



Interim Financial Statements (Unaudited)

September 30, 2015

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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

	Notes	September 30, 2015 \$	September 30, 2014 \$
ASSETS			
Cash and cash equivalents		60,774	62,863
Loan receivable	8	10,800	10,800
Prepaid expenses		36,625	2,154
Mortgages receivable	9	24,325,741	21,359,943
Mortgage interest receivable		195,337	169,929
Property and equipment	10	16,101	14,684
Assets taken in settlement of debt	11	945,921	883,239
Total Assets		25,591,299	22,503,612
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Demand loan	12	8,257,316	5,658,525
Trade and other payables		111,988	126,402
Unearned revenue		147,361	308,653
		8,516,665	6,093,580
Shareholders' Equity			
Shareholders' capital	13	14,254,915	14,295,791
Retained earnings		2,819,719	2,114,241
		17,074,634	16,410,032
Total Liabilities and Shareholders' Equity		25,591,299	22,503,612
Shares outstanding	13	1,740,086	1,739,383
Commitments	18		
Subsequent Events	21		

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

"Tom Archibald"
Director

"Doug Frondall"
Director

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

				For the nine months ended	
				September 30, 2015	September 30, 2014
				\$	\$
				(note 20)	
Notes					
Income					
				1,990,014	1,778,676
				101,255	111,557
				633,681	697,726
				<u>2,724,950</u>	<u>2,587,959</u>
Interest and fees expense					
				302,742	84,380
				8,646	52,233
				<u>311,388</u>	<u>136,613</u>
				2,413,562	2,451,346
Net interest and fees income					
				(97,711)	2,080
				101,255	111,557
				97,916	131,045
				<u>2,312,102</u>	<u>2,206,664</u>
Net interest and fees income after provision for mortgage losses					
Expenses					
				57,602	42,538
				41,451	24,601
				8,080	7,725
				85,500	87,300
				22,190	24,230
				94,138	96,741
				61,913	114,032
				37,419	36,587
				389,471	449,862
				<u>797,764</u>	<u>883,616</u>
				1,514,338	1,323,048
Total comprehensive income for the year					
Earnings per share					
				\$0.87	\$0.73

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Interim Statement of Changes in Shareholders' Equity
(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		(3,421,371)	-	(3,421,371)
Dividends			(1,186,088)	(1,186,088)
Total comprehensive income for the year		-	1,323,048	1,323,048
As at September 30, 2014		<u>14,295,791</u>	<u>2,114,241</u>	<u>16,410,032</u>
As at January 1, 2015		14,135,065	2,332,889	16,467,954
Share issuance	13	1,961,746	-	1,961,746
Share redemption	13	(1,841,896)	-	(1,841,896)
Dividends		-	(1,027,508)	(1,027,508)
Total comprehensive income for the year		-	1,514,338	1,514,338
As at September 30, 2015		<u>14,254,915</u>	<u>2,819,719</u>	<u>17,074,634</u>

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

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

		For the nine months ended	
	Notes	September 30, 2015 \$	September 30, 2014 \$ (note 20)
Operating activities			
Total comprehensive income for the year		1,514,338	1,323,048
Non-cash adjustments to reconcile loss from operations to net cash flows:			
Depreciation of property and equipment	10	8,080	7,725
(Recovery) bad debt and provision for mortgage losses	9	(97,711)	2,080
Change in provision for interest on delinquents	9	101,255	111,557
(Gain) loss on disposal of assets taken in settlement of debt		97,916	131,045
Mortgages funded during the year		(4,566,468)	(6,591,314)
Mortgages discharged during the year		4,323,618	5,689,437
Costs incurred to sell asset taken on settlement of debt		(32,808)	(49,323)
Proceeds from disposal of assets taken in settlement of debt		168,500	650,887
Net change in non-cash working capital relating to operating activities:			
Mortgage interest receivable		40,920	3,208
Prepaid expenses		(12,170)	29,228
Trade and other payables		(16,074)	(11,917)
Unearned revenue		(226,643)	(170,551)
Net cash flows from operating activities		<u>1,302,753</u>	<u>1,125,110</u>
Investing activities			
Purchase of property and equipment	10	(12,100)	(616)
Net cash flows from investing activities		<u>(12,100)</u>	<u>(616)</u>
Financing activities			
Issuance of share capital	13	1,961,746	100,000
Redemption of share capital	13	(1,841,896)	(3,421,371)
Dividends paid		(1,027,508)	(1,186,088)
Repayment of demand loan		(385,069)	3,376,743
Net cash flows from financing activities		<u>(1,292,727)</u>	<u>(1,130,716)</u>
Net increase (decrease) in cash and cash equivalents		(2,074)	(6,222)
Cash and cash equivalents, beginning of period		62,848	69,085
Cash and cash equivalents, end of period		<u>60,774</u>	<u>62,863</u>
Supplemental cash flow information:			
Interest paid		302,742	88,380

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

1 Incorporation and Operations

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

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

The 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

These Financial Statements for the period ended September 30, 2015 represent the Company’s quarterly Financial Statements prepared in accordance with International Financial Reporting Standards (“IFRS”), and interpretations as issued by the International Accounting Standards Board (“IASB”).

The Financial Statements of the Company for the period ended September 30, 2015 were authorized for issue in accordance with a resolution of the directors on November 26, 2015.

3 Basis of Preparation

Basis of measurement

The Financial Statements were prepared under the historical cost convention.

The principal accounting policies are set out in note 5.

Use of estimates and judgments

The preparation of Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 4.

Functional and presentation currency

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

4 Significant Accounting Judgements, Estimates and Assumptions

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

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

Allowance for mortgage losses

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

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

Key assumptions in determining the allowance for impaired loans provision

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

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

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) Financial instruments

Classification and measurement

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

5 Summary of Significant Accounting Policies (continued)

Financial instruments classified as fair value through profit or loss

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

Available for sale financial assets

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

Held-to-maturity financial assets

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

Loan and receivables

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

Other financial liabilities

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

De-recognition of financial assets

De-recognition of a financial asset occurs when:

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

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

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

5 Summary of Significant Accounting Policies (continued)

B) Fair value of financial instruments

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

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

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

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

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

C) Cash

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

D) Mortgages receivable

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

E) Allowance for loan impairment

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

5 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

F) Assets taken as settlement of debt

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

G) Property and equipment

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

5 Summary of Significant Accounting Policies (continued)

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

	Rate
Automotive equipment	3 years
Computer equipment	3 years
Furniture and equipment	3 years

Supplies are expensed in the year consumed.

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

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

H) Impairment of financial assets

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

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

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

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

I) Leases

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

5 Summary of Significant Accounting Policies (continued)

J) Taxes

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

K) Revenue recognition

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

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

L) Unearned revenue

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

M) Share issue costs

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

N) Segment reporting

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

6 Recent accounting pronouncements

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

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

i) **IFRS 9 Financial instruments**

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

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

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

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

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

7 Cash held in trust

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

	September 30, 2015	September 30, 2014
	\$	\$
Cash held in trust	362,784	535,527
Trust fund liability	(362,784)	(535,527)
	-	-

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

8 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%.

9 Mortgages receivable

Portfolio of 59 (December 31, 2014 – 74) mortgages bearing interest at fixed rates from 3.95% to 14.0% maturities ranging from October 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>September 30, 2015 Net carrying value</i>
Residential mortgages (53)	17,537,358	-	101,255	17,436,103
Commercial mortgages (6)	6,889,638	-	-	6,889,638
Total	24,426,996	-	101,255	24,325,741

	<i>Principal Performing</i>	<i>Principal Impaired</i>	<i>Specific Allowance</i>	<i>September 30, 2014 Net carrying value</i>
Residential mortgages (67)	17,192,847	117,857	126,557	17,184,147
Commercial mortgages (6)	4,175,796	-	-	4,175,796
Total	21,368,643	117,857	126,557	21,359,943

Mortgage allowance details

	<i>September 30, 2015</i>	<i>September 30, 2014</i>
Balance, beginning of year	97,711	70,000
(Recovery) bad debts and change in provision for mortgage losses	(97,711)	(55,000)
Change in provision for interest on delinquents	101,255	111,557
	101,255	126,557
Less: accounts written off	-	-
Balance, end of period	101,255	126,557

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

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9 Mortgages receivable (continued)

Mortgages past due but not impaired

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

September 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>
Residential	285,885	136,533	116,579	2,467,950	3,006,947
Commercial	-	3,427,138	-	2,725,299	6,152,437
	285,885	3,563,671	116,579	5,193,249	9,159,384
Appraised value of collateral	335,000	6,647,750	217,000	8,044,315	15,244,065

September 30, 2014

	<i>Under 30 days</i>	<i>31-60 days</i>	<i>61-90 days</i>	<i>91 days and greater</i>	<i>Total</i>
Residential	86,109	-	426,185	1,462,440	1,974,734
Commercial	-	1,330,440	-	-	1,330,440
	86,109	1,330,440	426,185	1,462,440	3,305,174
Appraised value of collateral	130,000	2,000,000	622,000	1,482,200	4,234,200

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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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9 Mortgages receivable (continued)

Distribution of mortgages:

<i>Effective interest rates</i>	<i>Number of mortgages</i>	<i>September 30</i>		<i>September 30</i>
		<i>2015</i>	<i>Amortized cost and fair value</i>	
3 – 4%	1	295,969	1	295,270
5 – 6%	1	1,172,797	-	-
6 – 7%	1	299,712	1	282,591
7 – 8%	1	54,245	3	561,831
8 – 9%	4	1,368,152	5	1,939,841
9 – 10%	4	1,481,962	3	1,168,912
10 – 11%	5	4,383,446	8	3,076,509
11 – 12%	7	5,027,048	7	1,739,321
12 – 13%	27	6,257,871	37	8,762,385
13 – 14%	8	4,085,794	8	3,659,840
<i>Allowance for mortgage losses</i>		(101,255)		(126,557)
	59	24,325,741	73	21,359,943

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>
September 30, 2015				
Total mortgages	18,498,658	5,385,769	441,314	24,325,741
Effective interest rate %	11.4%	12.4%	12.1%	11.7%
September 30, 2014				
Total mortgages	11,464,472	9,223,945	671,526	21,359,943
Effective interest rate %	11.9%	11.6%	13.0%	11.8%

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10 Property and equipment

	Automotive Equipment \$	Computer Equipment \$	Furniture and Equipment \$	Total \$
Cost				
At January 1, 2014	-	89,213	15,197	104,410
Additions	-	616	-	616
Disposals	-	-	-	-
At December 31, 2014	-	89,829	15,197	105,026
Additions	12,100	-	-	12,100
Disposals	-	-	-	-
At September 30, 2015	12,100	89,829	15,197	117,126
Accumulated depreciation and Impairment				
At January 1, 2014	-	67,420	15,197	82,617
Charge for the year	-	10,328	-	10,328
Disposals	-	-	-	-
At December 31, 2014	-	77,748	15,197	92,945
Charge for the year	336	7,744	-	8,080
Disposals	-	-	-	-
At September 30, 2015	336	85,492	15,197	101,025
Net book value				
At January 1, 2014	-	21,793	-	21,793
At December 31, 2014	-	12,081	-	12,081
At September 30, 2015	11,764	4,337	-	16,101

11 Assets taken in settlement of debt

	Properties	Amount \$
At December 31, 2013	4	780,500
Mortgages settled during the year by taking property	4	835,348
Costs incurred to sell		79,664
Properties sold during the year	(3)	(893,500)
Realized gain (loss) on sale of property		(83,288)
Unrealized gain		(57,840)
At December 31, 2014	5	660,884
Mortgages settled during the year by taking property	2	518,645
Costs incurred to sell		32,808
Properties sold during the year		(168,500)
Realized gain (loss) on sale of property		(205)
Unrealized gain (loss)		(97,711)
At September 30, 2015	7	945,921

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

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12 Demand loan

	September 30, 2015	September 30, 2014
	\$	\$
Operating line of credit	8,257,316	5,658,525

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 \$10,120,300 (December 31, 2014 - \$9,703,155).

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

13 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
Special resolution of the shareholders	-	-
At December 31, 2014	1,722,193	14,135,065
Shares redeemed	(192,667)	(1,841,896)
Shares issued for cash	210,560	1,961,746
Special resolution of the shareholders	-	-
At September 30, 2015	1,740,086	14,254,915

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13 Shareholders' equity (continued)

The aggregate potential redemption amount of the outstanding Class A shares is \$17,400,860 (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.

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.

14 Earnings per share

Basic earnings per share ("EPS")

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

Weighted average number of common shares

	September 30, 2015	December 31, 2014
	\$	\$
Issued common shares outstanding, beginning of year	1,722,193	2,095,305
Effect of units cancelled	(19,053)	(158,383)
Effect of units issued	44,748	5,891
Weighted average number of common shares, end of year	<u>1,747,888</u>	<u>1,942,813</u>
	September 30, 2015	September 30, 2014
	\$	\$
Total comprehensive income available to shareholders	1,514,338	1,323,048
Weighted average number of common shares	1,747,888	1,818,275
EPS	<u>0.87</u>	<u>0.73</u>

There is no dilutive effect during the periods ending September 30, 2014 or September 30, 2015. Therefore, the basic EPS equals the diluted EPS.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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15 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:

	September 30, 2015	September 30, 2014
	\$	\$
Salaries, fees and short-term benefits	<u>207,066</u>	<u>175,927</u>

The remuneration of directors during the year consisted of directors fees in the amount of \$85,500 (September 30, 2014 – \$87,300).

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.

16 Capital management

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

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

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

	September 30, 2015	September 30, 2014
	\$	\$
Demand loan	8,257,316	5,658,525
Trade and other payables	111,988	126,402
Due to related parties	-	-
Unearned revenue	147,361	308,653
Total debt	<u>8,516,665</u>	<u>6,093,580</u>
Shareholders' equity	17,074,634	16,410,032
Total capitalization	<u>17,074,634</u>	<u>16,410,032</u>

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16 Capital management (continued)

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 12) 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 September 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.

17 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.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

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17 Financial instruments and risk management (continued)

Credit risk

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

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region, and indicate the relative sensitivity of the Company's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Company due to its primary service area being Saskatoon, Regina and surrounding areas.

Credit risk management for mortgage portfolio

The Company mitigates this risk by having well established lending policies in place. Policies include but are not limited to:

1. All mortgage applications undergo a comprehensive due diligence process adhering to investment restrictions and operating policies development by the Company.
2. Prior to funding, the Company will obtain current appraisals on all properties which secure the loan. The appraisals will be completed by an accredited appraiser approved by the Company.
3. All mortgages are registered as charges against real property, provided that the overall loan to appraised value ratio does not exceed 95% (including prior charges).
4. The initial term of a mortgage cannot exceed 24 months.
5. The Company will not make a mortgage loan, if immediately after the closing of the loan transaction; the amount so lent would be greater than 20% of the Company's net assets.
6. Management actively monitors the mortgage portfolio.

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 September 30, 2015 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total \$24,531,878 (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 September 30, 2015 the fair value of the collateral on the mortgages receivable is in excess of the fair value of the mortgages receivable.

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17 Financial instruments and risk management (continued)

Credit quality, mortgage types and renegotiated mortgages

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

	September 30, 2015	September 30, 2014
	\$	\$
Residential first mortgages	13,190,472	13,500,044
Residential second mortgages	4,338,440	3,774,963
Commercial first mortgages	4,485,165	3,201,798
Commercial second mortgages	2,404,473	973,998
Residential mortgages with no security	8,446	35,697
Provision for mortgage losses	(101,255)	(126,557)
	24,325,741	21,359,943

*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 93.7% in Saskatchewan (December 31, 2014 – 92.0%), 3.9% in Alberta (December 31, 2014 – 4.4%) and 2.4% in Manitoba (December 31, 2014 – 3.6%).

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 9.

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 \$518,645 (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.

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17 Financial instruments and risk management (continued)

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

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

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at September 30, 2015					
Bank indebtedness	8,257,316	-	-	-	8,257,316
Trade and other payables	-	111,988	-	-	111,988
Due to related parties	-	-	-	-	-
Unearned revenue	-	63,287	84,074	-	147,361
	8,257,316	175,275	84,074	-	8,516,665

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at September 30, 2014					
Demand loan	5,658,525	-	-	-	5,658,525
Trade and other payables	-	126,402	-	-	126,402
Due to related parties	-	-	-	-	-
Unearned revenue	-	186,387	119,220	3,046	308,653
	5,658,525	312,789	119,220	3,046	6,093,580

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

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at September 30, 2015					
Cash and cash equivalents	60,774	-	-	-	60,774
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	18,498,658	5,385,769	441,314	24,325,741
Mortgage interest receivable	-	195,337	-	-	195,337
	73,490	13,482,054	11,231,604	241,212	25,028,360

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17 Financial instruments and risk management (continued)

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at September 30, 2014					
Cash and cash equivalents	62,863	-	-	-	62,863
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	11,479,472	9,208,945	671,526	21,359,943
Mortgage interest receivable	-	169,929	-	-	169,929
	<u>73,663</u>	<u>11,649,401</u>	<u>9,208,945</u>	<u>671,526</u>	<u>21,603,535</u>

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.

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.

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17 Financial instruments and risk management (continued)

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

	<i>Demand loan – sensitivity</i>	<i>Mortgages receivable – sensitivity</i>	<i>Total September 30, 2015</i>	<i>Demand loan – sensitivity</i>	<i>Mortgages receivable – sensitivity</i>	<i>Total September 30, 2014</i>
Increase in 25 basis points	(20,643)	60,814	39,270	(14,146)	53,400	39,254
Increase in 50 basis points	(41,286)	121,628	78,540	(28,292)	106,800	78,508
Decrease in 25 basis points	20,643	(60,814)	(39,270)	14,146	(53,400)	(39,254)
Decrease in 50 basis points	41,286	(121,628)	(78,540)	28,292	(106,800)	(78,508)

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.

Interest rate re-price

	<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>September 30, 2015 Total</i>	<i>September 30, 2014 Total</i>
Assets							
Cash and cash equivalents	60,774	-	-	-	60,774	60,774	62,863
<i>Effective interest rate %</i>	-	-	-	-	-	-	-
Loan receivable	10,800	-	-	-	10,800	10,800	10,800
<i>Effective interest rate %</i>	-	-	-	-	-	-	-
Mortgage interest receivable	-	195,337	-	-	195,337	195,337	169,929
Mortgages receivable	-	18,498,658	5,385,769	441,314	-	24,325,741	21,359,943
<i>Effective interest rate %</i>	-	11.4%	12.4%	12.1%	-	11.7%	11.8%
	73,490	13,482,054	11,231,604	241,212	442,073	25,028,360	21,603,535
Liabilities							
Demand loan	8,257,316	-	-	-	-	8,257,316	5,658,525
<i>Effective interest rate %</i>	4.2%	-	-	-	-	4.2%	4.5%
Trade and other payables	111,988	-	-	-	111,988	111,988	126,402
	8,369,304	-	-	-	111,988	8,369,304	5,784,927

Fair values

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

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17 Financial instruments and risk management (continued)

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:

September 30, 2015	Fair value	Level 1	Level 2	Level 3
Assets				
Cash	60,774	60,774	-	-
September 30, 2014				
Assets				
Cash	62,863	62,863	-	-

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:

September 30, 2015	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	10,800	-	-	10,800
Mortgages receivable	24,325,741	-	-	24,325,741
Mortgage interest receivable	195,337	-	-	195,337
Total Assets	24,531,878	-	-	24,531,878
Liabilities				
Demand loan	8,257,316	-	8,257,316	-
Trade and other payables	111,988	-	-	111,988
Due to related parties	-	-	-	-
Unearned revenue	147,361	-	-	147,361
Total Liabilities	8,516,665	-	8,257,316	259,349

September 30, 2014	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	10,800	-	-	10,800
Mortgages receivable	21,359,943	-	-	21,359,943
Mortgage interest receivable	169,929	-	-	169,929
Total Assets	21,540,672	-	-	21,540,672
Liabilities				
Demand loan	5,658,525	-	5,658,525	-
Trade and other payables	126,402	-	-	126,402
Due to related parties	-	-	-	-
Unearned revenue	308,653	-	-	308,653
Total Liabilities	6,093,580	-	5,658,525	435,055

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

17 Financial instruments and risk management (continued)

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

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

Other legal and regulatory risk

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

18 Commitments

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

	\$
2015	36,750
2016	36,750
2017	36,750
2018	36,750
Total	147,000

At period end the Company has not committed to funding any (December 31, 2014 – 3) mortgages, (December 31, 2014 - \$772,493).

19 Income taxes

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

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

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Interim Financial Statements

For the nine months ended September 30, 2015

(Unaudited – Expressed in Canadian Dollars)

20 Reclassification

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

21 Subsequent Events

Subsequent to period end, the Company redeemed or committed to redeem an additional 77,327 Class A shares as part of the normal redemption process at the December 2014 audited NAV of \$9.56 per share. The shareholder(s) had agreed to delay actual redemption until the end of October 2015.