PrimeWest

Mortgage Investment Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2018

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 26, 2019. It should be read in conjunction with the Corporation's audited financial statements and accompanying notes for the 12 months ended December 31, 2018. 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 307 Jessop Ave., Saskatoon, Saskatchewan S7N 1Y5 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. The Corporation's Class A shares ("**Shares"**) trade on the Canadian Securities Exchange under the symbol PRI.

PrimeWest commenced operations in October 2005 as a mortgage investment corporation (**"MIC"**) for the purpose of the *Income Tax Act* (Canada) (the **"Tax Act"**). As a MIC, provided that certain criteria is met, PrimeWest is not subject to income tax provided that all taxable income is distributed to shareholders. The distribution must be made within 90 days of our December 31st year end.

Business Status and Overview (continued)

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. It is the practice of the Corporation to utilize brokers (**"Brokers"**) registered pursuant to the provisions of *The Mortgage Brokers Act* (Saskatchewan), to seek out borrowers and submit mortgage applications to the Corporation. See "Business with Brokers". Due to the non-performing status of many of the Corporation's mortgages and the current state of the Saskatchewan real estate market new mortgages are not actively being pursued.

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 mortgage receivables continue to adjust as real estate prices decline due to the downturn in the economy.

At year end the Corporation held nine mortgages in various stages of the foreclosure process. Properties of four mortgages are currently listed for judicial sale while the property of one additional mortgage is expected to be listed for Judicial sale within the next three months.

The Corporation continues to seek options to manage two large loans which exist within the mortgage portfolio. The Corporation is not in priority position and payments are in arrears. The delay in realization of the mortgages coupled with the continuing soft market resulted in the Corporation increasing Loan Loss Provisions on these mortgages to the full extent of the loans in the prior year. The Board and Management continue to take strides in an attempt to mitigate the losses of the Corporation and thereby improve the financial condition of the Corporation.

All dividends and/or redemptions continue to be suspended.

At December 31, 2018 the Corporation invested $4,124,730 in 21 (December 31, 2017– $5,719,891 in 27) mortgages bearing interest at fixed rates from 5.0% to 13.0% (2017 – 5.0% to 13.0%) with maturities ranging from January 2019 to November 2021, secured by real property to which they relate and by additional security in certain circumstances.

In October 2017 the Corporation filed a Statement of Claim with the court of Queen's Bench for Saskatchewan against Donald Zealand, the former President and Chief Executive Officer of PrimeWest. PrimeWest's claim against Mr. Zealand is for breach of corporate policy, gross negligence, and breach of fiduciary duty while acting as President and CEO. Mr. Zealand denies all allegations made as against him and pleads counter claim for damages for wrongful dismissal. PrimeWest solicitors have filed a defence to the counter claim and the action is progressing.

In June 2018 Randy Koroluk commenced a class action lawsuit in the Court of Queen's Bench for Saskatchewan 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. To the best of the Corporation's knowledge, the legal action has not been served on all of the named defendants. 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.

On July 13, 2018 the Corporation was served with two Statements of Claim, one commenced by Debbie Gloria Burwash and one commenced by Granite Enterprises Inc. In each Statement of Claim, the plaintiffs seek rescission of its shares or damages in lieu of rescission for the capital raise conducted by the Corporation in May 2016. PrimeWest solicitors have prepared and filed a defence to the claims.

OPERATIONS (continued)

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 above can be made.

A significant concentration of assets held pertain to one condo building in which the Corporation holds title to 13 units. In 2017 the Corporation acquired title to 16 condo units and began to market them. While 3 units sold in 2017, there were no additional sales in 2018. New marketing strategies are showing increased interest in this property. In addition a Forbearance Agreement was negotiated at the time of title transfer. Payment on the Forbearance has not materialized and the Corporation must now go through the Judgement process to collect. Additional provisions have been accrued against the asset to reflect the uncertain timing of the collection.

Management and the Board of Directors continue to reduce overhead costs. The decrease in the estimated fair value of the loan portfolio, assets taken in settlement of debt and the reduced level of income generating assets may cast significant doubt on the Corporation's ability to sustain operations for the upcoming year. While the Corporation is using its best efforts to achieve its business plans by examining various financing alternatives and sales of assets taken in settlement of debt, in the current economic conditions it is difficult to predict the outcome of these plans.

At 2018 year end financial results reflect a reduction in shareholders equity to $3.93 per share.

YEAR END FINANCIAL INFORMATION

	2018 December 31	2017 December 31	2016 December 31
Total Revenue (*)	$683,773	$1,501,513	$2,632,784
Total Comprehensive Loss	($1,779,157)	($3,077,888)	($2,601,558)
Total Comprehensive Loss per share	($0.94)	($1.63)	($1.43)
Total Assets	$9,260,093	$12,202,127	$17,848,686
Total Liabilities	$1,839,437	$2,998,485	$5,567,156

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

OPERATIONS (continued)

QUARTERLY FINANCIAL INFORMATION

	Q4 2018 December 31	Q3 2018 September 30	Q2 2018 June 30	Q1 2018 March 31	Q4 2017 December 31	Q3 2017 September 30	Q2 2017 June 30	Q1 2017 March 31
Total Revenue (*)	$144,109	$179,158	$183,414	$177,092	$246,849	$336,557	$460,696	$457,411
Total Comprehensive (Loss) Income	($1,176,673)	($291,969)	($68,603)	($241,912)	($2,858,656)	($39,659)	($257,062)	$77,489
Total Assets	$9,260,093	$11,652,437	$12,320,427	$12,709,467	$12,202,127	$15,589,230	$14,473,441	$16,707,632
Total Liabilities	$1,839,437	$3,051,279	$3,427,300	$3,747,737	$2,998,485	$3,526,932	$2,371,484	$4,348,613
Shareholders' Equity	$7,420,656	$8,601,158	$8,893,127	$8,961,730	$9,203,642	$12,062,298	$12,101,957	$12,359,019
Shares Outstanding	1,888,374	1,890,729	1,890,729	1,890,729	1,890,729	1,890,729	1,890,729	1,890,729
Shareholders' Equity per share	$3.93	$4.55	$4.70	$4.74	$4.87	$6.38	$6.40	$6.54
Cash Dividends Declared	0	0	0	0	0	0	0	0
Cash Dividends Declared per Class A Share	0	0	0	0	0	0	0	0

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

INVESTMENT OBJECTIVES

The principal investment objective of the Corporation is to provide shareholders income while preserving capital for distribution or reinvestment. The Corporations objective is 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.

PrimeWest's investment practices are subject to certain operating, lending and other restrictions adopted by the Corporation's board of directors. Under 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.

Notwithstanding the irregular and unilateral actions of a former CEO, the Corporation strives at all times to observe 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.

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;

(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

INVESTMENT POLICIES (continued)

(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 required 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 Corporation's Credit Committee is comprised of at least two members chosen from amongst the members of the Board. 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's established investment criteria 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;
(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.

OPERATING RESULTS FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2018

Total comprehensive loss for the year ended December 31, 2018 was ($1,779,157) compared to the total comprehensive loss of ($3,077,888) for the year ended December 31, 2017.

For the three months ended December 31, 2018 the total comprehensive loss was ($1,176,673). The total comprehensive loss for the three months ended December 31, 2017 was ($2,858,656).

At December 31, 2018 the Corporation had 21 mortgages outstanding with an average balance of $196,415. This was down by 6 mortgages from December 31, 2017 at which time the average mortgage balance was $211,848. The change in the number of mortgages included 1 new mortgage being funded, 5 mortgages being paid out and 2 mortgages paying out through the judicial sale process.

The increased loss was a result of additional provisions accrued against the assets taken in settlement of debt as well as provisions accrued for mortgage losses. The real estate market continues to be soft resulting in increased days on market, increased carrying costs and reductions to selling prices. Additional provisions are being accrued against the assets taken in settlement of debt to reflect the current real estate market and the length of time which may be required to sell the assets. Legal costs related to foreclosure proceedings exceeded $102,000 for the year ended December 31, 2018 compared to in excess of $186,000 for the year ended December 31, 2017.

Revenue

Mortgage revenue for the three months ended December 31, 2018 was $144,109. This represents a decrease from the $246,849 generated in the three months ended December 31, 2017. The 2018 mortgage revenue was $683,773 compared to the 2017 mortgage revenue of $1,501,513.

Revenue reduction is a result of the decrease in the number of mortgages currently held. At December 31, 2018 the Corporation had 21 mortgages outstanding while at December 31, 2017 the Corporation had 27 mortgages outstanding.

Expenses

Interest expense for the three months ended December 31, 2018 was $39,736 compared to $45,722 for the three months ended December 31, 2017. The 2018 year-to-date interest expense was $185,030 compared to the 2017 year-to-date interest expense of $237,597. 2018 saw a reduction in the utilization of the operating line as property sales occurred and mortgages paid out.

Office and administration expense for the three months ended December 31, 2018 was $12,006 compared to the three months ended December 31, 2017 of $17,223. Office and administration expense for the year ended December 31, 2018 was $66,705 compared to the year ended December 31, 2017 of $63,084. A portion of the 2018 increased expense was a result of office relocation costs to a smaller location. Rent for the three months ended December 31, 2018 was $4,410 compared to the three months ended December 31, 2017 of $9,212. Rent for the year ended December 31, 2018 was $26,012 compared to $40,104 for the year ended December 31, 2017.

Contracted services expense for the three months ended December 31, 2018 was $4,151 compared to $5,507 for the three months ended December 31, 2017. The contracted services expense was $16,876 for the year ended December 31, 2018 compared to $22,364 for the year ended December 31, 2017.

Insurance expense for the three months ended December 31, 2018 was $6,067 compared to $3,880 for the three months ended December 31, 2017. The insurance expense for the year ended December 31, 2018 was $26,232 compared to $16,285 for the year ended December 31, 2017. The increase in 2018 was a result of premium increases to both the Director’s error and omission insurance as well as the Blanket Property liability insurance.

OPERATING RESULTS FOR THE QUARTER AND YEAR ENDED DECEMBER 31 (continued)

Professional fees for the three months ended December 31, 2018 were $10,294 compared to fees of $20,160 for the three months ended December 31, 2017. The professional fees for the year ended December 31, 2018 were $157,889 compared to fees of $138,268 for the year ended December 31, 2018. Increased legal fees relate to fees paid with respect to litigation against the past President and CEO, and the defence of legal claims initiated by shareholders. The Corporation paid defence costs up to the deductible of $25,000 under the Directors & Officers Insurance policy. An additional $19,900 in defence costs were paid by the Corporation's Insurance Provider. All future defence costs up to limits in accordance with the policy will be paid by the Insurance Provider.

Wages and benefits expense was $44,953 for the three months ended December 31, 2018 compared to $50,685 for the three months ended December 31, 2017. The wages and benefits expense for the year ended December 31, 2018 was $200,630 compared to $244,868 for the year ended December 31, 2017. The decrease was due to a reduction in staff and a realignment of responsibilities.

A resolution was passed by the Board of Directors to reduce Directors Fees by 25% commencing January 2019.

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 portfolio of mortgage investments allocated by Security Position, Region and Interest Rate before the allowance for mortgage losses of $7,970,557 (2017 - $7,643,837):

i) Security Position by Number of Mortgages

	December 31, 2018	**December 31, 2017**
	No. of Mortgages	**No. of Mortgages**
Residential - First Mortgages	**7**	14
Residential - Non-First mortgages	**7**	5
Commercial - First Mortgages	**5**	6
Commercial – Non-First Mortgages	**2**	2
Total Number of Mortgages	**21**	27

INVESTMENT PORTFOLIO (continued)

ii) Security Position by % of Mortgage Investments ($)

	December 31, 2018 % of Mortgage Investments ($)	December 31, 2017 % of Mortgage Investments ($)
Residential - First Mortgages	**18.0%**	31.5%
Residential - Non-First mortgages	**3.1%**	1.2%
Commercial - First Mortgages	**44.9%**	39.5%
Commercial – Non-First Mortgages	**34.0%**	27.8%
Total	**100.0%**	100.0%

iii) Region

	December 31, 2018 % of Mortgage Investments ($)	December 31, 2017 % of Mortgage Investments ($)
Saskatchewan	**81.4%**	84.7%
Alberta	**18.1%**	14.9%
Manitoba	**.5%**	.4%
Total	**100.0%**	100.0%

INVESTMENT PORTFOLIO (continued)

iv) Interest Rate

Distribution of mortgages:

Effective interest rates	Number of mortgages	December 31 2018 Amortized cost and fair value	Number of mortgages	December 31 2017 Amortized cost and fair value
4 – 5%	**1**	**74,295**	1	75,753
8 – 9%	**1**	**12,323**	3	137,680
9 – 10%	**10**	**7,430,191**	11	7,393,170
10 – 11%	**3**	**3,483,829**	3	3,355,392
11 – 12%	**1**	**153,979**	1	154,653
12 – 13%	**5**	**921,827**	8	2,218,310
Sub Total	**21**	**12,076,444**	27	13,334,958
Add: Accrued interest receivable		**18,843**		28,770
Less: Allowance for mortgage losses		**(7,970,557)**		(7,643,837)
Total	**21**	**4,124,730**	27	5,719,891

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 Company may occasionally need to increase these levels to facilitate acquisition or expansion activities, however there are no established quantitative returns on capital requirements for management. The Company considers the capital structure to consist of debt and shareholders' equity. The Company considers debt to include bank indebtedness, demand loans and due to related parties.

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

CAPITAL MANAGEMENT (continued)

	December 31, 2018	December 31, 2017
Total Assets	$9,260,093	$12,202,127
Total Debt	$1,839,437	$2,998,485
Shareholders' Equity	$7,420,656	$9,203,642
Total Liabilities and Shareholders' Equity	$9,260,093	$12,202,127
Debt to total capitalization (%)	19.9%	24.6%

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 Board of Directors suspended all dividends and/or redemptions until further notice.

LIQUIDITY AND CAPITAL RESOURCES

Management reviews the mortgage portfolio continuously with the best information available at the time. An allowance for mortgage loan losses is established consisting of expected credit losses on defaulted mortgages that, in management's judgment, is adequate to absorb all credit related losses in the portfolio. Expected credit losses 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.

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.

The length of time required to realize on a security increases the allowances required.

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.

LIQUIDITY AND CAPITAL RESOURCES (continued)

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

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

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

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

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

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

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

For additional disclosure see Note 13 of the audited financial statements for the year ending December 31, 2018.

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 which expires May 31, 2019.

RELATED PARTY TRANSACTIONS

The Corporation is managed by the Interim Chief Executive Officer and Chief Financial Officer and the administration of business activities is handled by employees. The Board of Directors oversee and provide direction to management (See Note 11 of the audited financial statements for the year ending December 31, 2018).

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 $7,500,000. (December 31, 2017 - $7,500,000). It bears interest at the rate of prime interest plus 2.0% (December 31, 2017 – prime plus 1.5%). The credit facility is secured by a general security agreement over the assets of the Corporation.

As at December 31, 2018, the maximum margin available was $4,434,500 of which $1,753,546 was utilized.

The annual review of the credit agreement completed in June 2018 reflected an increase to the interest rate to prime plus 2.0% from prime plus 1.5%.

CRITICAL ACCOUNTING ESTIMATES

The Company adopted IFRS 9 Financial Instruments issued in July 2014 effective January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 has resulted in changes in accounting policies related to the classification, measurement and impairment of financial assets, which are primarily comprised of mortgages. There are no significant changes in accounting policies for financial liabilities, derivative instruments and derecognition of financial assets and liabilities. Changes in presentation and disclosures are reflected in the audited financial statements for the year ending December 31, 2018.

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

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

Impairment

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

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

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

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

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

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

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

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

For mortgages not subject to a specific allowance assessment, mortgages were then assessed collectively to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective provision took account of data from the loan portfolio and based on analysis of historical data, such as credit quality, levels of arrears, historical performance and economic outlook. Collective allowances also considered current economic conditions.

At December 31, 2018 the Corporation had expected credit losses of $7,970,557 compared with an allowance for credit losses of $7,643,837 at December 31, 2017. Approximately 83% of the expected credit losses at December 31, 2018 can be attributed to 3 Commercial mortgages representing $6,607,496 in losses.

Presentation of Allowance for ECL

Mortgages receivable are presented on a net basis, where the loss allowances for ECL are deducted from the gross carrying amount of the assets (See Note 6 of the audited financial statements for the year ending December 31, 2018).

Write-offs

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

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, 2018.

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.

MARKET OUTLOOK & CORPORATE RISKS

The following comments are qualified in their entirety by the Notice Regarding Forward-Looking Information at the beginning of this MD & A.

The market for residential and commercial mortgages continues to be in Saskatchewan with one outstanding mortgage in Alberta and one in Manitoba. With a slowdown in the economy Investors in the Corporation may have concerns relative to the real estate market in general and the potential impact on companies in this industry affecting their ability to generate profit for their investors.

The Corporation follows 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.
Risks as a mortgage lender in the Saskatchewan market, include volatility in the real estate property market, which could be driven by changes in the resource industry.

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.

CAPITALIZATION

The Corporation has 1,888,374 Issued and Outstanding Class A Common Shares (See Note 9 of the audited financial statements for the year ending December 31, 2018.)

ADDITIONAL INFORMATION
Prime West 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, on the Canadian Securities Exchange at www.thecse.com under the symbol PRI and on our website at www.primewest.ca.