2, issued in December 2013 clarify the definition of “vesting conditions”, and separately define a “performance condition” and a “service condition”. A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. The Company does not expect this amendment to have a material impact on its financial statements.

ii) **IFRS 3 Business combinations**

The amendments to IFRS 3, issued in December 2013, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014. The Company does not expect this amendment to have a material impact on its financial statements.

Additional amendments to IFRS 3, issued in December 2013, clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself. The amendments are effective for annual periods beginning on or after July 1, 2014. The Company does not expect this amendment to have a material impact on its financial statements.

iii) **IFRS 8 Operating segments**

The amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The Company does not expect this amendment to have a material impact on its financial statements.

iv) **IFRS 9 Financial instruments**

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 *Financial instruments: Recognition and measurement*. The standard requires the classification of financial assets into two measurement categories based on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity’s “own credit risk” is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 *Financial instruments: disclosures*.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the “own credit requirement” in isolation without the need to change any other accounting for financial instruments. The mandatory effective date of January 1, 2015 has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The Company has not yet determined the impact of this amendment on its financial statements.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

7. Recent accounting pronouncements (continued)

v) **IFRS 13 Fair value measurement**

The Company applies the “portfolio exception”. Accordingly, it measures the fair value of financial assets and liabilities, with offsetting positions in market or counterparty credit risk, consistently with how market participants would price the net risk exposure. The amendments to IFRS 13, issued in December 2013, clarify that the portfolio exception applies to all contracts within the scope of IFRS 9 *Financial instruments* or IAS 39 *Financial instruments: Recognition and measurement*, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 *Financial instruments: Presentation*. The amendments are effective for annual periods beginning on or after July 1, 2014. The Company does not expect this amendment to have a material impact on its financial statements.

vi) **IAS 16 Property, plant and equipment**

The amendments to IAS 16, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendment is effective for annual periods beginning on or after July 1, 2014. The Company does not expect this amendment to have a material impact on its financial statements.

vii) **IAS 19 Employee benefits**

The amendments to IAS 19, issued in November 2013, revise the requirements for contributions from employers or third parties that are linked to service and are set out in formal terms of a defined benefit plan. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the related service is rendered. This is done instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity attributes those contributions to the periods of service. This is done by either using the plan’s contribution formula or on a straight-line basis. The amendments are effective for annual periods beginning on or after July 1, 2014. The Company does not expect this amendment to have a material impact on its financial statements.

viii) **IAS 24 Related party disclosures**

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

ix) **IAS 40 Investment property**

The amendments to IAS 40, issued in December 2013, clarify that an entity applies judgment to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets, or a business combination within the scope of IFRS 3. This judgment is based on the guidance in IFRS 3. The amendments are effective for annual periods beginning on or after July 1, 2014. The Company does not expect this amendment to have a material impact on its financial statements.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

8. Cash and cash equivalents

	June 30, 2014	December 31, 2013	January 1, 2013
	\$	\$	\$
Cash at banks and on hand	64,778	69,085	1,079,464

Cash at banks earn interest at floating rates based on daily bank deposit rates.

9. Cash held in trust

These trust amounts represent a portion of mortgage funds held back for the purpose of making monthly payments on the related outstanding mortgage receivable. During the period, the Company acted as a joint account holder for these funds. The use of trust cash is restricted for use to pay down the related mortgage receivable and cannot be used in the operations of the company.

	June 30, 2014	December 31, 2013	January 1, 2013
	\$	\$	\$
Cash held in trust	763,786	1,026,082	525,228
Trust fund liability	(763,786)	(1,026,082)	(525,228)
	-	-	-

10. 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%.

11. Mortgages receivable

Portfolio of 74 (December 2013 – 71) mortgages bearing interest at fixed rates from 3.95% to 14.0% maturities ranging from July 2014 to July 2015, 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.

	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Specific Allowance</i>	<i>Collective Allowance</i>	<i>June 30, 2014 Net carrying value</i>
Residential mortgages (68)	16,396,391	116,953	144,417	-	16,368,927
Commercial mortgages (6)	4,363,364	-	-	-	4,363,364
Total	20,759,755	116,953	144,417	-	20,732,291

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

11. Mortgages receivable (continued)

	<i>December 31, 2013</i>				
	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Specific Allowance</i>	<i>Collective Allowance</i>	<i>Net carrying value</i>
Residential mortgages (65)	15,044,601	263,464	70,000	-	15,238,065
Commercial mortgages (6)	6,168,986	-	-	-	6,168,986
Total	21,213,587	263,464	70,000	-	21,407,051

	<i>January 1, 2013</i>				
	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Specific Allowance</i>	<i>Collective Allowance</i>	<i>Net carrying value</i>
Residential mortgages (114)	15,699,187	1,080,248	301,328	-	16,478,107
Commercial mortgages (7)	8,805,100	-	-	-	8,805,100
Total	24,504,287	1,080,248	301,328	-	25,283,207

Mortgage allowance details

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
Balance, beginning of period	70,000	301,328
(Recovery) bad debts and change in provision for mortgage losses	(55,000)	(23,246)
Change in provision for interest on delinquents	129,417	-
	144,417	278,082
Less: accounts written off	-	(208,082)
Balance, end of period	144,417	70,000

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.

June 30, 2014

	<i>Under 30 days</i>	<i>31-60 days</i>	<i>61-90 days</i>	<i>91 days and greater</i>	<i>Total</i>
Residential	956,625	360,726	148,812	2,337,300	3,803,463
Commercial	1,319,187	-	-	256,713	1,575,900
	2,275,812	360,726	148,812	2,594,013	5,379,363
Fair value of collateral	3,411,300	518,000	213,200	8,501,616	12,644,116

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

11. Mortgages receivable (continued)

December 31, 2013

	<i>Under 30 days</i>	<i>31-60 days</i>	<i>61-90 days</i>	<i>91 days and greater</i>	<i>Total</i>
Residential	1,696,404	394,953	379,151	3,060,118	5,530,626
Commercial	1,124,948	-	-	-	1,124,948
	2,821,352	394,953	379,151	3,060,118	6,655,574
Fair value of collateral	4,417,000	520,500	518,000	3,489,500	8,945,000

January 1, 2013

	<i>Under 30 days</i>	<i>31-60 days</i>	<i>61-90 days</i>	<i>91 days and greater</i>	<i>Total</i>
Residential	2,280,911	619,665	-	-	2,900,576
Commercial	-	-	-	-	-
	2,280,911	619,665	-	-	2,900,576
Fair value of collateral	3,595,000	688,000	-	-	4,283,000

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:

<i>Effective interest rates</i>	<i>2014 Number of mortgages</i>	<i>June 30 2014 Amortized cost and fair value</i>	<i>2013 Number of mortgages</i>	<i>December 31 2013 Amortized cost and fair value</i>
3 – 4%	1	297,828	-	-
6 – 7%	1	282,455	-	-
7 – 8%	1	115,585	3	590,252
8 – 9%	8	2,164,175	3	1,495,861
9 – 10%	1	792,577	1	746,154
10 – 11%	5	1,878,054	6	1,975,219
11 – 12%	7	1,883,164	9	4,198,765
12 – 13%	14	3,939,289	20	5,576,103
13 – 14%	30	6,177,939	25	3,948,752
14 – 15%	6	3,345,642	4	2,945,945
<i>Allowance for mortgage losses</i>		(144,417)		(70,000)
	74	20,732,291	71	21,407,051

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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For the six months ended June 30, 2014

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11. 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:

<i>June 30, 2014</i>	<i>Within 3 months</i>	<i>Over 3 months to 1 year</i>	<i>1 – 2 years</i>	<i>Total</i>
Total mortgages	7,935,083	12,672,408	124,800	20,732,291
Effective interest rate %	11.7%	11.9%	13.0%	11.9%
<i>December 31, 2013</i>	<i>Within 3 months</i>	<i>Over 3 months to 1 year</i>	<i>1 – 2 years</i>	<i>Total</i>
Total mortgages	9,398,292	11,056,916	951,843	21,407,051
Effective interest rate %	11.0%	12.3%	13.4%	11.8%

12. Property and equipment

	Computer Equipment	Furniture and Equipment	Total
	\$	\$	\$
Cost			
At January 1, 2013	76,547	15,197	91,744
Additions	12,666	-	12,666
Disposals	-	-	-
At December 31, 2013	89,213	15,197	104,410
Additions	616	-	616
Disposals	-	-	-
At June 30, 2014	89,829	15,197	105,026
Accumulated depreciation and Impairment			
At January 1, 2013	58,917	15,197	74,114
Charge for the year	8,503	-	8,503
Disposals	-	-	-
At December 31, 2013	67,420	15,197	82,617
Charge for the year	5,104	-	5,104
Disposals	-	-	-
At June 30, 2014	72,524	15,197	87,721
Net book value			
At January 1, 2013	17,630	-	17,630
At December 31, 2013	21,793	-	21,793
At June 30, 2014	17,305	-	17,305

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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For the six months ended June 30, 2014

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13. Assets taken in settlement of debt

	Properties	Amount \$
At January 1, 2013	3	718,800
Mortgages settled during the year by taking property	7	1,234,443
Costs incurred to sell		84,317
Properties sold during the year	(6)	(1,286,905)
Realized gain (loss) on sale of property		115,925
Unrealized gain (loss)		(86,080)
At December 31, 2013	4	780,500
Mortgages settled during the year by taking property	3	540,400
Costs incurred to sell		34,393
Properties sold during the year	(1)	(484,469)
Realized gain (loss) on sale of property		(9,913)
Unrealized gain (loss)		(45,487)
At June 30, 2014	6	815,424

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

14. Demand loan

	June 30, 2014	December 31, 2013	January 1, 2013
	\$	\$	\$
Operating line of credit	1,630,298	2,286,782	5,759,091
Less: deferred financing charges	-	(5,000)	-
	1,630,298	2,281,782	5,759,091

The margined, demand operating line of credit bears interest at prime plus 1.50% (2013 – 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 mortgage debentures. 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 \$8,248,094 (December 2013 - \$6,925,924).

The credit agreement contains certain financial covenants that must be maintained. The Company must maintain a minimum amount of share capital. As at June 30, 2014 the Company was in compliance with all financial covenants.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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15. Trade and other payables

	June 30, 2014	December 31, 2013	January 1, 2013
	\$	\$	\$
Current			
Trade payables	21,208	29,569	17,851
Accrued expenses	98,812	108,750	165,363
	120,020	138,319	183,214

Trade payables are non-interest bearing and are normally settled on 30 – 60 day terms.

16. 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. If the shareholder requests redemption within the first year of issuance, a redemption penalty of 3% will apply, unless waived by the Board of Directors. 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 January 1, 2013	2,095,305	17,617,162
Shares redeemed	-	-
Shares issued for cash	-	-
Special resolution of the shareholders	-	-
At December 31, 2013	2,095,305	17,617,162
Shares redeemed	-	-
Shares issued for cash	10,000	100,000
Special resolution of the shareholders	-	-
At June 30, 2014	2,105,305	17,717,162

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

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16. Shareholders' equity (continued)

The aggregate potential redemption amount of the outstanding Class A shares is \$21,053,050 (2013 - \$20,953,050). 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 in accordance with Emerging Issues Committee Abstract 149.

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 will ensure 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.

17. Earnings per share

Basic earnings per share ("EPS")

Basic EPS is calculated by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Weighted average number of common shares

	June 30, 2014 \$	December 31, 2013 \$
Issued common shares outstanding, beginning of period	2,095,305	2,095,305
Effect of units cancelled	-	-
Effect of units issued	1,768	-
Weighted average number of common shares, end of period	<u>2,097,073</u>	<u>2,095,305</u>
	June 30, 2014 \$	June 30, 2013 \$
Total comprehensive income available to shareholders	832,414	1,110,579
Weighted average number of common shares	<u>2,097,073</u>	<u>2,095,305</u>
EPS	<u>.40</u>	<u>.53</u>

There is no dilutive effect during the periods ending June 30, 2013 or June 30, 2014. Therefore, the basic EPS equals the diluted EPS.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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18. Related party disclosure

Compensation of key management personnel

Key management personnel (“KMP”) consist of the CEO, CFO and Board of Directors. KMP remuneration includes the following expenses:

	June 30, 2014	June 30, 2013
	\$	\$
Salaries and short-term benefits	\$121,814	\$155,443

The remuneration of directors during the period consisted of directors fees in the amount of \$58,200 (2013 – \$59,158).

Transactions with key management personnel

In the year-ended December 31, 2013 the Company repaid financing in the amount of \$1,500,000 from a director and companies controlled by a director. The debt carried an interest rate of 12% and was repaid in full during 2013. Interest on this debt in 2013 totaled \$29,260. In addition legal fees of \$0.00 (2013 - \$24,197) was 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.

19. Capital management

The Company’s objectives when managing capital are to (i) maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and (ii) to manage capital in a manner which balances the interests of equity and debt holders.

The Company’s definition of capital includes shareholders’ equity. Capital is monitored for any of these items if applicable.

The Company seeks to facilitate the management of its capital requirements by preparing annual expenditure budgets that are updated as necessary and approved by the Board of Directors. The Company may occasionally need to increase these levels to facilitate acquisition or expansion activities however there are no established quantitative returns on capital requirements for management. The Company considers the capital structure to consist of debt and shareholders' equity. The Company considers debt to include bank indebtedness, demand loans and long-term debt, including current portion. The Company monitors capital using the following measures:

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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19. Capital Management (continued)

	June 30, 2014 \$	December 31, 2013 \$	January 1, 2013 \$
Demand loan	1,630,298	2,281,782	5,759,091
Total debt	1,630,298	2,281,782	5,759,091
Shareholders' equity	19,688,735	19,594,443	19,441,641
Total capitalization	19,688,735	19,594,443	19,441,641
Debt to total capitalization (%)	10.9%	14.8%	40.9%
Net interest and fees income after provision for mortgage losses	1,450,204	3,017,209	3,424,979
Net interest margin	87.6%	96.4%	86.0%
Dividend payout ratio	100.7%	91.6%	76.1%
Net available cash as a % of shareholders' equity	33.9%	24.1%	24.0%
Net debt to increase in shareholders' equity from operations	3	2	4
Average portfolio yield	11.9%	11.8%	11.5%
Turnover ratio	18.8%	76.5%	72.0%

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, purchase 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 14) 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 June 30, 2014 the Company was in compliance with all financial covenants.

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

20. 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.
 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.
-

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

20. Financial instruments and risk management (continued)

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 June 30, 2014 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total \$20,904,624 (2013 - \$21,590,988).

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 December 31 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:

	June 30, 2014 \$	December 31, 2013 \$	January 1, 2013 \$
Residential first mortgages	12,621,462	11,918,958	15,571,630
Residential second mortgages	3,857,627	3,357,272	1,134,847
Commercial first mortgages	3,194,535	3,016,643	8,805,100
Commercial second mortgages	1,168,829	3,152,343	-
Residential mortgages with no security	34,255	31,835	72,958
Provision for mortgage losses	(144,417)	(70,000)	(301,328)
	20,732,291	21,407,051	25,283,207

*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 92.0% in Saskatchewan (2013 – 92.3%), 4.4% in Alberta (2013 – 4.3%) and 3.6% in Manitoba (2013 – 3.4%).

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 11.

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 \$540,400 (2013 - \$1,234,443) of property. The Company's policy for these assets is to attempt to sell the assets to recover funds loaned.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

20. Financial instruments and risk management (continued)

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 June 30, 2014					
Bank indebtedness	1,630,298	-	-	-	1,630,298
Trade and other payables	-	120,020	-	-	120,020
Due to related parties	-	-	-	-	-
Unearned revenue	-	153,328	244,605	2,402	400,335
	1,630,298	273,348	244,605	2,402	2,150,653
As at December 31, 2013					
Demand loan	2,281,782	-	-	-	2,281,782
Trade and other payables	-	138,319	-	-	138,319
Due to related parties	-	-	-	-	-
Unearned revenue	-	210,850	249,186	19,168	479,204
	2,281,782	349,169	249,186	19,168	2,899,305
As at January 1, 2013					
Demand loan	5,759,091	-	-	-	5,759,091
Trade and other payables	-	183,214	-	-	183,214
Due to related parties	-	-	1,500,000	-	1,500,000
Unearned revenue	-	267,606	227,213	10,098	504,917
	5,759,091	450,820	1,727,213	10,098	7,947,222

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

20. 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 June 30, 2014					
Cash and cash equivalents	64,778	-	-	-	64,778
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	7,935,083	12,672,408	124,800	20,732,291
Mortgage interest receivable	-	161,533	-	-	161,533
	75,578	8,096,616	12,672,408	124,800	20,969,402

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at December 31, 2013					
Cash and cash equivalents	69,085	-	-	-	69,085
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	9,398,292	11,056,916	951,843	21,407,051
Mortgage interest receivable	-	173,137	-	-	173,137
	79,885	9,571,429	11,056,916	951,843	21,660,073

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at January 1, 2013					
Cash and cash equivalents	1,079,464	-	-	-	1,079,464
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	13,364,482	11,334,493	584,232	25,283,207
Mortgage interest receivable	-	226,663	-	-	226,663
	1,090,264	13,591,145	11,334,493	584,232	26,600,134

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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

(Unaudited – Expressed in Canadian Dollars)

20. Financial instruments and risk management (continued)

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.

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 11.9% (2013 – 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:

	<i>Demand loan – sensitivity</i>	<i>Mortgages receivable – sensitivity</i>	<i>Total June 30, 2014</i>	<i>Demand loan – sensitivity</i>	<i>Mortgages receivable – sensitivity</i>	<i>Total June 30, 2013</i>
Increase in 25 basis points	(4,076)	51,831	47,755	(3,424)	48,149	44,725
Increase in 50 basis points	(8,151)	103,661	95,510	(6,848)	96,300	89,452
Decrease in 25 basis points	4,076	(51,831)	(47,755)	3,424	(48,149)	(44,725)
Decrease in 50 basis points	8,151	(103,661)	(95,510)	6,848	(96,300)	(89,452)

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.

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20. Financial instruments and risk management (continued)

Interest rate re-price

						June 30, 2014	December 31, 2013
	On demand	Within 3 months	Over 3 months to 1 year	1 - 2 years	Not interest sensitive	Total	Total
Assets							
Cash and cash equivalents	64,778	-	-	-	64,778	64,778	69,085
<i>Effective interest rate %</i>	-	-	-	-	-	-	-
Loan receivable	10,800	-	-	-	10,800	10,800	10,800
<i>Effective interest rate %</i>	-	-	-	-	-	-	-
Mortgage interest receivable	-	161,533	-	-	161,533	161,533	173,137
Mortgages receivable	-	7,935,083	12,672,408	124,800	-	20,732,291	21,407,051
<i>Effective interest rate %</i>	-	11.7%	11.9%	13.0%	-	11.9%	11.8%
	75,578	8,096,616	12,672,408	124,800	237,111	20,969,402	21,660,073
Liabilities							
Demand loan	1,630,298	-	-	-	-	1,630,298	2,281,782
<i>Effective interest rate %</i>	4.5%	-	-	-	-	4.5%	4.5%
Trade and other payables	120,020	-	-	-	120,020	120,020	138,319
	1,750,318	-	-	-	120,020	1,750,318	2,420,101

Fair values

The Company's financial instruments recognized on the Statement of Financial Position consist of cash and cash equivalents, 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:

June 30, 2014	Fair value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	64,778	64,778	-	-
December 31, 2013				
Assets				
Cash and cash equivalents	69,085	69,085	-	-
January 1, 2013				
Assets				
Cash and cash equivalents	1,079,464	1,079,464	-	-

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20. 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 June 30, 2014 but for which fair value is disclosed:

June 30, 2014	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	10,800	-	10,800	-
Mortgages receivable	20,732,291	-	-	20,732,291
Mortgage interest receivable	161,533	-	161,533	-
Total Assets	20,904,624	-	172,333	20,732,291
Liabilities				
Demand loan	1,630,298	1,630,298	-	-
Trade and other payables	120,020	-	120,020	-
Due to related parties	-	-	-	-
Unearned revenue	400,335	-	400,335	-
Total Liabilities	2,150,653	1,630,298	520,355	-

December 31, 2013	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	10,800	-	10,800	-
Mortgages receivable	21,407,051	-	-	21,407,051
Mortgage interest receivable	173,137	-	173,137	-
Total Assets	21,590,988	-	183,937	21,407,051
Liabilities				
Demand loan	2,281,782	2,281,782	-	-
Trade and other payables	138,319	-	138,319	-
Due to related parties	-	-	-	-
Unearned revenue	479,204	-	479,204	-
Total Liabilities	2,899,305	2,281,782	617,523	-

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20. Financial instruments and risk management (continued)

January 1, 2013	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	10,800	-	10,800	-
Mortgages receivable	25,283,207	-	-	25,283,207
Mortgage interest receivable	226,663	-	226,663	-
Total Assets	25,520,670	-	237,463	25,283,207
Liabilities				
Demand loan	5,759,091	5,759,091	-	-
Trade and other payables	183,214	-	183,214	-
Due to related parties	1,500,000	-	1,500,000	-
Unearned revenue	504,917	-	504,917	-
Total Liabilities	7,947,222	5,759,091	2,188,131	-

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.

Changes in Level 3 financial instruments recorded at fair value are shown in a reconciliation of the opening and closing balance of mortgages receivable in the following table:

	June 30, 2014	December 31, 2013
	\$	\$
Balance, beginning of year	21,407,051	25,283,207
New mortgages funded during the year	4,396,762	13,984,597
Mortgages paid out	(4,456,705)	(16,649,556)
Mortgages settled with assets taken	(540,400)	(1,234,443)
Net change in allowance for mortgages	(74,417)	23,246
Balance, end of year	20,732,291	21,407,051

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the six months ended June 30, 2014

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20. 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.

21. Commitments and contingencies

Legal disputes

The Company is not involved in any legal disputes that would generate a material impact to the financial results of the Company.

Commitments

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

	\$
2015	36,750
2016	36,750
2017	36,750
2018	36,750
Total	<u>147,000</u>

The Company has committed to funding 7 (2013 – 5) mortgages, for a total of \$642,760 (March 2013 - \$761,800).

22. Income taxes

The Company has non-capital loss carry forwards for income tax purposes of \$1,506,267 which will expire as follows:

	\$
2015	17,966
2026	7,219
2027	51,128
2028	304,022
2029	216,424
2030	378,183
2031	126,422
2032	208,725
2033	196,178
Total	<u>1,506,267</u>

In addition, the Company has financing costs of \$69,156 which will be deductible for tax purposes over the next two years. The potential benefit of these loss carry forwards and undeducted financing costs has not been recognized in these financial statements.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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23. Subsequent event

Subsequent to period end, the Company redeemed 365,472 shares for \$ 3,417,163.20.