PrimeWest
Mortgage Investment Corporation

Financial Statements

December 31, 2018

KPMG LLP
500-475 2nd Avenue South
Saskatoon Saskatchewan S7K 1P4
Canada
Tel (306) 934-6200
Fax (306) 934-6233

INDEPENDENT AUDITORS' REPORT

To the Shareholders of PrimeWest Mortgage Investment Corporation

Opinion

We have audited the financial statements of PrimeWest Mortgage Investment Corporation (the Entity), which comprise:

- the statements of financial position as at December 31, 2018 and December 31, 2017
- the statements comprehensive loss for the years then ended
- the statements of changes in shareholders' equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that Entity incurred net losses of $1,779,157 during the year ended December 31, 2018 and, as of that date, had a deficit of $8,256,879.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountant

The engagement partner on the audit resulting in this auditors' report is Scott Douglas Verity.

Saskatoon, Canada

March 26, 2019

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

	Notes	December 31, 2018 $	December 31, 2017 $
ASSETS			
Cash and cash equivalents		48,400	50,431
Mortgages receivable	6	4,124,730	5,719,891
Assets taken in settlement of debt	7	5,038,320	6,377,715
Other assets		48,643	54,090
Total Assets		9,260,093	12,202,127
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Demand loan	8	1,753,546	2,907,037
Other liabilities		85,891	91,448
		1,839,437	2,998,485
Shareholders' Equity			
Shareholders' capital	9	15,677,535	15,681,364
Accumulated deficit		(8,256,879)	(6,477,722)
		7,420,656	9,203,642
Total Liabilities and Shareholders' Equity		9,260,093	12,202,127
Shares outstanding	9	1,888,374	1,890,729
Commitments and contingent liabilities	14		
Going concern	1		

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

"Tom Robinson"

Director

"Wil Olive"

Director

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	For the years ended December 31, 2018 $	December 31, 2017 $
Interest income			
Mortgage interest		607,394	1,333,437
Fees		76,379	168,076
		683,773	1,501,513
Interest expense		185,030	237,597
Net interest income		498,743	1,263,916
Less:			
Provision for mortgage losses	6	277,086	2,733,317
Loss on assets taken in settlement of debt	7	1,425,563	994,913
Net interest loss after provision for losses		(1,203,906)	(2,464,314)
Non-interest expenses			
Advertising and promotion		2,016	324
Contracted services		16,876	22,364
Depreciation of property and equipment		891	977
Directors' fees	11	78,000	87,300
Insurance		26,232	16,285
Office and administration		66,705	63,084
Professional fees		157,889	138,268
Rent		26,012	40,104
Wages and benefits		200,630	244,868
		575,251	613,574
Total comprehensive loss for the year		(1,779,157)	(3,077,888)
Loss per share			
Basic and diluted	10	($.94)	($1.63)

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

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

	Notes	Shareholders' capital $	(Accumulated losses) $	Total equity $
As at January 1, 2017		15,681,364	(3,399,834)	12,281,530
Total comprehensive loss for the year		-	(3,077,888)	(3,077,888)
As at December 31, 2017		15,681,364	(6,477,722)	9,203,642
As at January 1, 2018		15,681,364	(6,477,722)	9,203,642
Share redemption		(3,829)	-	(3,829)
Total comprehensive loss for the year		-	(1,779,157)	(1,779,157)
As at December 31, 2018		15,677,535	(8,256,879)	7,420,656

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

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Notes	For the years ended December 31, 2018 $	December 31, 2017 $
Operating activities			
Total comprehensive loss for the year		(1,779,157)	(3,077,888)
Adjustments to reconcile loss from operations to net cash flows:			
Interest income		(683,773)	(1,501,513)
Interest expense		185,030	237,597
Provision for mortgage losses	6	277,086	2,733,317
Loss on assets taken in settlement of debt	7	1,425,563	994,913
Depreciation of property and equipment		891	977
Interest received		460,201	1,070,063
Interest paid		(185,030)	(237,597)
Proceeds from disposal of assets taken in settlement of debt		30,000	2,802,768
Costs incurred to sell asset taken in settlement of debt		(116,168)	(392,052)
Change in operating assets and liabilities:			
Mortgages receivable		1,541,647	(54,186)
Other assets		4,556	(9,732)
Other liabilities		(5,557)	(151,080)
Net cash flows from operating activities		1,155,289	2,415,587
Financing activities			
Repayments of related party loans	11	-	(1,003,507)
Redemption of share capital	9	(3,829)	-
Repayment of demand loan		(1,153,491)	(1,414,084)
Net cash flows used in financing activities		(1,157,320)	(2,417,591)
Net decrease in cash and cash equivalents		(2,031)	(2,004)
Cash and cash equivalents, beginning of year		50,431	52,435
Cash and cash equivalents, end of year		48,400	50,431

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

1 Nature of Operations and Going Concern

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

The Company provided lending on security of mortgages on real properties situated in the Provinces of Saskatchewan, Manitoba and Alberta. The mortgages transacted by the Company do not generally meet the underwriting criteria of conventional lenders. As a result the investments are subject to greater risk and accordingly earn a higher rate of interest than is generally available through conventional mortgage lending activities. Events in 2016 led to significant changes in the operations of the Company and various legal actions as described in Note 14.

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

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

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2018, the Company incurred a net loss of $1,779,157 (2017 - $3,077,888) and has an accumulated deficit of $8,256,879. The decrease in the estimated fair value of the mortgage receivable portfolio, assets taken in settlement of debt and the reduced level of income generating assets casts significant doubt on the Company's ability to sustain operations. While the Company is using its best efforts to realize the value of its assets, in the current economic conditions it is difficult to predict the outcome of these efforts. All of these factors indicate the existence of a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. These financial statements do not include adjustments to the measurement of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business at amounts different from those in the accompanying financial statements.

2 Statement of Compliance and Basis of Presentation

These Financial Statements for the year ended December 31, 2018 represent the Company's annual Financial Statements prepared in accordance with International Accounting Standard ("IFRS"), and interpretations as issued by the International Accounting Standards Board ("IASB").

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

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

The Financial Statements of the Company for the year ended December 31, 2018 were authorized for issue in accordance with a resolution of the directors on March 22, 2019.

3 Significant Accounting Judgements, Estimates and Assumptions

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

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

Expected credit losses on mortgages
The Company assesses the impairment and extent of losses on mortgages at each reporting date. Judgment by management is required in assessing when there has been a significant increase in credit risk (Stage 2) or when a mortgage is impaired (Stage 3). Estimates are required of the amount and timing of future cash flows when determining credit losses.

In estimating expected 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 expected credit losses are disclosed in note 5(B).

Assets taken in settlement of debt
Assets taken in settlement of debt are properties acquired by the Company that were originally pledged as security on mortgages. These assets are intended for resale and are carried at fair value as disclosed in note in note 5(D). Estimates of the fair value of these assets are determined by inspecting the property, obtaining appraisals and speaking with realtors in the area.

4 Changes in Accounting Policies

A) IFRS 9 Financial Instruments

The Company adopted IFRS 9 Financial Instruments issued in July 2014 effective January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 has resulted in changes in accounting policies related to the classification, measurement and impairment of financial assets, which are primarily comprised of mortgages. There are no significant changes in accounting policies for financial liabilities, derivative instruments and derecognition of financial assets and liabilities. Changes in presentation and disclosures are reflected in these financial statements. The details of the Company's accounting policies arising from the adoption of IFRS 9 are described in note 5(B)

This change in accounting policy was adopted retrospectively, with no restatement of comparatives.

(Expressed in Canadian Dollars)

4 Changes in Accounting Policies (continued)

Classification of Financial Instruments on date of initial application of IFRS 9, January 1, 2018:

	Original Classification under IAS 39	New Classification under IFRS 9	Original Carrying Amount under IAS 39	New Carrying Amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	50,431	50,431
Mortgages receivable	Loans and receivables	Amortized cost	5,719,891	5,719,891
Other assets	Loans and receivables	Amortized cost	54,090	54,090
Demand loan	Amortized cost	Amortized cost	2,907,037	2,907,037
Other liabilities	Amortized cost	Amortized cost	91,448	91,448

Due primarily to the staging of the Company's mortgage portfolio, there were no remeasurement adjustments arising from the adoption of IFRS 9. The adoption of IFRS 9 had no material impact on the results of operations in the current year.

B) IFRS 15 Revenue Recognition

In 2018, the Company adopted IFRS 15 which establishes the principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard provides a single, principles based 5 step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments and leases. Due to its current operations, the Company has not been impacted by this new standard.

C) Future Accounting Pronouncement

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.

IFRS 16 Leases

IFRS 16, Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ("lessee") and the supplier ("lessor"). IFRS 16 is effective from January 1, 2019. All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. The Company has not yet determined the impact of IFRS 16 on its financial statements.

5 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) Cash and cash equivalents

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

B) Financial instruments

Recognition and initial measurement

Financial instruments are recognized on the date of origination at the fair value of consideration exchanged. Except for financial instruments carried at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to its issuance.

Classification and subsequent measurement

The Company's financial assets are predominantly comprised of mortgages receivable.

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

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

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

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

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

Prior to January 1, 2018, mortgages receivables were classified as loans and receivables which were also measured at amortized cost.

All other financial assets and liabilities are classified as amortized cost instruments. Prior to January 1, 2018, these instruments were also carried at amortized cost.

De-recognition of financial assets

De-recognition of a financial asset occurs when:

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

5 Summary of Significant Accounting Policies (continued)

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.

Impairment

The Company recognizes expected credit losses (ECL) at an amount equal to 12 month ECL, if the credit risk on a mortgage at the reporting date has not increased significantly since initial recognition (Stage 1). A lifetime ECL is recorded on performing mortgages which are considered to have experienced a significant increase in credit risk (Stage 2) and on credit impaired financial assets (Stage 3).

The main factors considered in determining a significant increase in credit risk include relative changes in probability of default since origination and certain other criteria such loan delinquency.

Evidence of a significant increase in credit risk include factors such as:

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

Mortgages overdue for 30 days are considered Stage 2 mortgages and those overdue by 90 days are considered impaired (Stage 3).

Credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events over the expected life of a financial instrument.

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

5 Summary of Significant Accounting Policies (continued)

Prior to January 1, 2018, the Company assessed at each reporting date whether there was any objective evidence that a mortgage receivable was impaired. Specific allowances were recorded on a mortgage-by-mortgage basis if management determined that a mortgage receivable was impaired. In such cases, a specific provision was 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 was impractical to estimate the future cash flows, the carrying amount of the loan was reduced to its fair value calculated based on an observable market price. Specific allowances included consideration of the credit worthiness of individual borrowers and the value of the collateral underlying the loan.

For mortgages not subject to a specific allowance assessment, mortgages were then assessed collectively 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 took 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. Collective allowances also considered current economic conditions.

Presentation of Allowance for ECL

Mortgages receivable are presented on a net basis, where the loss allowances for ECL are deducted from the gross carrying amount of the assets.

Write-offs

Mortgages are written off when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or a source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

C) Assets taken as settlement of debt

Assets taken as settlement of debt are initially recorded at carrying value of the mortgage receivable which comprises principal, costs incurred, accrued interest and the related allowance for mortgage losses. Cost subsequently includes disbursements related to the asset, less any revenues or lease payments received. Assets taken as settlement of debt are re-measured to fair value at each reporting period.

D) Fair value

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, without any deduction for transaction costs.

For financial instruments not traded in an active market and non-financial assets, 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.

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.

5 Summary of Significant Accounting Policies (continued)

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

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

E) Revenue recognition

Interest income is recognized on the Statement of Comprehensive Income for all financial assets measured at amortized cost using the effective interest rate method applied to the amortized cost of the asset. 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 revenue received is amortized into income over the term of the specific mortgage using the effective interest rate method.

F) 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, typically 3 years.

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.

G) 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.

5 Summary of Significant Accounting Policies (continued)

H) Taxes

Income tax expense comprises current and deferred tax. Current income tax is the expected tax payable or receivable in respect of the taxable income or loss for the year, using income tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between financial statement carrying amounts and amounts used for taxation purposes. These amounts are measured using enacted or substantially enacted income tax rates at the reporting date and re-measured annually for rate changes. Deferred income tax assets are recognized for the benefit of deductions available to be carried forward to future periods for income tax purposes to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized. Any effect of the re-measurement or re-assessment is recognized through profit or loss in the period of change.

Mortgage Investment Corporations (MIC's) are able to deduct, in computing taxable income, dividends paid to its shareholders during the year or within 90 days after year end. This deduction is dependent on a Company qualifying as a MIC at the time of a distribution.

I) Share capital

Shares issued are classified as either a financial liability or equity in accordance with the substance of the contractual terms of the instrument.

Dividends payable to holders of Class A shares are recognized, when declared, in the statement of changes in shareholders' equity.

J) 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.

(Expressed in Canadian Dollars)

6 Mortgages receivable

Distribution of mortgages:

Portfolio of 21 (2017 – 27) mortgages bearing interest at fixed rates from 5.0% to 13.0% (2017 – 5.0% to 13.0%) with maturities ranging from January 2019 to November 2021, secured by real property to which they relate and by additional security in certain circumstances.

December 31, 2018

	Number of mortgages	Gross carrying value	Expected credit loss	Net carrying value
Residential	14	2,549,121	1,004,520	1,544,601
Commercial	7	9,546,166	6,966,037	2,580,129
Total	21	12,095,287	7,970,557	4,124,730

December 31, 2017

	Number of mortgages	Gross carrying value	Allowance for credit losses	Net carrying value
Residential	19	4,371,449	1,441,949	2,929,500
Commercial	8	8,992,279	6,201,888	2,790,391
Total	27	13,363,728	7,643,837	5,719,891

Maturities and yields:

December 31, 2018	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Total***
Total mortgages	11,894,202	162,890	38,195	12,095,287
Effective interest rate %	10.4%	10.5%	10.8%	10.4%

December 31, 2017	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Total***
Total mortgages	12,868,068	449,727	45,933	13,363,728
Effective interest rate %	10.7%	10.3%	10.9%	10.7%

(Expressed in Canadian Dollars)

6 Mortgages receivable (continued)

Mortgage allowance details

For the year ended December 31, 2018 allowance for credit losses under IFRS 9

	Performing (Stage 1)	*Significant increase in credit risk (Stage 2)*	*Expected Credit Losses on Impaired Mortgages (Stage 3)*	*Total*
Residential Mortgages – Gross Carrying Value	-	491,517	2,057,604	**2,549,121**
Expected Credit Loss Balance on Residential Mortgages, beginning of year	-	151,398	1,290,551	1,441,949
Provision for mortgage losses				
Re-measurement	-	(46,430)	134,963	88,533
Transfers	-	(7,810)	7,810	-
Total provision for year	-	(54,240)	142,773	88,533
Unwind of discount	-	-	117,216	117,216
Accounts written off	-	-	(643,178)	(643,178)
Expected Credit Loss Balance on Residential Mortgages, end of year	**-**	**97,158**	**907,362**	**1,004,520**
Commercial Mortgages – Gross Carrying Value	-	1,834,301	7,711,865	**9,546,166**
Expected Credit Loss Balance on Commercial Mortgages, beginning of year	-	146,571	6,055,317	6,201,888
Provision for mortgage losses				
Re-measurement	-	2,227	186,326	188,553
Transfers	-	-	-	-
Total provision for year	-	2,227	186,326	188,553
Unwind of discount	-	-	602,295	602,295
Accounts written off	-	-	(26,699)	(26,699)
Expected Credit Loss Balance on Commercial Mortgages, end of year	**-**	**148,798**	**6,817,239**	**6,966,037**

(Expressed in Canadian Dollars)

6 Mortgages receivable (continued)

For the year ended December 31, 2017 allowance for credit losses under IAS 39

Mortgage allowance details

	Specific	*Collective*	*Total*
Balance, beginning of year	5,404,882	859,554	6,264,436
Provision for mortgage losses	3,294,902	(561,585)	2,733,317
Unwind of discount	566,810	-	566,810
Accounts written off	(1,920,726)	-	(1,920,726)
Balance, end of year	**7,345,868**	**297,969**	**7,643,837**

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 fully secured and collection efforts are reasonably expected to result in repayment.

December 31, 2018

	Under 30 days	*31-60 days*	*61-90 days*	*Total*
Residential	-	**37,823**	-	**37,823**
Commercial	-	**1,671,770**	-	**1,671,770**
	-	**1,709,593**	-	**1,709,593**
Appraised value of collateral	-	**3,097,096**	-	**3,097,096**

December 31, 2017

	Under 30 days	*31-60 days*	*61-90 days*	*Total*
Residential	723,585	-	-	723,585
Commercial	-	-	-	-
	723,585	-	-	723,585
Appraised value of collateral	1,087,096	-	-	1,087,096

The principal collateral and other credit enhancements the Company holds as security for loans include (i) property insurance, and mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. 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.

(Expressed in Canadian Dollars)

7 Assets taken in settlement of debt

For the year ended		***December 31, 2018***		*December 31, 2017*
	Properties	***Amount ($)***	***Properties***	*Amount ($)*
Balance, beginning of period	4	6,377,715	9	1,665,582
Mortgages settled by taking property	-	-	4	8,117,762
Costs incurred to sell		116,168		392,052
Incremental loss recognized		(1,425,563)		(994,913)
Properties sold	(2)	(30,000)	(9)	(2,802,768)
Balance, end of year	**2**	**5,038,320**	**4**	6,377,715

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

8 Demand loan

	December 31, 2018	**December 31, 2017**
	$	**$**
Operating line of credit	1,753,546	2,907,037
	1,753,546	2,907,037

The margined, demand operating line of credit bears interest at prime plus 2.0% (2017 – prime plus 1.5%), has an authorized limit which is the lesser of the margin calculation and $7,500,000 (December 31, 2017 - $7,500,000) and is secured by a general security agreement and an assignment of mortgages receivable. The operating line's margin is calculated using variable percentages of eligible mortgages as set out by the bank. The annual review of the credit agreement completed in June 2018 reflected an increase to the interest rate to prime plus 2.0% from prime plus 1.5%.

At year-end the maximum margin available was $4,434,500 (December 31, 2017 - $6,081,200).

The credit agreement contains certain financial covenants that must be maintained. At December 31, 2018 the Company was in compliance with all financial covenants.

(Expressed in Canadian Dollars)

9 Shareholders' equity

A) Authorized shares

The Company's authorized share capital consists of:

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

- If the shareholder requests redemption within the first year of issuance, a redemption penalty of 3% will apply, unless waived by the Board of Directors. The maximum annual redemption is 10% of the issued and outstanding shares at the beginning of the fiscal year. In an effort to enhance the share liquidity for the shareholders, the Company began trading on the Canadian Securities Exchange under the symbol PRI.

- An unlimited number of Class B common shares may, at any time, or from time to time, be issued in one or more series. The Board of Directors, subject to certain limitations, shall determine upon issuance of any Class B shares the number of shares to be issued and the designation, rights, privileges, restrictions and conditions attached to those shares. None of these are defined in the articles of the Company and would therefore be presented to shareholders for approval.

B) Issued and outstanding

Class A Common shares	**Number of Shares**	**$**
At December 31, 2016	1,890,729	15,681,364
At December 31, 2017	**1,890,729**	**15,681,364**
Shares redeemed	(2,355)	(3,829)
At December 31, 2018	**1,888,374**	**15,677,535**

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.

To satisfy an outstanding receivable, during 2018, the Board approved the return to treasury of 2,355 (2017 – Nil) shares. The valuation was determined in early July 2018 based on the average CSE traded price of $1.63 per share.

(Expressed in Canadian Dollars)

10 Loss per share

Basic loss per share

Basic loss per share is calculated by dividing 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, 2018 $	December 31, 2017 $
Issued common shares outstanding, beginning of year	**1,890,729**	1,890,729
Effect of shares redeemed	**(65)**	-
Weighted average number of common shares, end of year	**1,890,664**	1,890,729

	December 31, 2018 $	December 31, 2017 $
Total comprehensive loss	**(1,779,157)**	(3,077,888)
Weighted average number of common shares	**1,890,664**	1,890,729
Loss per share	**(.94)**	(1.63)

There is no dilutive effect during the years ending December 31, 2018 or December 31, 2017. Therefore, the basic loss per share equals the diluted loss per share.

11 Related party disclosure

Compensation of key management personnel

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

	December 31, 2018 $	December 31, 2017 $
Salaries, fees and short-term benefits	**120,000**	159,375

Transactions with directors

The remuneration of directors during the year consisted of directors fees in the amount of $78,000 (2017 – $87,300).

In the year-ended December 31, 2018 the Company paid property maintenance and inspection fees on defaulted mortgages in the amount of $6,265 (2017 - $992) to a Management Company in which a director is a shareholder. 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.

(Expressed in Canadian Dollars)

12 Capital management

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

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

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

	December 31, 2018	**December 31, 2017**
	$	**$**
Demand loan	**1,753,546**	2,907,037
Other liabilities	**85,891**	91,448
Total debt	**1,839,437**	2,998,485
Shareholders' equity	**7,420,656**	9,203,642
Total capitalization	**9,260,093**	12,202,127

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 8) 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.

13 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.

13 Financial instruments and risk management (continued)

These risk management policies and procedures include the following:

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

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

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

Credit risk

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

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 85% at funding (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.

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.

(Expressed in Canadian Dollars)

13 Financial instruments and risk management (continued)

Analysis of maximum exposure to credit and collateral

The maximum exposure to credit risk at December 31, 2018 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total $4,124,730 (December 31, 2017 - $5,719,891).

To reduce the exposure the Company holds collateral as security on its mortgages. The collateral consists of a charge against real property on each mortgage. At December 31, 2018 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 before the allowance for mortgage losses of $7,970,557 (2017 - $7,643,837)

	December 31, 2018 $	December 31, 2017 $
Residential first mortgages	**2,176,966**	4,211,678
Residential second mortgages	**38,190**	38,074
Commercial first mortgages	**5,433,952**	5,279,997
Commercial second mortgages	**4,112,214**	3,712,282
Residential mortgages with no security	**333,965**	121,697
	12,095,287	13,363,728

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

The mortgage portfolio consists of mortgages that have been registered 81.4% in Saskatchewan (December 31, 2017 – 84.7%), 18.1% in Alberta (December 31, 2017 – 14.9%) and 0.5% in Manitoba (December 31, 2017 – 0.4%).

The Company does not internally assign credit quality ratings to its mortgages that are neither past due nor impaired. In addition, there is a limited market for such a portfolio of mortgages so standard credit ratings have not been used. However, the Company actively monitors its mortgage portfolio, the quality of the mortgages and any impairment.

Additional information on credit quality and mortgages past due but not impaired is included in Note 6.

Collateral obtained

During the year the Company did not obtain any assets by taking possession of collateral it holds as security in settlement of debt. The Company took possession of $Nil (December 31, 2017 - $8,117,762) of property (Note 7). 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.

(Expressed in Canadian Dollars)

13 Financial instruments and risk management (continued)

The Company's operating cash requirements are continuously monitored by Management and the Board of Directors. 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	Over 1 year	Total
As at December 31, 2018					
Demand loan	**1,753,546**	**-**	**-**	**-**	**1,753,546**
Other liabilities	**-**	**85,891**	**-**	**-**	**85,891**
	1,753,546	**85,891**	**-**	**-**	**1,839,437**

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
As at December 31, 2017					
Demand loan	2,907,037	-	-	-	2,907,037
Other liabilities	-	91,448	-	-	91,448
	2,907,037	91,448	-	-	2,998,485

The Company manages liquidity risk on a net asset and liability basis. The following tables explain the contractual maturities of financial assets held for the purpose of managing liquidity risk. While best efforts are made to collect on mortgages due, payouts of mortgages receivable may not occur on the maturity dates.

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
As at December 31, 2018					
Cash and cash equivalents	**48,400**	**-**	**-**	**-**	**48,400**
Mortgages receivable	**-**	**3,942,710**	**161,480**	**20,540**	**4,124,730**
Other assets	**48,643**	**-**	**-**	**-**	**48,643**
	97,043	**3,942,710**	**161,480**	**20,540**	**4,221,773**

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
As at December 31, 2017					
Cash and cash equivalents	50,431	-	-	-	50,431
Mortgages receivable	-	5,248,915	445,948	25,028	5,719,891
Other assets	54,090	-	-	-	54,090
	104,521	5,248,915	445,948	25,028	5,824,412

(Expressed in Canadian Dollars)

13 Financial instruments and risk management (continued)

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 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.

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. On loan origination, the Company`s mortgages are initially 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 10.4% (December 31, 2017 – 10.7%). There is no specific market for mortgages of similar type, term and credit risk.

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

	Demand loan – sensitivity	***Mortgages receivable – sensitivity***	***Total December 31, 2018***	*Demand loan – sensitivity*	*Mortgages receivable – sensitivity*	*Total December 31, 2017*
Increase in 25 basis points	(4,384)	10,312	5,928	(7,268)	14,300	7,032
Increase in 50 basis points	(8,768)	20,624	11,856	(14,536)	28,600	14,064
Decrease in 25 basis points	4,384	(10,312)	(5,928)	7,268	(14,300)	(7,032)
Decrease in 50 basis points	8,768	(20,624)	(11,856)	14,536	(28,600)	(14,064)

(Expressed in Canadian Dollars)

13 Financial instruments and risk management (continued)

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

Interest rate re-price

						December 31, 2018	*December 31, 2017*
	On demand	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Not interest sensitive***	***Total***	*Total*
Assets							
Cash and cash equivalents	**48,400**	**-**	**-**	**-**	**-**	**48,400**	50,431
Mortgages receivable	**-**	**3,942,710**	**161,480**	**20,540**	**-**	**4,124,730**	5,719,891
Effective interest rate %	**-**	**10.4%**	**10.5%**	**10.8%**	**-**	**10.4%**	10.7%
Other assets	**-**	**-**	**-**	**-**	**48,643**	**48,643**	54,090
	48,400	**3,942,710**	**161,480**	**20,540**	**48,643**	**4,221,773**	5,824,412
Liabilities							
Demand loan	**1,753,546**	**-**	**-**	**-**	**-**	**1,753,546**	2,907,037
Effective interest rate %	**6.0%**	**-**	**-**	**-**	**-**	**6.0%**	4.7%
Other liabilities	**-**	**-**	**-**	**-**	**85,891**	**85,891**	91,448
	1,753,546	**-**	**-**	**-**	**85,891**	**1,839,437**	2,998,485

Fair values

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

Recurring fair value measurements

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

(Expressed in Canadian Dollars)

13 Financial instruments and risk management (continued)

Financial assets and liabilities for which fair value is only disclosed

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at December 31, 2018 but for which fair value is disclosed:

December 31, 2018	Fair value	Level 1	Level 2	Level 3
Assets				
Mortgages receivable	**4,124,730**	**-**	**-**	**4,124,730**
Other assets	**48,643**	**-**	**-**	**48,643**
Total Assets	**4,173,373**	**-**	**-**	**4,173,373**
Liabilities				
Demand loan	**1,753,546**	**-**	**1,753,546**	**-**
Other liabilities	**85,891**	**-**	**-**	**85,891**
Total Liabilities	**1,839,437**	**-**	**1,753,546**	**85,891**

December 31, 2017	Fair value	Level 1	Level 2	Level 3
Assets				
Mortgages receivable	5,719,891	-	-	5,719,891
Other assets	54,090	-	-	54,090
Total Assets	5,773,981	-	-	5,773,981
Liabilities				
Demand loan	2,907,037	-	2,907,037	-
Other liabilities	91,448	-	-	91,448
Total Liabilities	2,998,485	-	2,907,037	91,448

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

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

(Expressed in Canadian Dollars)

14 Commitments and contingent liabilities

Commitments

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

	$
2019	7,000
Total	7,000

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

Contingent liabilities

In October 2017 the Corporation filed a Statement of Claim against Don Zealand, the former President and Chief Executive Officer of the Corporation. The claim is for breach of corporate policy, gross negligence, and breach of fiduciary duty while acting as President and CEO. Mr. Zealand denies all allegations and pleads counter claim for damages for wrongful dismissal. A defence to the counter claim has been filed by the Corporation's solicitors.

During the year, the following three Statements of Claim were filed with the Court of Queen's Bench for Saskatchewan against the Corporation and existing and past directors of the Corporation. Due to the inherent uncertainties, no accurate quantification of any cost, or timing of such cost which may arise from any of the legal proceedings outlined below can be made.

i) On June 12, 2018 Randy Koroluk commenced a class action lawsuit against the existing and past directors (since 2015) of the Corporation and others. The legal action deals with oversight of the actions of Don Zealand, former CEO of the Corporation, and the collection and disposition of mortgaged assets since the departure of the former CEO. The Statement of Claim alleges several categories of damages, including negligence and breach of trust. The court action cannot proceed until it has been certified as a class action by the Saskatchewan Court of Queen's Bench. A defence will be filed denying all allegations.

ii) On July 13, 2018 Debbie Gloria Burwash served the Corporation and others with a Statement of Claim seeking rescission of her shares or damages in lieu of rescission. The Corporation's solicitors have filed a defence to the claim.

iii) On July 13, 2018 Granite Enterprises Inc. served the Corporation and others with a Statement of Claim seeking rescission of its shares or damages in lieu of rescission. The Corporation's solicitors have filed a defence to the claim.

(Expressed in Canadian Dollars)

15 Income taxes

The Company has non-capital loss carry forwards for income tax purposes of $8,929,400 which will expire as follows:

	$
2031	109,380
2032	208,726
2033	196,178
2036	4,930,232
2037	3,072,113
2038	412,771
Total	8,929,400

In addition to these non-capital loss carryforwards there are $1,018,412 and $2,085,384 of temporary differences that will become deductible should all recorded allowances for mortgage losses and loss on assets taken in settlement of debt become realized. The potential benefits of these temporary differences and loss carry forwards have not been recognized in these financial statements.

16 Comparatives

Certain prior year's comparative figures have been adjusted to conform to the current year's presentation.