

Form 45-106F2
OFFERING MEMORANDUM

Residents of Saskatchewan, British Columbia, and Alberta Only

Dated May 29, 2015
for
PRIMEWEST MORTGAGE INVESTMENT CORPORATION

The Issuer

Name: PrimeWest Mortgage Investment Corporation (the "Corporation" or the "Issuer")

Head Office Address: 700 – 750 Spadina Crescent, Saskatoon SK S7K 3H3

Telephone No.: (306) 955-1002
Fax No.: (306) 955-9511
E-mail address: info@primewest.ca

Currently Listed or quoted: **No. These securities do not trade on any exchange or market.**

Reporting Issuer: Yes. The Corporation is a reporting issuer under applicable securities legislation.

SEDAR filer: Yes. The Corporation does make filings with SEDAR (The System for Electronic Document Analysis and Retrieval).

The Offering

Securities offered: Class A Shares of the Corporation (the "Shares").

Price per security: \$10.00 per Share

Minimum / Maximum offering: **There is no minimum. You may be the only purchaser. \$5,000,000 (500,000 Shares) maximum.** There will be a maximum of 500,000 Shares issued under this offering. The Corporation may issue any number of Class A Shares it decides, up to the foregoing total maximum number of Shares.
Funds available under this offering may not be sufficient to accomplish our proposed objectives.

Minimum subscription amount: Each investor subscribing shall invest a minimum of \$5,000. A person subscribing for Shares may be referred to as an "Investor".

Payment terms: The full subscription price is due on closing.

Proposed closing date(s): The initial closing date is scheduled for Wednesday July 15, 2015. Thereafter closing dates will be determined from time to time by the Corporation, as subscriptions for the Shares are received by the Corporation.

Income tax consequences: There are important tax consequences to these securities. See Item 6.

Selling Agent: No. There is currently no selling agent for this offering of the Shares, but the Corporation reserves the right to retain one or more selling agents during the course of this offering. A fee is paid at the time of purchase to the registered dealer or sales agent in connection with the sale of Shares. See Item 7.

Resale Restrictions

Your sale or trade of the Shares that you purchase under this Offering must conform with the resale restrictions that apply under the applicable exemption from the prospectus exemption requirements under securities legislation. See Item 10.

Purchaser's Rights

You have 2 business days to cancel your agreement to purchase the securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Offering Memorandum contains statements based on "forward-looking information" within the meaning of Canadian securities legislation (collectively, "forward-looking statements"), including with respect to the jurisdictions in which the Corporation anticipates it will make investments in, the term of the mortgage loans that the Corporation will make, the types of loans the Corporation will make, the rate of return anticipated to be earned by the Corporation from its mortgage loans, the number of mortgage loans the Corporation will make, the size of such loans, the continued performance of such loans relative to the Corporation's history, the benefits of allowing other lenders to participate in the Corporation's mortgage loans, the frequency of anticipated distributions to be made by the Corporation, and the Corporation's anticipated expenses with respect to this offering. These forward-looking statements are made as of the date of this Offering Memorandum.

In certain cases, forward-looking statements can be identified by use of words such as "believe," "intend," "may," "will," "should," "plans," "anticipates," "believes," "potential," "intends," "expects," and other similar expressions. Forward-looking statements reflect our current expectations and assumptions as of the date of the statements, and are subject to a number of known and unknown risks, uncertainties and other factors, many of which are beyond the Corporation's control, which may cause our actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

Investors are advised to carefully review and consider the risk factors identified in this Offering Memorandum under Item 8 "Risk Factors" for a discussion of the factors that could cause the Corporation's actual results,

performance and achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

These risks, uncertainties and other factors include, but are not limited to: risks associated with mortgage loans (including credit risk, market risk, liquidity risk, the lack of mortgage insurance, mortgage defaults, impaired loans and priority of security for the Corporation's loans), redemption risk with respect to the Shares, competition, the limited marketability of the Shares, risks of leverage, risks with respect to the Corporation's designation as a "mortgage investment corporation" under the *Income Tax Act* (Canada), conflict of interest, the impact of changes in government regulations on the Corporation and its business, risks regarding distributions on the Shares, risks regarding the diversification of the Corporation's mortgage portfolio and the inability to fund an optimal level of mortgage investments.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that: the Corporation will primarily invest in mortgage loans made in Saskatchewan; the mortgage loans will be short term in nature; the mortgage loans will earn a higher rate of return than rates earned by institutional lenders; the performance of the Corporation's ongoing mortgage portfolio will be consistent with that of its historic investments. Investors are cautioned not to place undue influence on the forward-looking statements or assumptions on which the Corporation's forward-looking statements are based. Investors are further cautioned that the foregoing list of assumptions is not exhaustive and it is recommended that prospective Investors consult the more complete discussion of the Corporation's business included in this Offering Memorandum.

Although the Corporation believes that the assumptions on which the forward-looking statements are made are reasonable, based on information available to the Corporation on the date such statements were made, no assurances can be made as to whether these assumptions will prove to be correct. Accordingly, readers should not place undue reliance on forward-looking information. The Corporation does not undertake to update any forward-looking information except as, and to the extent, required by applicable Canadian securities laws. The forward-looking statements contained in this Offering Memorandum are expressly qualified by this cautionary statement.

ITEM 1 USE OF NET PROCEEDS

1.1 Net Proceeds

The net proceeds of the offering and the funds which will be available to us after same, are as follows:

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	\$0	5,000,000
B	Selling commissions and fees	\$0	\$250,000 ⁽¹⁾
C	Estimated offering costs (e.g., legal, accounting, audit.)	\$0	\$25,000
D	Net Proceeds: D = A - (B + C)	\$0	\$4,725,000
E	Additional sources of funding required	\$0	\$0
F	Working capital deficiency	\$0	\$0
G	Total: G = (D+E) - F	\$0	\$4,725,000

Notes:

(1) The Corporation reserves the right to retain one or more selling agents during the course of this offering. A fee is paid at the time of purchase to the registered dealer or sales agent in connection with the sale of Shares. See Item 7.

1.2 Use of Net Proceeds

We will use the net proceeds as follows:

- (i) To invest in mortgages and other permitted investments in the ordinary course of business of the Corporation; and

- (ii) To redeem Shares that shareholders have requested to be redeemed during the 2015 Redemption Period to the 10% threshold, and such further amounts as may be determined by the Board of Directors, in accordance with the Articles of the Corporation.

The directors have been requested to consider redemption in 2015 in excess of the 10% threshold, and subject to a successful raise of capital under this Offering Memorandum, the directors may resolved to increase the aggregate redemption amount. To the extent that the proceeds from this offering are used to redeem Shares held by current shareholders, this will result in the Investors under the offering replacing the share capital of those shareholders whose Shares are being redeemed.

1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

ITEM 2 BUSINESS OF THE CORPORATION

2.1 Structure

We are a corporation incorporated under the laws of the Province of Saskatchewan on March 22, 2005. We are registered as an extra-provincial corporation in the Provinces of Alberta and Manitoba and will register in other Canadian jurisdictions as may be approved from time to time by our Board of Directors. We are required by law to be, and are registered under *The Trust and Loan Corporations Act, 1997* (Sask) or the equivalent legislation of any jurisdiction in which we carry on business.

2.2 Our Business

(a) Overview

The Corporation is a mortgage investment corporation and is in the business of investing in and managing a diversified portfolio of mortgages with the intent to pay income earned by the Corporation on its mortgage portfolio to its shareholders on a quarterly basis. The mortgages the Corporation invests in will be primarily properties located in Saskatchewan and will secure loans made to qualified real estate developers and owners for residential, commercial and industrial projects. At present the Corporation also has three (3) residential mortgages located in Manitoba and one (1) commercial mortgage located in Alberta. The mortgages will typically be short term in nature with maturities of between 6 and 24 months and will include construction loans, bridge loans, land loans and equity investments on a limited basis. The Corporation invests in mortgages that are not the type of mortgages provided by institutional lenders and as a result the Corporation's mortgages are expected to earn a higher rate of return than rates earned by institutional lenders. The mortgages bear interest at a fixed rate of interest or at a specified rate over the prime lending rate of the Corporation's bank, and are often subject to a minimum rate of interest. The Corporation uses streamlined administrative processes and flexible lending criteria to offer prompt mortgage approvals to meet qualified borrower's requirements in a manner not offered by institutional lenders.

The Corporation qualifies as a mortgage investment corporation ("MIC") under the *Income Tax Act* (Canada) (the "Tax Act"). To maintain this status, the Corporation will invest at least 50% of its assets in residential mortgage loans and deposits with Canada Deposit Insurance Corporation - insured institutions. Residential mortgage loans include loans against single family and multiple unit residential projects and loans for residential land for development into housing projects.

The Corporation may invest its assets in participating financing, equity or other interests in real estate projects or entities owning or carrying out same, but in so doing, it will not manage or develop such real estate.

(b) The Corporation's Investments

Because of the Corporation's flexibility and ability to commit quickly to mortgage applications and because the mortgage investments considered by the Corporation typically do not meet the criteria of institutional lenders, such loans will earn a higher rate of return than those of institutional lenders. The Corporation expects to minimize risk by following the investment criteria described below in subparagraph 2.2(c).

The Corporation's investments will primarily consist of first and second mortgage loans advanced on existing residential and commercial properties and for the development of land, residential, recreational, commercial and industrial properties. Additional remuneration is sometimes realized through bonus payments and/or profit participation. All mortgage loans funded and held by the Corporation shall meet the investment criteria set out in subparagraph 2.2(c) herein. The Corporation's mortgage loans, in addition to loans secured by residential and commercial properties, will typically fall into the following major mortgage loan categories:

- (i) Land Loans - These loans are typically advanced to finance the acquisition and/or the development of land currently zoned or designated by a municipality for a use consistent with the loan application. The development process includes, among other things, land acquisition, zoning and/or development approval, road construction, installation of services and utilities, and other improvements required by the governing municipality and our financing may be for all or any phase of the development process. The funding of progress advances is usually carried out on a work-in-place/cost-to-complete basis;
- (ii) Construction Loans - These loans are advanced to finance the construction, development or re-development of various types of properties on a work-in-place/cost to complete basis;
- (iii) Bridge Loans - These loans are advanced to finance completed or substantially completed buildings to allow owners to complete their sales or leasing program and may include additional funds for improvements and upgrades;
- (iv) Equity Investments — Equity or other interests in real estate projects or entities owning or carrying out same which shall not be managed or developed by the Corporation.

Loans will generally be for terms of 6 to 24 months and may include the ability to extend the term for further periods subject to the borrower meeting certain criteria. Typically holdings in the Corporation range from 60 to 90 residential mortgages and 5 to 7 commercial mortgages. There can be no guarantee or assurance that the Corporation will not experience loan losses, though since its inception the Corporation has managed its loan portfolio to effectively minimize any losses.

As an example, the following table provides the distribution of the Corporation's current mortgage investments as at December 31, 2013, December 31, 2014 and March 31, 2015.

Effective interest rates	Number of Mortgages	March 31, 2015 Amortized cost and fair value (\$)	Number of Mortgages	December 31, 2014 Amortized cost and fair value (\$)	Number of Mortgages	December 31, 2013 Amortized cost and fair value (\$)
3-4%	1	295,637	1	295,668	-	-
4-5%	1	895,647	-	-	-	-
6-7%	1	292,575	1	283,260	-	-
7-8%	2	475,334	2	475,198	3	590,252

8-9%	3	1,286,956	5	2,021,680	3	1,495,861
9-10%	5	1,678,367	3	1,165,578	1	746,154
10-11%	5	3,756,483	6	4,207,944	6	1,975,219
11-12%	9	5,457,684	9	5,469,694	9	4,198,765
12-13%	37	7,046,803	38	7,049,493	20	5,576,103
13-14%	9	3,744,014	9	3,734,276	25	3,948,752
14-15%	-	-	-	-	4	2,945,945
Allowance for Mortgage losses		(16,917)		(97,711)		(70,000)
	73	24,912,583	74	24,605,080	71	21,407,051

Residential mortgages contain a prepayment option whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance. As of March 31, 2015 four (4) residential mortgages were held in Manitoba, one (1) commercial mortgage in Alberta and sixty-eight (68) were held in Saskatchewan.

The Corporation's mortgage portfolio will vary from time to time as the amount owing under each individual mortgage is repaid, as mortgages mature, and as new mortgage investments are added. The earnings per Share as set out in the quarterly financial statements dated March 31, 2015 posted on www.sedar.com improved from \$0.19/share as of March 31, 2014 to \$0.31/share as of March 31, 2015.

(c) Investment Criteria

The Corporation's Directors have established investment criteria for the Corporation, which currently are the following:

- (i) The Corporation will make investments so that it maintains its status as a "mortgage investment corporation" under the Tax Act.
- (ii) Mortgage investments will be secured by mortgages and/or other appropriate security interests in favour of the Corporation, which will be registered in the appropriate land title or land registry office as a charge against the subject real property. The Corporation may hold beneficial interests in mortgages registered in the land title office in the name of another person or entity which enters into a written trust or agency agreement in favour of the Corporation in respect of same.
- (iii) The amount advanced by the Corporation on any one property will not exceed 20% of the Corporation's paid-up capital.
- (iv) The amount advanced by the Corporation to any one borrower group (including affiliates and related parties) will not exceed 20% of the Corporation's paid-up capital.
- (v) Loans will not be made to any officer or director of the Corporation or to any Corporation in which a officer or a director holds an interest.
- (vi) Loans will not be made to any person (a "Trust Party") who is an annuitant, beneficiary or employee, as the case may be, under a registered retirement savings plan, deferred profit sharing plan or registered retirement income fund as defined under the Tax Act which is a shareholder of the Corporation, or to any other person who is a relative of or otherwise does not deal at arm's

length with the Trust Party, or to anyone else who would cause Shares in the Corporation not to be a qualified investment under Regulation 4900(1)(c) of the Tax Act.

- (vii) The Corporation may invest its assets in participating financing, equity or other interests in real estate projects or entities owning or carrying out same, but in so doing, it will not manage or develop such real estate.

Mortgage security will include:

- (a) a second financial charge on the mortgaged property in a principal amount which, when added to the principal amount of the first financial charge, will not exceed 95% of its appraised value at the time of loan approval. Typically loan exposure is restricted to 80% of a property's appraised value but the Corporation may offer loans up to 95% on a very select basis; or
- (b) a first financial charge on the mortgaged property in a principal amount not exceeding 95% of its appraised value at the time of loan approval. Typically loan exposure is restricted to 80% of a property's appraised value but the Corporation may offer loans up to 95% on a very select basis;
- (viii) Prior to funding, the Corporation will typically obtain appraisal and environmental reports by reputable independent professionals on mortgaged properties and other security interests together with other consultant reports necessary for the type of property and loan being funded;
- (ix) Mortgages will generally be for an initial term of 6 to 24 months and any renewals or extensions of such term will be approved in accordance with investment policy guidelines;
- (x) The Corporation will only make investments in provinces of Canada in which the Corporation is lawfully permitted to do business; and
- (x) Surplus cash amounts will be maintained in government-backed securities, or deposits with Canadian chartered banks or other regulated financial institutions.

Other than paragraphs (i), (v), (vi), (x) and (xi), the Directors may vary the foregoing investment criteria from time to time to meet changing circumstances or permit particular investment opportunities, provided that in voting to do so a resolution is passed by the Directors.

(d) Investment Approval

The Corporation utilizes brokers ("Brokers") who identify and source eligible mortgagors who are then referred to the Corporation for acceptance (see s. 3.3). The board of directors appoints a credit committee ("Credit Committee") which reviews residential mortgage submission over \$600,000 in value and commercial mortgage submission over \$1,000,000 in value. All mortgage applications are reviewed by the Corporation's underwriters and the final review is done by the Corporation's Chief Executive Officer.

The Credit Committee consists of two or more members chosen by the board. From time to time the Directors may add or appoint other persons experienced and knowledgeable in real estate and mortgage lending to serve on the Credit Committee and may remove members as required.

(e) Portfolio Administration

Routine day-to-day administration and management of the mortgage portfolio is provided by the corporate management. The Chief Executive Officer also reviews requests for mortgage draws and takes steps to confirm that all requirements have been met prior to the advance of funds.

In addition to ongoing monitoring and reporting procedures, the Corporation's external Auditor annually reviews the Corporation's reports on the mortgage portfolio. Such reports include full updates on the status of the property secured by each mortgage, current management estimates of property values, recommended

reserves for potential losses on mortgage loans and any collection efforts required for mortgage loans in default. The Chief Executive Officer periodically reviews and makes recommendations to the Directors of the Corporation as to the Corporation's policies and procedures, administration, share offerings and investment criteria and implements decisions of the Corporation's Directors.

2.3 Development of Business

The Corporation will invest primarily in mortgages in Saskatchewan; however, it will consider mortgage investments elsewhere in Canada, as its capital permits and lending opportunities present themselves. Emphasis will be on urban centres and growth areas.

2.4 Long Term Objectives

The Corporation's long term objectives are to:

- (i) maintain and increase a portfolio of well secured and diversified mortgage loans primarily in Saskatchewan;
- (ii) preserve and protect the Corporation's capital;
- (iii) provide shareholders with a return that is superior to term deposits, GICs and money market funds;
- (iv) maintain profitability on a sustainable basis;
- (v) maintain the Corporation status as a "mortgage investment corporation" under the Tax Act; and
- (vi) offer loans to suitable borrowers who seek financing from sources other than institutional lenders.

Since the Corporation will have an ongoing investment program, there is no target completion date for its business plan. Investments will be made as the Corporation's available funds permit. The costs to achieve the Corporation's objectives set out above will vary accordingly.

2.5 Short Term Objectives and How We Intend to Achieve Them

Our business objectives for the next 12 months are:

What we must do and how we will do it	Target completion date or number of months to complete	Our cost to complete
The Corporation intends to continue with its lending activities to expand its business with the additional capital to be raised pursuant to this offering and to invest same pursuant to its investment program as described in paragraphs 2.2, 2.3 and 2.4.	Since the Corporation has an ongoing investment program, there is no target completion date for its business plan. Investments will be made as the Corporation's available funds permit.	N/A

2.6 Alternate Sources of Funds

Bank Line of Credit Agreement

The Corporation has a credit facility with Conexus Credit Union 2006 to assist in mortgage lending and management of cash flow. The line of credit facility is secured by a general security agreement and assignment of receivables. The credit facility is payable on demand and bears interest at a variable rate with interest payable

monthly. The credit facility has an authorized limit which is the lesser of the margin calculation and \$15,000,000. The operating margin is calculated using variable percentages of eligible mortgages as set out by the lending facility – see the attached Financial Statements and SEDAR – Audited Financial Statements (December 31, 2014).

2.7 Material Agreements and Articles

The following summarizes any material agreements to which the Corporation is currently a party and any material agreements with a related party, and identifies the Corporation's Articles:

(a) Transfer Agent, Registrar & Disbursing Agent Agreement

Under a transfer agent, registrar & disbursing agent agreement dated November 1, 2009, Valiant Trust Corporation, Alberta became the registrar, transferring agent and disbursing agent for the Shares.

(b) Articles

The Certificate and Articles of Incorporation dated March 22, 2005 of the Corporation as amended and restated from time to time. These can be viewed on SEDAR (www.sedar.com).

2.8 Audit Committee

The Corporation has established an audit committee (the "Audit Committee"), which is comprised of three members chosen from amongst the members of the Board. The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the quality and integrity of financial statements to be provided to shareholders and regulatory bodies; (ii) the effectiveness of our risk management and compliance practices; (iii) the independent auditor's performance, qualifications and independence; and (iv) the performance of the internal audit function. The Audit Committee meets with the external auditors and management as required.

As at the date hereof, the members of the Audit Committee were Douglas Frondall (Chair), Danny Anderson, Q.C. and Michael Hough. All members of the Audit Committee are, for the purposes of National Instrument 52-110 – *Audit Committees*, considered to be independent with Douglas Frondall, CA financially literate.

Ernst Young LLP, 1200 – 410 22nd Street E. Saskatoon, Saskatchewan are the Corporation's external auditors.

2.9 Lawyers

The Corporation's lawyers in connection with this offering are Olive Waller Zinkhan & Waller LLP, Barristers & Solicitors, 1000 - 2002 Victoria Avenue, Regina, Saskatchewan S4P 0R7.

ITEM 3 INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 **Compensation and Securities Held** - The following table sets out specified information about each director, officer and promoter of the Corporation. There are no persons who, directly or indirectly, beneficially own or control 10% or more of any class of voting securities of the Corporation.

Name and municipality of principal residence	Positions and the date of obtaining that position	2015 Projected Fees (\$)	2014 Fees earned (\$)	Class A Shares owned or controlled	Class A Shares as a % of Total (1,722,193)
Danny Anderson, Q.C., Saskatoon, SK	Director since May 2009	\$16,800.00	\$16,800.00	16,250	.94%

Francis Bast Regina, SK	Director since July 2005 and Chair of the Credit Committee	\$19,200.00	\$19,200.00	28,500	1.65%
Douglas Frondall Saskatoon, SK	Director since May 2008 and Chair of the Audit Committee	\$21,600.00	\$21,600.00	12,500	.73%
Michael Hough Saskatoon, SK	Director since May 2007 and Member of the Audit Committee	\$16,800.00	\$18,900.00	7,910	.46%
Irene Sieferling Saskatoon, SK	Director since May 2008 and Chair of the Corporate Governance Committee	\$19,200.00	\$19,200.00	6,500	.38%
Thomas Archibald Saskatoon, SK	Director since May 2007 and Chair	\$20,400.00	\$20,400.00	45,000	2.61%
Don Zealand Saskatoon, SK	President and Chief Executive Officer since March 23, 2011	\$220,283.00	\$249,557.00	8,300	.48%
Marlene Kaminsky Saskatoon, SK	Acting Chief Financial Officer since May 29, 2015	\$97,000.00	\$89,583.00	500	.03%

3.2 **Management** - The following table and subsequent text sets out the principal occupations of the directors and executive officers of the Corporation over the past five years and any relevant experience in a business similar to the Corporation's:

Name	Principal occupations and related experience
Thomas Archibald	Director since May 2007 and Chair – Mr. Archibald is a graduate of the U of S College of Commerce (Economics). He has over 20 years of experience in the healthcare industry at the CEO and VP levels. Currently he is the President of Eden Health Solutions, a privately held consulting company. His other achievements include Past President of SaskSport/Saskatchewan SaskSport/Saskatchewan Lotteries and past CEO of Parkridge Centre, an organization named as “100 Best Companies to Work for in Canada” by the Financial Post.

Francis Bast	Director since July 2005 and Chair of the Credit Committee – Francis Bast has 40 years of experience in finance, real estate sales and real estate development. He was previously the principal owner of the Century 21 Franchise growing it throughout Saskatchewan. Throughout his career Francis has been active in both condominium and commercial development and now commits his time to development and management of commercial properties.
Irene Seiferling	Director since May 2008 and Chair of the Corporate Governance Committee – Ms. Seiferling is the principal of Board Dynamics, a corporate governance and succession planning advisory firm. She holds a B.A. Economics, (Distinction) from the University of Saskatchewan, and is accredited as a corporate director through Institute of Corporate Directors and the national Association of Corporate Directors (U.S.) Ms. Seiferling has been a member of several boards of directors, including the Consumers Association of Canada (former national president); Standards Council of Canada and the Mutual Fund Dealers Association of Canada.
Douglas Frondall	Director since May 2008 and Chair of the Audit Committee – Mr. Frondall is a Chartered Accountant, Fellow Certified Management Accountant, Certified Management Consultant, Certified Valuation Analyst and Chartered Merger and Acquisition Professional who has been in public practice since 1986 and a partner of Virtus Group Chartered Accountants and Business Advisors LLP from 1993 until December 2013. His primary client focus was privately-held businesses, with a concentration in mergers and acquisitions, litigation support, business valuations and general business advisory services, including strategic and succession planning. He is currently Executive Advisor, Corporate Finance with the Virtus Group. Mr. Frondall is also Chair of the Board of Directors for SaskWorks Venture Fund Inc. and is also on their Governance and Audit Committees.
Danny Anderson, Q.C.	Director since May 2009 – Dan Anderson is an experienced securities and commercial lawyer with MacPherson Leslie & Tyerman LLP. He provides specialized business and legal advice to corporations, joint ventures, partnerships and other business organizations in the natural resources, financial and manufacturing sectors, among others. He has acted on a number of significant corporate transactions, including numerous public and private equity and debt offerings, public and private Corporation mergers, take-over bids, joint venture arrangements, corporate and joint venture restructurings and hedge transactions. He has experience with the TSX, TSX Venture Exchange and AMEX. He has conducted federal Competition Act compliance activities in relation to a number of mergers.
Michael Hough	Director since May 2007 and Member of the Audit Committee – Mr. Hough has served as financial officer, business administrator and college administrator with 14 years of accounting and management experience. He currently is the Financial Officer and Business Administrator with Saskatoon Christian Centre serving in that position since 2001. Mr. Hough obtained a Diploma (Honours) in Civil and Structural Engineering Technology, BCIT, Burnaby, B.C. in 1991 and a Diploma from Faith College International Leadership Training Centre in 1994.

Don Zealand	Effective March 23, 2011 the Corporation employed Don Zealand as the President and Chief Executive Officer. During the year prior thereto he acted as a financial consultant. Mr. Zealand had an extensive career with RBC Financial Group, and was involved in senior commercial lending in the Canadian province regions. His last position with RBC was Vice President Public Sector in Saskatchewan, Manitoba and North Western Ontario. Mr. Zealand is a graduate of Business Administration University of Regina and he holds a Fellowship in the Institute of Canadian Bankers. He has completed the Canadian Securities Course and is a Certified Financial Planner.
Marlene Kaminsky	Effective May 29, 2015 Marlene Kaminsky became the Acting Chief Financial Officer of the Corporation. Prior to this Marlene served as Controller of the Corporation beginning in 2013. Marlene served as Corporate Comptroller & Office Manager for a multi-disciplined industrial contractor in northern Manitoba for 18 years. Marlene obtained her CMA designation with the Society of Management Accountants of Alberta.

The Corporation has 6 employees who assist in the day-to-day management and administration of the Corporation. The Corporation will retain the services of such other individuals as may be necessary from time to time to properly conduct the business of the Corporation.

The Corporation has established a credit committee, which is comprised of two members chosen from amongst the members of the Board, and the President and Chief Executive Officer. The primary purpose of the Credit Committee is to oversee lending guidelines and to provide oversight in the review of delinquent loan files. As at the date hereof the members of the Credit Committee are Thomas Archibald and Francis Bast.

3.3 Business with Brokers

The Corporation secures its mortgages primarily with Brokers who seek out borrowers and provide mortgage applications to the Corporation for approval. Mortgage Brokers in the Province of Saskatchewan are regulated under *The Mortgage Brokerages and Mortgage Administrators Act* (Sask) which is administered by the Saskatchewan Financial and Consumer Affairs Authority. Mortgage Brokers in Manitoba are regulated under *The Mortgage Brokers Act* (Manitoba) which is administered by the Manitoba Securities Commission. Their activities include gathering information, assisting a borrower in completing mortgage applications and providing advice with respect to mortgage terms and interest rates.

In concert with the Corporation, Brokers will review mortgage loan applications to ensure that they meet the Corporation's lending criteria and that adequate supporting documentation has been provided by a prospective borrower. Staff of the Brokers will conduct an inspection of the property and secure a third-party appraisal, which meet a Corporation specifically approved list of appraisers.

The services of the Brokers are not exclusive to the Corporation. The Brokers and their respective affiliates may, at any time, engage in promoting or managing any other corporation or its investments including those that may compete directly or indirectly with the Corporation.

All fees and expenses associated with the Brokers are to be for the account of the borrower, and no fees or expenses are to accrue to the Corporation. The Corporation will also be responsible for its general administration costs, including any recovery or foreclosure costs where the security is insufficient to cover the amount of the loan and subsequent collection costs.

3.4 Penalties, Sanctions and Bankruptcy

- (a) There has been no penalty, sanction or cease trade order that has been in effect for a period of more than 30 consecutive days during the last 10 years against:

- (i) a director, executive officer or control person of the Corporation, or
 - (ii) an issuer of which a person referred to in 3.4(a)(i) above was a director, executive officer or control person at the time.
- (b) There has been no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets that has been in effect during the last 10 years with regard to any:
- (i) director, executive officer or control person of the Corporation, or
 - (ii) issuer of which a person referred to in 3.4(b)(i) above was a director, executive officer or control person at that time.

ITEM 4 CAPITAL STRUCTURE

4.1 Share Capital - The following table sets out information with respect to the Corporation's outstanding securities (including any options, warrants and other securities convertible into shares):

Description of security	Number authorized to be issued	Number outstanding as at the date hereof	Number outstanding after min. offering	Number outstanding after max. offering
Class A Common voting shares	Unlimited	1,722,193	1,722,193	2,222,193

4.2 Long Term Debt

The following table summarizes information about outstanding long term debt of the Corporation:

Description of long term debt	Interest rate	Repayment terms	Amount outstanding on the date of this Offering Memorandum
Nil	N/A	N/A	Nil

4.3 Prior Sales

During the last 12 months for the following Shares have been issued:

Date of Issuance	Number of Shares/Issued at \$10.00 per Share	Total Funds Received
May 14, 2014 – Shares issued for Cash	10,000	\$100,000

ITEM 5 SECURITIES OFFERED

5.1 Terms of Securities

The securities offered are the Shares of the Corporation which have the following material terms:

(a) Dividends

At the end of each fiscal quarter and after review of the Corporation's financial status, it is intended that, subject to *The Business Corporations Act* (Sask) all of the Corporation's profits available for dividends will be fully distributed by way of dividends to the holders of the Shares, provided that no distribution of income or assets will be made that would impair the ability of the Corporation to repay borrowing or to meet other commitments and requirements.

In the case of a shareholder holding Shares for less than a full quarter fiscal period, dividends will be prorated according to the portion of that year that such person is a shareholder.

(b) Priority on Liquidation, Dissolution

In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of its assets among shareholders, distribution of the assets of the Corporation shall be made pro rata in accordance with the number of Shares held.

(c) Redemption by a Shareholder

A holder of Shares may require the Corporation to redeem any or all such holder's Shares by giving written notice of redemption during the period April 1st to April 31st in any year (the "Redemption Period"), with the actual redemption to occur on or before July 31st of that year, with such redemption not to exceed 10% of the issued and outstanding Shares, unless otherwise determined by the Directors in their sole discretion.

The redemption price shall be the lesser of: (i) \$10.00 per Share or (ii) the book value of the Shares as determined in the Corporation's audited financial statements as at the immediately preceding fiscal year end (currently December 31).

The Corporation will redeem those Shares that have been tendered for redemption on a pro rata basis irrespective of the order in which the Corporation receives the respective redemption notice in the Redemption Period.

Any shareholder may during the Redemption Period, in its sole discretion, provide written notice of its election to revoke its applicable redemption notice, and the Shares of such shareholder shall not be redeemed until such time as such shareholder delivers a new redemption notice.

Shares that are being redeemed within one year of the original date of purchase of such Shares, shall be subject to an early redemption fee of 3% of the redemption value of such Shares to be redeemed. The Board of Directors of the Corporation may, at its sole discretion, waive payment of any redemption fee.

(d) No Redemption in Certain Circumstances

In any fiscal year the Corporation would not be required or authorized to redeem any Shares if:

- (i) the Corporation is, or would after the redemption, be unable to pay its liabilities generally as they become due; or
- (ii) the realizable value of the assets of the Corporation, after the redemption, would be less than the aggregate of:
 - 1. its liabilities; and
 - 2. the amount that would be required to pay the holders of shares of the Corporation that have a right to be paid, on redemption or in a liquidation, rateably with or prior to the holder of the Shares to be redeemed.

(e) Voting Rights

The registered holders of the Shares are entitled to one vote per Share at meetings of the Shareholders which include the right to vote for Directors.

Meetings of the registered holders of the Shares may be called at any time and for any purpose by the Directors.

Pursuant to and in accordance with *The Business Corporations Act* (Sask), registered holders of the Shares holding in aggregate not less than 5% of all of the Shares may requisition the Directors to call a meeting of registered holders of the Shares for the purposes stated in the requisition.

5.2 **Subscription Procedure**

The Corporation may terminate this offering at any time without notice and in such case the Corporation will not be required to accept later subscriptions. Closings may occur from time to time as determined by the Corporation.

This offering is available to residents of Saskatchewan, British Columbia, or Alberta only.

Investors wishing to purchase Shares must complete and sign a subscription agreement in the form provided by the Corporation and submit same to the Corporation at its Head Office address shown at the beginning of page one together with a cheque or bank draft for the full subscription price, made payable to the Corporation. The subscription price will be held in trust until midnight on the second business day after the day on which we have received your signed subscription agreement.

Such subscriptions will be subject to rejection or acceptance in whole or in part by the Corporation. The Corporation will not accept subscriptions from persons whom the Corporation has made loans to or holds mortgage interests against.

Investors will also need to sign risk acknowledgement forms.

For purchasers in Alberta and Saskatchewan, the acquisition cost to the investor must not exceed \$10,000 unless the investor is an "eligible investor" as defined by National Instrument 45-106 Prospectus and Registration Exemptions ("NI 45-106"), which includes: a person whose (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000; (ii) net income before taxes exceeded \$75,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar years, or a person who is an "accredited investor" (also as defined in NI 45-106); or a person who has obtained advice regarding the suitability of the investment from an "eligibility advisor", as that term is defined under NI 45-106.

Upon acceptance, the subscription price for the Shares will be deposited in a designated bank account. Upon the Shares having been issued, the subscription price will be made available to the Corporation for use in its business, as set out in this Offering Memorandum.

Notwithstanding the above, subscription agreements from Trustees for RRSPs, RRIFs and TFSAs under the Tax Act will be accepted by the Corporation without the accompanying payment, to accommodate their administrative procedures.

5.3 **Costs of Offering**

Professional and administrative costs incurred by the Corporation in connection with this offering will be borne by the Corporation. These costs will include legal and accounting fees; regulatory filing fees, printing, postage and delivery costs and all other out-of-pocket costs, expenses and disbursements. The total of all such costs is not expected to exceed \$25,000 if the Maximum Offering is achieved.

ITEM 6 CANADIAN INCOME TAX CONSEQUENCES

6.1 Investors' independent Tax Advice

You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

6.2 Mortgage Investment Corporation Status; Income Tax Consequences

Under the terms of the Tax Act, shares of a MIC are an eligible investment for RRSPs, RRIFs and TFSAs. The Tax Act stipulates that for a corporation to qualify as a MIC, among other requirements, the corporation must have a minimum of 20 shareholders and no shareholder can own in excess of 25% of the total issued and outstanding shares of any class of the capital of the corporation. A minimum of 50% of the cost of the corporation's assets must be invested in residential mortgages as defined in the Tax Act and deposits with Canada Deposit Insurance Corporation insured institutions. The Corporation intends to maintain its qualification as a MIC.

As a MIC, if the Corporation pays out all of its net income annually in the form of dividends during the year or within 90 days after the end of the year it may deduct the dividend amount paid as if it was an expense. **The dividends received are not subject to usual dividend treatment in the hands of shareholders. Rather, they will be taxable in the hands of shareholders who are subject to tax as if they had received an interest payment.**

Accordingly, it is anticipated that for each taxation year of the Corporation throughout which it qualifies as a MIC under the Tax Act, the Corporation will receive "flow through" treatment and will not be required to pay income taxes on the net earnings from which dividends are paid in each year. Income in excess of allowable deductible reserves under the Tax Act which is not distributed to shareholders within 90 days of each of the Corporation's year-ends will be subject to ordinary corporate tax under the Tax Act.

If an investor and related parties own more than 10% of the MIC shares, then any such class of shares of the investor and related parties held in an RRSP, TFSA or RRIF are considered a prohibited investment pursuant to the Canadian income tax rules and will be subject to penalties. For tax purposes, any individuals related by blood or marriage and any non-arms length persons (including corporations, trusts and partnerships) must aggregate their holdings to determine if the 10% aggregate ownership threshold is exceeded. When calculating the level of ownership of an investment in a MIC one must also consider any investment in the MIC they hold outside their registered plans, and all investments (registered or not) held by related persons and other non-arms length persons, including corporation.

Purchasers should consult their own tax advisors with respect to whether the Shares would be prohibited investments in their particular circumstances, and with respect to any tax consequences of acquiring Shares pursuant to this offering. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of Shares, and no representations with respect to the income tax consequences to any holder or prospective holder are made.

ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS

7.1 The Corporation may pay a fee of 1- 5 % of the subscription price at the time of purchase to a registered dealer or a sales agent in connection with the sale of Shares. Investors acquiring the Shares through registered dealers or sales agents will be responsible for the payment of any additional commissions that may be negotiated between them and such dealers or agents.

ITEM 8 RISK FACTORS

8.1 Speculative Investment

The Shares offered by this Offering Memorandum are speculative securities. Investment in the Shares should be considered only by Investors who are able to make a long term investment and are aware of the risk factors

involved in such an investment.

8.2 Risks Associated With Mortgage Loans

Real estate investment contains elements of risk and is subject to uncertainties such as costs of operation and financing and fluctuating demand for developed real estate. In addition, prospective Investors should take note of the following:

- (a) **Credit Risk:** As with most mortgage investment corporations, we provide financings to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is inherent in the industry, however the Corporation carefully monitors its loan portfolio to ensure credit risk and concentrations of risk are minimized. The risk is managed by the Corporation's overall risk management framework, including monitoring credit exposures, obtaining appropriate security, conducting third party appraisals of the security obtained, and assessing the credit worthiness of counterparties, prior to committing to the investment. The Corporation's Credit Committee must review and approve, prior to funding, each residential loan over \$600,000 and each commercial loan over \$1,000,000.
- (b) **Market Risk:** Investment in mortgages secured on real estate are subject to market valuation risks that may be caused by changing economic conditions and local market conditions. The Corporation obtains independent appraisals from professional appraisers to substantiate value at the time of funding each loan. While the Corporation believes that every effort is made by such appraisers to be accurate in their estimates of value, the values may not fully represent current market value. There may also be conditions to the valuation such as completion of development of the property that must still occur. There is also a risk that economic conditions or local market conditions will change and impact the value of mortgage loans held by the Corporation. The Corporation tries to partially offset these risks by limiting mortgage loan exposure on funding to 95% of the current or completed value of the mortgaged property depending on the purpose of the mortgage loan.
- (c) **Liquidity Risk:** All of the Corporation's financial liabilities, with the exception of shares which are classified as long-term, are classified as current and are anticipated to mature within the next fiscal period. The Corporation intends to settle these with funds from its positive working capital position. The Corporation has a line of credit with Conexus Credit Union to hedge a portion or all of the liquidity risk.
- (d) **Mortgage Insurance:** The Corporation's mortgage loans will not usually be insured by CMHC or any other mortgage insurer in whole or in part.
- (e) **Default:** In case of default on a mortgage, it may be necessary for the Corporation, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing.
- (f) **Impaired Loans:** The Corporation may from time to time have one or more impaired loans in its portfolio. The Corporation defines loans as being impaired where full recovery is considered at risk. The Corporation reviews mortgages for impairment and will maintain an allowance as appropriate to reduce the carrying value of any mortgages identified as impaired to their estimated realizable amounts. Estimated realizable amounts are determined by reference to loan collection experience, the present value of expected future cash flows, or by the estimated net present value of security underlying the mortgages and deducting costs of realization. Specific allowances are established for individual mortgages identified as impaired. (See the attached Financial Statements and SEDAR – Audited Financial Statements (December 31, 2014)).
- (g) **Priority:** Financial charges funded by first mortgage lenders may in some cases rank in priority to the mortgages registered in favour of the Corporation. In the event of default by the mortgagor under any prior financial charge, the Corporation may be required to arrange a new first mortgage or pay out same, in order to avoid adverse financial implications.

8.3 Redemption Risk

The mortgages held by the Corporation are contractual obligations and the ability of the Corporation to sell the mortgages or realize on the underlying security can take a lengthy period of time. As such, the Shares have limited liquidity and are appropriate investments when considered as investment vehicles to be held for the longer term.

In addition, although shareholders may tender their Shares for redemption pursuant to the terms and conditions contained in the Corporation's Articles, certain restrictions apply to such redemption. As such, the Corporation cannot guarantee that redemptions will be made on a timely basis. Further, as the redemption price to be paid in respect of any Shares are to be set out in the audited financial statements of the fiscal year end of the Corporation immediately prior to the applicable Redemption Period, the redemption share price will not be known until such financial statements are posted on SEDAR on or before March 31 of each year.

8.4 Competition

The Corporation is competing with many third parties, including mortgage brokers and financial institutions, seeking investment opportunities similar to those sought by the Corporation. There is no assurance that the number of mortgages required to maintain an optimal level of investment will be available and this could have an adverse effect on the ultimate return to the investor. The yields on real estate investments, including mortgages, depend on many factors including economic conditions, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, and tax laws. The Corporation cannot predict the effect which such factors will have on its operations.

8.5 Marketability

There is no market for resale of the Shares and consequently it may be difficult or even impossible for Investors to sell them. In addition, the Shares may not be readily acceptable as collateral for loans.

There are restrictions on resale of the Shares by Investors. Investors should consult with their professional advisors in respect of resale of the Shares. See Item 10 in this regard.

8.6 Risks of Leverage

This is primarily a secured mortgage fund and the prior charges represent the use of leverage and exposes the investor to a higher risk than would a first mortgage loan. In the Corporation's opinion, the higher risk of a second mortgage is compensated for by the potential higher yields the investor can earn, though there is no guarantee that such higher yields will be realized. Leverage increases exposure to potential losses.

8.7 Income Tax Designation

As a mortgage investment corporation, the normal gross-up and dividend tax credit rules will not apply to dividends paid on the Shares. Rather, the dividends will be taxable in the hands of shareholders who are subject to tax as if they had received an interest payment. If for any reason the Corporation fails to maintain its designation as a mortgage investment corporation, the dividends paid by the Corporation on the Shares would cease to be deductible from the income of the Corporation. In addition, the Shares would cease to be qualified investments for trusts governed by RRSPs, deferred profit sharing plans and RRIFs with the effect that a penalty tax of 1% per month of the value of the Shares would be payable.

8.8 Conflict of Interest

The services of the Brokers are not exclusive to the Corporation. The Brokers and their respective affiliates may, at any time, engage in promoting or managing any other corporation or its investments including those that may compete directly with the Corporation.

Although none of the directors or officers of the Corporation, save and except the Chief Executive officer, will devote all of his or her full time to the business and affairs of the Corporation, each will devote as much time as is necessary to supervise the management of, to manage or to advise on the business and affairs of the Corporation.

8.9 Impact of Changes in Government Regulations

If government legislation or regulation increases or changes this may impact the status, costs of doing business or otherwise impact the Corporation. If there are such changes that affect the Corporation in a material way, the Corporation will take such steps as available to it in order to mitigate the effects of such changes.

8.11 Distributions Are Not Guaranteed

Any distributions by the Corporation will depend on numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of the Corporation. Accordingly, there can be no assurance or guarantee that the Corporation will make any distributions on the Shares, or as to the frequency or amount of such distributions.

8.12 Inadequate Diversification of Mortgage Portfolio

Although the Corporation will endeavour to maintain a diversified portfolio the majority of mortgages held by the Corporation will initially be geographically concentrated in the Province of Saskatchewan and therefore an adverse event affecting the Province of Saskatchewan mortgages could substantially effect the Corporation's entire portfolio. The Corporation's investment portfolio may vary widely from time to time and may become concentrated in other ways resulting in the Corporation's portfolio being less diversified than anticipated.

8.13 Inability to fund Mortgage Investment

The Corporation may commit to making future investments in anticipation of repayment of principal outstanding under existing investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Corporation may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing, if possible, and to fund such commitments or face liability in connection with its failure to make such advances.

8.14 The Corporation may borrow additional funds to make Investments which may require assignment of some Mortgages

The Corporation will be entitled to, and may, incur indebtedness secured by the Corporation's assets to purchase mortgage investments. There can be no assurance that such a strategy will enhance returns, and in fact, such strategy may reduce returns.

The security which the Corporation is required to furnish when incurring indebtedness, to the extent permitted, may include an assignment of its mortgages to a third party lender. If the Corporation is unable to service its debt to such lender, a loss could result if the lender exercises its rights of foreclosure or sale.

8.15 Performance may be affected by environmental and other regulatory matters

If deemed necessary by the Corporation, it will obtain an environmental evaluation of the property subject to the mortgage; however environmental legislation and policies have become increasingly important features of property ownership and management in recent years. Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

The Corporation follows policies and procedures to review and monitor environmental matters associated with its properties. The Corporation's environmental policy may require that an environmental assessment be conducted by an independent and experienced environmental consultant (the cost of which shall be borne by the borrower), before advancing a loan or acquiring a mortgage. If a residential property is in proximity to a service or fuelling station, or to what is felt to be an environmentally sensitive area, such as a commercial business site, then, at the discretion of management, an environmental assessment is obtained.

ITEM 9 REPORTING OBLIGATIONS

9.1 Documents provided to Shareholders annually and quarterly in compliance with the disclosure as required under National Instrument 51-102 Continuous Disclosure Obligations ("NI 51-102")

The Corporation is a reporting issuer in Saskatchewan, Alberta, British Columbia and Ontario, and it provides documents to its shareholders on a quarterly and annual basis, with filing of the financial statements and other required documents being posted on SEDAR. The quarterly reports include an analysis of operations and results for the period in question together with unaudited financial statements prepared by management consisting of a Statement of Financial Position and a Statement of Comprehensive Income. Audited financial statements are provided to the shareholders with the fiscal year-end reports within 120 days after the fiscal year-end.

9.2 Sources of Information about the Corporation

Financial Statements, Management Discussion and Analysis, Information Circulars and other documentation required to be filed under NI 51-102 are posted on SEDAR (www.sedar.com).

Information about the Corporation's incorporation, amendments to its constituting documents, directors, officers, annual corporate filings and other corporate information can be obtained from the Information Services Corporation (Corporate Registry), 1301 1st Avenue Regina, SK S4R 8H2 (Telephone number 306-787-2962, Fax number 306-787-8999) and on SEDAR (www.sedar.com).

ITEM 10 RESALE RESTRICTIONS

10.1 General Statement

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

10.2 Restricted Period

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the distribution date.

10.3 Other Restrictions

The Corporation is a reporting issuer and Shares are transferable, subject to restrictions on transfer required in order to comply with certain provisions of the Tax Act. Section 130.1(6)(d) of the Tax Act stipulates that a mortgage investment corporation may not have fewer than 20 shareholders and no one shareholder may hold more than 25% of the total issued and outstanding shares of any class of the Corporation's capital. Accordingly, the Articles of the Corporation contain restrictions on the ownership of Shares where such ownership would result in the Corporation no longer meeting the requirements of a mortgage investment corporation under the Tax Act.

ITEM 11 PURCHASERS' RIGHTS

Securities legislation in certain of the Provinces of Canada requires you as a purchaser of securities to be provided with a remedy for rescission or damages, or both, in addition to any other right that you may have at law, where

this Offering Memorandum and any amendment to it contains a misrepresentation. These remedies must be exercised by you within the time limits prescribed by the applicable securities legislation. You should refer to the applicable provisions of the securities legislation for the complete text of these rights.

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

(a) **Two Day Cancellation Right**

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Corporation by midnight on the 2nd business day after you sign the agreement to buy the securities.

(b) **Statutory Rights of Action in the Event of a Misrepresentation**

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (i) the Corporation to cancel your agreement to buy these securities; or
- (ii) for damages against the Corporation and:
 - (A) in Saskatchewan, British Columbia, and Alberta against the Directors of the Corporation as at the date of this Offering Memorandum, and every person or Corporation who signed this Offering Memorandum;
 - (B) in Saskatchewan, against any promoters of the Corporation as at the date of this Offering Memorandum, and every person or Corporation whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them, and every person or Corporation that sells securities on behalf of the Corporation under this Offering Memorandum or an amendment to this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (i) or (ii) above, you must do so within strict time limitations. You must commence your action to cancel the agreement no later than 180 days after the day of the transaction that gave rise to the cause of action. In British Columbia, and Alberta, you must commence your action for damages no later than the earlier of: (A) 180 days after the day you first had knowledge of the facts giving rise to the cause of action; or (B) 3 years after the day of the transaction that gave rise to the cause of action. In Saskatchewan, you must commence your action for damages no later than the earlier of: (A) one year after the day you first had knowledge of the facts giving rise to the cause of action; or (B) 2 years after the day of the transaction that gave rise to the cause of action.

Reference is made to the *Securities Act* (British Columbia), the *Securities Act* (Alberta), and *The Securities Act, 1988* (Saskatchewan) for the complete text of the provisions under which these rights are respectively conferred and this summary is subject to the express provisions of the *Securities Act* (British Columbia), the *Securities Act* (Alberta), and *The Securities Act, 1988* (Saskatchewan).

ITEM 12 FINANCIAL STATEMENTS

The audited statements of Income and Comprehensive Income, Changes in Shareholders' Equity, Cash Flows for the most recently completed financial year that ended before the date of this Offering Memorandum and an audited Statement of Financial Position dated as at December 31, 2014 are attached to this Offering Memorandum. These documents together with the related Management Discussion Analysis can be located and reviewed at www.sedar.com. Any financial data referenced in this Offering Memorandum for the period January 1, 2015 to the date hereof has been prepared internally by the Corporation.



Financial Statements

December 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
PrimeWest Mortgage Investment Corporation

We have audited the accompanying financial statements of PrimeWest Mortgage Investment Corporation, which comprise the statements of financial position as at December 31, 2014 and 2013, and January 1, 2013, and the statements of comprehensive income, changes in shareholder's equity and cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounts policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PrimeWest Mortgage Investment Corporation as at December 31, 2014 and 2013, and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

SASKATOON, SASKATCHEWAN

March 25, 2015

Chartered Professional Accountants

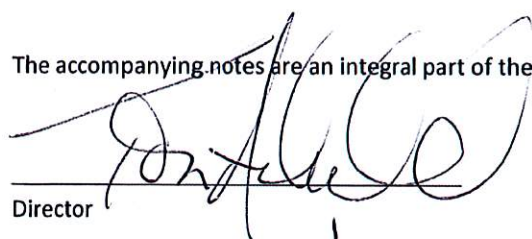


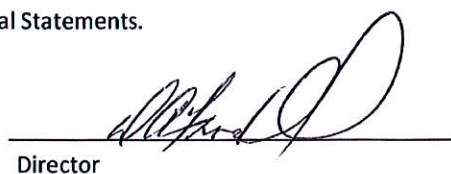
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PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Statement of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2014 \$	December 31, 2013 \$	January 1, 2013 \$
ASSETS				
Cash and cash equivalents		62,848	69,085	1,079,464
Loan receivable	9	10,800	10,800	10,800
Prepaid expenses		24,455	31,382	52,299
Mortgages receivable	10	24,605,080	21,407,051	25,283,207
Mortgage interest receivable		236,256	173,137	226,663
Property and equipment	11	12,081	21,793	17,630
Assets taken in settlement of debt	12	660,884	780,500	718,800
Total Assets		25,612,404	22,493,748	27,388,863
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Demand loan	13	8,642,384	2,281,782	5,759,091
Trade and other payables		128,062	138,319	183,214
Due to related parties	16	-	-	1,500,000
Unearned revenue		374,004	479,204	504,917
		9,144,450	2,899,305	7,947,222
Shareholders' Equity				
Shareholders' capital	14	14,135,065	17,617,162	17,617,162
Retained earnings		2,332,889	1,977,281	1,824,479
		16,467,954	19,594,443	19,441,641
Total Liabilities and Shareholders' Equity		25,612,404	22,493,748	27,388,863
Shares outstanding	14	1,722,193	2,095,305	2,095,305
Commitments	19			

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


Director


Director

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

		For the years ended	
	Notes	December 31, 2014 \$	December 31, 2013 \$
Income			
Mortgage interest		2,440,556	2,150,669
Mortgage interest on delinquents	10	97,711	-
Fees		961,836	978,479
		<u>3,500,103</u>	<u>3,129,148</u>
Interest and fees expense			
Interest		162,483	146,813
Fees		60,091	18,217
		<u>222,574</u>	<u>165,030</u>
Net interest and fees income		3,277,529	2,964,118
(Recovery) bad debts and change in provision for mortgage losses	10	(12,920)	(23,246)
Change in provision for interest on delinquents	10	97,711	-
(Gain) loss on disposal of assets taken in settlement of debt		141,128	(29,845)
Net interest and fees income after provision for mortgage losses		<u>3,051,610</u>	<u>3,017,209</u>
Expenses			
Advertising and promotion		59,368	35,852
Contracted services		39,279	39,434
Depreciation of property and equipment	11	10,328	8,503
Directors' fees	16	116,100	117,358
Insurance		26,316	54,788
Office and administration		132,137	130,125
Professional fees		153,422	179,029
Rent		46,383	43,904
Wages and benefits		582,142	579,160
		<u>1,165,475</u>	<u>1,188,153</u>
Total comprehensive income for the year		<u>1,886,135</u>	<u>1,829,056</u>
Earnings per share			
Basic and diluted	15	\$0.97	\$0.87

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Notes	Shareholders' capital \$	Retained earnings \$	Total equity \$
As at January 1, 2013		17,617,162	1,824,479	19,441,641
Dividends		-	(1,676,254)	(1,676,254)
Total comprehensive income for the year		-	1,829,056	1,829,056
As at December 31, 2013		17,617,162	1,977,281	19,594,443
As at January 1, 2014		17,617,162	1,977,281	19,594,443
Share issuance	14	100,000	-	100,000
Share redemption	14	(3,582,097)	-	(3,582,097)
Dividends		-	(1,530,527)	(1,530,527)
Total comprehensive income for the year		-	1,886,135	1,886,135
As at December 31, 2014		14,135,065	2,332,889	16,467,954

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

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

		For the years ended	
	Notes	December 31, 2014 \$	December 31, 2013 \$ (note 4)
Operating activities			
Total comprehensive income for the year		1,886,135	1,829,056
Non-cash adjustments to reconcile loss from operations to net cash flows:			
Depreciation of property and equipment	11	10,328	8,503
(Recovery) bad debt and provision for mortgage losses	10	(12,920)	(23,246)
Change in provision for interest on delinquents	10	97,711	-
(Gain) loss on disposal of assets taken in settlement of debt		141,128	(29,845)
Mortgages funded during the year		(13,027,624)	(13,984,597)
Mortgages discharged during the year		8,909,456	16,649,556
Costs incurred to sell asset taken on settlement of debt		(79,664)	(121,711)
Proceeds from disposal of assets taken in settlement of debt		893,500	1,324,299
Net change in non-cash working capital relating to operating activities:			
Mortgage interest receivable		(63,119)	53,526
Prepaid expenses		6,927	20,917
Trade and other payables		(10,257)	(44,895)
Unearned revenue		(105,200)	(25,713)
Net cash flows from operating activities		<u>(1,353,599)</u>	<u>5,655,850</u>
Investing activities			
Purchase of property and equipment	11	(616)	(12,666)
Net cash flows from investing activities		<u>(616)</u>	<u>(12,666)</u>
Financing activities			
Due to related parties	16	-	(1,500,000)
Issuance of share capital		100,000	-
Redemption of share capital		(3,582,097)	-
Dividends paid	14	(1,530,527)	(1,676,254)
Repayment of demand loan		6,360,602	(3,477,309)
Net cash flows from financing activities		<u>1,347,978</u>	<u>(6,653,563)</u>
Net increase (decrease) in cash and cash equivalents		(6,237)	(1,010,379)
Cash and cash equivalents, beginning of period		69,085	1,079,464
Cash and cash equivalents, end of period		<u>62,848</u>	<u>69,085</u>
Supplemental cash flow information:			
Interest paid		163,483	122,965

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

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 Financial Statements

For the years ended December 31, 2014 and December 31, 2013

2 Statement of Compliance

These Financial Statements for the year ended December 31, 2014 represent the Company's first annual Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS"), and interpretations 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 ("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 December 31, 2014 were authorized for issue in accordance with a resolution of the directors on March 25, 2015.

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 IFRS 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.

As stated in note 2, the Financial Statements for the year ended December 31, 2014 are the Company's first annual Financial Statements prepared under IFRS.

The accounting policies in note 6 have been applied in preparing the Financial Statements for the year ended December 31, 2014, the comparative information for the year ended December 31, 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 Financial Statements

For the years ended December 31, 2014 and December 31, 2013

4 Basis of Preparation

Basis of measurement

The Financial Statements were prepared under the historical cost convention.

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 Financial Statements are disclosed in note 5.

Functional and presentation currency

These 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.

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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

5 Significant Accounting Judgements, Estimates and Assumptions (continued)

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.

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.

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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

6 Summary of Significant Accounting Policies (continued)

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.

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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

6 Summary of Significant Accounting Policies (continued)

C) Cash

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.

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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

6 Summary of Significant Accounting Policies (continued)

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.

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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

6 Summary of Significant Accounting Policies (continued)

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.

I) 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.

J) Taxes

The Company is a 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 Financial Statements

For the years ended December 31, 2014 and December 31, 2013

6 Summary of Significant Accounting Policies (continued)

K) 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.

L) Unearned revenue

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

M) 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.

N) 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

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

7 Recent accounting pronouncements

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

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

i) IFRS 9 Financial Instruments

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

ii) IFRS 15 Revenue from Contracts with Customers

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

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

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

8 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 year, 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.

	December 31, 2014	December 31, 2013	January 1, 2013
	\$	\$	\$
Cash held in trust	658,195	1,026,082	525,228
Trust fund liability	(658,195)	(1,026,082)	(525,228)
	-	-	-

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

9 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%.

10 Mortgages receivable

Portfolio of 74 (2013 – 71) mortgages bearing interest at fixed rates from 3.95% to 14.0% maturities ranging from January 2015 to June 2016, 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>December 31, 2014</i>
	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Specific Allowance</i>	<i>Net carrying value</i>
Residential mortgages (68)	18,018,135	-	97,711	17,920,424
Commercial mortgages (6)	6,684,656	-	-	6,684,656
Total	24,702,791	-	97,711	24,605,080

				<i>December 31, 2013</i>
	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Specific 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>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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

10 Mortgages receivable (continued)

Mortgage allowance details

	December 31, 2014	December 31, 2013
Balance, beginning of year	70,000	301,328
(Recovery) bad debts and change in provision for mortgage losses	(12,920)	(23,246)
Change in provision for interest on delinquents	97,711	-
	<u>154,791</u>	<u>278,082</u>
Less: accounts written off	(57,080)	(208,082)
Balance, end of year	<u>97,711</u>	<u>70,000</u>

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 year-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.

December 31, 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	164,139	3,541,769	-	1,035,387	4,741,295
Commercial	-	-	-	-	-
	<u>164,139</u>	<u>3,541,769</u>	<u>-</u>	<u>1,035,387</u>	<u>4,741,295</u>
Appraised value of collateral	363,000	15,424,106	-	1,213,200	17,000,306

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
	<u>2,821,352</u>	<u>394,953</u>	<u>379,151</u>	<u>3,060,118</u>	<u>6,655,574</u>
Appraised 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	-	-	-	-	-
	<u>2,280,911</u>	<u>619,665</u>	<u>-</u>	<u>-</u>	<u>2,900,576</u>
Appraised value of collateral	3,595,000	688,000	-	-	4,283,000

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

10 Mortgages receivable (continued)

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

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

Distribution of mortgages:

Effective interest rates	December 31 2014		December 31 2013		January 1 2013	
	Number of mortgages	Amortized cost and fair value	Number of mortgages	Amortized cost and fair value	Number of mortgages	Amortized cost and fair value
3 – 4%	1	295,668	-	-	-	-
6 – 7%	1	283,260	-	-	-	-
7 – 8%	2	475,198	3	590,252	1	171,108
8 – 9%	5	2,021,680	3	1,495,861	5	1,772,605
9 – 10%	3	1,165,578	1	746,154	5	1,557,775
10 – 11%	6	4,207,944	6	1,975,219	10	2,481,079
11 – 12%	9	5,469,694	9	4,198,765	23	3,891,692
12 – 13%	38	7,049,493	20	5,576,103	54	12,648,382
13 – 14%	9	3,734,276	25	3,948,752	21	2,806,414
14 – 15%	-	-	4	2,945,945	2	255,480
<i>Allowance for mortgage losses</i>		(97,711)		(70,000)		(301,328)
	74	24,605,080	71	21,407,051	121	25,283,207

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:

	December 31, 2014	December 31, 2013		
	Within 3 months	Over 3 months to 1 year	1 - 2 years	Total
Total mortgages	13,667,023	9,737,207	1,200,850	24,605,080
Effective interest rate %	12.0%	11.5%	12.2%	11.8%
	Within 3 months	Over 3 months to 1 year	1 - 2 years	Total
Total mortgages	9,398,292	11,056,916	951,843	21,407,051
Effective interest rate %	11.0%	12.3%	13.4%	11.8%

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

10 Mortgages receivable (continued)

<i>January 1, 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	13,364,482	11,334,493	584,232	25,283,207
Effective interest rate %	11.3%	11.7%	12.9%	11.5%

11 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 December 31, 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	10,328	-	10,328
Disposals	-	-	-
At December 31, 2014	77,748	15,197	92,945
Net book value			
At January 1, 2013	17,630	-	17,630
At December 31, 2013	21,793	-	21,793
At December 31, 2014	12,081	-	12,081

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

12 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		121,711
Properties sold during the year	(6)	(1,324,299)
Realized gain (loss) on sale of property		115,925
Unrealized gain		(86,080)
At December 31, 2013	4	780,500
Mortgages settled during the year by taking property	4	835,348
Costs incurred to sell		79,664
Properties sold during the year	(3)	(893,500)
Realized gain (loss) on sale of property		(83,288)
Unrealized gain (loss)		(57,840)
At December 31, 2014	5	660,884

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

13 Demand loan

	December 31, 2014	December 31, 2013	January 1, 2013
	\$	\$	\$
Operating line of credit	8,648,384	2,286,782	5,759,091
Less: deferred financing charges	(6,000)	(5,000)	-
	<u>8,642,384</u>	<u>2,281,782</u>	<u>5,759,091</u>

The margined, demand operating line of credit bears interest at prime plus 1.5% (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 mortgages receivable. The operating line's margin is calculated using variable percentages of eligible mortgages as set out by the bank.

At year-end the maximum margin available was \$9,703,155 (2013 - \$6,925,924).

The credit agreement contains certain financial covenants that must be maintained. As at December 31, 2014 the Company was in compliance with all financial covenants.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

14 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	(383,112)	(3,582,097)
Shares issued for cash	10,000	100,000
Special resolution of the shareholders	-	-
At December 31, 2014	1,722,193	14,135,065

The aggregate potential redemption amount of the outstanding Class A shares is \$17,221,930 (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.

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

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

During 2014, the Board approved the retraction of 383,112 shares at the price of \$9.35 per share.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

15 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 year. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the year by the number of shares bought back or issued during the year, multiplied by a time-weighting factor.

Weighted average number of common shares

	December 31, 2014 \$	December 31, 2013 \$
Issued common shares outstanding, beginning of year	2,095,305	2,095,305
Effect of units cancelled	(158,383)	-
Effect of units issued	5,891	-
Weighted average number of common shares, end of year	<u>1,942,813</u>	<u>2,095,305</u>

	December 31, 2014 \$	December 31, 2013 \$
Total comprehensive income available to shareholders	1,886,135	1,829,056
Weighted average number of common shares	<u>1,942,813</u>	<u>2,095,305</u>
EPS	<u>0.97</u>	<u>0.87</u>

There is no dilutive effect during the years ending December 31, 2013 or December 31, 2014. Therefore, the basic EPS equals the diluted EPS.

16 Related party disclosure

Compensation of key management personnel

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

	December 31, 2014 \$	December 31, 2013 \$
Salaries, fees and short-term benefits	<u>270,501</u>	<u>282,529</u>

The remuneration of directors during the year consisted of directors fees in the amount of \$116,100 (2013 – \$117,358).

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 \$5,418 (2013 - \$24,197) was paid to a law firm that a director is a partner in.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

16 Related party disclosure (continued)

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.

17 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.

	December 31, 2014	December 31, 2013	January 1, 2013
	\$	\$	\$
Demand loan	8,642,384	2,281,782	5,759,091
Trade and other payables	128,062	138,319	183,214
Due to related parties	-	-	1,500,000
Unearned revenue	374,004	479,204	504,917
Total debt	9,144,450	2,899,305	7,947,222
Shareholders' equity	16,467,954	19,594,443	19,441,641
Total capitalization	16,467,954	19,594,443	19,441,641

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 13) 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 December 31, 2014 the Company was in compliance with all financial covenants.

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

18 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.
6. Management actively monitors the mortgage portfolio.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

18 Financial instruments and risk management (continued)

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 December 31, 2014 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total \$24,852,136 (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:

	December 31, 2014 \$	December 31, 2013 \$	January 1, 2013 \$
Residential first mortgages	14,204,899	11,918,958	15,571,630
Residential second mortgages	3,776,539	3,357,272	1,134,847
Commercial first mortgages	4,336,879	3,016,643	8,805,100
Commercial second mortgages	2,347,777	3,152,343	-
Residential mortgages with no security	36,697	31,835	72,958
Provision for mortgage losses	(97,711)	(70,000)	(301,328)
	24,605,080	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 94.0% in Saskatchewan (2013 – 92.3%), 3.7% in Alberta (2013 – 4.3%) and 2.3% 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 \$835,348 (2013 - \$1,234,443) of property. The Company's policy for these assets is to sell the assets to recover funds loaned.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

18 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 December 31, 2014					
Bank indebtedness	8,642,384	-	-	-	8,642,384
Trade and other payables	-	128,062	-	-	128,062
Due to related parties	-	-	-	-	-
Unearned revenue	-	109,941	262,918	1,145	374,004
	8,642,384	238,003	262,918	1,145	9,144,450

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
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	-	102,965	375,979	260	479,204
	2,281,782	241,284	375,979	260	2,899,305

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
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	-	184,357	316,907	3,653	504,917
	5,759,091	367,571	1,816,907	3,653	7,947,222

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

18 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 December 31, 2014					
Cash and cash equivalents	62,848	-	-	-	62,848
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	13,667,023	9,737,207	1,200,850	24,605,080
Mortgage interest receivable	-	236,256	-	-	236,256
	73,648	13,903,279	9,737,207	1,200,850	24,914,984

	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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

18 Financial instruments and risk management (continued)

Objectives, policies and processes

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

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

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 year end was 11.8% (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 December 31, 2014</i>	<i>Demand loan – sensitivity</i>	<i>Mortgages receivable – sensitivity</i>	<i>Total December 31, 2013</i>
Increase in 25 basis points	(21,606)	61,513	39,907	(5,704)	53,318	47,614
Increase in 50 basis points	(43,212)	123,026	79,814	(11,409)	106,636	95,227
Decrease in 25 basis points	21,606	(61,513)	(39,907)	5,704	(53,318)	(47,614)
Decrease in 50 basis points	43,212	(123,026)	(79,814)	11,409	(106,636)	(95,227)

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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

18 Financial instruments and risk management (continued)

Interest rate re-price

						December 31, 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	62,848	-	-	-	62,848	62,848	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	-	236,256	-	-	236,256	236,256	173,137
Mortgages receivable	-	13,667,023	9,737,207	1,200,850	-	24,605,080	21,407,051
<i>Effective interest rate %</i>	-	12.0%	11.5%	12.2%	-	11.8%	11.8%
	73,648	13,903,279	9,737,207	1,200,850	309,904	24,914,984	21,660,073
Liabilities							
Demand loan	8,642,384	-	-	-	-	8,642,384	2,281,782
<i>Effective interest rate %</i>	4.5%	-	-	-	-	4.5%	4.5%
Trade and other payables	128,062	-	-	-	128,062	128,062	138,319
	8,770,446	-	-	-	128,062	8,770,446	2,420,101

Fair values

The Company's financial instruments recognized on the Statement of Financial Position consist of cash, loan receivable, mortgages receivable, mortgage interest receivable, demand loan, trade and other payables, and due to related parties. The fair values of these recognized financial instruments, excluding mortgages receivable, approximate their carrying values due to their short-term maturity. The fair values of mortgages receivable approximate 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:

December 31, 2014	Fair value	Level 1	Level 2	Level 3
Assets				
Cash	62,848	62,848	-	-
December 31, 2013				
Assets				
Cash	69,085	69,085	-	-
January 1, 2013				
Assets				
Cash	1,079,464	1,079,464	-	-

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

18 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 December 31, 2014 but for which fair value is disclosed:

December 31, 2014	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	10,800	-	-	10,800
Mortgages receivable	24,605,080	-	-	24,605,080
Mortgage interest receivable	236,256	-	-	236,256
Total Assets	24,852,136	-	-	24,852,136
Liabilities				
Demand loan	8,642,384	-	8,642,384	-
Trade and other payables	128,062	-	-	128,062
Due to related parties	-	-	-	-
Unearned revenue	374,004	-	-	374,004
Total Liabilities	9,144,450	-	8,642,384	502,066
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	-	-	21,590,988
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
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	-	-	25,520,670
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	-	7,259,091	688,131

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2014 and December 31, 2013

18 Financial instruments and risk management (continued)

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.

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.

19 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 3 (2013 – 4) mortgages, for a total of \$772,493 (2013 - \$680,700).

20 Income taxes

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

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

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

ITEM 13

DATE AND CERTIFICATE

This Offering Memorandum does not contain a misrepresentation.

Dated the 29th day of May, 2015.

PrimeWest Mortgage Investment Corporation

Per:

"Don Zealand"

"Marlene Kaminsky"

President and Chief Executive Officer,
Don Zealand

Acting Chief Financial Officer, Marlene Kaminsky

"Thomas Archibald"

"Danny Anderson"

Director, Thomas Archibald

Director, Danny Anderson, Q.C.