



## Condensed Interim Financial Statements (Unaudited)

Three months and six months ended June 30, 2015

AMENDED

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

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

**PRIMEWEST MORTGAGE INVESTMENT CORPORATION**  
**Unaudited Condensed Interim Statement of Financial Position**

As at June 30, 2015

(Expressed in Canadian Dollars)

	Notes	June 30, 2015 \$	December 31, 2014 \$
(Audited)			
<b>ASSETS</b>			
Cash and cash equivalents		62,690	62,848
Loan receivable	4	10,800	10,800
Prepaid expenses		54,515	24,455
Mortgages receivable	5	24,586,287	24,605,080
Mortgage interest receivable		368,583	236,256
Property and equipment		6,977	12,081
Assets taken in settlement of debt	6	898,768	660,884
<b>Total Assets</b>		<b>25,988,620</b>	<b>25,612,404</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Demand loan	7	8,878,647	8,642,384
Trade and other payables		82,347	128,062
Unearned revenue		242,680	374,004
		<b>9,203,674</b>	<b>9,144,450</b>
<b>Shareholders' Equity</b>			
Shareholders' capital	8	14,135,065	14,135,065
Retained earnings		2,649,881	2,332,889
		<b>16,784,946</b>	<b>16,467,954</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>25,988,620</b>	<b>25,612,404</b>
Shares outstanding	8	1,722,193	1,722,193
Commitments	12		
Subsequent Events	15		

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

"Tom Archibald"  
 Director

"Douq Frondall"  
 Director

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

	Notes	For the three months ended		For the six months ended	
		June 30, 2015 \$	June 30, 2014 \$	June 30, 2015 \$	June 30, 2014 \$ (note 14)
<b>Income</b>					
Mortgage interest		647,262	613,245	1,322,548	1,145,023
Mortgage interest on delinquents	5	43,413	(24,630)	60,330	129,417
Fees		209,805	239,737	418,765	438,648
		<u>900,480</u>	<u>828,352</u>	<u>1,801,643</u>	<u>1,713,088</u>
<b>Interest and fees expense</b>					
Interest		102,556	17,913	205,742	32,493
Fees		2,526	9,197	6,121	43,494
		<u>105,082</u>	<u>27,110</u>	<u>211,863</u>	<u>75,987</u>
<b>Net interest and fees income</b>		<u>795,398</u>	<u>801,242</u>	<u>1,589,780</u>	<u>1,637,101</u>
(Recovery) bad debts and change in provision for mortgage losses	5	-	1	(97,711)	2,080
Provision for interest on delinquents	5	43,413	(24,630)	60,330	129,417
(Gain) loss on disposal of assets taken in settlement of debt		-	55,400	97,916	55,400
<b>Net interest and fees income after provision for mortgage losses</b>		<u>751,985</u>	<u>770,471</u>	<u>1,529,245</u>	<u>1,450,204</u>
<b>Expenses</b>					
Advertising and promotion		24,181	20,780	34,869	29,984
Contracted services		16,658	10,004	31,639	15,479
Depreciation of property and equipment		2,552	2,552	5,104	5,104
Directors' fees	9	28,500	29,100	57,000	58,200
Insurance		7,661	8,087	12,315	16,075
Office and administration		30,649	36,739	58,467	65,041
Professional fees		33,611	54,062	46,504	87,688
Rent		13,361	14,007	23,668	23,506
Wages and benefits		122,582	157,928	253,810	316,713
		<u>279,755</u>	<u>333,259</u>	<u>523,376</u>	<u>617,790</u>
<b>Total comprehensive income for the year</b>		<u>472,230</u>	<u>437,212</u>	<u>1,005,869</u>	<u>832,414</u>
<b>Earnings per share</b>					
Basic and diluted		\$ .27	\$ 0.21	\$ 0.58	\$ 0.40

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

**PRIMEWEST MORTGAGE INVESTMENT CORPORATION**  
**Unaudited Condensed Interim Statement of Changes in Shareholders’**  
**Equity**

For the six months ended June 30, 2015 and 2014  
(Expressed in Canadian Dollars)

	Notes	Shareholders’ capital \$	Retained earnings \$	Total equity \$
As at January 1, 2014		17,617,162	1,977,281	19,594,443
Share issuance		100,000	-	100,000
Share redemption		-	-	-
Dividends		-	(838,122)	(838,122)
Total comprehensive income for the year		-	832,414	832,414
As at June 30, 2014		<u>17,717,162</u>	<u>1,971,573</u>	<u>19,688,735</u>
As at January 1, 2015		14,135,065	2,332,889	16,467,954
Share issuance	8	-	-	-
Share redemption	8	-	-	-
Dividends		-	(688,877)	(688,877)
Total comprehensive income for the year		-	1,005,869	1,005,869
<b>As at June 30, 2015</b>		<u>14,135,065</u>	<u>2,649,881</u>	<u>16,784,946</u>

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

**PRIMEWEST MORTGAGE INVESTMENT CORPORATION**  
**Unaudited Condensed Interim Statement of Cash Flows**

For the six months ended June 30, 2015 and 2014  
(Expressed in Canadian Dollars)

	Notes	June 30, 2015 \$	June 30, 2014 \$ (note 14)
<b>Operating activities</b>			
Total comprehensive income for the year		1,005,869	832,414
Non-cash adjustments to reconcile loss from operations to net cash flows:			
Depreciation of property and equipment		5,104	5,104
(Recovery) bad debt and provision for mortgage losses	5	(97,711)	2,080
Provision for interest on delinquents	5	60,330	129,417
(Gain) loss on disposal of assets taken in settlement of debt		97,916	55,400
Mortgages funded during the year		(3,044,031)	(4,453,842)
Mortgages discharged during the year		2,614,505	4,456,705
Costs incurred to sell asset taken on settlement of debt		(18,600)	(34,393)
Proceeds from disposal of assets taken in settlement of debt		168,500	484,469
Net change in non-cash working capital relating to operating activities:			
Mortgage interest receivable		(132,327)	11,604
Prepaid expenses		(30,061)	(5,875)
Trade and other payables		(45,714)	(18,299)
Unearned revenue		(131,324)	(78,869)
<b>Net cash flows from operating activities</b>		<b>452,456</b>	<b>1,385,915</b>
<b>Investing activities</b>			
Purchase of property and equipment		-	(616)
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>(616)</b>
<b>Financing activities</b>			
Issuance of share capital	8	-	100,000
Redemption of share capital	8	-	-
Dividends paid		(688,877)	(838,122)
Repayment of demand loan		236,263	(651,484)
<b>Net cash flows from financing activities</b>		<b>(452,614)</b>	<b>(1,389,606)</b>
Net increase (decrease) in cash and cash equivalents		(158)	(4,307)
Cash and cash equivalents, beginning of period		62,848	69,085
<b>Cash and cash equivalents, end of period</b>		<b>62,690</b>	<b>64,778</b>
<b>Supplemental cash flow information:</b>			
Interest paid		205,742	32,493

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

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015

(Unaudited – Expressed in Canadian Dollars)

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### 1 Incorporation and Operations

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

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

The Company is a reporting issuer under securities laws.

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

### 2 Statement of Compliance and Basis of Presentation

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

The Financial Statements of the Company for the period ended June 30, 2015 were authorized for issue in accordance with a resolution of the directors on August 25, 2015.

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

### 3 Recent accounting pronouncements

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

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

i) **IFRS 9 Financial instruments**

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

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015

(Unaudited – Expressed in Canadian Dollars)

### 3 Recent accounting pronouncements (continued)

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

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

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

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

### 4 Loan receivable

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

### 5 Mortgages receivable

Portfolio of 65 (December 31, 2014 – 74) mortgages bearing interest at fixed rates from 3.95% to 14.0% maturities ranging from July 2015 to June 2017, secured by real property to which they relate and by additional security in certain circumstances.

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

	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Specific Allowance</i>	<i>June 30, 2015 Net carrying value</i>
Residential mortgages (59)	17,767,323	-	60,330	17,706,993
Commercial mortgages (6)	6,879,294	-	-	6,879,294
Total	24,646,617	-	60,330	24,586,287



# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015  
(Unaudited – Expressed in Canadian Dollars)

### 5 Mortgages receivable (continued)

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

#### Mortgage allowance details

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
Balance, beginning of year	97,711	70,000
(Recovery) bad debts and change in provision for mortgage losses	(97,711)	(12,920)
Change in provision for interest on delinquents	60,330	97,711
	<b>60,330</b>	<b>154,791</b>
Less: accounts written off	-	(57,080)
<b>Balance, end of period</b>	<b>60,330</b>	<b>97,711</b>

#### Mortgages past due but not impaired

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

#### *June 30, 2015*

	<i>Under 30 days</i>	<i>31-60 days</i>	<i>61-90 days</i>	<i>91 days and greater</i>	<i>Total</i>
<b>Residential</b>	<b>477,982</b>	<b>559,829</b>	<b>308,682</b>	<b>2,314,226</b>	<b>3,660,719</b>
<b>Commercial</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,381,217</b>	<b>3,381,217</b>
	<b>477,982</b>	<b>559,829</b>	<b>308,682</b>	<b>5,695,443</b>	<b>7,041,936</b>
<b>Appraised value of collateral</b>	<b>626,000</b>	<b>966,500</b>	<b>410,190</b>	<b>13,237,577</b>	<b>15,240,267</b>

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015

(Unaudited – Expressed in Canadian Dollars)

### 5 Mortgages receivable (continued)

*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	-	-	-	-	-
	164,139	3,541,769	-	1,035,387	4,741,295
Appraised value of collateral	363,000	15,424,106	-	1,213,200	17,000,306

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

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

*Distribution of mortgages:*

		<i>June 30 2015</i>		<i>December 31 2014</i>
<i>Effective interest rates</i>	<i>Number of mortgages</i>	<i>Amortized cost and fair value</i>	<i>Number of mortgages</i>	<i>Amortized cost and fair value</i>
3 – 4%	1	295,397	1	295,668
4 – 5%	1	1,181,701	-	-
6 – 7%	1	298,266	1	283,260
7 – 8%	1	122,289	2	475,198
8 – 9%	3	1,282,567	5	2,021,680
9 – 10%	6	1,984,168	3	1,165,578
10 – 11%	5	4,401,898	6	4,207,944
11 – 12%	7	4,987,811	9	5,469,694
12 – 13%	32	6,400,373	38	7,049,493
13 – 14%	8	3,692,147	9	3,734,276
		(60,330)		(97,711)
<i>Allowance for mortgage losses</i>				
	65	24,586,287	74	24,605,080

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015  
(Unaudited – Expressed in Canadian Dollars)

### 5 Mortgages receivable (continued)

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

*Maturities and yields:*

	<i>Within 3 months</i>	<i>Over 3 months to 1 year</i>	<i>1 - 2 years</i>	<i>Total</i>
<b>June 30, 2015</b>				
Total mortgages	13,113,471	11,231,604	241,212	24,586,287
Effective interest rate %	11.1%	11.3%	12.4%	11.7%
<b>December 31, 2014</b>				
Total mortgages	13,667,023	9,737,207	1,200,850	24,605,080
Effective interest rate %	12.0%	11.5%	12.2%	11.8%

### 6 Assets taken in settlement of debt

	<b>Properties</b>	<b>Amount \$</b>
<b>At December 31, 2013</b>	4	780,500
Mortgages settled during the year by taking property	4	835,348
Costs incurred to sell		79,664
Properties sold during the year	(3)	(893,500)
Realized gain (loss) on sale of property		(83,288)
Unrealized gain		(57,840)
<b>At December 31, 2014</b>	5	660,884
Mortgages settled during the year by taking property	1	485,700
Costs incurred to sell		18,600
Properties sold during the year		(168,500)
Realized gain (loss) on sale of property		(205)
Unrealized gain (loss)		(97,711)
<b>At June 30, 2015</b>	6	898,768

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

### 7 Demand loan

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
	<b>\$</b>	<b>\$</b>
Operating line of credit	8,878,647	8,648,384
Less: deferred financing charges	-	(6,000)
	<b>8,878,647</b>	<b>8,642,384</b>

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015  
(Unaudited – Expressed in Canadian Dollars)

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### 7 Demand loan (continued)

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

At period-end the maximum margin available was \$9,300,760 (December 31, 2014 - \$9,703,155).

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

### 8 Shareholders' equity

#### A) Authorized shares

The Company's authorized share capital consists of:

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

#### B) Issued and outstanding

Class A Common shares	Number of Shares/Units	\$
At December 31, 2013	2,095,305	17,617,162
Shares redeemed	(383,112)	(3,582,097)
Shares issued for cash	10,000	100,000
At December 31, 2014	<b>1,722,193</b>	<b>14,135,065</b>
Shares redeemed	-	-
Shares issued for cash	-	-
At June 30, 2015	<b>1,722,193</b>	<b>14,135,065</b>

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

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015  
(Unaudited – Expressed in Canadian Dollars)

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### 8 Shareholders' equity (continued)

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

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

### 9 Related party disclosure

#### Compensation of key management personnel

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

	June 30, 2015	June 30, 2014
	\$	\$
Salaries, fees and short-term benefits	<u>126,592</u>	<u>121,814</u>

The remuneration of directors during the year consisted of directors fees in the amount of \$57,000 (June 30, 2014 – \$58,200).

#### Transactions with key management personnel

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

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

### 10 Capital management

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

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

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

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# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015

(Unaudited – Expressed in Canadian Dollars)

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### 11 Financial instruments and risk management

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

#### **Risk management policy**

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

These risk management policies and procedures include the following:

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

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

There have been no significant changes from the previous year in the 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.

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015

(Unaudited – Expressed in Canadian Dollars)

### 11 Financial instruments and risk management (continued)

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

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

#### *Analysis of maximum exposure to credit and collateral*

The maximum exposure to credit risk at June 30, 2015 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total \$24,965,670 (December 31, 2014 - \$24,852,136).

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

#### *Credit quality, mortgage types and renegotiated mortgages*

The Company's portfolio consists of both residential and commercial mortgages as follows:

	June 30, 2015	December 31, 2014
	\$	\$
Residential first mortgages	13,675,273	14,204,899
Residential second mortgages	4,055,353	3,776,539
Commercial first mortgages	4,462,318	4,336,879
Commercial second mortgages	2,416,976	2,347,777
Residential mortgages with no security	36,697	36,697
Provision for mortgage losses	(60,330)	(97,711)
	<b>24,586,287</b>	<b>24,605,080</b>

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

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

The mortgage portfolio consists of mortgages that have been registered 93.8% in Saskatchewan (December 31, 2014 – 94.0%), 3.9% in Alberta (December 31, 2014 – 3.7%) and 2.3% in Manitoba (December 31, 2014 – 2.3%).

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

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

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015

(Unaudited – Expressed in Canadian Dollars)

### 11 Financial instruments and risk management (continued)

#### *Collateral obtained*

During the year the Company obtained assets by taking possession of collateral it holds as security in settlement of debt. The Company took possession of \$485,700 (December 31, 2014 - \$835,348) of property. The Company's policy for these assets is to sell the assets to recover funds loaned.

#### **Liquidity risk**

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

The Company maintains significant committed borrowing facilities from its bank for credit room of at least equal to ten percent of the line of credit plus two months operating costs. The Company also maintains adequate cash held in trust to meet its trust fund obligations.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining additional debt financing. In addition, the mortgage receivables have short maturity terms (3 – 24 months) which provide additional liquidity in the event of an unforeseen interruption of cash flow. The Company can convert the mortgages, if needed, to cash instead of renewing for another term or lending under a new mortgage.

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

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>12 to 24 months</b>	<b>Total</b>
<b>As at June 30, 2015</b>					
Demand loan	<b>8,878,647</b>	-	-	-	<b>8,878,647</b>
Trade and other payables	-	<b>82,347</b>	-	-	<b>82,347</b>
Due to related parties	-	-	-	-	-
Unearned revenue	-	<b>114,008</b>	<b>127,997</b>	<b>675</b>	<b>242,680</b>
	<b>8,878,647</b>	<b>196,355</b>	<b>127,997</b>	<b>675</b>	<b>9,203,674</b>
<b>As at December 31, 2014</b>					
Demand loan	8,642,384	-	-	-	8,642,384
Trade and other payables	-	128,062	-	-	128,062
Due to related parties	-	-	-	-	-
Unearned revenue	-	109,941	262,918	1,145	374,004
	8,642,384	238,003	262,918	1,145	9,144,450



# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015  
(Unaudited – Expressed in Canadian Dollars)

### 11 Financial instruments and risk management (continued)

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

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
<b>As at June 30, 2015</b>					
Cash and cash equivalents	62,690	-	-	-	62,690
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	13,113,471	11,231,604	241,212	24,586,287
Mortgage interest receivable	-	368,583	-	-	368,583
	<b>73,490</b>	<b>13,482,054</b>	<b>11,231,604</b>	<b>241,212</b>	<b>25,028,360</b>

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
<b>As at December 31, 2014</b>					
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
	<b>73,648</b>	<b>13,903,279</b>	<b>9,737,207</b>	<b>1,200,850</b>	<b>24,914,984</b>

#### Market risk

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

#### *Risk measurement*

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

#### *Objectives, policies and processes*

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

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

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015

(Unaudited – Expressed in Canadian Dollars)

### 11 Financial instruments and risk management (continued)

#### Interest rate risk

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

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

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

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

	<i>Demand loan – sensitivity</i>	<i>Mortgages receivable – sensitivity</i>	<i>Total June 30, 2015</i>	<i>Demand loan – sensitivity</i>	<i>Mortgages receivable – sensitivity</i>	<i>Total December 31, 2014</i>
Increase in 25 basis points	(22,196)	61,466	39,270	(21,606)	61,513	39,907
Increase in 50 basis points	(44,392)	122,932	78,540	(43,212)	123,026	79,814
Decrease in 25 basis points	22,196	(61,466)	(39,270)	21,606	(61,513)	(39,907)
Decrease in 50 basis points	44,392	(122,932)	(78,540)	43,212	(123,026)	(79,814)

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

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015  
(Unaudited – Expressed in Canadian Dollars)

### 11 Financial instruments and risk management (continued)

#### *Interest rate re-price*

						June 30, 2015	December 31, 2014
	<i>On demand</i>	<i>Within 3 months</i>	<i>Over 3 months to 1 year</i>	<i>1 - 2 years</i>	<i>Not interest sensitive</i>	<i>Total</i>	<i>Total</i>
<b>Assets</b>							
Cash and cash equivalents	62,690	-	-	-	62,690	62,690	62,848
<i>Effective interest rate %</i>	-	-	-	-	-	-	-
Loan receivable	10,800	-	-	-	10,800	10,800	10,800
<i>Effective interest rate %</i>	-	-	-	-	-	-	-
Mortgage interest receivable	-	368,583	-	-	368,583	368,583	236,256
Mortgages receivable	-	13,113,471	11,231,604	241,212	-	24,586,287	24,605,080
<i>Effective interest rate %</i>	-	11.1%	11.3%	12.4%	-	11.7%	11.8%
	<b>73,490</b>	<b>13,482,054</b>	<b>11,231,604</b>	<b>241,212</b>	<b>442,073</b>	<b>25,028,360</b>	<b>24,914,984</b>
<b>Liabilities</b>							
Demand loan	8,878,647	-	-	-	-	8,878,647	8,642,384
<i>Effective interest rate %</i>	4.4%	-	-	-	-	4.4%	4.5%
Trade and other payables	82,347	-	-	-	82,347	82,347	128,062
	<b>8,960,994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,347</b>	<b>8,960,994</b>	<b>8,770,446</b>

#### **Fair values**

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

#### **Recurring fair value measurements**

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

June 30, 2015	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash	62,690	62,690	-	-
December 31, 2014				
<b>Assets</b>				
Cash	62,848	62,848	-	-

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015  
(Unaudited – Expressed in Canadian Dollars)

### 11 Financial instruments and risk management (continued)

#### Asset and liabilities for which fair value is only disclosed

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

June 30, 2015	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>				
Loan receivable	10,800	-	-	10,800
Mortgages receivable	24,586,287	-	-	24,586,287
Mortgage interest receivable	368,583	-	-	368,583
<b>Total Assets</b>	<b>24,965,670</b>	-	-	<b>24,965,670</b>
<b>Liabilities</b>				
Demand loan	8,878,647	-	8,878,647	-
Trade and other payables	82,347	-	-	82,347
Due to related parties	-	-	-	-
Unearned revenue	242,680	-	-	242,680
<b>Total Liabilities</b>	<b>9,203,674</b>	-	<b>8,878,647</b>	<b>325,027</b>

December 31, 2014	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>				
Loan receivable	10,800	-	-	10,800
Mortgages receivable	24,605,080	-	-	24,605,080
Mortgage interest receivable	236,256	-	-	236,256
<b>Total Assets</b>	<b>24,852,136</b>	-	-	<b>24,852,136</b>
<b>Liabilities</b>				
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
<b>Total Liabilities</b>	<b>9,144,450</b>	-	<b>8,642,384</b>	<b>502,066</b>

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.

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2015  
(Unaudited – Expressed in Canadian Dollars)

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### 11 Financial instruments and risk management (continued)

#### Other legal and regulatory risk

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

### 12 Commitments

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

	\$
2015	18,375
2016	36,750
2017	36,750
2018	15,313
<b>Total</b>	<u>107,188</u>

At period end the Company has committed to funding 1 (December 31, 2014 – 3) mortgages, for a total of \$76,000 (December 31, 2014 - \$772,493).

### 13 Income taxes

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

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

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

### 14 Reclassification

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

### 15 Subsequent Events

Subsequent to period end, the Company redeemed or committed to redeem 269,981 Class A shares and issued or committed to issue 163,140 Class A shares.