



Condensed Interim Financial Statements (Unaudited)

Three and nine months ended September 30, 2018

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.

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statements of Financial Position
As at September 30, 2018
(Expressed in Canadian Dollars)

	Notes	September 30, 2018 \$	December 31, 2017 \$ (Audited)
ASSETS			
Cash and cash equivalents		48,415	50,431
Mortgages receivable	5	5,441,233	5,719,891
Assets taken in settlement of debt	6	6,114,010	6,377,715
Other assets		48,779	54,090
Total Assets		11,652,437	12,202,127
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Demand loan	7	2,925,265	2,907,037
Other liabilities		126,014	91,448
		3,051,279	2,998,485
Shareholders' Equity			
Shareholders' capital	8	15,681,364	15,681,364
Accumulated deficit		(7,080,206)	(6,477,722)
		8,601,158	9,203,642
Total Liabilities and Shareholders' Equity		11,652,437	12,202,127
Shares outstanding	8	1,890,729	1,890,729
Commitments	12		
Going Concern	1		

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

"Tom Robinson"

Director

"Wil Olive"

Director

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statements of Comprehensive Loss
For the three and nine months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	For the three months ended		For the nine months ended	
		September 30, 2018 \$	September 30, 2017 \$	September 30, 2018 \$	September 30, 2017 \$
Interest income					
Mortgage interest		328,664	423,532	1,017,678	1,555,455
Fees		21,345	43,162	55,878	139,247
		<u>350,009</u>	<u>466,694</u>	<u>1,073,556</u>	<u>1,694,702</u>
Interest expense		51,222	63,215	145,294	191,875
Net interest income		<u>298,787</u>	<u>403,479</u>	<u>928,262</u>	<u>1,502,827</u>
Less:					
Provision for mortgage losses	5	89,126	(97,519)	726,398	603,488
Loss on assets taken in settlement of debt	6	330,702	416,420	330,811	631,428
Net interest income (loss) after provision for losses		<u>(121,041)</u>	<u>84,578</u>	<u>(128,947)</u>	<u>267,911</u>
Non-interest expenses					
Advertising and promotion		25	-	1,906	283
Contracted services		6,087	4,761	12,725	16,857
Depreciation of property and equipment		223	223	668	754
Directors' fees	9	19,500	19,000	58,500	67,800
Insurance		6,735	4,131	20,165	12,405
Office and administration		17,833	19,962	54,699	45,861
Professional fees		67,640	18,433	147,595	118,108
Rent		4,410	9,188	21,602	30,892
Wages and benefits		48,475	48,539	155,677	194,183
		<u>170,928</u>	<u>124,237</u>	<u>473,537</u>	<u>487,143</u>
Total comprehensive loss for the period		<u>(291,969)</u>	<u>(39,659)</u>	<u>(602,484)</u>	<u>(219,232)</u>
Loss per share		(\$0.16)	(\$0.02)	(\$0.32)	(\$0.12)
Basic and diluted					

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statements of Changes in Shareholders’
Equity
For the nine months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	Shareholders’ capital \$	(Accumulated losses) \$	Total equity \$
As at January 1, 2017		15,681,364	(3,399,834)	12,281,530
Total comprehensive loss for the period		-	(219,232)	(219,232)
As at September 30, 2017		15,681,364	(3,619,066)	12,062,298
As at January 1, 2018		15,681,364	(6,477,722)	9,203,642
Total comprehensive loss for the period		-	(602,484)	(602,484)
As at September 30, 2018		15,681,364	(7,080,206)	8,601,158

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statements of Cash Flows
For the nine months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	September 30, 2018 \$	September 30, 2017 \$
Operating activities			
Total comprehensive loss for the period		(602,484)	(219,232)
Adjustments to reconcile loss from operations to net cash flows:			
Interest income		(1,073,556)	(1,694,702)
Interest expense		145,294	191,875
Provision for mortgage losses	5	726,398	603,488
Loss on assets taken in settlement of debt	6	330,811	631,428
Depreciation of property and equipment		668	754
Interest received		340,343	931,565
Interest paid		(145,294)	(191,875)
Proceeds from disposal of assets taken in settlement of debt		30,000	2,392,769
Costs incurred to sell asset taken in settlement of debt		(97,106)	(313,745)
Change in operating assets and liabilities:			
Mortgages receivable		285,473	(303,582)
Other assets		4,643	9,493
Other liabilities		<u>34,566</u>	<u>(175,901)</u>
Net cash flows from operating activities		(20,244)	1,862,335
Financing activities			
Repayment to related parties		-	(1,003,507)
Increase (Repayment) of demand loan		18,228	(860,816)
Net cash flows used in financing activities		18,228	(1,864,323)
Net decrease in cash and cash equivalents		(2,016)	(1,988)
Cash and cash equivalents, beginning of period		50,431	52,435
Cash and cash equivalents, end of period		48,415	50,447

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 and September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

1 Nature of Operations and Going Concern

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

The Company lends on security of mortgages on real properties situated in the Provinces of Saskatchewan, Manitoba and Alberta. 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.

The Company is a reporting issuer under securities laws trading on the Canadian Securities Exchange under the symbol PRI.

The Company’s head office is located at 307 Jessop Ave., Saskatoon, Saskatchewan S7N 1Y5 and its registered office is located at 1000 – 2002 Victoria Avenue, Regina, Saskatchewan S4P 0R7.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As a result of events incurred in 2016 the Company incurred a net loss of \$2,601,558 during the year ended December 31, 2016 and a further loss of \$3,077,888 during the year ended December 31, 2017. At period end, the Company incurred a loss of \$602,484 and currently has an accumulated deficit of \$7,080,206. The decrease in the estimated fair value of the loan portfolio, assets taken in settlement of debt and the reduced level of income generating assets may cast significant doubt on the Company’s ability to sustain operations for the upcoming year. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives and sales of assets taken in settlement of debt, in the current economic conditions it is difficult to predict the outcome of these plans. All of these factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not include adjustments to the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business at amounts different from those in the accompanying consolidated financial statements.

2 Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements for the period ended September 30, 2018 represent the Company’s quarterly Financial Statements prepared in accordance with International Accounting Standard (“IFRS”), and interpretations as issued by the International Accounting Standards Board (“IASB”). These Financial Statements are presented in Canadian dollars, which is the Company’s functional currency.

The financial statements have been prepared on the historic cost basis, except for cash and cash equivalents and assets taken in settlement of debt, which are measured at fair value on each reporting date.

The Financial Statements of the Company for the period ended September 30, 2018 were authorized for issue in accordance with a resolution of the directors on November 19, 2018.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 and September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, 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.

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 commercial 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.

Mortgages that have been assessed individually and found not to be impaired and all other performing loans are then assessed collectively to determine whether a provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account data from the mortgage portfolio about historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for judgments on the impact of current economic and credit conditions.

Assets taken in settlement of debt

The Company uses management's best estimates of the Fair Value of the Assets taken in settlement of debt by inspecting the property, obtaining appraisals and speaking with realtors in the area.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 and September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

4 Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these interim financial statements are consistent with those described in Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2017, except for changes to the accounting resulting from the adoption of *IFRS 9 - Financial Instruments* ("IFRS 9") and *IFRS 15 - Revenue From Contracts With Customers* ("IFRS 15").

IFRS 9 Financial instruments

IFRS 9 has resulted in changes in accounting policies related to the classification, measurement and impairment of financial assets which are primarily comprised of mortgages. There are no significant changes in accounting policies for financial liabilities, derivative instruments and derecognition of financial assets and liabilities. This change in accounting policy was adopted retrospectively, with no restatement of comparatives. Changes in accounting policies resulting from the adoption of IFRS 9 are described below. The changes in accounting policy has not resulted in an adjustment to the financial statements.

Recognition and initial measurement

The Company recognizes mortgages on the date of origination at the fair value of consideration advanced. The initial measurement includes transaction costs that are directly attributable to its issuance.

Mortgages continue to be classified as amortized cost instruments using the effective interest rate method. Classification of debt instruments is determined based on:

- (i) the business model under which the asset is held; and
- (ii) the contractual cash flow characteristics of the instrument

Mortgages are managed in order to generate cash flows from collection of contractual cash flows. Contractual cash flows are consistent with basic lending arrangements and represent cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments.

Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for liquidity risk and administrative costs, as well as a profit margin.

Impairment

The Company has elected to apply a lifetime expected credit losses allowance over its mortgage portfolio not considered to be in default. Credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events over the expected life of a financial instrument.

The probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 and September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

4 Summary of Significant Accounting Policies (continued)

Definition of default

The Company considers a mortgage to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the mortgage.

The Company considers that default has occurred and classifies the mortgage as impaired when it is more than 90 days past due unless they are fully secured or collection efforts are reasonably expected to result in repayment of the debt.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single principle-based framework that applies to contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The revenue arising from financial instruments is not within the scope of IFRS 15. The Company has adopted this standard effective January 1, 2018 and the change in accounting policy has not resulted in an adjustment to the financial statements.

5 Mortgages receivable

Distribution of mortgages:

Portfolio of 23 (2017 – 27) mortgages bearing interest at fixed rates from 5.0% to 13.0% (2017 – 5.0% to 13.0%) with maturities ranging from October 2018 to November 2021, secured by real property to which they relate and by additional security in certain circumstances.

	<i>September 30, 2018</i>		<i>December 31, 2017</i>	
<i>Effective interest rates</i>	<i>Number of mortgages</i>	<i>Amortized cost and fair value</i>	<i>Number of mortgages</i>	<i>Amortized cost and fair value</i>
4 – 5%	1	74,945	1	75,753
8 – 9%	1	12,722	3	137,680
9 – 10%	10	7,580,750	11	7,393,170
10 – 11%	3	3,598,024	3	3,355,392
11 – 12%	2	809,574	1	154,653
12 – 13%	6	1,019,255	8	2,218,310
Sub Total	23	13,095,270	27	13,334,958
Add: Accrued interest receivable		43,218		28,770
Less: Allowance for mortgage losses		(7,697,255)		(7,643,837)
Total	23	5,441,233	27	5,719,891

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 and September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

5 Mortgages receivable (continued)

Maturities and yields:

	<i>Within 3 months</i>	<i>Over 3 months to 1 year</i>	<i>Over 1 year</i>	<i>Total</i>
September 30, 2018				
Total mortgages	12,237,742	817,576	39,952	13,095,270
Effective interest rate %	10.5%	11.8%	10.9%	10.6%

	<i>Within 3 months</i>	<i>Over 3 months to 1 year</i>	<i>Over 1 year</i>	<i>Total</i>
December 31, 2017				
Total mortgages	12,843,190	445,948	45,820	13,334,958
Effective interest rate %	10.7%	10.3%	10.9%	10.7%

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

Mortgage allowance details

For the nine months ended

September 30, 2018 September 30, 2017

	<i>Expected Credit Losses on Defaulted Mortgages</i>	<i>Other Expected Lifetime Credit Losses</i>	<i>Total</i>	<i>Total</i>
Balance, beginning of period	7,345,868	297,969	7,643,837	6,264,436
Provision for mortgage losses				
Re-measurement	690,771	(18,515)	672,256	603,488
Newly originated loans	-	54,142	54,142	-
Total provision for period	690,771	35,627	726,398	603,488
Accounts written off	(672,980)	-	(672,980)	(1,920,725)
Balance, end of period	7,363,659	333,596	7,697,255	4,947,199

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 and September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

5 Mortgages receivable (continued)

Mortgage allowance details

For the three months ended

			<i>September 30, 2018</i>	<i>September 30, 2017</i>
	<i>Expected Credit Losses on Defaulted Mortgages</i>	<i>Other Expected Lifetime Credit Losses</i>	<i>Total</i>	<i>Total</i>
Balance, beginning of period	7,272,704	335,425	7,608,129	5,499,948
Provision for mortgage losses				
Re-measurement	90,955	(1,829)	89,126	(97,519)
Total provision for period	90,955	(1,829)	89,126	(97,519)
Accounts written off	-	-	-	(455,230)
Balance, end of period	7,363,659	333,596	7,697,255	4,947,199

Impaired loans

			<i>September 30, 2018</i>
	<i>Gross amount of Impaired loans</i>	<i>Impairment</i>	<i>Net Amount of Impaired loans</i>
Residential mortgages	1,297,408	742,481	554,927
Commercial mortgages	7,704,661	6,621,178	1,083,483
Total	9,002,069	7,363,659	1,638,410

			<i>December 31, 2017</i>
	<i>Gross amount of Impaired loans</i>	<i>Impairment</i>	<i>Net Amount of Impaired loans</i>
Residential mortgages	2,496,443	1,290,551	1,205,892
Commercial mortgages	7,182,447	6,055,317	1,127,130
Total	9,678,890	7,345,868	2,333,022

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 and September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

5 Mortgages receivable (continued)

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 in arrears, or ii) fully secured and collection efforts are reasonably expected to result in repayment.

September 30, 2018

	<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	37,286	-	-	1,015,609	1,052,895
Commercial	-	1,680,925	-	-	1,680,925
	37,286	1,680,925	-	1,015,609	2,733,820
Appraised value of collateral	52,096	3,045,000	-	1,431,000	4,528,096

December 31, 2017

	<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	723,585	-	-	510,880	1,234,465
Commercial	-	-	-	-	-
	723,585	-	-	510,880	1,234,465
Appraised value of collateral	1,087,096	-	-	577,000	1,664,096

The principal collateral and other credit enhancements the Company holds as security for loans include (i) property 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.

6 Assets taken in settlement of debt

For the nine months ended

	<i>September 30, 2018</i>		<i>September 30, 2017</i>	
	<i>Properties</i>	<i>Amount (\$)</i>	<i>Properties</i>	<i>Amount (\$)</i>
Balance, beginning of period	4	6,377,715	9	1,665,582
Mortgages settled by taking property	-	-	4	8,117,762
Costs incurred to sell		97,106		313,745
Incremental loss recognized		(330,811)		(631,428)
Properties sold	(2)	(30,000)	(9)	(2,392,769)
Balance, end of period	2	6,114,010	4	7,072,892

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 and September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

6 Assets taken in settlement of debt (continued)

<i>For the three months ended</i>	<i>September 30, 2018</i>		<i>September 30, 2017</i>	
	<i>Properties</i>	<i>Amount (\$)</i>	<i>Properties</i>	<i>Amount (\$)</i>
Balance, beginning of period	2	6,444,211	6	727,949
Mortgages settled by taking property	-	-	1	7,833,117
Costs incurred to sell		501		82,247
Incremental loss recognized		(330,702)		(416,420)
Properties sold	-	-	(3)	(1,154,001)
Balance, end of period	2	6,114,010	4	7,072,892

Assets taken in settlement of debt are carried at fair value using Level 3 inputs including property appraisals. All of the assets taken on settlement of debt are residential properties.

7 Demand loan

	September 30, 2018	December 31, 2017
	\$	\$
Operating line of credit	2,925,265	2,907,037
	2,925,265	2,907,037

The margined, demand operating line of credit bears interest at prime plus 2.0% (2017 – prime plus 1.5%), has an authorized limit which is the lesser of the margin calculation and \$7,500,000 (December 31, 2017 - \$7,500,000) 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 \$5,263,900 (December 31, 2017 - \$6,081,200).

The annual review of the credit agreement completed in June 2018 reflected an increase to the interest rate to prime plus 2.0% from prime plus 1.5%.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 and September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

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. A shareholder calls for redemption of shares held by such shareholder by giving notice to the Company during the period April 1 to April 30th of a particular year (the "Redemption Period"), the Company 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 Company may redeem in any fiscal year.
- 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. In an effort to enhance the share liquidity for the shareholders, the Company began trading on the Canadian Securities Exchange under the symbol PRI.
- 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	\$
At December 31, 2016	1,890,729	15,681,364
Shares redeemed	-	-
Shares issued for cash	-	-
At December 31, 2017	1,890,729	15,681,364
Shares redeemed	-	-
Shares issued for cash	-	-
At September 30, 2018	1,890,729	15,681,364

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2018 and September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

9 Related party disclosure

Compensation of key management personnel

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

	September 30, 2018	September 30, 2017
	\$	\$
Salaries, fees and short-term benefits	<u>90,000</u>	<u>129,375</u>

Transactions with directors

The remuneration of directors during the period consisted of directors fees in the amount of \$58,500 (2017 – \$67,800).

10 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 due to related parties.

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.

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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 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.

Analysis of maximum exposure to credit and collateral

The maximum exposure to credit risk at September 30, 2018 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total \$5,441,233 (December 31, 2017 - \$5,719,891).

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, 2018 the fair value of the collateral on the mortgages receivable is in excess of the fair value of the mortgages receivable.

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11 Financial instruments and risk management (continued)

Credit quality, mortgage types and renegotiated mortgages

The Company's portfolio consists of both residential and commercial mortgages as follows before the allowance for mortgage losses of \$7,697,255 (2017 - \$7,643,837)

	September 30, 2018 \$	December 31, 2017 \$
Residential first mortgages	3,402,782	4,194,850
Residential second mortgages	37,286	37,669
Commercial first mortgages	5,529,668	5,269,576
Commercial second mortgages	4,010,638	3,711,290
Residential mortgages with no security	114,896	121,573
	13,095,270	13,334,958

*First mortgages are loans secured by a first priority mortgage charge with loan to values not exceeding 85% at funding.

**Second mortgages are loans with mortgage charges not registered in first priority with loan to values not exceeding 85% at funding.

The mortgage portfolio consists of mortgages that have been registered 83.3% in Saskatchewan (December 31, 2017 – 84.7%), 16.3% in Alberta (December 31, 2017 – 14.9%) and 0.4% in Manitoba (December 31, 2017 – 0.4%).

The Company does not internally assign credit quality ratings to its mortgages that are neither past due nor 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 and mortgages past due but not impaired is included in Note 5.

Collateral obtained

During the period the Company did not obtain any assets by taking possession of collateral it holds as security in settlement of debt. The Company took possession of \$Nil (December 31, 2017 - \$8,117,762) of property (Note 6). 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 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.

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11 Financial instruments and risk management (continued)

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	Over 1 year	Total
As at September 30, 2018					
Demand loan	2,925,265	-	-	-	2,925,265
Other liabilities	-	126,014	-	-	126,014
	2,925,265	126,014	-	-	3,051,279
As at December 31, 2017					
Demand loan	2,907,037	-	-	-	2,907,037
Other liabilities	-	91,448	-	-	91,448
	2,907,037	91,448	-	-	2,998,485

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. While best efforts are made to collect on mortgages due, payouts of mortgages receivable may not occur on the maturity dates.

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
As at September 30, 2018					
Cash and cash equivalents	48,415	-	-	-	48,415
Mortgages receivable	-	4,601,576	817,576	22,081	5,441,233
Other assets	48,779	-	-	-	48,779
	97,194	4,601,576	817,576	22,081	5,538,427
As at December 31, 2017					
Cash and cash equivalents	50,431	-	-	-	50,431
Mortgages receivable	-	5,248,915	445,948	25,028	5,719,891
Other assets	54,090	-	-	-	54,090
	104,521	5,248,915	445,948	25,028	5,824,412

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11 Financial instruments and risk management (continued)

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 September 30, 2018</i>	<i>Demand loan – sensitivity</i>	<i>Mortgages receivable – sensitivity</i>	<i>Total December 31, 2017</i>
Increase in 25 basis points	(7,313)	13,603	6,290	(7,268)	14,300	7,032
Increase in 50 basis points	(14,626)	27,206	12,580	(14,536)	28,600	14,064
Decrease in 25 basis points	7,313	(13,603)	(6,290)	7,268	(14,300)	(7,032)
Decrease in 50 basis points	14,626	(27,206)	(12,580)	14,536	(28,600)	(14,064)

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

Interest rate re-price

					<i>September 30, 2018</i>	<i>December 31, 2017</i>
	<i>On demand</i>	<i>Within 3 months</i>	<i>Over 3 months to 1 year</i>	<i>Over 1 year</i>	<i>Not interest sensitive</i>	<i>Total</i>
Assets						
Cash and cash equivalents	48,415	-	-	-	-	48,415
Mortgages receivable	-	4,601,576	817,576	22,081	-	5,441,233
<i>Effective interest rate %</i>	-	10.5%	11.8%	10.9%	-	10.6%
Other assets	-	-	-	-	48,779	48,779
	48,415	4,601,576	817,576	22,081	48,779	5,538,427
						5,824,412

					<i>September 30, 2018</i>	<i>December 31, 2017</i>
	<i>On demand</i>	<i>Within 3 months</i>	<i>Over 3 months to 1 year</i>	<i>Over 1 year</i>	<i>Not interest sensitive</i>	<i>Total</i>
Liabilities						
Demand loan	2,925,265	-	-	-	-	2,925,265
<i>Effective interest rate %</i>	5.7%	-	-	-	-	5.7%
Other liabilities	-	-	-	-	126,014	126,014
	2,925,265	-	-	-	126,014	3,051,279
						2,998,485

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11 Financial instruments and risk management (continued)

Fair values

The Company's financial instruments recognized on the Statement of Financial Position consist of cash, other receivables, mortgages 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 penalties.

Recurring fair value measurements

The Company's financial assets and liabilities measured at fair value on a recurring basis are comprised of cash which has been categorized in the fair value hierarchy as Level 1.

Financial assets 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, 2018 but for which fair value is disclosed:

September 30, 2018	Fair value	Level 1	Level 2	Level 3
Assets				
Mortgages receivable	5,441,233	-	-	5,441,233
Other assets	48,779	-	-	48,779
Total Assets	5,490,012	-	-	5,490,012
Liabilities				
Demand loan	2,925,265	-	2,925,265	-
Due to related parties	-	-	-	-
Other liabilities	126,014	-	-	126,014
Total Liabilities	3,051,279	-	2,925,265	126,014
December 31, 2017	Fair value	Level 1	Level 2	Level 3
Assets				
Mortgages receivable	5,719,891	-	-	5,719,891
Other assets	54,090	-	-	54,090
Total Assets	5,773,981	-	-	5,773,981
Liabilities				
Demand loan	2,907,037	-	2,907,037	-
Other liabilities	91,448	-	-	91,448
Total Liabilities	2,998,485	-	2,907,037	91,448

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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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11 Financial instruments and risk management (continued)

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 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. The net realizable is estimated by looking at market information for comparable properties and market rents when using an income based approach.

12 Commitments

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

	\$
2018	4,200
2019	7,000
Total	11,200

At period end the Company committed to funding Nil (December 31, 2017 – 1) mortgages, for a total of \$Nil (December 31, 2017 - \$658,500)