PrimeWest

Mortgage Investment Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (**"MD&A"**) has been prepared by PrimeWest Mortgage Investment Corporation the (**"Corporation"**, **"PrimeWest", "we"** or **"our"**) as of March 23, 2016. It should be read in conjunction with the Corporation's audited financial statements and accompanying notes for the 12 months ended December 31, 2015. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and all financial information is presented in Canadian dollars.

Notice Regarding Forward-Looking Information

Certain information included in this Management's Discussion and Analysis contains forward-looking statements within the meaning of applicable securities legislation, including statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements are subject to inherent risks and uncertainties. These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include, among other things, risks associated with mortgage lending, competition for mortgage lending, real estate values, interest rate fluctuations, environmental matters and the general economic environment. We caution that the foregoing list is not exhaustive, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on any forward-looking statements. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Business Status and Overview

PrimeWest Mortgage Investment Corporation was incorporated on March 22, 2005 pursuant to *The Business Corporations Act* (Saskatchewan). The Corporation's head office is situated at 700 - 750 Spadina Crescent East, Saskatoon, Saskatchewan S7K 3H3 and its registered office is located at 1000 - 2002 Victoria Avenue, Regina, Saskatchewan S4P 0R7. The Corporation has no subsidiaries. The Corporation's fiscal year (**"Fiscal Year"**) is the twelve-month period ending on December 31st of each year.

PrimeWest Mortgage Investment Corporation is a reporting issuer under securities laws.

Operations are conducted to qualify as a mortgage investment corporation (**"MIC"**) for the purpose of the *Income Tax Act* (Canada) (the **"Tax Act"**). As a MIC, PrimeWest is not subject to income tax provided that all taxable income is distributed to shareholders within 90 days of our December 31st year end. Such dividends are generally treated by shareholders as interest income, so that each shareholder is in the same tax position as if their proportionate share of mortgage investments made by the company had been made directly by the shareholder.

Business Status and Overview (continued)

The Corporation's Class A shares ("**Shares"**) do not trade on any exchange or market. The Corporation is a reporting issuer in each of Saskatchewan, British Columbia, Alberta, Manitoba and Ontario and is a SEDAR filer.

The mortgages transacted by the Corporation do not generally meet the underwriting criteria of conventional lenders and/or involve borrowers in rural areas generally not well serviced by major lenders. As a result, PrimeWest's investments are expected to be subject to greater risk and accordingly earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities. The Corporation's investment portfolio will vary from time to time depending on the Corporation's assessment of lending markets, geographical conditions and overall market conditions in Saskatchewan and elsewhere that the Corporation makes an investment.

To the extent that the funds of the Corporation are not invested in investments from time to time, funds will be held in cash deposited with a credit union or Canadian chartered bank or will be invested by the Corporation in short term deposits, savings accounts or government guaranteed income certificates so as to maintain a level of working capital for the ongoing operations of the Corporation.

As the Corporation holds a license to operate as a financing corporation under *The Trust and Loan Corporations, Act 1997* (Saskatchewan) it has the right to conduct its own mortgage transactions. The corporation is also registered as a Mortgage Broker under *The Mortgage Brokers Act* (Manitoba). However, where practical, it is the practice of the Corporation to utilize brokers (**"Brokers"**) registered pursuant to the provisions of *The Mortgage Brokers Act* (Saskatchewan) and *The Mortgage Brokers Act* (Manitoba), to seek out borrowers and submit mortgage applications to the Corporation. See "Business with Brokers". In other cases, the Corporation receives referrals from immigration consultants, financial advisers and bankruptcy/liquidation agencies. Upon mortgage approval, third party professional personnel prepare and register all mortgage security on behalf of the Corporation.

OPERATIONS

PrimeWest continues to primarily operate in the Province of Saskatchewan with some mortgage holdings in Manitoba and Alberta. The Corporation operates in a market where a high turnover of mortgage receivables is the norm as clients are assisted to successfully return to main stream banking as their credit record improves or short term circumstances change to allow this. The Corporation's mortgage receivable continues to adjust as real estate prices initially moved higher during 2014 only to drift lower in the fall of the year. The individual average mortgages have moved in tandem with the market as the price of real estate adjusts. The resulting impact on the Corporations mortgage portfolio is slightly higher average individual mortgage receivables and slightly lower number of specific mortgages.

At December 31, 2015 the Corporation invested $24,993,626 in 58 (December 31, 2014 – 74) mortgages bearing interest at fixed rates from 3.95% to 14.0% maturities ranging from January 2016 to November 2020, secured by real property to which they relate and by additional security in certain circumstances. Interest rates in the lower ranges are primarily associated with short term mortgages with maturities of 2 to 6 months. Shorter term mortgages were being provided to facilitate cash requirements relative to the new redemption policy as well as to generate higher fee revenues through multiple annual mortgage loan turnover.

Over the past few years, the pressures of rising real estate prices in all markets PrimeWest operates in, has further resulted in a substantial change in the demographics of the typical residential mortgage client base. Higher average residential mortgage balances has translated into higher equity requirements for home owners, which translates to a shift upmarket in the mortgage client demographic to meet these new higher levels. Higher individual earnings and increased numbers of dual earning families are reflected in this new market segment.

OPERATIONS (continued)

The effects of the 2014 and 2015 Shareholder redemptions, while in excess of 10%, provided the Corporation with a more efficient utilization of Shareholder capital and a favorable impact on shareholder book value. During 2015 the Corporation continued to manage the mix of shareholder capital and debt options to maximize profits and provide increased corporate stability.

The April 30th, 2015 closing for redemption requests resulted in redemption requests which the Board of Directors reviewed for the established July 31st, 2015 payment for approved requesting shareholders. The Corporation's goal was to accommodate all requests to the extent possible without negatively impacting future ongoing operations for the Corporation and the Investors. During the year to December 31, 2015 the Corporation redeemed 269,994 shares at the audited NAV of $9.56 per share.

On June 1, 2015 the Corporation announced its intention to pursue a Share offering of up to $5,000,000.
The initial close on July 27, 2015 resulted in the issuance of 163,140 shares at $10.00 per share. The second close on August 27, 2015 resulted in the issuance of an additional 47,420 shares at $10.00 per share.

IMPORTANT EVENTS

Subsequent to year end, the Corporation submitted a Listing Application to the Canadian Securities Exchange (“CSE”) in an effort to create more liquidity for shareholders. The CSE approved the application for PrimeWest to begin trading on the CSE on March 10, 2016 under the symbol PRI.

INVESTMENT OBJECTIVES

The principal investment objective of the Corporation is to provide shareholders income while preserving capital for distribution or reinvestment. As a MIC, virtually all quarterly profits are distributed to the holders of the Common Shares. The Corporation expects to derive its earnings principally from the receipt of mortgage interest payments, fees and of interest on the cash reserves of the Corporation.

OPERATING RESTRICTIONS

PrimeWest operates in accordance with the standard restrictions and practices imposed by Canadian securities legislation. These standard restrictions and practices have been designed in part to ensure that the Corporation's investments are diversified and relatively liquid, and to ensure the proper administration of the Corporation.

In addition, PrimeWest’s investment practices are subject to certain operating, lending and other restrictions which have been adopted by the Corporation’s board of directors. According to these restrictions, the Corporation may not:

(i) make a mortgage loan if, immediately after the closing of the loan transaction, the amount so lent would be greater than 20% of the Corporation’s net assets, while the net assets are in excess of $2,000,000;
(ii) guarantee securities or obligations of any person or Corporation;
(iii) engage in securities lending;
(iv) engage in derivative transactions for any purpose;
(v) develop, manage or acquire (except by foreclosure or other enforcement of its rights as mortgagee) any real property;
(vi) enter into a forward commitment binding on the Corporation unless the Corporation has, at the time such commitment is made, sufficient cash or "near cash" securities to fund the loan to which the commitment relates; or

OPERATING RESTRICTIONS (continued)

(vii) otherwise conduct its business in a manner that would cause the Corporation not to qualify as a MIC, that would result in the Common Shares not being a "qualified investment" for a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan or deferred profit sharing plan (**"Registered Plans"**) or that would result in Common Shares being foreign property for the purpose of the Tax Act.

The Corporation observes the investment restrictions set forth in this paragraph.

Any change to the fundamental investment objectives of the Corporation requires shareholder approval given at a meeting of the shareholders of the Corporation called to consider such change.

OPERATING POLICIES

In addition to the foregoing operating restrictions, the operations and affairs of the Corporation are required to be conducted in accordance with the following operating policies:

(i) the Corporation must obtain a Phase I environmental audit where the real estate to be provided as security for a mortgage is commercial property. Where the real estate is not commercial property, a Phase I environmental study will not be commissioned unless a Broker deems such an audit to be necessary;

(ii) all property taxes shall be paid to the date of any mortgage advance on real property provided as security for a mortgage and the borrower shall agree to pay property taxes on the tax instalment payment plan (TIPP) with the local tax authority unless a Broker has determined that the establishment of such a TIPP account is not necessary; and

(iii) the legal title to each mortgage and other investments of the Corporation must be held by and registered in the name of the Corporation.

INVESTMENT POLICIES

The Corporation has adopted certain policies which establish the investment criteria for the Corporation's investments, which are as follows:

(i) the Corporation may only invest in commercial and residential mortgage loans secured against real property situated in Canada and primarily in Saskatchewan, Manitoba, and Alberta.

(ii) the Corporation as a general practice maintains a portion of its' total assets in cash or "near-cash" securities (such as units of money market funds) or an equivalent amount of funds available under the Corporation's line of credit financing in order to meet redemption requests and also to be in a position to redeem a prior mortgagee's interest in a given property if a Broker considers that it would be advantageous for the Corporation to do so having regard to the market value of the property and the amount of mortgage debt due to the Corporation. The Board will monitor the cash and credit position of the Corporation on a regular basis in order to maintain its cash, near-cash and/or credit reserve positions at a necessary level;

(iii) all bridge financing loans in which the Corporation invests will be secured by an interest against title to the real property that is the subject of the bridge financing loan and an irrevocable assignment of proceeds from the sale of such real property;

INVESTMENT POLICIES (continued)

(iv) the Corporation may not make any loan or investment which does not meet the "Canadian content" requirements of paragraph 130.l(6)(c) of the Tax Act;

(v) the Corporation may not make a loan which, together with all other mortgage loans that have priority over or rank pari passu with such loan, exceeds 95% of the fair market value of the mortgaged property, except when:
  (a) such mortgage is insured under the National Housing Act (Canada) or any similar legislation of a province, or
  (b) the excess over 90% is insured by an insurance company registered or licensed under the Insurance Companies Act (Canada) or similar legislation of a Canadian province or territory;

(vi) the Corporation may not make a loan secured by a mortgage on a property in which:
  (a) any senior officer or director of the Corporation or of a Broker, or
  (b) any associate or affiliate of a person referred to in (a) above has an interest as mortgagor;

(vii) the Corporation will not trade in mortgages in the secondary market although the Corporation retains the ability, in exceptional circumstances, to assign a mortgage to a third party;

(viii) the Corporation may not hold a mortgage the initial term of which exceeds two years, but mortgages held by the Corporation may contain provisions permitting the mortgagor, when not in default, to renew the mortgage for one or more additional terms;

(ix) generally, the Corporation's mortgages will not secure debt incurred for the construction or development of real estate although the Corporation may from time to time engage, under strict guidelines, in bridge financing for such projects instead of holding idle cash; and

(x) traditional lenders will from time to time refer bridge financing opportunities to a Broker where the lender has provided a "take-out loan" (i.e. a commitment to make a loan secured by a first-ranking mortgage where such loan will be advanced upon completion of the construction of a building in order to repay a prior loan which financed such construction). The Corporation may provide bridge loan financing to clients of "take-out" lenders on a draw-down basis by means of higher interest loans for amounts equal to, in the aggregate, up to 95% of the appraised finished value of the property. Real property and/or personal property security will be obtained by the Corporation when providing this type of financing.

The Board may approve an amendment to the investment policies of the Corporation from time to time.

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation, any of the foregoing investment policies and investment criteria requires amendment in order to comply with such change in legislation, the Board may make such change and such change will be binding on the Corporation. The Brokers will be required to comply with and observe such change immediately upon such change becoming effective.

The Corporation has established a credit committee, which is comprised of two members chosen from amongst the members of the Board and the President and Chief Executive Officer. The primary purpose of the Credit Committee is to oversee lending guidelines and to provide oversight in the review of delinquent loan files.

INVESTMENT CRITERIA

The Corporation has established investment criteria, which includes the following:

(i) the Corporation will make investments so that it maintains its status as a MIC;

(ii) loans will be secured by mortgages and/or other appropriate security interests in favour of the Corporation, either as sole mortgagee or co-mortgagee, and each mortgage will be duly registered as a charge against the real property which is the subject of the mortgage. All investments made with respect to loan applications submitted by a Broker, will be reviewed and will have received a positive recommendation by such Broker;

INVESTMENT CRITERIA (continued)

(iii) bridge financing loans will be secured by an irrevocable direction to pay such loans from the proceeds of a binding contract to sell real property and an irrevocable assignment of such proceeds in favour of the Corporation, either as sole assignee or co-assignee;
(iv) loans will be made to borrowers who deal with the Corporation, the Brokers and their affiliates, shareholders, officers and directors at arm's length;
(v) mortgages will be registered as a charge against real property, provided that the overall loan to appraised value ratio does not exceed 95% (including prior charges);
(vi) prior to funding the loan, the Corporation will obtain current appraisals on all properties which secure the loan. The appraisals will be completed by an accredited appraiser approved by the Corporation;
(vii) the initial term of each loan will not exceed a term of 24 months;
(viii) the Corporation will make loans primarily in the Province of Saskatchewan and may expand to other provinces and territories in Canada. While the Corporation will look, at least initially, primarily to Saskatchewan based mortgages for its investment opportunities, there are no restrictions on the amount of funds that may be invested by the Corporation in any particular Province or Territory of Canada;
(ix) the Corporation may advance additional monies on a loan in order to protect the loan, notwithstanding that the additional advance of funds may increase the loan to value ratio over and above the parameters set out above.

Key to a Mortgage Investment Corporation's success in the management of mortgage receivables is the ability to efficiently match shareholder investment capital with the funding of residential and commercial mortgage loans. Shareholder yield is negatively impacted when available investment capital is underutilized and as such it is crucial corporate operations has the ability to respond to market demand while ensuring available cash reserves do not create a drag on yield efficiency. Typically MIC corporations utilize banking credit lines to provide the necessary flexibility for access to capital while doing so with a reduced cost of capital when compared to investor capital.

QUARTERLY FINANCIAL INFORMATION

	Q4 2015 December 31	Q3 2015 September 30	Q2 2015 June 30	Q1 2015 March 31	Q4 2014 December 31	Q3 2014 September 30	Q2 2014 June 30	Q1 2014 March 30
Total Revenue	$865,902	$923,307	$900,480	$901,163	$912,144	$874,871	$828,352	$884,736
Total Comprehensive Income	$328,378	$508,469	$472,230	$533,639	$563,087	$490,634	$437,212	$395,202
Total Assets	$26,424,234	$25,591,299	$25,988,620	$26,246,912	$25,612,404	$22,503,612	$21,839,388	$21,531,051
Total Non-Current Assets	0	0	0	0	0	0	0	0
Total Liabilities	$10,093,019	$8,516,665	$9,203,674	$9,589,758	$9,144,450	$6,093,580	$2,150,653	$1,960,467
Total Long-Term Liabilities	0	0	0	0	0	0	0	0
Shareholders' Equity	$16,331,215	$17,074,634	$16,784,946	$16,657,154	$16,467,954	$16,410,032	$19,688,735	$19,570,584
Shares Outstanding	1,662,759	1,740,086	1,722,193	1,722,193	1,722,193	1,739,383	2,105,305	2,095,305
Shareholders' Equity per share	$9.82	$9.81	$9.75	$9.67	$9.56	$9.43	$9.35	$9.34
Basic and fully diluted earnings per share	$.19	$.29	$.27	$.31	$.33	$.26	$.21	$.19
Cash Dividends Declared	$332,551	$338,631	$344,438	$344,439	$344,439	$347,966	$419,061	$419,061
Cash Dividends Declared per Class A Share	$.20	$.20	$.20	$.20	$.20	$.20	$.20	$.20

OPERATING RESULTS FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2015

At December 31, 2015 the Corporation's total value of the mortgage portfolio was $25.0 million. This was up by $388,500 from December 31, 2014.

At December 31, 2015, we had 58 mortgages outstanding with an average balance of $431,000. This was down by 16 mortgages from December 31, 2014 at which time the average mortgage balance was $332,500.

Revenue

Mortgage revenue for the three months ended December 31, 2015 was $866,000. This was down from the $912,000 generated in the fourth quarter of 2014. The 2015 revenue consisted of $699,000 in interest and $167,000 in lender fees charged to borrowers.

For the year ended December 31, 2015 mortgage revenue was $3.6 million up from $3.5 million in 2014. The current year's revenue consisted of $2.8 million in interest and $.8 million in mortgage fees.

Expenses

Interest on the operating line for the three months ended December 31, 2015 was $96,000. This was up by $18,000 from December 31, 2014.

For the year ending December 31, 2015, interest on the operating line was $398,500. This was up from $162,000 for the year ending December 31, 2014. The increase in interest was due to the reduction of share capital and the increase in the utilization of bank financing.

Year to date Expenses of $1,100,000 are down by $58,000 from 2014. The reduction was due to a reduction in staff from 2014 as well as a reduction in Professional fees.

Professional fees for the year ended December 31, 2015 were $99,000. This represented a reduction of $54,000 from the year ended December 31, 2014. The reduction is due in large part to additional charges in 2014 which related to a Hays Group salary survey as well as additional audit charges due to the Corporation's conversion to IFRS.

INVESTMENT PORTFOLIO

The Corporation's portfolio of mortgage investments is made up of investments in Residential and Commercial properties. The majority of the investments are in Saskatchewan.

The following tables illustrate the Corporation's net mortgage investments allocated by Security Position, Region and Interest Rate:

INVESTMENT PORTFOLIO (continued)

i) Security Position

	December 31, 2015		December 31, 2014	
	# of Net Mortgage Investments	**% of Net Mortgage Investments**	**# of Net Mortgage Investments**	**% of Net Mortgage Investments**
Residential - First Mortgages	42	54.8%	54	57.5%
Residential - Non-First mortgages	9	15.6%	14	15.5%
Commercial - First Mortgages	5	19.2%	4	17.5%
Commercial – Non-First Mortgages	2	10.4%	2	9.5%
	58	**100.0%**	**74**	**100.0%**

ii) Region

	December 31, 2015		December 31, 2014	
	# of Net Mortgage Investments	**% of Net Mortgage Investments**	**# of Net Mortgage Investments**	**% of Net Mortgage Investments**
Saskatchewan	54	93.2%	69	94.0%
Alberta	1	4.6%	1	3.5%
Manitoba	3	2.2%	4	2.5%
	58	**100%**	**74**	**100.0%**

INVESTMENT PORTFOLIO (continued)

iii) Interest Rate

Distribution of mortgages:

Effective interest rates	Number of mortgages	December 31 2015 Amortized cost and fair value	Number of mortgages	December 31 2014 Amortized cost and fair value
3 – 4%	**1**	**296,653**	1	295,668
5 – 6%	**1**	**1,174,038**	-	-
6 – 7%	**1**	**300,373**	1	283,260
7 – 8%	**-**	**-**	2	475,198
8 – 9%	**6**	**2,082,584**	5	2,021,680
9 – 10%	**4**	**1,512,126**	3	1,165,578
10 – 11%	**6**	**6,648,386**	6	4,207,944
11 – 12%	**5**	**2,569,362**	9	5,469,694
12 – 13%	**26**	**5,960,782**	38	7,049,493
13 – 14%	**8**	**4,668,685**	9	3,734,276
Allowance for mortgage losses		**(219,363)**		(97,711)
	58	**24,993,626**	74	24,605,080

CAPITAL MANAGEMENT

The Corporation 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 Corporation 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 Corporation considers the capital structure to consist of debt and shareholders' equity. The Corporation considers debt to include bank indebtedness, demand loans and long-term debt, including current portion (if any). The Corporation monitors capital using the following measures:

	December 31, 2015 $	December 31, 2014 $
Demand loan (credit facility)	9,495,347	8,642,384
Trade and other payables	308,022	128,062
Unearned revenue	289,650	374,004
Total debt	**10,093,019**	**9,144,450**
Shareholders' equity	16,331,215	16,467,954
Total capitalization	**16,331,215**	**16,467,954**

CAPITAL MANAGEMENT (continued)

	December 31, 2015	December 31, 2014
Debt to total capitalization (%)	61.8%	55.5%
Net interest and fees income after provision for mortgage losses	2,949,931	3,051,610
Net interest margin	82.2%	87.2%
Dividend payout ratio	73.8%	81.1%
Net available cash as a % of shareholders' equity	6.1%	6.8%
Net debt to increase in shareholders' equity from operations	5	5
Effective interest rate	11.5%	11.8%
Average portfolio yield	13.9%	16.2%
Turnover ratio	22.5%	42.2%

The Corporation 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 Corporation may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and issue new debt to replace existing debt.

DIVIDEND DISTRIBUTIONS

The Corporation's policy is to distribute dividends to its shareholders from profit available within the Corporation on a quarterly basis.

On November 19, 2015, based on the available income for the fourth quarter, the Board of Directors declared a dividend of $0.20 per Share to Shareholders of record on November 15, 2015. This distribution was calculated to provide a cumulative 8% return for the year, with the dividend distribution being recorded within the Corporation's financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Management reviews the mortgage portfolio continuously. An allowance for mortgage loan losses is established consisting of specific provisions that, in management's judgment, is adequate to absorb all credit related losses in the portfolio. Specific provisions include all of the accumulated provisions for losses on particular assets required to reduce the related assets to estimated realizable value. The Corporation regularly establishes provisions for each mortgage receivable, if applicable.

Management reviews each individual property mortgage on a monthly basis to determine shifting risks due to both changing specific client circumstances as well as general overall market conditions. The latter may include more specific situations relative to changes in business and industry.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Adjustments to provisions for loan losses are targeted to maintain capital provisioning in a range very closely relating to realizable security asset balances for each secured mortgage property.

Adjustments to accrued interest for each mortgage security asset are calculated on the daily balance of each mortgage asset to reflect accurate oversight and provisioning by Management and the Board. This method of provisioning ensures interest revenues on specific mortgages at risk of default are provisioned in a very timely manner and eliminates unnecessary swings in provision adjustments thereby allowing more consistent reporting of revenue and potential losses.

Capital and interest provisions are reported in quarterly company financial information reported both on SEDAR and the company web-site as required by Security Regulations.

The fourth quarter provision for loan losses of $118,108 was a result of mortgage interest calculated on delinquent accounts in the amount of $72,108 with additional specific provisions of $46,000. The year to date provision of $219,363 is based on mortgage interest calculated on delinquent accounts in the amount of $173,363 and additional specific provisions of $46,000. Management believe this provision is sufficient to offset any potential loan losses based on analysis of historical bad debts and current analysis of the real estate market.

The Corporation maintains a very active oversight and management of all Foreclosed properties. Typically the Corporation may have in the range of 5% to 10% of its total portfolio in this asset class. Asset recovery can become a very protracted process and adds both expense and complexity to each specific situation. Key to safeguarding asset capital recovery is maintaining business relationships and partnerships established to ensure this high value recovery is successful.

To date management has been highly successful in asset recovery limiting loss provisions to uncollected interest on defaulted mortgage assets and containing capital loan losses within a range below the industry average.

OFF-BALANCE SHEET TRANSACTIONS

The Corporation’s business constitutes of advancing funds secured by real estate mortgage and the administration and collection of principle and interest under these mortgages. The Corporation does not have any off-balance sheet transactions with the exception of the lease agreement for its premises. The future lease commitments expire May 31, 2018.

RELATED PARTY TRANSACTIONS

The Corporation is managed by the Chief Executive Officer, the Acting Chief Financial Officer and the administration of business activities is handled by employees. The Board of Directors oversee and provide direction to the management.

FINANCIAL INSTRUMENTS

The financial instruments involve the Corporation's credit facility and the mortgages receivable.

The authorized limit of the credit facility is the lesser of the margin calculation and $15,000,000. It bears interest at the rate of prime interest plus 1.5%. The credit facility is secured by a general security agreement over the assets of the Corporation. As at December 31, 2015, $9,495,347 of the credit facility was being utilized. The credit facility is utilized to reduce the impact of portfolio turnover and to assist in the cash management of the Corporation.

CRITICAL ACCOUNTING ESTIMATES

The assessment for impairment to identify losses within the mortgage portfolio is a critical aspect of Management's function. In order to identify losses that may have occurred but which have not been identified, the Corporation groups its mortgage investments within similar risk characteristics. All mortgages are assessed individually for impairment.

In addition to individual assessment the mortgages are collectively assessed. Based on amounts determined from the analysis, Management uses its judgement to determine whether or not actual future losses are expected to exceed or be less than the amounts calculated.

As of December 31, 2015 the Corporation had an impairment allowance of $219,363.00.

MANAGEMENT/CONTROL/PROCEDURES

Management is responsible for the information contained within this MD&A and to ensure that both the internal and external information that is disclosed by the Corporation is correct and materially complete.

The Board of Directors provide an oversight role, and the Audit Committee assists in the provision and review of financial information contained with the MD&A and the financial statements for the year ended December 31, 2015.

The Corporation has internal controls respecting its financial reporting which are adhered to in order to ensure reliable financial reporting and that the financial statements prepared for external purposes are in accordance with IFRS. An assessment of these controls is made on an ongoing basis, including a risk evaluation and testing of any key processes, with a view to providing reasonable assurance that the controls are effective.

MARKET OUTLOOK

The following comments are qualified in their entirety by the Notice Regarding Forward-Looking Information at the beginning of this MD & A as well as by the information section entitled Corporate Risks in the section following these comments.

While the Corporation conducts its business in the Western Provinces of Saskatchewan, Manitoba and Alberta our primary market for residential and commercial mortgages continues to be Saskatchewan. The primary geographic distribution of mortgage loans continues in Saskatoon and Regina being the principal large centers with secondary emphasis on larger secondary cities, such as Swift Current, Moose Jaw, Weyburn, Yorkton, Prince Albert, North Battleford, Kindersley, and Lloydminster. With a softening of the economy Investors in the Corporation may no doubt have concerns relative to the real estate market in general and early signs of slower growth and development in various industry sectors, appears to exist which could negatively impact the overall real estate

MARKET OUTLOOK (continued)

markets. Pull back in the real estate market could have a potential impact on companies in this industry affecting their ability to continue generating profits and pay dividends to their investors in the future. We continue to be confident that the sector niche of the market which the Corporation operates within will continue to provide solid business growth and profits for our investors. The Corporation is well positioned to manage our mortgage portfolio in a manner to provide an excellent product and service to the industry while continuing to provide very attractive corporate returns and dividends to our shareholders.

We consider and establish a number of strategies to limit market risks due to changes in the overall economy and or specific sectors of the economy which may impact our business model and our resulting mortgage portfolio. We maintain prudent lending practices within the guidelines established for Mortgage Investment Corporation's ("MIC") by Government Regulations. MIC's are allowed to lend to an initial maximum Loan To Value ("LTV") of up to 95% of the appraised value of property being mortgaged and we have internal guidelines established to utilize a lower threshold of 85% LTV to provide a more solid underlying security value for our mortgage loans and as such improved investment value for our shareholders. We follow an internal process of establishing specific individual allowances for all mortgages to ensure our payment practice of quarterly dividends is reflected in the most accurate fashion for our shareholders while ensuring earnings, which are negatively impacted by doubtful accounts, are a consistent reflection of the company's operations. Additionally, while MIC's are allowed to enter into mortgages with initial terms of up to 2 years in duration, we continue to concentrate on shorter term maturities to facilitate more immediate cash flow issues while working to convert investment assets to cash to provide the most efficient use of shareholder capital to grow investment returns.

CORPORATE RISKS

Risks as a mortgage lender in the Western Canadian market, with the main emphasis in Saskatchewan, include volatility in the real estate property market, which could be driven by changes in the resource industry. Slower growth or reversals in the development operations in these sectors as well as the related service industries represent an important component of business growth opportunities for our mortgage lending business. Some state of flux is important to ensure there are opportunities for a short term lending business like ours, however we do mitigate the risks associated with that same uncertainty by developing strategies of mortgage laddering of our investment portfolio as well as developing diversity to the extent possible by geographic community locations for both our residential and commercial mortgage loans. Additionally, mortgage maturity terms are designed to provide the diversity in maturities and cash flow redeployment to maximize profitability returns and current market terms.

Uncertainty for our mortgage clients' employment may lead to challenges both for cash flow and profitability, however we have been successful in structuring pricing and maturity terms to mitigate these risks to ensure consistent returns to our investors. Our record of consistent dividend payments for the past 10 years shows this consistency, while we have been additionally successful in building equity reserves without negatively impacting our investor returns.

Industry volatility and the associated employment instability that may result from it, presents equity bridge financing opportunities which fit with our business model to provide solid business opportunities during periods of economic flux. We mitigate risks associated with both residential and commercial property with underwriting policies ensuring an acceptable level of client equity for mortgage loans, and additionally targeting specific real estate market tiers for loans which represent the lower end of the real estate risk spectrum. Loans in the residential market are targeted in the average home buyer range, which ensures the most beneficial circumstances for property resale, should this outcome be necessary for the borrower.

CORPORATE RISKS (continued)

Additional risks do exist which are typical for all business operations conducted in the mortgage lending business generally. These risks include Government legislative changes, National Interest Rate environment, mortgage backed security loans, competition activities, potential environmental issues mainly with commercial loans, borrower solvency, and other factors as outlined in previous sections of our information document.

ADDITIONAL INFORMATION

PrimeWest Mortgage Investment Corporation, as a reporting issuer, files all material documents and information on Sedar. This additional information may be viewed at www.sedar.com and on our website at www.primewest.ca.