PrimeWest
Mortgage Investment Corporation

Condensed Interim Financial Statements (Unaudited)

Three and nine months ended September 30, 2019

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 Statements of Financial Position
As at September 30, 2019
(Expressed in Canadian Dollars)

	Notes	September 30, 2019 $	December 31, 2018 $
ASSETS			
Cash and cash equivalents		1,805,431	48,400
Mortgages receivable	5	1,320,778	4,124,730
Assets taken in settlement of debt	6	3,403,369	5,038,320
Other assets		61,739	48,643
Total Assets		6,591,317	9,260,093
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Demand loan	7	-	1,753,546
Other liabilities		82,117	85,891
		82,117	1,839,437
Shareholders' Equity			
Shareholders' capital	8	15,677,535	15,677,535
Accumulated deficit		(9,168,335)	(8,256,879)
		6,509,200	7,420,656
Total Liabilities and Shareholders' Equity		6,591,317	9,260,093
Shares outstanding	8	1,888,374	1,888,374
Commitments and contingent liabilities	12		
Going concern	1		

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statements of Comprehensive Loss
For the three and nine months ended September 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Notes	For the three months ended September 30, 2019 $	September 30, 2018 $	For the nine months ended September 30, 2019 $	September 30, 2018 $
Interest income					
Mortgage interest		38,756	153,656	162,068	488,085
Fees		(9,451)	21,345	9,741	55,878
		29,305	175,001	171,809	543,963
Interest expense		2,583	51,222	39,821	145,294
Net interest income		26,722	123,779	131,988	398,669
Less:					
Provision for mortgage losses	5	22,537	(85,881)	(97,070)	196,806
Loss on assets taken in settlement of debt	6	1,497	330,701	702,742	330,810
Net interest income (loss) after provision for losses		2,688	(121,041)	(473,684)	(128,947)
Non-interest expenses					
Advertising and promotion		247	25	301	1,906
Contracted services		3,636	6,087	8,878	12,725
Depreciation of property and equipment		-	223	148	668
Directors' fees	9	14,625	19,500	43,875	58,500
Insurance		18,311	6,735	45,514	20,165
Office and administration		14,855	17,833	40,054	54,699
Professional fees		134,342	67,640	174,422	147,595
Rent		4,410	4,410	13,230	21,602
Wages and benefits		35,035	48,475	111,350	155,677
		225,461	170,928	437,772	473,537
Total comprehensive loss for the period		(222,773)	(291,969)	(911,456)	(602,484)
Loss per share		($0.12)	($0.15)	($0.48)	($0.32)
Basic and diluted					

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statements of Changes in Shareholders' Equity
For the three and nine months ended September 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Notes	Shareholders' capital $	(Accumulated losses) $	Total equity $
As at January 1, 2018		15,681,364	(6,477,722)	9,203,642
Total comprehensive loss for the period		-	(602,484)	(602,484)
As at September 30, 2018		15,681,364	(7,080,206)	8,601,158
As at January 1, 2019		15,677,535	(8,256,879)	7,420,656
Total comprehensive loss for the period		-	(911,456)	(911,456)
As at September 30, 2019		15,677,535	(9,168,335)	6,509,200

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

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statements of Cash Flows
For the three and nine months ended September 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Notes	September 30, 2019 $	September 30, 2018 $
Operating activities			
Total comprehensive loss for the period		(911,456)	(602,484)
Adjustments to reconcile loss from operations to net cash flows:			
Interest income		(171,809)	(543,963)
Interest expense		39,821	145,294
Provision for mortgage losses	5	(97,070)	196,806
Loss on assets taken in settlement of debt	6	702,742	330,811
Depreciation of property and equipment		148	668
Interest received		1,423,778	340,343
Interest paid		(39,821)	(145,294)
Proceeds from disposal of assets taken in settlement of debt		1,032,500	30,000
Costs incurred to sell asset taken in settlement of debt		(100,291)	(97,106)
Change in operating assets and liabilities:			
Mortgages receivable		1,649,053	285,472
Other assets		(13,244)	4,643
Other liabilities		(3,774)	34,566
Net cash flows from operating activities		3,510,577	(20,244)
Financing activities			
(Decrease) increase of demand loan		(1,753,546)	18,228
Net cash flows used in financing activities		(1,753,546)	18,228
Net increase (decrease) in cash and cash equivalents		1,757,031	(2,016)
Cash and cash equivalents, beginning of year		48,400	50,431
Cash and cash equivalents, end of period		1,805,431	48,415

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

1 Nature of Operations and Going Concern

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

On September 24, 2019 at a meeting of shareholders of PrimeWest, the shareholders voted to voluntarily liquidate and dissolve the Company and approved a previously prepared and circulated Plan of Liquidation and Dissolution (the "Liquidation Plan"). The voluntary liquidation and wind up of the Company commenced effective Thursday, October 24, 2019 at 5:00PM CST. The effective day of liquidation included the resignation of the board of directors and the appointment of KPMG as Liquidator of the Company. On October 31, 2019 an order approving the Liquidation Plan, affirming the appointment of KPMG as Liquidator and continuing the Liquidation under the supervision of the Court was granted. Management has determined the accounting policies used result in the most relevant and reliable financial information given there are no alternative bases of reporting from the going concern basis. These financial statements do not include adjustments to the measurement of recorded assets and liabilities and related expenses that might be necessary due to the going concern issues and therefore be required to realize its assets and liquidate its liabilities at amounts different from those in the accompanying financial statements. As there is not enough information to determine what the realizable value of the assets under the Liquidation proceedings would be at this time, the amounts reflected in these financial statements may differ from future asset realizations.

2 Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements for the period ended September 30, 2019 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 have been prepared on the historic cost basis, except for cash and cash equivalents and assets taken in settlement of debt, which are measured at fair value on each reporting date.

3 Significant Accounting Judgements, Estimates and Assumptions

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

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

3 Significant Accounting Judgements, Estimates and Assumptions (continued)

Expected credit losses on mortgages

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

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

Key assumptions in determining expected credit losses are disclosed in Note 5(B) of the Company's audited consolidated financial statements for the year ended December 31, 2018.

Assets taken in settlement of debt

Assets taken in settlement of debt are properties acquired by the Company that were originally pledged as security on mortgages. These assets are intended for resale and are carried at fair value as disclosed in Note 5 (D) of the Company's audited consolidated financial statements for the year ended December 31, 2018. Estimates of the fair value of these assets are determined by inspecting the property, obtaining appraisals and speaking with realtors in the area.

4 Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these interim financial statements are consistent with those described in Note 5 of the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the adoption of IFRS16.

IFRS 16 Leases

The Company adopted IFRS 16 Leases effective January 1, 2019. 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"). 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 does not currently have any leases with terms of more than 12 months.

Changes in accounting policy has not resulted in an adjustment to the financial statements.

(Unaudited - Expressed in Canadian Dollars)

5 Mortgages receivable

Distribution of mortgages:

Portfolio of 17 (December 31, 2018 – 21) mortgages bearing interest at fixed rates from 5.0% to 13.0% (December 31, 2018 – 5.0% to 13.0%) with maturities ranging from October 2019 to November 2021, secured by real property to which they relate and by additional security in certain circumstances.

September 30, 2019

	Number of mortgages	Gross carrying value	Expected credit loss	Net carrying value
Residential	12	1,402,584	960,164	442,420
Commercial	5	8,296,661	7,418,303	878,358
Total	17	9,699,245	8,378,467	1,320,778

December 31, 2018

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

Maturities and yields:

September 30, 2019	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Total***
Total mortgages	9,550,111	-	149,134	9,699,245
Effective interest rate %	10.4%	-	6.8%	10.4%

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

(Unaudited - Expressed in Canadian Dollars)

5 Mortgages receivable (continued)

Mortgage allowance details

For the nine months ended	*Performing (Stage 1)*	*Significant increase in credit risk (Stage 2)*	*Expected Credit Losses on Impaired Mortgages (Stage 3)*	*September 30, 2019 Total*	*September 30, 2018 Total*
Residential Mortgages – Gross Carrying Value	-	346,737	1,055,847	**1,402,584**	**3,554,964**
Expected Credit Loss Balance on Residential Mortgages, beginning of period	-	97,158	907,362	1,004,520	1,441,949
Provision for mortgage losses					
Re-measurement	-	(57,439)	29,440	(27,999)	43,433
Total provision for period	-	(57,439)	29,440	(27,999)	43,433
Unwind of discount	-	-	80,005	80,005	87,371
Accounts written off	-	-	(96,362)	(96,362)	(646,281)
Expected Credit Loss Balance on Residential Mortgages, end of period	-	**39,719**	**920,445**	**960,164**	**926,472**
Commercial Mortgages – Gross Carrying Value	-	-	8,296,661	**8,296,661**	**9,540,306**
Expected Credit Loss Balance on Commercial Mortgages, beginning of period	-	148,798	6,817,239	6,966,037	6,201,888
Provision for mortgage losses					
Re-measurement	-	(148,798)	79,727	(69,071)	153,372
Total provision for period	-	(148,798)	79,727	(69,071)	153,372
Unwind of discount	-	-	521,337	521,337	442,222
Accounts written off	-	-	-	-	(26,699)
Expected Credit Loss Balance on Commercial Mortgages, end of period	**-**	**-**	**7,418,303**	**7,418,303**	**6,770,783**

(Unaudited - Expressed in Canadian Dollars)

5 Mortgages receivable (continued)

For the three months ended	***Performing (Stage 1)***	***Significant increase in credit risk (Stage 2)***	***Expected Credit Losses on Impaired Mortgages (Stage 3)***	***September 30, 2019 Total***	***September 30, 2018 Total***
Residential Mortgages – Gross Carrying Value	-	346,737	1,055,847	**1,402,584**	**3,554,964**
Expected Credit Loss Balance on Residential Mortgages, beginning of period	-	39,719	979,569	1,019,288	1,090,883
Provision for mortgage losses					
Re-measurement	-	-	(9,987)	(9,987)	(186,073)
Total provision for period	-	-	(9,987)	(9,987)	(186,073)
Unwind of discount	-	-	21,353	21,353	21,662
Accounts written off	-	-	(70,490)	(70,490)	-
Expected Credit Loss Balance on Residential Mortgages, end of period	-	**39,719**	**920,445**	**960,164**	**926,472**
Commercial Mortgages – Gross Carrying Value	-	159,531	8,099,225	**8,258,756**	**9,336,387**
Expected Credit Loss Balance on Commercial Mortgages, beginning of period	-	12,549	7,200,596	7,213,145	6,323,895
Provision for mortgage losses					
Re-measurement	-	(12,549)	45,073	32,524	293,542
Total provision for period	-	(12,549)	45,073	32,524	293,542
Unwind of discount	-	-	172,634	172,634	153,346
Accounts written off	-	-	-	-	-
Expected Credit Loss Balance on Commercial Mortgages, end of period	**-**	**-**	**7,418,303**	**7,418,303**	**6,770,783**

(Unaudited - Expressed in Canadian Dollars)

5 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 year-end that are past due but not classified as impaired because they are fully secured and collection efforts are reasonably expected to result in repayment.

September 30, 2019

	Under 30 days	***31-60 days***	***61-90 days***	***Total***
Residential	**37,321**	**-**	**-**	**37,321**
Commercial	**-**	**-**	**-**	**-**
	37,321	**-**	**-**	**37,321**
Appraised value of collateral	**52,096**	**-**	**-**	**52,096**

December 31, 2018

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

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

(Unaudited - Expressed in Canadian Dollars)

6 Assets taken in settlement of debt

For the nine months ended		***September 30, 2019***		*September 30, 2018*
	Properties	***Amount ($)***	***Properties***	*Amount ($)*
Balance, beginning of period	2	5,038,320	4	6,377,715
Mortgages settled by taking property	-	-	-	-
Net costs incurred to sell		100,291		97,106
Incremental loss recognized		(702,742)		(330,811)
Properties sold	(1)	(1,032,500)	(2)	(30,000)
Balance, end of period	**1**	**3,403,369**	**2**	6,114,010

For the three months ended		***September 30, 2019***		*September 30, 2018*
	Properties	***Amount ($)***	***Properties***	*Amount ($)*
Balance, beginning of period	1	4,158,803	2	6,444,211
Mortgages settled by taking property	-	-	-	-
Net costs incurred to sell		36,063		501
Incremental loss recognized		(1,497)		(330,702)
Properties sold		(790,000)	-	-
Balance, end of period	**1**	**3,403,369**	**2**	6,114,010

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

7 Demand loan

	September 30, 2019	**December 31, 2018**
	$	**$**
Operating line of credit	-	1,753,546
	-	1,753,546

The margined, demand operating line of credit bears interest at prime plus 2.0% (2018 – prime plus 2.0%), has an authorized limit which is the lesser of the margin calculation and $5,000,000 (December 31, 2018 - $7,500,000) and is secured by a general security agreement and an assignment of mortgages receivable. The operating line's margin is calculated using variable percentages of eligible mortgages as set out by the bank.

At period-end the margined, demand operating line of credit was cancelled.

(Unaudited - Expressed in Canadian Dollars)

8 Shareholders' equity

Issued and outstanding

Class A Common shares	**Number of Shares**	**$**
At December 31, 2017	1,890,729	15,681,364
Shares redeemed	(2,355)	(3,829)
At December 31, 2018	**1,888,374**	**15,677,535**
Shares redeemed	-	-
At September 30, 2019	**1,888,374**	**15,677,535**

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

9 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, 2019	**September 30, 2018**
	$	**$**
Salaries, fees and short-term benefits	**90,000**	90,000

Transactions with directors

The remuneration of directors during the period consisted of directors fees in the amount of $43,875 (September 30, 2018 – $58,500).

During the period the Company paid property maintenance and inspection fees on defaulted mortgages in the amount of $4,142 (September 30, 2018 - $992) to a Management Company in which a director is a shareholder. These transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10 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.

10 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 7) it is required to meet certain financial covenants. If the Company is in violation of any of these covenants its ability to pay dividends may be inhibited. The Company monitors these covenants to ensure it remains in compliance.

11 Financial instruments and risk management

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

Risk management policy

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

These risk management policies and procedures include the following:

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

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

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

Analysis of maximum exposure to credit and collateral

The maximum exposure to credit risk at September 30, 2019 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total $1,320,778 (December 31, 2018 - $4,124,730).

(Unaudited - Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

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, 2019 the fair value of the collateral on the mortgages receivable is in excess of the fair value of the mortgages receivable.

Credit quality, mortgage types and renegotiated mortgages

The Company`s portfolio consists of both residential and commercial mortgages as follows before the allowance for mortgage losses of $8,378,467 (December 2018 - $7,970,557)

	September 30, 2019 $	December 31, 2018 $
Residential first mortgages	**719,184**	2,176,966
Residential second mortgages	**37,321**	38,190
Commercial first mortgages	**3,867,591**	5,433,952
Commercial second mortgages	**4,429,070**	4,112,214
Residential mortgages with no security	**646,079**	333,965
	9,699,245	12,095,287

*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 75.2% in Saskatchewan (December 31, 2018 – 81.4%), 24.4% in Alberta (December 31, 2018 – 18.1%) and 0.4% in Manitoba (December 31, 2018 – 0.5%).

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 5.

Collateral obtained

During the period the Company did not obtain any assets by taking possession of collateral it holds as security in settlement of debt (December 31, 2018 - $Nil). See Note 6. When collateral is taken, 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's operating cash requirements are continuously monitored by Management and the Board of Directors. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining additional debt financing. In addition, the mortgage receivables have short maturity terms (3 – 24 months) which provide additional liquidity in the event of an unforeseen interruption of cash flow. The Company can convert the mortgages, if needed, to cash instead of renewing for another term or lending under a new mortgage.

(Unaudited - Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

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, 2019					
Other liabilities	**-**	**82,117**	**-**	**-**	**82,117**
	-	**82,117**	**-**	**-**	**82,117**

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
As at December 31, 2018					
Demand loan	1,753,546	-	-	-	1,753,546
Other liabilities	-	85,891	-	-	85,891
	1,753,546	85,891	-	-	1,839,437

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 September 30, 2019					
Cash and cash equivalents	**1,805,431**	**-**	**-**	**-**	**1,805,431**
Mortgages receivable	**-**	**1,271,636**	**-**	**49,142**	**1,320,778**
Other assets	**61,739**	**-**	**-**	**-**	**61,739**
	1,867,170	**1,271,636**	**-**	**49,142**	**3,187,948**

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

(Unaudited - Expressed in Canadian Dollars)

11 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:

	Demand loan – sensitivity	***Mortgages receivable – sensitivity***	***Total September 30, 2019***	*Demand loan – sensitivity*	*Mortgages receivable – sensitivity*	*Total December 31, 2018*
Increase in 25 basis points	-	3,302	3,302	(4,384)	10,312	5,928
Increase in 50 basis points	-	6,604	6,604	(8,768)	20,624	11,856
Decrease in 25 basis points	-	(3,302)	(3,302)	4,384	(10,312)	(5,928)
Decrease in 50 basis points	-	(6,604)	(6,604)	8,768	(20,624)	(11,856)

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

	On demand	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Not interest sensitive***	***September 30, 2019 Total***	*December 31, 2018 Total*
Assets							
Cash and cash equivalents	**1,805,431**	**-**	**-**	**-**	**-**	**1,805,431**	48,400
Mortgages receivable	**-**	**1,271,636**	**-**	**49,142**	**-**	**1,320,778**	4,124,730
Effective interest rate %	**-**	**10.4%**	**-**	**6.8%**	**-**	**10.4%**	10.4%
Other assets	**-**	**-**	**-**	**-**	**61,739**	**61,739**	48,643
	1,805,431	**1,271,636**	**-**	**49,142**	**61,739**	**3,187,948**	4,221,773
Liabilities							
Demand loan	**-**	**-**	**-**	**-**	**-**	**-**	1,753,546
Effective interest rate %	**-**	**-**	**-**	**-**	**-**	**-**	6.0%
Other liabilities	**-**	**-**	**-**	**-**	**82,117**	**82,117**	85,891
	-	**-**	**-**	**-**	**82,117**	**82,117**	1,839,437

Fair values

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

(Unaudited - Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Recurring fair value measurements
The Company's financial assets and liabilities measured at fair value on a recurring basis are comprised of cash which has been categorized in the fair value hierarchy as Level 1.
Financial assets and liabilities for which fair value is only disclosed

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at September 30, 2019 but for which fair value is disclosed:

September 30, 2019	Fair value	Level 1	Level 2	Level 3
Assets				
Mortgages receivable	**1,320,778**	**-**	**-**	**1,320,778**
Other assets	**61,739**	**-**	**-**	**61,739**
Total Assets	**1,382,517**	**-**	**-**	**1,382,517**
Liabilities				
Other liabilities	**82,117**	**-**	**-**	**82,117**
Total Liabilities	**82,117**	**-**	**-**	**82,117**

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

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.

(Unaudited - Expressed in Canadian Dollars)

12 Commitments and contingent liabilities

Commitments

The Company has a lease agreement for its premises that expires May 31, 2020. The remaining lease commitments are:

	$
2019	4,200
2020	7,000
Total	15,400

Contingent liabilities

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

During 2018, the following three Statements of Claim were filed with the Court of Queen's Bench for Saskatchewan against the Corporation and existing and past directors of the Corporation. Due to the inherent uncertainties, no accurate quantification of any cost, or timing of such cost which may arise from any of the legal proceedings outlined below can be made.

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

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

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