PrimeWest

Mortgage Investment Corporation

Condensed Interim Financial Statements (Unaudited)

Three and nine months ended September 30, 2017

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statement of Financial Position
As at September 30, 2017
(Expressed in Canadian Dollars)

	Notes	September 30, 2017 $	December 31, 2016 $ (Audited)
ASSETS			
Cash and cash equivalents		50,446	52,435
Loan receivable		10,800	10,800
Prepaid expenses and other receivables		23,027	32,519
Mortgages receivable	6	8,404,479	16,014,374
Mortgage interest receivable		26,324	70,960
Property and equipment		1,262	2,016
Assets taken in settlement of debt	7	7,072,892	1,665,582
Total Assets		15,589,230	17,848,686
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Demand loan	8	3,460,305	4,321,121
Trade and other payables		66,157	191,601
Due to related parties	10	-	1,003,507
Unearned revenue		470	50,927
		3,526,932	5,567,156
Shareholders' Equity			
Shareholders' capital	9	15,681,364	15,681,364
Accumulated deficit		(3,619,066)	(3,399,834)
		12,062,298	12,281,530
Total Liabilities and Shareholders' Equity		15,589,230	17,848,686
Shares outstanding	9	1,890,729	1,890,729
Commitments	13		
Going Concern	1		

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

Tom Robinson
Director

Wil Olive
Director

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statement of Comprehensive Income
For the three and nine months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)

	Notes	For the three months ended September 30, 2017 $	For the three months ended Restated (Note 3) September 30, 2016 $	For the nine months ended September 30, 2017 $	For the nine months ended Restated (Note 3) September 30, 2016 $
Revenue					
Mortgage interest		423,532	683,066	1,555,455	2,116,211
Fees		43,162	54,285	139,247	387,453
		466,694	737,351	1,694,702	2,503,664
Interest and fees expense					
Interest		61,212	85,148	185,866	275,842
Fees		2,003	2,003	6,009	6,009
		63,215	87,151	191,875	281,851
Net interest and fees income		403,479	650,200	1,502,827	2,221,813
Less:					
Provision for mortgage losses	6	(97,519)	2,949,502	603,488	3,718,539
Loss on assets taken in settlement of debt	7	416,420	264,636	631,428	559,636
Loss on disposal of property and equipment		-	867	-	867
Net interest and fees (loss) income after provision for mortgage losses		84,578	(2,564,805)	267,911	(2,057,229)
Expenses					
Advertising and promotion		-	1,041	283	34,387
Contracted services		4,761	12,297	16,857	56,514
Depreciation of property and equipment		223	1,346	754	4,575
Directors' fees	10	19,000	25,435	67,800	82,635
Insurance		4,131	6,997	12,405	27,352
Office and administration		19,962	22,510	45,861	80,807
Professional fees		18,433	44,602	118,108	180,778
Rent		9,188	12,693	30,892	35,886
Wages and benefits		48,539	76,639	194,183	258,936
		124,237	203,560	487,143	761,870
Total comprehensive loss for the period		(39,659)	(2,768,365)	(219,232)	(2,819,099)
Loss per share					
Basic and diluted		($0.02)	($1.46)	($0.12)	($1.58)

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statement of Changes in Shareholders' Equity
For the nine months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)

	Notes	Shareholders' capital $	(Accumulated losses) $	Total equity $
As at January 1, 2016 (restated)	3	13,515,669	(87,578)	13,428,091
Share issuance	9	2,165,695	-	2,165,695
Dividends		-	(689,932)	(689,932)
Total comprehensive loss for the period	3	-	(2,819,099)	(2,819,099)
As at September 30, 2016 (restated)	3	15,681,364	(3,596,609)	12,084,755
As at January 1, 2017		15,681,364	(3,399,834)	12,281,530
Total comprehensive loss for the period		-	(219,232)	(219,232)
As at September 30, 2017		15,681,364	(3,619,066)	12,062,298

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statement of Cash Flows
For the nine months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)

	Notes	September 30, 2017 $	September 30, 2016 $ (Restated)
Operating activities			
Total comprehensive loss for the period		(219,232)	(2,819,099)
Non-cash adjustments to reconcile loss from operations to net cash flows:			
Depreciation of property and equipment		754	4,575
Provision for mortgage losses	6	603,488	3,718,539
Loss on disposal of assets taken in settlement of debt	7	631,428	559,636
Loss on disposal of property and equipment			867
Costs incurred to sell asset taken in settlement of debt		(313,745)	(33,460)
Proceeds from disposal of assets taken in settlement of debt		2,392,769	335,000
Proceeds of Bad Debt recovery		12,500	-
Net change in non-cash working capital relating to operating activities:			
Mortgages receivable		(1,123,855)	150,725
Mortgage interest receivable		44,636	20,873
Prepaid expenses and other receivables		9,492	23,143
Trade and other payables		(125,444)	(36,174)
Unearned revenue		(50,457)	(252,502)
Net cash flows from operating activities		1,862,334	1,672,123
Investing activities			
Purchase of property and equipment		-	4,528
Net cash flows from (used in) investing activities		-	4,528
Financing activities			
Advances from related parties	10	500,000	1,000,000
Repayments to related parties	10	(1,503,507)	-
Issuance of share capital	9	-	2,165,695
Dividends paid		-	(689,932)
Repayment of demand loan		(860,816)	(3,310,728)
Net cash flows used in financing activities		(1,864,323)	(834,965)
Net increase (decrease) in cash and cash equivalents		(1,989)	841,686
Cash and cash equivalents, beginning of period		52,435	60,764
Cash and cash equivalents, end of period		50,446	902,450
Supplemental cash flow information:			
Interest paid		185,866	275,842

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. The Company operates as a Mortgage Investment Corporation (MIC) as defined in the Income Tax Act (Canada).

The Company lends on security of mortgages on real properties situated in the Provinces of Saskatchewan, Manitoba and Alberta. The mortgages transacted by the Company do not generally meet the underwriting criteria of conventional lenders. As a result the investments are subject to greater risk and accordingly earn a higher rate of interest than is generally obtainable through conventional mortgage lending activities.

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

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As a result of events incurred in 2016 the Company incurred a net loss of $2,601,558 during the year ended December 31, 2016 and a further loss of $219,232 during the nine months ended September 30, 2017. At period end, the Company has an accumulated deficit of $3,619,066. The decrease in the estimated fair value of the loan portfolio, assets taken in settlement of debt and continued weak economic conditions may cast significant doubt on the Company's ability to sustain operations for the upcoming year without raising additional cash. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, including raising additional equity financing, loans from related parties and sale of asset taken in settlement of debt, in the current economic conditions it is difficult to predict the outcome of these plans. All of these factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include adjustments to the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business at amounts different from those in the accompanying consolidated financial statements.

2 Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements for the period ended September 30, 2017 represent the Company's quarterly financial statements prepared in accordance with International Accounting Standard ("IFRS"), and interpretations as issued by the International Accounting Standards Board ("IASB").

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

The financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

The Financial Statements of the Company for the period ended September 30, 2017 were authorized for issue in accordance with a resolution of the directors on November 2, 2017.

(Unaudited – Expressed in Canadian Dollars)

3 Restatement and correction of errors in prior financial statements

During the year ended December 31, 2016, the Company's new management performed a detailed review of its mortgage portfolio. The Company determined that certain loss events occurred in prior periods that should have been considered in determining the specific allowance for mortgage losses at December 31, 2015 and 2014 and interim periods in 2016. In addition, it was determined that the security value assigned to certain mortgages and assets taken in settlement of debt were not appropriate and did not consider facts and circumstances that existed at December 31, 2015 and 2014. The combination of these events also impacted the collective allowance that should have been recorded as of December 31, 2015 and 2014 and were considered as errors in accordance with IFRS. The errors relating to the specific and collective allowance and the valuation of assets taken in settlement of debt have been corrected by restating each of the financial statement line items for the prior periods. As a result of considering certain loans as delinquent during the period ended September 30, 2016, reclassifications have been recorded within the statement of comprehensive income. The impact of the restatements is as follows:

Interim Statement of Financial Position – September 30, 2016	**As previously Reported**	**Adjustments**	**Restated**
	$	**$**	**$**
ASSETS			
Mortgages receivable	19,954,492	(2,883,778)	17,070,714
Assets taken in settlement of debt	1,420,397	(19,346)	1,401,051
Other Assets	1,106,605	-	1,106,605
Total Assets	22,481,494	(2,903,124)	19,578,370
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities	7,493,615	-	7,493,615
Shareholders' Equity			
Shareholders' capital	15,681,364	-	15,681,364
Retained earnings (accumulated deficit) – beginning of period	2,815,546	(2,903,124)	(87,578)
Dividends	(689,932)	-	(689,932)
Total comprehensive income (loss) for the period	(2,819,099)	-	(2,819,099)
Accumulated deficit – end of period	(693,485)	(2,903,124)	(3,596,609)
Total shareholders' equity	14,987,879	(2,903,124)	12,084,755
Total Liabilities and Shareholders' Equity	22,481,494	(2,903,124)	19,578,370
Shares outstanding	1,890,729	-	1,890,729

(Unaudited – Expressed in Canadian Dollars)

3 Restatement and correction of errors in prior financial statements (continued)

Statement of comprehensive loss for the nine month period ended September 30, 2016	**As previously Reported**	**Adjustments**	**Restated**
	$	**$**	**$**
Revenue			
Mortgage interest	2,058,947	57,264	2,116,211
Fees	444,717	(57,264)	387,453
	2,503,664	-	2,503,664
Interest and fees expense	281,851	-	281,851
Net interest and fees income	2,221,813	-	2,221,813
Less:			
Provision for mortgage losses	3,718,539	-	3,718,539
Loss on assets taken in settlement of debt	559,636	-	559,636
Loss on disposal of property and equipment	867		867
Net interest and fees loss after provision for mortgage losses	(2,057,229)	-	(2,057,229)
Expenses	761,870	-	761,870
Total comprehensive loss for the period	(2,819,099)	-	(2,819,099)
Loss per share			
Basic and diluted	($1.58)	-	($1.58)

Statement of comprehensive loss for the three month period ended September 30, 2016	**As previously Reported**	**Adjustments**	**Restated**
	$	**$**	**$**
Revenue			
Mortgage interest	675,953	7,113	683,066
Fees	61,398	(7,113)	54,285
	737,351	-	737,351
Interest and fees expense	87,151	-	87,151
Net interest and fees income	650,200	-	650,200
Less:			
Provision for mortgage losses	3,114,015	(164,513)	2,949,502
Loss on assets taken in settlement of debt	264,636	-	264,636
Loss on disposal of property and equipment	867	-	867
Net interest and fees loss after provision for mortgage losses	(2,729,318)	164,513	(2,564,805)
Expenses	203,560	-	203,560
Total comprehensive loss for the period	(2,932,878)	164,513	(2,768,365)
Loss per share			
Basic and diluted	($1.55)	$.09	($1.46)

The restatements above did not have an impact on the Company's operating, investing and financing cash flows.

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 commercial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Company estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

(Unaudited – Expressed in Canadian Dollars)

5 Recent accounting pronouncements

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**
IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company will assess the impact of this standard on its financial statements.

ii) **IFRS 15 Revenue from Contracts with Customers**
IFRS 15 provides a single principle-based framework that applies to contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of IFRS 15 on its financial statements.

iii) **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.

6 Mortgages receivable

Portfolio of 28 (2016 – 44) mortgages bearing interest at fixed rates from 5.0% to 13.0% with maturities ranging from October 2017 to November 2021, secured by real property to which they relate and by additional security in certain circumstances.

			September 30, 2017
	Gross amount of Impaired loans	*Impairment*	*Net Amount of Impaired loans*
Residential mortgages	**2,500,894**	**1,205,061**	**1,295,833**
Commercial mortgages	**6,994,054**	**3,426,483**	**3,567,571**
Total	**9,494,948**	**4,631,544**	**4,863,404**

			December 31, 2016
	Gross amount of Impaired loans	*Impairment*	*Net Amount of Impaired loans*
Residential mortgages	5,969,974	2,716,251	3,253,723
Commercial mortgages	5,374,311	2,688,631	2,685,680
Total	11,344,285	5,404,882	5,939,403

(Unaudited – Expressed in Canadian Dollars)

6 Mortgages receivable (continued)

Mortgage allowance details

For the nine months ended			***September 30, 2017***	*September 30, 2016 (Restated)*
	Specific	***Collective***	***Total***	*Total*
Balance, beginning of period	5,404,882	859,554	6,264,436	3,103,141
Provision for mortgage losses	1,147,387	(543,899)	603,488	3,718,539
Accounts written off	(1,920,725)	-	(1,920,725)	(97,795)
Balance, end of period	**4,631,544**	**315,655**	**4,947,199**	6,723,885

For the three months ended			***September 30, 2017***	*September 30, 2016 (Restated)*
	Specific	***Collective***	***Total***	*Total*
Balance, beginning of period	4,942,712	557,236	5,499,948	3,854,937
Provision for mortgage losses	144,062	(241,581)	(97,519)	2,949,502
Accounts written off	(455,230)	-	(455,230)	(80,554)
Balance, end of period	**4,631,544**	**315,655**	**4,947,199**	6,723,885

Mortgages past due but not impaired

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

September 30, 2017	***Under 30 days***	***31-60 days***	***61-90 days***	***91 days and greater***	***Total***
Residential	**726,515**	**151,277**	**203,198**	**306,637**	**1,387,627**
Commercial	**-**	**-**	**-**	**-**	**-**
	726,515	**151,277**	**203,198**	**306,637**	**1,387,627**
Appraised value of collateral	**1,087,096**	**217,000**	**255,000**	**322,000**	**1,881,096**

December 31, 2016	*Under 30 days*	*31-60 days*	*61-90 days*	*91 days and greater*	*Total*
Residential	772,804	-	202,146	3,942,046	4,916,996
Commercial	1,569,631	-	-	-	1,569,631
	2,342,435	-	202,146	3,942,046	6,486,627
Appraised value of collateral	2,864,995	-	255,000	4,637,267	7,757,262

(Unaudited – Expressed in Canadian Dollars)

6 Mortgages receivable (continued)

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

Distribution of mortgages:

			September 30 2017		*December 31 2016*
	Effective interest rates	***Number of mortgages***	***Amortized cost and fair value***	*Number of mortgages*	*Amortized cost and fair value*
	3 – 4%	**-**	**-**	1	304,282
	4 – 5%	**1**	**74,545**	1	307,494
	5 – 6%	**-**	**-**	1	686,159
	6 – 7%	**-**	**-**	-	-
	8 – 9%	**4**	**178,197**	5	2,063,295
	9 – 10%	**11**	**7,561,874**	8	6,115,637
	10 – 11%	**3**	**3,276,613**	4	3,438,446
	11 – 12%	**1**	**155,136**	3	1,712,656
	12 – 13%	**8**	**2,105,313**	17	3,560,840
	13 – 14%	**-**	**-**	4	4,090,001
Sub Total		**28**	**13,351,678**	44	22,278,810
Less: Allowance for mortgage losses			**(4,947,199)**		(6,264,436)
Total		**28**	**8,404,479**	44	16,014,374

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

Maturities and yields:

September 30, 2017	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Allowance***	***Total***
Total mortgages	12,854,764	449,203	47,711	(4,947,199)	8,404,479
Effective interest rate %	10.6%	10.3%	8.2%		10.6%

December 31, 2016	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Allowance***	***Total***
Total mortgages	19,347,846	2,878,567	52,397	(6,264,436)	16,014,374
Effective interest rate %	11.3%	10.3%	11.0%		11.1%

(Unaudited – Expressed in Canadian Dollars)

7 Assets taken in settlement of debt

For the nine months ended		***September 30, 2017***		*September 30, 2016*
	Properties	***Amount ($)***	***Properties***	*Amount ($)*
Balance, beginning of period	9	1,665,582	7	1,111,703
Mortgages settled by taking property	4	8,117,762	4	1,169,870
Costs incurred to sell		313,745		33,460
Incremental loss recognized		(631,428)		(559,636)
Properties sold	(9)	(2,392,769)	(2)	(335,000)
Balance, end of period	**4**	**7,072,892**	**9**	1,420,397

For the three months ended		***September 30, 2017***		*September 30, 2016*
	Properties	***Amount ($)***	***Properties***	*Amount ($)*
Balance, beginning of period	6	727,949	8	1,124,693
Mortgages settled by taking property	1	7,833,117	3	872,000
Costs incurred to sell		82,247		23,340
Incremental loss recognized		(416,420)		(264,636)
Properties sold	(3)	(1,154,001)	(2)	(335,000)
Balance, end of period	**4**	**7,072,892**	**9**	1,420,397

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

8 Demand loan

	September 30, 2017	**December 31, 2016**
	$	**$**
Operating line of credit	3,460,305	4,321,121
	3,460,305	4,321,121

The margined, demand operating line of credit bears interest at prime plus 1.5% (2016 – prime plus 1.5%), has an authorized limit which is the lesser of the margin calculation and $7,500,000 (December 31, 2016 - $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. In May 2017 the Company chose to reduce its operating line from $15,000,000 to $7,500,000 based on anticipated levels of business activity.

At period-end the maximum margin available was $7,500,000 (December 31, 2016 - $3,679,200).

The credit agreement contains certain financial covenants that must be maintained. As at December 31, 2016 the Company was not in compliance with all financial covenants and arrangements were made with Conexus Credit Union for a temporary increase to the line of credit of up to $1,000,000 with an interest rate of 21.0%. At December 31, 2016 the Company utilized $641,921 of the increased line of credit. Effective January 30, 2017 the increased line of credit was no longer required.

As at September 30, 2017 the Company was in compliance with all financial covenants.

(Unaudited – 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/Units	$
At December 31, 2015	1,662,759	13,515,669
Shares redeemed	-	-
Shares issued for cash	227,970	2,165,695
At December 31, 2016	**1,890,729**	**15,681,364**
Shares redeemed	-	-
Shares issued for cash	-	-
At September 30, 2017	**1,890,729**	**15,681,364**

Class A shares represent the residual equity interest of the Company, the redemption feature applies to all the Class A shares, the shares have no preferential rights and the redemption event is the same for all the Class A shares and accordingly are recorded as equity.

(Unaudited – Expressed in Canadian Dollars)

10 Related party disclosure

Compensation of key management personnel

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

	September 30, 2017	September 30, 2016
	$	$
Salaries, fees and short-term benefits	**129,375**	188,793

Transactions with directors

The remuneration of directors during the period consisted of directors fees in the amount of $67,800 (2016 – $82,635).

During the period ended September 30, 2017 the Company repaid $1,500,000 of financing from an entity in which two directors are shareholders. The loan was secured by a general security agreement over the assets of the Company with an interest rate of 8% per annum.

For the period ending September 30, 2017, legal fees of $45,942 were incurred from a law firm while a director was an associate.

The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11 Capital management

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

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

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

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

Pursuant to the Company's credit agreement (Note 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.

12 Financial instruments and risk management

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

Risk management policy

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

These risk management policies and procedures include the following:

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

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

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

Credit risk

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

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).

(Unaudited – Expressed in Canadian Dollars)

12 Financial instruments and risk management (continued)

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, 2017 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total $8,441,603 (December 31, 2016 - $16,096,134).

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, 2017 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:

	September 30, 2017	**December 31, 2016**
	$	**$**
Residential first mortgages	**4,398,132**	8,493,654
Residential second mortgages	**37,793**	4,790,670
Commercial first mortgages	**5,179,149**	5,582,916
Commercial second mortgages	**3,614,349**	3,359,173
Residential mortgages with no security	**122,255**	52,397
Provision for mortgage losses	**(4,947,199)**	(6,264,436)
	8,404,479	16,014,374

*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 85.0% in Saskatchewan (December 31, 2016 – 91.7%), 14.5% in Alberta (December 31, 2016 – 8.0%) and 0.5% in Manitoba (December 31, 2016 – 0.3%).

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 period the Company obtained assets by taking possession of collateral it holds as security in settlement of debt. The Company took possession of $8,117,762 (December 31, 2016 - $2,306,855) of property (Note 7). The Company`s policy for these assets is to sell the assets to recover funds loaned.

(Unaudited – Expressed in Canadian Dollars)

12 Financial instruments and risk management (continued)

Liquidity risk

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

The Company maintains adequate cash held in trust to meet its trust fund obligations.

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

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

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
As at September 30, 2017					
Demand loan	**3,460,305**	**-**	**-**	**-**	**3,460,305**
Trade and other payables	**-**	**66,157**	**-**	**-**	**66,157**
Due to related parties	**-**	**-**	**-**	**-**	**-**
	3,460,305	**66,157**	**-**	**-**	**3,526,462**

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
As at December 31, 2016					
Demand loan	4,321,121	-	-	-	4,321,121
Trade and other payables	-	191,601	-	-	191,601
Due to related parties	-	1,003,507	-	-	1,003,507
	4,321,121	1,195,108	-	-	5,516,229

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

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
As at September 30, 2017					
Cash and cash equivalents	**50,446**	**-**	**-**	**-**	**50,446**
Loan receivable	**10,800**	**-**	**-**	**-**	**10,800**
Mortgages receivable	**-**	**7,907,565**	**449,203**	**47,711**	**8,404,479**
Mortgage interest receivable	**-**	**26,324**	**-**	**-**	**26,324**
	61,246	**7,933,889**	**449,203**	**47,711**	**8,492,049**

(Unaudited – Expressed in Canadian Dollars)

12 Financial instruments and risk management (continued)

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
As at December 31, 2016					
Cash and cash equivalents	52,435	-	-	-	52,435
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	13,122,703	2,878,567	13,104	16,014,374
Mortgage interest receivable	-	70,960	-	-	70,960
	63,235	13,193,663	2,878,567	13,104	16,148,569

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.

(Unaudited – Expressed in Canadian Dollars)

12 Financial instruments and risk management (continued))

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 10.6% (December 31, 2016 – 11.1%). 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 September 30, 2017***	*Demand loan – sensitivity*	*Mortgages receivable – sensitivity*	*Total December 31, 2016*
Increase in 25 basis points	(8,651)	21,011	12,360	(10,803)	40,036	29,233
Increase in 50 basis points	(17,302)	42,022	24,720	(21,606)	80,072	58,466
Decrease in 25 basis points	8,651	(21,011)	(12,360)	10,803	(40,036)	(29,233)
Decrease in 50 basis points	17,302	(42,022)	(24,720)	21,606	(80,072)	(58,466)

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

						September 30, 2017	*December 31, 2016*
	On demand	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Not interest sensitive***	***Total***	*Total*
Assets							
Cash and cash equivalents	**50,446**	**-**	**-**	**-**	**50,446**	**50,446**	52,435
Loan receivable	**10,800**	**-**	**-**	**-**	**10,800**	**10,800**	10,800
Mortgage interest receivable	**-**	**26,324**	**-**	**-**	**26,324**	**26,324**	70,960
Mortgages receivable	**-**	**7,907,565**	**449,203**	**47,711**	**-**	**8,404,479**	16,014,374
Effective interest rate %	**-**	**10.6%**	**10.3%**	**8.2%**	**-**	**10.6%**	11.1%
	61,246	**7,933,889**	**449,203**	**47,711**	**87,570**	**8,492,049**	16,148,569
Liabilities							
Demand loan	**3,460,305**	**-**	**-**	**-**	**-**	**3,460,305**	4,321,121
Effective interest rate %	**4.7%**	**-**	**-**	**-**	**-**	**4.7%**	6.7%
Trade and other payables	**66,157**	**-**	**-**	**-**	**66,157**	**66,157**	191,601
Due to related parties	**-**	**-**	**-**	**-**	**-**	**-**	1,003,507
Effective interest rate %	**-**	**-**	**-**	**-**	**-**	**-**	8.0%
	3,526,462	**-**	**-**	**-**	**66,157**	**3,526,462**	5,516,229

(Unaudited – Expressed in Canadian Dollars)

12 Financial instruments and risk management (continued)

Fair values

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

Recurring fair value measurements

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

September 30, 2017	Fair value	Level 1	Level 2	Level 3
Assets				
Cash	**50,446**	**50,446**	**-**	**-**
December 31, 2016				
Assets				
Cash	52,435	52,435	-	-

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 September 30, 2017 but for which fair value is disclosed:

September 30, 2017	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	**10,800**	**-**	**-**	**10,800**
Prepaid expenses and other receivables	**23,027**	**-**	**-**	**23,027**
Mortgages receivable	**8,404,479**	**-**	**-**	**8,404,479**
Mortgage interest receivable	**26,324**	**-**	**-**	**26,324**
Total Assets	**8,464,630**	**-**	**-**	**8,464,630**
Liabilities				
Demand loan	**3,460,305**	**-**	**3,460,305**	**-**
Trade and other payables	**66,157**	**-**	**-**	**66,157**
Due to related parties	**-**	**-**	**-**	**-**
Unearned revenue	**470**	**-**	**-**	**470**
Total Liabilities	**3,526,932**	**-**	**3,460,305**	**66,627**

(Unaudited – Expressed in Canadian Dollars)

12 Financial instruments and risk management (continued)

December 31, 2016	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	10,800	-	-	10,800
Prepaid expenses and other receivables	32,519	-	-	32,519
Mortgages receivable	16,014,374	-	-	16,014,374
Mortgage interest receivable	70,960	-	-	70,960
Total Assets	16,128,653	-	-	16,128,653
Liabilities				
Demand loan	4,321,121	-	4,321,121	-
Trade and other payables	191,601	-	-	191,601
Due to related parties	1,003,507	-	1,003,507	-
Unearned revenue	50,927	-	-	50,927
Total Liabilities	5,567,156	-	5,324,628	242,528

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.

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.

13 Commitments

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

	$
2017	9,188
2018	15,313
Total	24,501

(Unaudited – Expressed in Canadian Dollars)

At period end the Company committed to funding 2 (December 31, 2016 – Nil) mortgages, for a total of $1,080,250 (December 31, 2016 - Nil)

14 Income taxes

The Company has non-capital loss carry forwards for income tax purposes of $5,444,516 which will expire as follows:

	$
2031	109,380
2032	208,726
2033	196,178
2036	4,930,232
Total	5,444,516

In addition to these non-capital loss carryforwards there are $650,269 of temporary differences that will become deductible should all recorded allowances for mortgage losses become realized. The potential benefit of these loss carry forwards has not been recognized in these financial statements.