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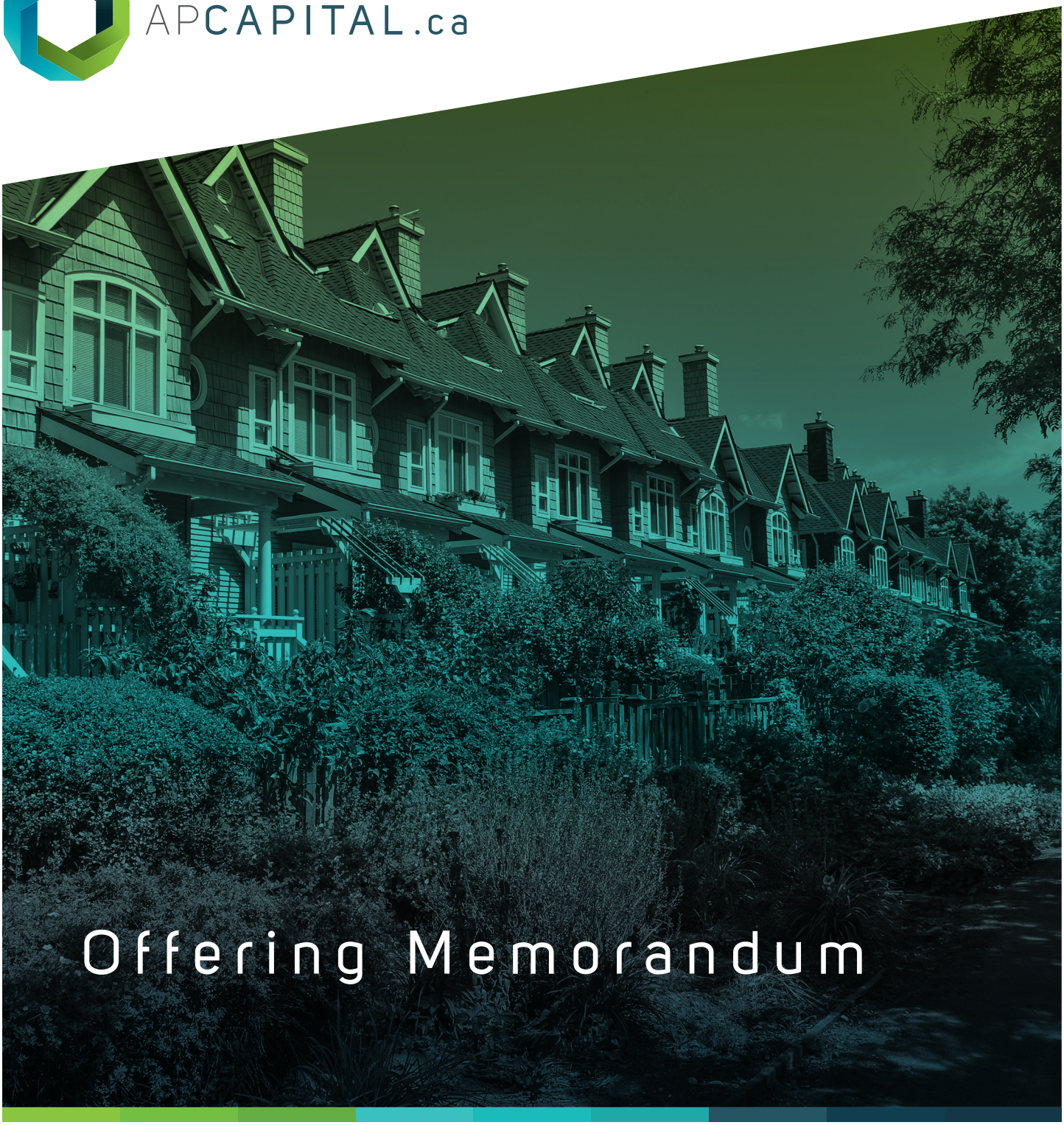

Offering Memorandum

APMIC

FORM 45-106F2
OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

OFFERING OF CLASS B NON-VOTING COMMON SHARES AND CLASS F NON-VOTING COMMON SHARES

Date:	April 29, 2020
The Issuer	
Name:	**AP Capital Mortgage Investment Corporation** (the "**Corporation**")
Head office:	Address: 555 Burrard Street, Suite 1795, Vancouver BC V7X 1M9 Telephone: (778) 328-7401 E-mail: investor@apcapital.ca Fax: (604) 608-9070
Currently listed or quoted?	No. **These securities do not trade on any exchange or market.**
Reporting Issuer?	No.
SEDAR filer?	Yes.
The Offering	
Securities offered:	Class B Non-Voting Common Shares (each, a "**Class B Share**") and Class F Non-Voting Common Shares (each, a "**Class F Share**").
Price per security:	$100 per Class B Share. $100 per Class F Share.
Minimum/Maximum offering:	**There is no Minimum Offering. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives**. There is no Maximum Offering.
Minimum subscription amount:	Except as otherwise permitted by the Corporation, investors must subscribe for a minimum of 100 Class B Shares ($10,000) or 100 Class F Shares ($10,000).
Payment terms:	A certified cheque or bank draft drawn on a Canadian chartered bank on closing made payable to "AP Capital Mortgage Investment Corporation". See Item 5.2 - "Subscription Procedure".
Proposed Closing Date:	This is a continuous offering. Closings are expected to occur on the first day of each month (or the next business day should such day be a day that is not a business day) or on such other dates determined by the Corporation in its sole discretion.
Income tax consequences:	There are important tax consequences to these securities. See Item 6 "Income Tax Consequences and RRSP Eligibility".
Selling Agent:	The Corporation may pay sales fees to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in an amount up to 5% of the subscription monies obtained by such persons in connection with the sale of Class B Shares, payable at the time of investment. In addition, the Corporation may pay up to 1% to such persons annually as a trailing commission. See Item 7 "Compensation Paid to Sellers and Finders".

Resale Restrictions

You will be restricted from selling your securities for an indefinite period. See Item 10 "Resale Restrictions". However, Class B Shares and Class F Shares are redeemable in certain circumstances. See Item 5.1 "Terms of Securities".

Purchaser's rights

You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 "Purchaser's Rights".

No securities regulatory authority has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8 "Risk Factors".

This offering is being made pursuant to exemptions from the prospectus and, where permitted, registration requirements of applicable securities legislation in Canada. Subscriptions will be received if, as and when accepted, subject to prior sale and satisfaction of the conditions set forth under Item 5.2 "Subscription Procedure" and to the right of the Corporation to close the offering at any time without notice. Closings will be held from time to time as determined by the Corporation. See Item 5.2 "Subscription Procedure".

No action has been or will be taken to permit a public offering of the Class B Shares or the Class F Shares in any jurisdiction where action would be required to be taken for such purpose. Accordingly, the distribution or circulation of this Offering Memorandum and the offering and sale of the Class B Shares and/or the Class F Shares may be restricted by law in certain jurisdictions. This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Persons into whose possession this Offering Memorandum may come are directed to inform themselves of and observe such restrictions and all legal requirements of their respective jurisdictions of residence in respect of the acquisition, holding and disposition of the Class B Shares and/or the Class F Shares.

Prospective investors should carefully review this Offering Memorandum and are advised to consult with their own legal, financial, accounting, and tax advisors concerning this investment.

The Class B Shares and the Class F Shares will be issued only on the basis of information contained in this Offering Memorandum (or as expressly incorporated by reference herein), and no other information or representation has been authorized nor may be relied upon as having been authorized by the Corporation. Any subscription for the Class B Shares or the Class F Shares made by any person on the basis of statements or representations not contained in this Offering Memorandum, or inconsistent with the information contained herein, shall be solely at the risk of such person. Neither the delivery of this Offering Memorandum at any time nor any sale of any of the Class B Shares or Class F Shares made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the business and affairs of the Corporation since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

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SCHEDULE "A" – FINANCIAL STATEMENTS

SCHEDULE "B" – SUBSCRIPTION AGREEMENT

SUMMARY

This is a summary of the more detailed information appearing elsewhere in this Offering Memorandum and is qualified by such information. Capitalized terms used in this summary and not defined herein have the meanings given to them in "Definitions".

Offering: Continuous offering of Class B Shares and Class F Shares. There is no maximum offering. There is no minimum offering. This Offering is being made pursuant to exemptions from the prospectus and, where permitted, registration requirements of applicable securities legislation in Canada. See Item 5.2 - "Subscription Procedure".

Price: $100 per Class B Share (minimum subscription of 100 Class B Shares).

$100 per Class F Share (minimum subscription of 100 Class F Shares).

Subscription Procedure: Subscribers may subscribe for Class B Shares or Class F Shares by returning to the Corporation a completed and executed Subscription Agreement, together with payment in the form of a bank draft or certified cheque drawn on a Canadian chartered bank, in the amount of the full subscription price payable to the Corporation. See Item 5.2 "Subscription Procedure".

Closings: Closings are expected to occur on the first day of each month (or the next business day should such day be a day that is not a business day) or on such other dates determined by the Corporation in its sole discretion. The Corporation may terminate the Offering at any time.

The Corporation: The Corporation was incorporated on March 27, 2007 under the laws of the Province of British Columbia under the name "Alta Pacific Mortgage Investment Corp." and, effective December 4, 2015, changed its name to "AP Capital Mortgage Investment Corporation". See Item 2 "Business of AP Capital Mortgage Investment Corporation".

Principal Business: The primary business of the Corporation is to originate and manage, for long term income generation, a portfolio of first and second mortgages or interests in mortgages underwritten on primarily residential properties situated in Canada.

Subject to any restrictions under the Tax Act that are applicable to mortgage investment corporations, the Corporation may make other permitted investments over time. See Item 2 "Business of AP Capital Mortgage Investment Corporation".

Use of Available Funds: The net proceeds of the Offering will be principally used to invest in loans secured by mortgages in accordance with the Corporation's operating policies and investment criteria. See Item 1 "Use of Available Funds", Item 2 "Business of AP Capital Mortgage Investment Corporation", and Item 8 "Risk Factors".

Manager: The Corporation has entered into a management/administration agreement (the "**Management Contract**") with AP Capital MIC Management Corp. (the "**Manager**"), a company incorporated under the laws of the British Columbia, and an affiliate of the Corporation, pursuant to which the Manager will provide administrative services to the Corporation and be responsible for managing and overseeing the Corporation's business and affairs, including day-to-day operations such as managing the Corporation's loan portfolio.

In consideration for the services provided by the Manager to the Corporation pursuant to the Management Contract, the Manager will receive a fee from the Corporation equal to 1.5% per annum of the mortgages under management of the Corporation to be dispersed to the Manager on a monthly basis.

Investors' Rights:	Each Investor has certain statutory or contractual rights of rescission, withdrawal and damages. See Item 11 "Purchaser's Rights".
Directors and Officers of the Corporation:	Ches Hagen — Director and Chief Executive Officer Bradly Unrau — Director Daniel Harold Weiss — Director Roy Wiebe — Director Clint Cornish — Director Steven Paul Rogerson — Director Sander van der Vorm — Director See Item 3 "Directors, Management, Promoters and Principal Holders".
Risk Factors:	The Class B Shares and the Class F Shares offered hereunder must be considered highly speculative. Interested parties should carefully consider the following risk factors: (a) indefinite hold periods for the Class B Shares and Class F Shares and the lack of a market therefor; (b) no guaranteed return on invested funds; (c) no fixed dividend or redemption of the Class B Shares and Class F Shares; (d) availability of funding for the Corporation; (e) reliance on a non-arm's length manager to determine mortgage investments; (f) changes in income tax laws and government incentive programs; (g) cybersecurity; (h) conflicts of interest; and (i) other factors including acts of war, terrorism, natural disasters or pandemics, including the novel coronavirus otherwise known as COVID-19 This Offering is not suitable for investors who cannot afford to assume any significant risks in connection with their investments. See Item 8 "Risk Factors".

DEFINITIONS

The following terms appear throughout this Offering Memorandum. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.

Administration Agreement means the agreement dated January 14, 2019, between the Corporation and QWest Investment Fund Management Ltd (QIFM) whereby QIFM provides the Corporation with a FundSERV code.

BCA means the *Business Corporations Act* (British Columbia) as amended from time to time.

business day means a day other than a Saturday, Sunday or any other day treated as a holiday in the municipality in Canada in which the Corporation's registered office is then located.

Class A Shares means the Class A Voting Non-Participating Common Shares in the capital of the Corporation.

Class B Shares means the Class B Non-Voting Common Shares in the capital of the Corporation.

Class F Shares means the Class F Non-Voting Common Shares in the capital of the Corporation.

Commercial Mortgages means mortgages that are principally secured by land developments or income-producing properties that have retail, commercial, service, office and/or industrial uses.

Closing means one or more closings of this Offering. Closings are expected to occur on the first day of each month (or the next business day should such day be a day that is not a business day) or on such other dates determined by the Corporation in its sole discretion..

First Mortgage means a mortgage having priority over all other security interests registered against the same real property used to secure such mortgage for which the principal amount, at the time of commitment, does not exceed 85% of the appraised value of the underlying real property securing the mortgage as determined by a qualified independent appraiser.

Management Contract to provide means the management/administration agreement dated July 1, 2018, between the Corporation and the Manager in respect of the provision of financial and management services relating to the mortgage investment portfolio of the Corporation.

Manager means AP Capital MIC Management Corp., a British Columbia corporation.

Offering means the continuous offering of Class B Shares or Class F Shares as described herein.

RBC Facility means the credit facility dated March 27, 2019 with the Royal Bank of Canada for an amount of up to $28,000,000.

Residential Mortgages means mortgages that are principally secured by single-family detached homes**.**

Second Mortgage means a second mortgage for which the principal amount, at the time of commitment, together with the principal balance outstanding on any mortgage having priority on the same real property secured by such second mortgage, does not exceed 85% of the appraised value of the underlying real property securing the mortgage as determined by a qualified appraiser.

Subscription Agreement means the agreement between a subscriber and the Corporation whereby a subscriber subscribes for Class B Shares or Class F Shares, as applicable.

Subscription Price means: (i) $100 per Class B Share; and (ii) $100 per Class F Share.

Tax Act means the *Income Tax Act* (Canada), as amended from time to time.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "proposes", "expects", "estimates", "intends", "anticipates" or "believes", or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors including acts of war, terrorism, natural disasters or pandemics or epidemics, such as COVID-19, and the severity and duration thereof, which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results, performance and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Offering Memorandum. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect including, but not limited to: the continued ability to raise capital from the Offering, the ability of the Corporation to continue to operate as a mortgage investment corporation under the Tax Act; the ability of the Corporation to make loans secured by mortgages capable of generating the necessary income to enable the Corporation to achieve its investment objectives, the maintenance of prevailing interest rates at favourable levels, the ability of borrowers to service their obligations under the loans, the ability of the Manager to effectively perform its obligations to the Corporation, anticipated costs and expenses, competition, changes in general economic conditions and changes in tax laws. While the Corporation anticipates that subsequent events and developments may cause its views to change, the Corporation specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this Offering Memorandum. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation. Additional factors are noted under Item 8 "Risk Factors".

DOCUMENTS INCORPORATED BY REFERENCE

The Corporation publishes certain information, available on its website, www.apcapital.ca, which provides an overview of the business and periodic updates of the Corporation's performance, including: (a) Fast Facts; (b) Monthly Reports; and (c) Investment Process and FAQs (the "marketing materials").

Any marketing materials related to the Offering and which are delivered or made reasonably available to a purchaser before the closing of that purchaser's subscription for the Class B Shares and/or the Class F Shares are deemed to be incorporated by reference in this Offering Memorandum.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Funds

The net proceeds of the Offering and the funds available to the Corporation are as follows:

		Assuming Minimum Offering[1]	Assuming Maximum Offering[2]
A.	Amount to be raised by this offering	$ -	$20,000,000
B.	Estimated selling commissions and fees	$ -	$600,000[3]
C.	Estimated offering costs	$75,000[4]	$75,000[4]
D.	Available Fund D = A – (B+C)	($75,000)	$19,325,000
E.	Additional sources of funding required (available): Credit Facility	$26,833,352.27[5]	$26,833,352.27[5]
F.	Working capital deficiency	$ -	$ -
G.	Total: G = (D + E) – F	$26,758,352.27	$46,158,352.27

(1) There is no minimum offering. You may be the only purchaser of Class B Shares or Class F Shares.

(2) There is no maximum offering. The value of "$20,000,000" is used for illustrative purposes only and is based on the Corporation's expected sales of Class B Shares and Class F Shares pursuant to this Offering.

(3) The Corporation may pay sales fees to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in an amount up to 5% of the subscription monies obtained by such persons in connection with the sale of Class B Shares, payable at the time of investment. In addition, the Corporation may pay up to 1% to such persons annually as a trailing commission. The value of $600,000 is an estimate of selling commissions based on management's expectations. To the extent that the Corporation is responsible for the payment of compensation to securities dealers or others, the funds available to the Corporation will be reduced. See Item 7 "Compensation Paid to Sellers and Finders".

(4) Estimated legal, accounting, audit costs and printing and other administrative costs associated with marketing the Class B Shares and the Class F Shares pursuant to this Offering Memorandum.

(5) Balance available under the RBC Facility as at the date of this Offering Memorandum. The balance available depends on the amount of qualifying mortgage loans held, and, as a result, the full amount of the RBC Facility may not be available. See Item 2.3 - "Development of the Business – Credit Facility".

1.2 Use of Available Funds

The Corporation intends to use the net proceeds of the Offering, based on the amounts indicated in Item 1.1, as follows:

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Investment in mortgages and other permitted investments[1]	$26,758,352.27	$46,158,352.27
Total	$26,758,352.27	$46,158,352.27

(1) The Corporation invests available funds primarily in Residential Mortgages as more particularly described under Item 2.2 "Our Business".

Pursuant to the Management Contract, the Manager will receive a fee from the Corporation equal to 1.5% per annum of the mortgages under management of the Corporation, to be paid to the Manager on a monthly basis. The current directors and officers of the Corporation are also directors and officers of the Manager. See Item 2.2 "Our Business – Management Contract", Item 2.7 "Material Agreements" and Item 8 "Risk Factors".

Until specific loans are identified and funded, the available funds will be invested only in securities of, or those guaranteed by, the Government of Canada or any province of Canada, in certificates of deposit or interest-bearing accounts of Canadian chartered banks or trust companies. The available funds will not be commingled with the any funds of the Manager. The Manager will use its best efforts to make suitable investments of the available funds as soon as possible following each Closing.

1.3 Reallocation

The Corporation intends to invest the available funds as stated. The Corporation will reallocate funds only for sound business reasons.

ITEM 2 - BUSINESS OF AP CAPITAL MORTGAGE INVESTMENT CORPORATION

2.1 Structure

The Corporation was incorporated under the BCA on March 27, 2007, under incorporation number BC0786612. Its head office and registered and records office is located at 1795 - 555 Burrard Street, Vancouver BC V7X 1M9. Subsequent to the fiscal year ended June 30, 2016, the Corporation changed its year end from June 30 to December 31. Amounts, if any, presented herein for the period ended December 31, 2016 represent the period from July 1, 2016 to December 1, 2016.

The Manager was incorporated under the BCA on November 18, 2014, under incorporation number BC1019378. Its head office and registered and records office is located at 1795 - 555 Burrard Street, Vancouver BC V7X 1M9.

2.2 Our Business

The Corporation

The Corporation is a mortgage investment corporation. It is in the business of making loans secured by mortgages primarily to home owners of residential real estate located in Alberta and British Columbia. These mortgages will be registered against specific parcels of real estate allowing the Corporation to be secured creditors. Subject to limitations and restrictions applicable to mortgage investment corporations that are contained in the Tax Act, the Corporation may make other permitted investments over time, including the direct ownership of real property (including real property acquired by way of foreclosure under mortgages).

Mortgage Brokerage

The Corporation is registered as a Mortgage Broker with the British Columbia Financial Services Authority (formerly the Financial Institutions Commission) in accordance with the *Mortgage Brokers Act*. The Office of the Registrar of Mortgage Brokers at the British Columbia Financial Services Authority regulates the mortgage brokering and lending activities of mortgage investment corporations or MICs under the *Mortgage Brokers Act*. The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

The Manager and the Management Contract

The Corporation does not have and does not expect to have any employees other than the officers described herein. See Item 3 “Directors, Management, Promoters and Principal Holders”.

The Corporation will be managed by the Manager, which will provide ongoing administrative and management services relating to the Corporation’s business pursuant to the Management Contract. Pursuant to the Management Contract, the Manager must carry out its duties in a conscientious and commercially reasonable manner.

The Manager provides fund management of the Corporation’s fund and oversees the day-to-day mortgage operations and mortgage administrative services. The Manager pays all of its internal costs, expenses and overhead relating to the provision of these services, including office expenses, rent, employee salaries and management financial services fees, with the exception of the monthly costs for the independent advisory board.

All costs relating to the business of the Corporation are payable by the Corporation. Such costs include, without limitation, legal, audit, referral fees, fund raising, as well as travel, marketing, advertising, shareholder meeting and communication costs that relate specifically to the Corporation’s business and its shareholders. The Corporation is also responsible for the monthly costs of independent advisory board members as well as director and officer fees for attending formal meetings of the directors, conference calls and meetings of the committees of the Corporation. The Corporation will be responsible for paying the costs, including legal fees and disbursements, for collecting or

attempting to collect any amounts owing or in arrears on any of its mortgage investments sourced by the Manager, including foreclosure or other court proceedings.

In consideration of the management services provided under the Management Contract, the Manager will receive a fee payable by the Corporation equal to 1.5% per annum of the mortgages under management of the Corporation to be paid to the Manager on a monthly basis.

The Management Contract provides the right for the Manager, or its principals or affiliates, to purchase with their own funds and own as co-lenders, percentage interests in mortgage loans. The Manager may also sell undivided percentage interests in mortgage loans to other co-lenders. See Item 8 "Risk Factors". The Management Contract provides that the Manager may, charge lender fees, broker fees, commitment fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan.

The Management Contract is for a term of one year and will be automatically renewed for successive one year terms unless a notice of intention not to renew is given by either party at least 120 days before the end of the term. In addition, either party may at any time terminate the Management Contract upon 120 days' written notice to the other party.

The Manager must render its services under the Management Contract honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under the Management Contract in a conscientious, reasonable and competent manner.

The Corporation has agreed that it will not hold the Manager liable for any loss, damages or costs arising out of a failure to collect any amount owing on any particular mortgage after funds have loaned. The Corporation has also agreed under the Management Contract to indemnify and hold harmless the Manager as well as its officers, directors, employees, shareholders and agents from and against any and all liabilities, losses, claims, damages, penalties, actions, suits, demands, costs and expenses including, without limiting the following, reasonable legal fees and expenses arising from or in connection with any actions or omissions which the Manager takes or omits to take as Manager under the Management Contract, provided that such action or omission is taken or not taken in good faith and without gross negligence or is taken pursuant to and is in compliance with the Management Contract.

The Manager and its shareholders, directors, officers, agents and employees will have no liability in respect of any act or omission regarding, respecting or relating to the services, duties, and powers performed or to be delivered or performed by those pursuant to the Management Contract, except to the extent such act or omission constitutes gross negligence or willful misconduct. The indemnity survives the removal or resignation of the Manager in connection with any and all of its duties and obligations under the Management Contract.

The Corporation's Investments

The Corporation's objective is to maintain a mortgage investment portfolio that encompasses the following general characteristics:

(a) property type and geographical diversification in primarily urban markets of British Columbia and to a lesser degree Alberta;

(b) short and intermediate term loans;

(c) payment schedules including primarily interest only with few longer-term amortization (i.e., 25 year); and

(d) loans in Canadian dollars on Canadian based real estate.

The actual composition of the Corporation's mortgage investment portfolio will vary over time depending on the Manager's assessment of the appropriate strategy given overall market conditions and outlook.

Operating Policies

The Corporation has established certain operating policies respecting how it can invest its funds in mortgages, which include, but are not limited to, the following:

(a) the Corporation will invest primarily in Residential Mortgages and on occasion Commercial Mortgages. Investments of the Corporation will be made by being the source of funds for mortgages offered by the Manager;

(b) the Corporation will invest primarily in First Mortgages and Second Mortgages, but may also invest in third mortgages, promissory notes and other caveatable interests;

(c) no more than 75% of the available funds of the Corporation may be invested in Second Mortgages;

(d) a First Mortgage may not exceed 85% of the appraised value of the underlying real property securing the mortgage, as determined by a qualified independent appraiser and calculated at the time of commitment;

(e) a Second Mortgage may not exceed 85% of the appraised value of the underlying real property securing the mortgage, as determined by a qualified appraiser and calculated at the time of commitment;

(f) mortgages may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Corporation;

(g) an investment in, or acquisition of, a mortgage with a single borrower shall not exceed 20% of the value of the Corporation's assets;

(h) the Corporation may borrow funds in order to acquire or invest in specific mortgage investments or mortgage portfolios in amounts up to 50% of the book value of the Corporation's portfolio of mortgages; provided, the interest rate is less than the interest rate charged by the Corporation on the corresponding mortgage investment or portfolios acquired with such borrowed funds; and

(i) the Corporation may participate in mortgages on a syndication basis.

The foregoing policies are consistent with the provisions of the Tax Act and real estate legislation which apply to mortgage investment corporations generally.

Investment Criteria

In addition to the operating policies set out above, the Corporation has established the following investment criteria, which are consistent with the Corporation's Articles of Incorporation, the provisions of the Tax Act and applicable real estate legislation:

(a) all mortgages, promissory notes and caveatable interests will, prior to funding, be registered on the title of the approved property as the Manager shall direct;

(b) where investment is made by the Corporation in purchasing an interest in a mortgage offered for sale by the Manager that amounts to less than full acquisition of that mortgage, the purchase agreement will contain a charging clause enabling the Corporation to register a beneficial caveat on title to the subject property in the Corporation's name;

(c) all mortgage investments will be made primarily in British Columbia and Alberta and on occasion in such other Canadian jurisdictions as the Manager or the Corporation become registered as mortgage brokers in such jurisdictions;

(d) the Corporation will attempt to maintain at least 80% of the Corporation's assets in investments in mortgages secured by residential real estate;

(e) the Corporation will attempt to maintain less than 20% of the Corporation's assets invested in mortgages secured by commercial and industrial real estate;

(f) the Corporation may advance funds on approved loans by way of progress payments upon Manager evaluation and acceptance of completion of specified stages of construction or development;

(g) the Corporation will not make any investment that would result in the Corporation not qualifying as a mortgage investment corporation pursuant to the Tax Act;

(h) the Corporation will not invest in securities, guaranteed investment certificates or treasury bills unless they are issued by an arm's length party and are pledged as collateral in connection with Mortgage investments or obtained by realizing on such collateral;

(i) the Corporation will not act as an underwriter in the capital stock of any corporation;

(j) the Corporation will not guarantee the securities or obligations of any person;

(k) the Corporation will not loan money to or invest in securities of the Manager, affiliates of the Corporation or the Manager, or other non-arm's length parties;

(l) to the extent that the Corporation's funds are not invested in mortgages from time to time, they will be held in securities of, or those guaranteed by, the Government of Canada or any province of Canada, in certificates of deposit or interest-bearing accounts of Canadian chartered banks or trust so as to maintain a level of working capital for ongoing operations considered acceptable by the Corporation's directors;

(m) the Corporation will not make any investments that would result in the Manager developing or managing real property on the behalf of the Corporation; and

(n) the Corporation may invest up to 25% of its assets directly in real estate, but may not develop land or engage in construction.

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation, any of the foregoing restrictions require amendment in order to comply with such change in legislation, the Corporation may make such change and such change will be binding on the Corporation. It is anticipated that the Manager will provide the Corporation with assistance from time to time on revision of the foregoing restrictions in order to comply with applicable legislation or any shareholder resolution. In the event of any amendment to the foregoing restrictions, the Manager will be required to comply with and observe such change immediately upon such change becoming effective.

Dividends and Returns

The Corporation is considered a mortgage investment corporation or MIC under the Tax Act. As such, the Corporation is entitled to deduct from its taxable income dividends paid to Class B Shareholders and Class F Shareholders during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously. The Corporation pays an annual dividend subsequent to the end of each fiscal year in an amount equal to the amount required to remain non-taxable under the provisions of the Tax Act relating to mortgage investment corporations. The dividend yield is calculated as the sum of net and comprehensive income, financing costs net of amounts deductible for tax purposes, less share issuance costs deductible for tax purposes, all divided by the weighted average number of shares outstanding.

From time to time, operating cashflows may not be consistent with operating income due to the accrual of interest income on outstanding mortgage balances consistent with their terms and other amounts to be received or paid at a later date. When cashflows from operations are insufficient to meet the distribution of earnings, the Corporation will fund dividend payments from cash reserves. The Corporation maintains a certain amount of liquid cash available to invest in opportunities, as they arise, to pay the Corporation's operating costs, and to fund dividend payments in the event that cashflows from operations are not sufficient relative to earnings.

The Corporation's target return to investors is 7% per annum, a target that has been reached each year since operations began in 2008. The Corporation's annual return to investors for the fiscal years indicated is set out below:

Fiscal Year	Class B shares Distributed Return*	Class F shares Distributed Return*
2010	12.21%	-
2011	11.65%	-
2012	9.50%	-
2013	8.07%	-
2014	8.15%	-
2015	13.45%	-
2016[(1)]	7.13% / 7.19%	-
2017	7.03%	-
2018	7.09%	7.65%
2019	7.15%	7.71%

* Historical results may not be indicative of future performance. See Item 8 "Risk Factors".
(1) Indicates distributed return for the year ended June 30, 2016 and the six month period ended December 31, 2016.

Investors have the option to choose monthly cash distribution of dividends or to participate in the dividend re-investment program (DRIP). Investors choosing the monthly cash dividends receive 7% per annum paid monthly. This 7% per annum monthly distribution is not guaranteed and may be discontinued or altered at any time at the sole discretion of the directors of the Corporation.

2.3 Development of the Business

The Offering is intended to provide the Corporation with sufficient funds to continue operations and advance further mortgage loans with emphasis on urban centers and growth areas.

Mortgages

A summary of the Corporation's mortgage portfolio as of March 31, 2020, December 31, 2019 and December 31, 2018 is set out below:

Mortgage Type	No.	%	As of Mar. 31, 2020	No.	%	As of Dec. 31, 2019	No.	%	As of Dec. 31, 2018
First	116	70.25%	$65,729,389	108	69.90%	$65,142,240.34	87	68.47%	$59,551,080.76
Second	155	29.75%	$28,495,491	156	30.40%	$28,458,856.41	148	31.53%	$25,558,558.13
Third	0	0%	$0	0	0%	$0	0	0%	$0
Total	271	100%	$96,324,880	264	100%	$94,404,967.80	235	100.00%	$85,109,638.89

A summary of the Corporation's average mortgage balance and weighted average interest rate as of March 31, 2020, December 31, 2019 and December 31, 2018 is set out below:

	As of Mar. 31, 2020	As of Dec. 31, 2019	As of Dec. 31, 2018
The average mortgage balance is:	$354,870.88	$357,594.58	$351,692.72
The weighted average mortgage interest rate is:	9.32%	9.62%	10.26%

The Corporations' loans are primarily concentrated on residential mortgages in British Columbia, specifically within the Greater Vancouver Regional District, and this focus shall continue. The loan-to-value for the whole portfolio is 57.91% as of March 31, 2020. A summary of the Corporation's loans by location, property type and type of mortgage as of March 31, 2020, December 31, 2019 and December 31, 2018 is set out below:

	As of Mar. 31, 2020		As of Dec. 31, 2019		As of Dec. 31, 2018	
	No. of Mortgages	% of Total Value	No. of Mortgages	% of Total Value	No. of Mortgages	% of Total Value

Location of Mortgage						
BC	224	90.63%	225	92.91%	213	96.29%
AB	46	9.29%	38	7.02%	28	3.63%
ON	1	0.07%	1	0.08%	1	0.08%
Property Type						
Single Family Detached	200	79.37%	197	81.11%	187	86.39%
Townhouses	19	4.05%	20	4.48%	16	1.78%
Condominiums	39	10.21%	36	8.53%	37	11.16%
Other	13	6.38%	11	5.89%	2	0.67%
Type of Mortgage						
Residential	259	93.67%	253	94.11%	240	99.33%
Residential Land	9	4.05%	8	4.01%	2	0.67%
Commercial	3	2.28%	3	1.88%	0	0%

Credit Facility

On March 27, 2019, the Corporation and Royal Bank of Canada ("RBC") entered into the RBC Facility. The RBC Facility is for an amount up to $28,000,000 and bears interest at the bank's prime rate plus .75% per annum and a standby fee of .50% per annum. The RBC Facility is secured by a general security agreement, creating a first fixed charge over all present and after acquired personal property of the Corporation and assignment of all mortgage investments and all risk insurance showing RBC as the first loss payee. As of March 31, 2020, $1,166,647.73 was outstanding on the RBC facility. The Corporation is required to meet certain financial covenants, including debt to tangible net worth, current to non-current liabilities and debt service coverage ratios. As at March 31, 2020, the Corporation is current in these reporting requirements and covenants.

Foreclosures

As at March 31, 2020, nine mortgage loans representing an aggregate amount of approximately $7,289,123 (or 7.58% of the Corporation's total mortgage loans) are subject to foreclosure proceedings. The Company expects to recover 100% of the amount of the mortgage loans subject to such proceedings.

Coronavirus Effects and Response

Early in March 2020, the World Health Organization designated the outbreak of the novel coronavirus disease, otherwise known as COVID-19, as a global pandemic. In the following weeks, this unforeseen global event has grown into a significant health crisis, one that is already disrupting business operations and affecting trade and profits across multiple sectors. The impact of COVID-19 and measures to prevent its spread are affecting businesses locally, regionally, nationally and internationally, in a number of ways, including, without limitation, temporary business closures, surging unemployment, supply chain disruptions and currency and commodity volatility.

The Corporation has been actively monitoring the COVID-19 situation and its impact on the Corporation's business operations and affairs. The Corporation expects the ultimate significance of the impact on its financial and operational results will be dictated by the length of time that such circumstances continue, which will depend on the currently unknowable extent and duration of the COVID-19 pandemic and any governmental and public actions taken in response. COVID-19 also makes it more challenging for management to estimate future performance of the Corporation's business, particularly over the near term.

While the true impact of the virus is not known at this time, management expects that interest and principal repayment delinquency on loans may increase. Management is monitoring federal, provincial and city initiatives to help those affected meet their obligations during this difficult time. In the meantime, the Corporation is taking appropriate measures to ensure that the spread of COVID-19 is limited. The first priority is to maintain a safe environment for employees, partners, service providers and clients. Management has implemented appropriate contingency plans to ensure the strictest cleanliness standards at its offices and to maintain necessary manpower for operations. In addition, management is considering and assessing principal and interest payment deferrals for certain mortgage loans on a case-by-case basis. To the extent that the Corporation agrees to defer principal and interest payments for certain borrowers, in its sole discretion, the Corporation's cash flow will be adversely affected. See Item 8 "Risk Factors".

2.4 Long-Term Objectives

The Corporation's long term objectives are to:

(a) acquire sufficient investment in mortgage loans to provide Class B shareholders and Class F shareholders with a return that is higher than term deposits, guaranteed investment certificates and money market funds, with due consideration to preservation of their capital;

(b) provide Class B shareholders and Class F shareholders with sustainable income while preserving capital for distribution or re-investment;

(c) establish a pool of high-quality loans through prudent investment in Mortgages of real property situated primarily in British Columbia and Alberta and on occasion in Saskatchewan, Manitoba and Ontario;

(d) distribute income on a monthly basis; and

(e) continue to qualify as a mortgage investment corporation pursuant to the Tax Act.

The Corporation will seek to achieve these investment objectives by investing primarily in loans secured by mortgages.

The Corporation expects to complete subscriptions for Class B Shares and Class F Shares in the gross aggregate amount of approximately $20,000,000 on an annual basis and to invest the net subscription funds in mortgages as such funds are received. The Corporation will incur costs in connection with the Offering and in administering and placing mortgages, which costs are expected to remain consistent with historical costs incurred by the Corporation, as shown on the Corporation's financial statements. The Corporation's income will primarily consist of interest received on the mortgages, less fees paid to the Manager. See Item 1.1 "Funds" and Item 1.2 "Use of Available Funds".

2.5 Short-Term Objectives and How We Intend to Achieve Them

As a mortgage investment corporation, the principal short-term objectives focus on completing the Offering and investing the net proceeds therefrom in mortgages. The following table sets out the objectives, the timelines and the expected costs to complete the short-term objectives for the next twelve months:

What Must Be Done and How It Will Be Accomplished	Target Completion Date	Cost to Complete
Raise investment funds of up to $20,000,000 on an annual basis.	By no later than December 31 of each year	$75,000[1]
Commence investment of Available Funds into mortgages.	As soon as practicable after each Closing.	- [2]

(1) Estimated legal, accounting, audit costs and printing and other administrative costs associated with marketing the Offering.

(2) The costs to complete the investment of the Available Funds will vary based on the amount of funds actually invested and the different type of mortgages invested in.

2.6 Insufficient Proceeds

The Corporation may not raise sufficient funds to accomplish its proposed objectives and there is no assurance that alternative financing will be available. The Corporation intends to continue to use existing capital and cash flows to carry on its current business.

2.7 Material Agreements

The following are the material agreements to which the Corporation is currently a party.

(a) **Subscription Agreements** – the agreement by which investors will subscribe for and acquire Class B Shares or Class F Shares, as applicable, on the terms and conditions described in this Offering Memorandum. See Item 5.2 "Subscription Procedure".

(b) **Management Contract –** the agreement between the Corporation and the Manager whereby the Manager provides certain ongoing administrative and management services relating to the Corporation's business. See Item 2.2 "The Business – The Manager and The Management Contract.

(c) **The RBC Facility** – the credit facility with the Royal Bank of Canada for an amount of up to $28,000,000. See Item 2.3 "Development of the Business – Credit Facility".

Copies of all contracts referred to above may be inspected during normal business hours at the registered and records office of the Corporation, located at: 1795 – 555 Burrard Street, Vancouver, BC V7X 1M9.

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following are the names and residence of the current directors, officers, promoters and principal holders of the Corporation, their respective management experience and any of their holdings of securities of the Corporation and its affiliates after the Offering.

Name and Municipality of Principal Residence	Positions Held (e.g. Director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Company in the most recently completed financial year and the compensation anticipated to be paid in the current financial year*	Number, type and percentage of securities of the issuer held after completion of min. offering	Number, type and percentage of securities of the issuer held after completion of max. offering
Ches Orlando Hagen, Vancouver, BC	Chief Executive Officer, Director and Principal Holder March 27, 2020 April 28, 2020 (appointed CEO)	2019: $0 Anticipated this year: $0	171.43 Class A Shares (7.14%) held by 0824016 B.C. Ltd.(1)	171.43 Class A Shares (7.14%) held by 0824016 B.C. Ltd.(1)
Bradly Daniel Unrau, Abbotsford, BC	Director and Principal Holder March 27, 2020	2019: $0 Anticipated this year: $0	171.43 Class A Shares (7.14%) held by 0824004 B.C. Ltd.(2)	171.43 Class A Shares (7.14%) held by 0824004 B.C. Ltd. (2)
Daniel Harold Weiss, Edmonton, AB	Director and Principal Holder June 24, 2019	2019: $0 Anticipated this year: $0	400 Class A Shares (16.67%) held by 541461 Alberta Ltd.(3)	400 Class A Shares (16.67%) held by 541461 Alberta Ltd.(3)
Roy Phil Wiebe, Edmonton, AB	Director and Principal Holder March 27, 2020	2018: $0 Anticipated this year: $0	400 Class A Shares (16.67%) held by 1901174 Alberta Ltd.(4)	400 Class A Shares (16.67%) held by 1901174 Alberta Ltd.(4)
Clint Dean Cornish Edmonton, AB	Director and Principal Holder March 27, 2020	2019: $0 Anticipated this year: $0	447.62 Class A Shares (18.65%) held by 1647963 Alberta Ltd. (5) 11,953.85 Class F Shares	447.62 Class A Shares (18.65%) held by 1647963 Alberta Ltd. (5) 11,953.85 Class F Shares
Steven Paul Rogerson Vancouver, BC	Director and Principal Holder June 24, 2019	2019: $0 Anticipated this year: $0	314.29 Class A Shares (13.1%) held by 0786833 B.C. Ltd.(6) 8,461.81 Class B Shares	314.29 Class A Shares (13.1%) held by 0786833 B.C. Ltd.(6) 8,461.81 Class B Shares
Sander van der Vorm, Vancouver, BC	Director and Principal Holder June 24, 2019	2019: $0 Anticipated this year: $0	495.24 Class A Shares (20.64%) held by 1019001 B.C. Ltd.(7) 17,781.58 Class F Shares	495.24 Class A Shares (20.64%) held by 1019001 B.C. Ltd. (7) 7,203.78 Class F Shares

*Except as otherwise disclosed in this Offering Memorandum, the directors and officers of the Corporation do not presently receive compensation in their capacity as directors and officers.

(1) All of the issued and outstanding shares of this company are held by Ches Orlando Hagen and Erika Brett Hagen.
(2) All of the issued and outstanding shares of this company are held by Bradley Daniel Unrau and Tara Unrau.
(3) All of the issued and outstanding shares of this company are held by Daniel Harold Weiss and Jodi Lynn Weiss.

(4) All of the issued and outstanding shares of this company are held by Jessica Rae Wiebe (wife of Roy Phil Wiebe).
(5) All of the issued and outstanding shares of this company are held by Clint Dean Cornish and Rebecca Cornish.
(6) All of the issued and outstanding shares of this company are held by Steven Paul Rogerson.
(7) All of the issued and outstanding shares of this company are held by Sander van der Vorm.

The Manager is a corporation incorporated pursuant to the BCA. The directors of the Manager are: Ches Orlando Hagen (Chief Executive Officer), Bradly Daniel Unrau, Daniel Harold Weiss, Roy Phil Wiebe, Clint Dean Cornish Steven Paul Rogerson and Sander van der Vorm. The Manager compensates its officers and employees from fees earned pursuant to the Management Contract. Any such compensation is determined by the board of directors of the Manager. The Corporation is not required to reimburse the Manager for compensation paid to the officers and employees of the Manager.

3.2 Management Experience

The following table discloses the principal occupations of the directors and senior officers of the Corporation and the Manager over the past five years and their relevant experience in businesses similar to the Corporation's.

Name	Principal Occupation and Related Experience
Ches Orlando Hagen	Chief Executive Officer and Mortgage Investment Manager. Ches co-founded AP Capital Mortgage Investment Corporation in March 2007 with Brad Unrau and Dan Weiss. has experience in the acquisition and management of residential real estate in British Columbia. Mr. Hagen has over 20 years' experience raising capital for private companies in Canada through various channels including conventional banks, venture capital firms, investment dealers, family offices, and exempt market dealers.
Bradly Daniel Unrau	Mortgage Investment Manager. Brad co-founded AP Capital Mortgage Investment Corporation in March 2007 with Ches Hagen and Dan Weiss. Brad has been very active in the mortgage business for the past twenty years; being in the top 50 mortgage professionals in the country and having a team of great producing brokers working with him. Brad has extensive experience in the acquisition, financing and management of residential and commercial real estate in B.C. and Alberta.
Daniel Harold Weiss	Mortgage Investment Manager and Licensed Realtor. Dan co-founded AP Capital Mortgage Investment Corporation with Ches Hagen and Brad Unrau. For almost 30 years Dan Weiss has been involved in the Alberta Real Estate industry as an agent, investor, builder, developer, lender and property manager. Dan's various holdings include: land, apartments, residential and commercial buildings, warehouses and shopping malls.
Roy Phil Wiebe	Mortgage Investment Manager. For over 20 years, he has worked nearly every aspect of the real estate industry with extensive experience in all areas of residential construction, residential development, operations, and the acquisition and management of commercial and residential real estate.
Clint Dean Cornish	Mortgage Investment Manager. Business Owner and Property Manager.
Steven Paul Rogerson	Mortgage Investment Manager and Mortgage broker/owner of Verico Paragon. Steve Rogerson has been involved in the mortgage field for the past 30 years, holding senior positions as both a lender and mortgage broker with several large Financial Institutions in a number of regions within Canada.
Sander van der Vorm	Mortgage Investment Manager. Sander van der Vorm has over a decade of experience in the residential and commercial real estate market and has created new residential subdivisions and housing in Western Canada. Experienced in land assessments, planning and development.

3.3 Penalties, Sanctions and Bankruptcy

Except is set out below, no penalty or sanction has been in effect during the last 10 years, no cease trade order has been in effect for a period of more than 30 consecutive days during the past 10 years against or with regard to any:

(a) director, executive officer or control person of the Corporation or the Manager, or

(b) any issuer of which any person referred to in (a) above was a director, senior officer, or control person of at that time.

On September 6, 2013, Mr. van der Vorm made a voluntary assignment into bankruptcy for the benefit of his personal creditors pursuant to the *Bankruptcy and Insolvency Act* (Canada). This was and is Mr. van der Vorm's first and only insolvency or bankruptcy related proceeding and it was related to his personal debts and financial obligations. Pursuant to the applicable legislation, Mr. van der Vorm was automatically discharged from bankruptcy within 9 months, on June 17, 2014.

Aside from Mr. van der Vorm's release from bankruptcy in 2014 described above, no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors, appointment of a receiver, receiver manager or trustee to hold assets has been in effect during the last ten years against or with regard to any other:

(a) director, executive officer or control person of the Corporation or the Manager, or

(b) Any issuer of which any person referred to in (a) above was a director, senior officer, or control person of at that time.

3.4 Loans

There are no loans due to or from the directors, management, promoters or principal holders of the Corporation or the Manager as at March 31, 2020.

ITEM 4 - CAPITAL STRUCTURE

4.1 Share Capital

Details of the outstanding securities of the Corporation as of the date of this Offering Memorandum are as follows:

Description of Security	Number Authorized to be Issued	Price per Security	Number Outstanding as of the date of this Offering Memorandum	Number Outstanding after min. Offering	Number outstanding after max. Offering
Class A Shares	unlimited	$1.00	2,400	2,400	2,400
Class B Shares	unlimited	$100.00	934,962.7789[1]	934,962.7789	1,034,962.7789[3]
Class F Shares	unlimited	$100.00	36,764.5044[2]	36,764.5044	136,764.5044[3]

(1) Includes Class B Shares issued pursuant to the Corporation's DRIP.
(2) Includes Class F Shares issued pursuant to the Corporation's DRIP
(3) Based on an estimate of sales of 100,000 Class B Shares and 100,000 Class F Shares using $20,000,000 as the assumed maximum offering.

4.2 Long-Term Debt

As at the date hereof, the Corporation has no long term debt.

4.3 Prior Sales

Within the last 12 months, the Corporation issued the following Class B Shares and Class F Shares:

Date of Issuance	Type of Security	Number Issued	Price per share	Total Funds Received
03/05/2019	Class B Shares	10,323.00	$100.00	$1,032,300.00
03/15/2019	Class B Shares	5,180.00	$100.00	$518,000.00
04/01/2019	Class B Shares	20,712.75	$100.00	$2,071,275.00
04/05/2019	Class B Shares	220	$100.00	$22,000.00
05/01/2019	Class B Shares	6,328	$100.00	$632,800.00
06/03/2019	Class B Shares	17,845.0628	$100.00	$1,784,506.28
07/02/2019	Class B Shares Class F Shares	31,314.3326 10,000.00	$100.00 $100.00	$3,131,433.26 $1,000,000.00
08/01/2019	Class B Shares	27,791.6653	$100.00	$2,779,166.53
09/03/2019	Class B Shares	18,520.00.00	$100.00	$1,852,000.00

Date of Issuance	Type of Security	Number Issued	Price per share	Total Funds Received
	Class F Shares	1,500.00	$100.00	$150,000.00
09/13/2019	Class B Shares Class F Shares	7,000.00 10,000.00	$100.00 $100.00	$700,000.00 $1,000,000.00
10/01/2019	Class B Shares	4,825.22	$100.00	$482,522.00
11/01/2019	Class B Shares Class F Shares	27,020.00 2,820.00	$100.00 $100.00	$2,702,000.00 $282,000.00
12/02/2019	Class B Shares	16,510.00	$100.00	$1,651,000.00
01/02/2020	Class B Shares	15,388.668	$100.00	$1,538,866.8
02/03/2020	Class B Shares	12,462.00	$100.00	$1,246,200.00
03/02/2020	Class B Shares	10,469.50	$100.00	$1,046,950.00

4.4 Redemption History

The Corporation's redemption history over the last two fiscal years and the current period to March 31, 2020 is as follows:

	Class B Common Shares		Class F Common Shares	
	Number of Shares	Value ($)	Number of Shares	Value ($)
2018				
Unpaid redemption requests	0.00	$0.00	0.00	$0.00
Redemption requests	54,016.3100	$5,401,631.00	2,000	$200,000.00
Redemptions paid out	54,016.3100	$5,401,631.00	2,000	$200,000.00
Unpaid redemption requests at end of period	0.00	$0.00	0.00	$0.00
2019				
Unpaid redemption requests	0.00	$0.00	0.00	$0.00
Redemption requests	90,401.8970	$9,040,189.70	42,278.4262	$4,227,842.62
Redemptions paid out	90,401.8970	$9,040,189.70	42,278.4262	$4,227,842.62
Unpaid redemption requests at end of period	0.00	$0.00	0.00	$0.00
2020 – January – March 31				
Unpaid redemption requests	0.00	$0.00	0.00	$0.00
Redemption requests	25,122.5989	$2,512,259.89	11,500.00	$1,150,000.00
Redemptions paid out	25,122.5989	$2,512,259.89	11,500.00	$1,150,000.00
Unpaid redemption requests at end of period	0.00	$0.00	0.00	$0.00

Note: Redemptions include full and partial redemptions and RRIF payments.

ITEM 5 - SECURITIES OFFERED

5.1 Terms of Securities

The Corporation is offering an unlimited number of Class B Shares for sale at a price of $100.00 per Class B Share and an unlimited number of Class F Shares for sale at a price of $100.00 per Class F Share. The rights and restrictions attaching to the Class B Shares and the Class F Shares are as follows:

Non-Voting

Holders of the Class B Shares and/or Class F Shares shall not be entitled to receive notice of, attend or speak at any meeting of the shareholders of the Corporation, except as provided in the Articles of the Corporation and the BCA.

Dividend Entitlement

The Class B Shares and the Class F Shares are the only classes of shares entitled to receive dividends. In each year, at the discretion of the directors, dividends may be paid on the Class B Shares only or on the Class B Shares and the Class F Shares in the proportions as the directors may decide (provided that the dividends per share declared and payable on the Class B Shares in each year are equal to or greater than the dividends per share declared and payable

on the Class F Shares), in an amount equal to the profits of the Corporation available for the payment of dividends. Dividends will be distributed equitably and equally between Class B Shares and Class F Shares with no preference to either class. Share issuance costs are expected to be deducted after dividends are declared. Since such share issuance costs may differ between Class B Shares and Class F Shares, this may impact dividends paid on the Class B Shares and the Class F Shares.

Shareholders have the option to choose monthly cash distribution of dividends or to participate in the dividend re-investment program (DRIP). For shareholders that elect the "cash dividend" option, the Corporation intends to target a monthly cash dividend payment of 7% per annum, calculated and payable monthly. However, any dividend payment would remain at the discretion of the directors of the Corporation and will only be declared where the directors are of the opinion (in their sole discretion) that any monthly or annual net income and available cash of the Corporation can support such dividend payment. Once the year-end financial statements of the Corporation are available, the directors will determine (in their sole discretion) whether there is sufficient additional net income and available cash to support a further "top-up" dividend payment to the shareholders.

For shareholders that elect the "dividend re-investment" option, the cash dividends that such shareholders would otherwise be entitled to receive will be used to acquire additional Class B Shares or Class F Shares, as applicable, based on a price of $100 per Class B Share or $100 per Class F Shares, as applicable.

Redemption and Retraction Rights

The Class B Shares and the Class F Shares shall be redeemable at the option of either the Corporation or a holder of the Class B Shares or Class F Shares, as applicable, pursuant to the Articles of the Corporation.

In the event that the Corporation chooses to redeem the Class B Shares and/or the Class F Shares, the Corporation is required to give at least thirty (30) days' notice before fiscal year-end in writing to the registered holder of the shares to be redeemed, specifying the date and place or places of redemption and, if not all the shares registered in the name of each such holder are to redeemed, the number to be redeemed. The redemption price for each share to be redeemed will be the lesser of: (i) $100; and (ii) the net realizable value attributable to each share as determined in the Corporation's audited financial statements prepared for the relevant fiscal year-end in which notice is given plus any dividends declared thereon but unpaid up to the date of redemption thereof. For purposes thereof, net realizable value of the Corporation means the aggregate fair value of the assets of the Corporation less the amount of the liabilities of the Corporation on the most recent financial statements of the Corporation; and (ii) net realizable value per share means the net realizable value of the Corporation divided by the total number of shares outstanding.

Any holder of Class B Shares and/or Class F Shares, as applicable, may, by giving written notice ("**Retraction Notice**") at least sixty (60) days before the fiscal year-end to the Corporation, request that the Corporation redeem in whole or part the Class B Shares and/or Class F Shares, as applicable, held by such holder. Class B Shares and/or Class F Shares, as applicable, shall be considered to be tendered for redemption on the date the Corporation has, to the satisfaction of the directors, received the Retraction Notice. Upon receipt by the Corporation of the Retraction Notice, the holder of shares requested to be redeemed shall thereafter cease to have any rights with respect to such shares tendered for redemption (other than to receive the redemption price therefor which has accrued up to and including the date of redemption by the Corporation).

The Corporation will redeem the Class B Shares and/or Class F Shares, as applicable, specified in the Retraction Notice in accordance with the Articles of the Corporation and subject to the restrictions and limitations contained herein.

The Corporation will not redeem Class B Shares and/or Class F Shares, as applicable, for which Retraction Notices are given, if redemption of the aggregate number of shares subject to the Retraction Notices would result in the Corporation having a holder of Class B Shares and/or Class F Shares, as applicable, during the period of time since the start of the most recent fiscal year, which owns greater than 25% of the Class B Shares and/or Class F Shares, as applicable, issued and outstanding.

The Corporation will not redeem Class B Shares and/or Class F Shares, as applicable, for which Retraction Notices are given if it would result in the Corporation having less than 20 shareholders.

The Corporation will not, except upon resolution of the directors in favour thereof, redeem more than five percent (5%) of all Class B Shares and Class F Shares which are issued and outstanding on the first day of the fiscal quarter

in which the Retraction Notice is delivered to the Corporation or deemed effective, as the case may be. Retraction Notices will be processed by the Corporation in priority in accordance with the time and date on which such Retraction Notices are delivered to the Corporation or deemed effective on a "first-come, first-served" basis.

Subject to the provisions of the BCA, including the solvency provisions therein, on the day that is 120 days after the end of the fiscal year in which the Retraction Notice is received by the Corporation, the Corporation will be required to redeem the shares specified in the Retraction Notice. The redemption price for each share to be redeemed will be the net realizable value attributable to each share as determined in the Corporation's audited financial statements prepared for the relevant fiscal year-end in which notice is given plus any dividends declared thereon but unpaid up to the date of redemption thereof, less a $350 processing fee, and less a contingent deferred service charge determined as follows:

In respect of the Class B Shares:

(a) where the Class B Shares have been held for one (1) year or less, up to $5.00 per Class B share;

(b) where the Class B Shares have been held for two (2) years or less but more than one (1) year, up to $4.00 per Class B Share;

(c) where the Class B Shares have been held for three (3) years or less but more than two (2) years, up to $3.00 per Class B Share;

(d) where the Class B Shares have been held for four (4) years or less but more than three (3) years, up to $2.00 per Class B Share; or

(e) where the Class B Shares have been held for more than four (4) years, there will be no contingent deferred service charge.

In respect of the Class F Shares:

(a) where the Class F Shares have been held for one (1) year or less, up to $1.00 per Class F share; or

(b) where the Class F Shares have been held for more than one (1) year, there will be no contingent deferred service charge.

The directors of the Corporation, in their sole discretion, may waive the contingent deferred service charge on any redemption requests.

Entitlement on Liquidation, Dissolution or Winding-Up

In the event of a reduction of capital or the liquidation, dissolution or winding-up of the Corporation or other distribution of property or assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class B Shares and Class F Shares shall be entitled to receive any declared but unpaid dividends on such shares and thereafter Class A Shares, the Class B Shares and the Class F Shares shall be entitled to receive an amount equal to the aggregate amount paid up on the Class A Shares, Class B Shares and Class F Shares held by them. In the event that there is not sufficient property or assets to return the entire amount paid thereon to all holders, the amount available for distribution shall be distributed to the holders ratably according to a fraction the numerator of which is the amount paid up on the issued shares of the particular class and the denominator of which is the amount paid up on the issued shares of all classes. After the Corporation has made the distribution to the holders of the Class A Shares, Class B Shares and Class F Shares contemplated above, the holders of the Class A Shares, Class B Shares and Class F Shares shall be entitled to receive, on a pro rata basis, the remaining amount available for distribution.

Constraints on Transferability

Paragraph 130.1(6)(d) of the Tax Act stipulates that to qualify as a mortgage investment corporation, a corporation must have at least 20 shareholders and no one shareholder may be a Specified Shareholder, as such term is defined in the Tax Act, of the corporation.

The Tax Act states that a trust governed by a registered pension plan or a deferred profit sharing plan is counted as four shareholders for purposes of determining the number of shareholders and one shareholder for purposes of determining if a shareholder is a Specified Shareholder.

The directors of the Corporation intend to refuse registration of an allotment or any transfer of shares which would result in the Corporation ceasing to meet the qualifications of a mortgage investment corporation pursuant to the Tax Act.

As the Corporation is not a reporting issuer in the selling jurisdictions or in any other jurisdiction, the Class B Shares and the Class F Shares are subject to resale restrictions pursuant to applicable securities law. See Item 10 "Resale Restrictions".

5.2 Subscription Procedure

The Class B Shares and the Class F Shares are conditionally offered if, as and when subscriptions are accepted by the Corporation and subject to prior sale. Subscriptions for the Class B Shares and the Class F Shares, as applicable, will be received by the Corporation subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

This Offering is being made in accordance with certain exemptions from the prospectus and, where permitted, registration requirements contained in securities legislation in the jurisdictions in which the Class B Shares and the Class F Shares are being offered. Such exemptions relieve the Corporation from provisions under such statutes requiring the Corporation to file a prospectus and utilize a registered securities dealer to sell the Class B Shares and the Class F Shares. As such, investors will not receive the benefits associated with the involvement of such registrants or the benefits associated with purchasing the Class B Shares and the Class F Shares, as applicable, pursuant to a filed prospectus, including the review of the material by the securities commissions or similar regulatory authority in such jurisdictions.

The Class B Shares and the Class F Shares are being offered on a continuous basis. In order to subscribe therefor, investors must be within one of the following categories:

(a) an "accredited investor" as such term is defined in National Instrument 45-106 ("**NI 45-106**") or Section 73.3 of the Ontario Securities Act, provided the subscriber delivers a signed risk acknowledgement form in the form required by NI 45-106, if applicable;

(b) a resident in British Columbia, who acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form in the form required by NI 45-106;

(c) a resident in Manitoba, who acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form in the form required by NI 45-106 and is either:

    (i) an "Eligible Investor" (as defined in Nl 45-106); or

    (ii) purchasing a number of Class B Shares or Class F Shares, as applicable, which have an aggregate subscription price of less than $10,000;

(d) a resident in Alberta, Ontario or Saskatchewan, who acknowledges having received and read a copy of this Offering Memorandum and delivers a signed risk acknowledgement form, including Schedule 1 Classification of Investors under the Offering Memorandum Exemption, in the form required by NI 45-106 and the acquisition cost of all securities acquired by the subscriber who is an individual in the preceding 12 months does not exceed the following amounts:

    (i) in the case of a subscriber that is not an "Eligible Investor", $10,000;

    (ii) in the case of a subscriber that is an "Eligible Investor", $30,000;

(iii) in the case of a subscriber that is an "Eligible Investor" and that received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable, $100,000,

provided, however, that the investment limits described in (d)(i) and (ii) above do not apply if the subscriber is an "accredited investor" or a person described in Section 2.5(1) of NI 45-106; or

(e) a subscriber that is not an individual acquiring Class B Shares or Class F Shares, as applicable, that have a subscription price of not less than $150,000, provided the conditions of Section 2.10 of NI 45-106 are satisfied.

Notwithstanding the foregoing, Class B Shares and Class F Shares, as applicable, may be issued pursuant to other available exemptions from the prospectus requirements of applicable securities legislation provided the conditions of such exemptions are satisfied.

Investors may subscribe for Class B Shares or Class F Shares, as applicable, by returning to the Corporation at 1795 – 555 Burrard Street, Vancouver, British Columbia V7X 1M9 the following:

(a) a completed Subscription Agreement; and

(b) a certified cheque or bank draft drawn on a Canadian chartered bank in an amount equal to the price per share multiplied by the number of shares subscribed for, payable to "AP Capital Mortgage Investment Corporation".

Each investor will also be required to sign two copies of a Risk Acknowledgment (Form 45-106F4 with Schedule 1 Classification of Investors Under the Offering Memorandum Exemption for Alberta, New Brunswick, Nova Scotia, Saskatchewan, Quebec and Ontario subscribers), and in accordance with the requirements of NI 45-106). Each investor that is an individual that is relying on the "accredited investor" exemption in Section 2.3 of NI 45-106 will also be required to sign two copies of a Risk Acknowledgment Form (Form 45-106F9), in accordance with the requirements of NI 45-106. In accordance with the requirements of NI 45-106, the Corporation will hold the subscription monies advanced by each investor in trust for the investor until midnight on the second business day after the Subscription Agreement is signed by the investor.

Subscriptions received will be subject to rejection or allotment by the Corporation in whole or in part in the directors' sole discretion. The Corporation is not obliged to accept any subscription. If any subscription is not accepted, the Corporation will promptly return to the subscriber the Subscription Agreement and the money comprising such subscription (without interest). Confirmation of acceptance of a subscription will be forwarded to the subscriber by the Corporation. he Corporation reserves the right to close the subscription books at any time without notice.

The Corporation intends to accept subscriptions for shares on a continuous basis, on such dates as the directors of the Corporation may determine from time to time. For convenience, subscription funds which are received by the Corporation prior to any acceptance date will be held in a separate bank account of the Corporation until subscriptions are accepted. The deposit of subscription funds by the Corporation into such bank account shall not constitute acceptance of the subscription for shares in respect of which such funds have been delivered.

At a Closing, the Corporation will deliver to the investor the certificates representing or a transaction notification in respect of, as applicable, fully paid and non-assessable shares, provided the subscription price has been paid in full. Unless directed otherwise, copies of the original share certificates/advices will be kept in the Corporation's minute book.

Investors should carefully review the terms of the Subscription Agreement attached hereto for more detailed information concerning their rights and obligations and those of the Corporation. Execution and delivery of the Subscription Agreement will bind the investor to the terms thereof and hereof, whether executed by the investor or by an agent on the investor's behalf. All subscription documents should be reviewed by prospective subscribers and their professional advisers, including tax, legal and financial advisers, prior to subscribing for shares.

5.3 FundSERV

The Corporation intends to expand its capital raising through additional registered entities in Canada, including those in the Investment Dealers registration category. Management will work to increase distribution through more dealers via the FundSERV network. FundSERV is an electronic settlement system that allows investment dealers to purchase, report, and redeem shares of the Corporation far more efficiently than dealing in physical certificates. Additional costs will be associated with FundSERV but management feels the advantages of a diversified dealer network outweigh the additional costs associated with this form of distribution.

FundSERV Code: QWE834

ITEM 6 - INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

You should consult your own professional tax advisers to obtain advice on the tax consequences that apply to you.

As each individual investor has unique income and financial backgrounds, the exact nature of the income tax consequences to you, should you choose to purchase the offered securities, cannot be determined.

The Tax Act stipulates that for a corporation to qualify as a mortgage investment corporation, among other requirements, the corporation must have a minimum of 20 shareholders and no shareholder can own in excess of 25% of the total issued and outstanding shares of any class of the capital of the corporation. A minimum of 50% of the cost of the corporation's assets must be invested in residential mortgages as defined in the Tax Act include mortgages on multiple unit residential developments and deposits with Canada Deposit Insurance Corporation-insured institutions.

The Corporation intends to maintain its qualification as a mortgage investment corporation under the terms of the Tax Act, which would mean that its shares are an eligible investment for registered retirement savings plans and registered retirement investment funds. However, you should consult your own professional advisers to obtain advice on the RRSP and RRIF eligibility of these securities. As a mortgage investment corporation, if it pays out all of its net income annually in the form of dividends during the year or within ninety (90) days after the end of the year, it may deduct the dividend amount paid as if it was an expense. The dividends received are not subject to usual dividend treatment in the hands of shareholders. Rather, they will be taxable in the hands of shareholders who are subject to tax as if they had received an interest payment.

Accordingly, it is anticipated that for each taxation year of the Corporation throughout which it qualifies as a mortgage investment corporation under the Tax Act, the Corporation will not be required to pay income taxes on the net earnings from which dividends are paid in each year. Income in excess of allowable deductible reserves under the Tax Act, which is not distributed to shareholders within ninety (90) days of each of the Corporation's year-ends, will be subject to ordinary corporate tax under the Tax Act.

The Corporation is making the foregoing tax disclosure, but it makes no other warranties or representations, implied or otherwise, with respect to the taxation issues.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

The Corporation may pay sales fees to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in respect of monies obtained by such persons in connection with the sale of Class B Shares, payable at the time of investment. It is currently contemplated that the offered securities will primarily be sold through arm's length sellers/finders in connection with this Offering, and the Corporation, or the Manager on the Corporation's behalf, will negotiate terms as follows:

(a) the Corporation may pay fees in respect of the sale of Class B Shares of up to a maximum of 5% of the investment monies and, potentially, up to 1% annually as a trailing commission;

(b) fees will not be paid in respect of the sale of Class F Shares;

(c) broker's warrants or agent's options will not be issued as a component of any sales fee; and

(d) any sales fee paid will consist of cash compensation only; no securities will be issued as compensation.

Assuming an offering of $20,000,000 based on the sale of Class B Shares only, and an average sales fee of 3%, such fees would equal $600,000.

ITEM 8 - RISK FACTORS

The Offering should be considered highly speculative due to the nature of the Corporation's business. The purchase of Class B Shares and/or Class F Shares involves a number of significant risk factors. In addition to the factors set forth elsewhere in this Offering Memorandum, prospective Investors should consider the following risks before purchasing Shares of the Corporation. Any or all of these risks, or other as yet unidentified risks, may have a material, adverse effect on the Corporation's business or the dividends to the holders of the Class B Shares and/or Class F Shares.

8.1 Investment Risks

Exempt Offering - This Offering Memorandum constitutes a private offering of securities by the Corporation only in those jurisdictions where, and to those persons to whom, they may be lawfully offered for sale under exemptions to the prospectus and, where permitted, registration requirements of applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as a prospectus, advertisement or public offering of securities. Subscribers to this Offering Memorandum will not have the benefit of a review of the material by any regulatory authority.

Resale Restrictions - The securities offered hereunder are subject to onerous and indefinite resale restrictions under applicable securities legislation. There is no market through which such securities may be sold and the Corporation does not expect that any market will develop pursuant to this offering or in the future. Accordingly, an investment in the Class B Shares or the Class F Shares, as applicable, should only be considered by investors who do not require liquidity. See Item 10 "Resale Restrictions".

Investment Not Guaranteed - The Class B Shares and the Class F Shares are not guaranteed by any other person. Neither the Manager nor any of its affiliates are guaranteeing the obligations of the Corporation.

Losses Not Insured - The Corporation is not a member institution of the Canada Deposit Insurance Corporation and the securities offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation. The Class B Shares and the Class F Shares are retractable at the option of the holder, but only under certain circumstances. See Item 5.1 "Terms of Securities".

Returns Not Guaranteed - There is no guarantee that an investment in the Class B Shares or the Class F Shares, as applicable, will earn any positive return. The declaration and payment of dividends on the Class B Shares and the Class F Shares is at the discretion of the directors of the Corporation. There is no guarantee that any dividends will be declared and paid.

Failure to Maintain Status as a Mortgage Investment Corporation - If, for any reason, the Corporation fails to maintain its qualification as a mortgage investment corporation under the Tax Act, dividends paid by the Corporation on the Class B Shares and the Class F Shares will cease to be deductible from the Corporation's income and such shares, unless listed on a prescribed stock exchange for the purposes of the Tax Act, may cease to be qualified investments for Deferred Income Plans. See Item 6 "Income Tax Consequences and RRSP Eligibility".

8.2 Issuer Risks

Reliance on Management - Investors are relying on the expertise and good faith of the management of the Corporation and the Manager to carry on the business of the Corporation. Some of the directors and officers of the Corporation are engaged part time on activities related to the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in other activities. See Item 3 "Directors, Management, Promoters and Principal Holders".

Failure to Maintain Status as a Mortgage Investment Corporation - If the Corporation fails to meet all of the conditions required to be a mortgage investment corporation, the dividends paid on the Class B Shares or Class F Shares will cease to be deductible in the determination of the Corporation's taxable income. In addition, the Class B Shares or Class F Shares, unless listed on a prescribed stock exchange, which the Corporation has no intentions of such public listing, may cease to be qualified investments for Deferred Income Plans. See Item 6 "Income Tax Consequences and RRSP Eligibility".

Dividend Rules - The normal gross-up and dividend tax credit rules do not apply to dividends paid on the Class B Shares or the Class F Shares, as applicable, of the Corporation and corporate investors will not be entitled to deduct the amount of any dividends received on their shareholdings from their taxable income.

Inability to Fulfill Commitments - The Corporation may commit to making future mortgage investments in anticipation of repayment of principal outstanding under existing mortgage investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Corporation may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances.

Portfolio Concentration - Although the Corporation will endeavour to maintain a diversified portfolio of mortgage loans, the composition of the Corporation's investment portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography.

Conflicts of Interest - Some of the Corporation's directors and officers are also directors or officers of the Manager and may act as members of the Manager's credit committee, and accordingly, there may be conflicts of interest if the interests of these companies are inconsistent.

The Manager has entered into the Management Contract with the Corporation and is entitled to management fees for providing services to the Corporation. The Corporation may be subject to various conflicts of interest because the directors and officers of the Manager are engaged in a wide range of investing and other business activities, which may include real property financing in direct competition with the Corporation. The Manager intends to and has established other investment vehicles which may involve transactions which conflict with the interests of the Corporation.

The services of the Manager, the directors and officers of the Manager and the members of its credit committee are not exclusive to the Corporation. The Manager, its affiliates, members of its credit committee and their affiliates may, at any time, engage in promoting or managing any other corporation or its investments including those which may compete directly or indirectly with the Corporation.

Reliance on the Manager - The Corporation will be dependent on the knowledge and expertise of the directors and officer of the Manager for investment advisory and portfolio management services under the Management Contract. There is no certainty that the persons who are currently directors and officers of the Manager or members of its credit committee will continue to be directors and officers of the Manager or members of its credit committee for an indefinite period of time.

Although none of the directors or officers of the Corporation or the members of its credit committee will devote all of his or her time to the business and affairs of the Corporation, each will devote as much time as is necessary to supervise the management of, to manage, or to advise on the business and affairs of the Corporation, in compliance with the BCA.

8.3 Real Estate Industry and Related Risks

Risks Associated with Real Estate - The Corporation's investments in mortgage loans will be secured by real estate. All real property investments are subject to elements of risk. Real property value is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants, competition from other available properties and other factors. While independent appraisals are a key component of the underwriting process before the Corporation may make any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis are not necessary reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or lease-up improvements on the real property providing security for the investment. There can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the

appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

Borrower Credit Risk - The value of income producing real property may also depend on the credit worthiness and financial stability of the borrowers. The Corporation's income and funds available for distribution to security holders would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Corporation or if the Corporation were unable to invest its funds in mortgages on economically favourable terms. On default by a borrower, the Corporation may experience delays in enforcing its rights as lender and may incur substantial costs in protecting its investment.

Expenditures - Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income. The Corporation may be required to incur such expenditures to protect its investment, even if the borrower is not making debt service required of it under the mortgage.

Illiquid Investment - Real property mortgage investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand and for the perceived desirability of the investment. Such illiquidity may tend to limit the Corporation's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Corporation were required to liquidate its real property mortgage investments, the proceeds to the Corporation might be significantly less than the total value of its investment on a going concern basis.

Debt Financing - The Corporation will be subject to the risks associated with debt financing, including the risk that mortgage indebtedness secured by the properties of the Corporation will not be able to be refinanced or that the terms of refinancing will not be as favourable as the terms of existing indebtedness.

Interest Rates - The mortgage business can be significantly affected by the prevailing rates of interest. The interest rate is subject to sudden fluctuations. Substantially increased interest rates could have a material adverse affect on the Corporation's business.

Environmental Laws - Although the Corporation intends to generally obtain an evaluation of the property to be subject to the mortgage, in the form of a Phase I Environmental Audit, environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to affect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

The Corporation follows the environmental program of the Manager, which includes policies and procedures to review and monitor environmental matters associated with its properties. The Manager's environmental policy usually includes a Phase I Environmental Audit when warranted, conducted by an independent and experienced environmental consultant, before advancing a loan or acquiring a mortgage.

There can be no assurance that income tax laws and government incentive programs relating to the real estate industry will not be changed in a manner which adversely affects the Corporation or distributions received by its security holders.

8.4 Risks Related to the Coronavirus

Health epidemics, pandemics and similar outbreaks - The Corporation's business and financial results may be negatively impacted by health epidemics, pandemics and similar outbreaks. The recent novel coronavirus (COVID-19) pandemic could have negative impacts on the Corporation's business, including increased client credit risk and decreased property values. The Corporation continues to work with its stakeholders (including clients, employees, partners, service providers, creditors and local communities) to address responsibly this global pandemic. The Corporation will continue to monitor the situation, to assess further possible implications to its business, clients and creditors, and to take actions in an effort to mitigate adverse consequences. Despite the Corporations efforts to manage these impacts, its ultimate impact also depends on factors beyond the Corporation's knowledge or control, including the duration and severity of any outbreak and actions taken to contain its spread and mitigate its public health effects.

The Corporation cannot at this time predict the impact of the COVID-19 pandemic, but it could have a material adverse effect on the Corporation's business, financial position, results of operations and/or cash flows.

8.5 Cybersecurity

Cybersecurity Breaches - Failures or breaches of the electronic systems of the Corporation, the Manager and/or the Corporation's other service providers, if any, have the ability to cause disruption and negatively impact the Corporation's business operations, potentially resulting in financial losses to the Corporation and its shareholders. While the Corporation has established continuity plans and risk management systems to mitigate the risk of system breaches or failures, there are inherent limitations with such plans and systems. In addition, the Corporation cannot control the cybersecurity plans and the systems of the Manager and/or other services providers. Security breaches could materially compromise information, disrupt business operations or cause the Corporation to breach obligations, thereby exposing the Corporation to liability, reputational harm and/or significant remediation costs. A theft, loss, corruption, exposure, fraudulent use or misuse of information whether by third parties or as a result of employee malfeasance could result in significant remediation and other costs, fines, litigation or regulatory actions against the Corporation, as well as, cause reputational harm, negatively impact the Corporation's competitive position and affect financial results.

For all of the aforesaid reasons and others set forth and not set forth herein, an investment in the Class B Shares and the Class F Shares involves a certain degree of risk. Any person considering the purchase of Class B Shares or Class F Shares should be aware of these and other factors set forth in this Offering Memorandum and should consult with his or her legal, tax and financial advisors prior to making an investment. The Class B Shares or the Class F Shares, as applicable, should only be purchased by persons who can afford to lose all of their total investment.

ITEM 9 - REPORTING OBLIGATIONS

Because the Corporation is not a "reporting issuer" as defined in the applicable securities legislation, the continuous reporting requirements of those statutes do not generally apply to the Corporation.

The Corporation is not required to send you any documents on an annual or ongoing basis. The Corporation will, however, on or before that date which is 90 days following the end of the Corporation's fiscal year, provide to each Class B Shareholder and Class F Shareholder audited financial statements and all other information required to file Canadian income tax returns.

ITEM 10 - RESALE RESTRICTIONS

The Class B Shares and the Class F Shares are subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, subscribers will not be able to trade the Class B Shares or the Class F Shares, as applicable, unless they comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, holders of Class B Shares or Class F Shares, as applicable, cannot trade the securities before the date that is four months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada. The Corporation does not intend to become a reporting issuer at any time, with the result that such holders may never be able to trade or re-sell their shares.

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless: (a) the Corporation has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or (b) you have held the securities for at least 12 months. The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

ITEM 11 - PURCHASER'S RIGHTS

If you purchase these securities, you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

Two Day Cancellation Right - You can cancel your Subscription Agreement to purchase these securities. To do so, you must send a notice to the Corporation by midnight (Vancouver time) on the 2nd business day after you sign the Subscription Agreement to buy the securities.

Statutory Rights of Action in the Event of a Misrepresentation

Applicable securities laws in the offering jurisdictions provide you with a remedy to sue to cancel your agreement to buy the Class B Shares or the Class F Shares, as applicable, or for damages if this Offering Memorandum, or any amendment thereto, contains a misrepresentation. Unless otherwise noted, in this section, a "**misrepresentation**" means an untrue statement or omission of a material fact that is required to be stated or that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.

These remedies are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, these remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by you within the strict time limit prescribed in the applicable securities laws.

The applicable contractual and statutory rights are summarized below. Subscribers should refer to the applicable securities laws of their respective offering Jurisdiction for the particulars of these rights or consult with professional advisors.

Investors in British Columbia

If you are a resident in British Columbia and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy the Class B Shares or the Class F Shares; or

(b) for damages against the Corporation, every person who was a director of the Corporation at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Class B Shares or the Class F Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (a) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (b) three years after the transaction that gave rise to the cause of action.

Investors in Alberta

If you are a resident in Alberta and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy the Class B Shares or the Class F Shares; or

(b) for damages against the Corporation, every person who was a director of the Corporation at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Class B Shares or the Class F Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (a) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (b) three years after the transaction that gave rise to the cause of action.

Investors in Manitoba

If you are a resident in Manitoba and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy the Class B Shares or the Class F Shares; or

(b) for damages against the Corporation, every person who was a director of the Corporation at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Class B Shares or the Class F Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (a) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (b) two years after the day of the transaction that gave rise to the cause of action.

Investors in Ontario

If you are a resident of Ontario and there is a misrepresentation in this Offering Memorandum, together with any amendment to it, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy the Class B Shares or the Class F Shares; or

(b) for damages against the Corporation.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Class B Shares or the Class F Shares. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action.

You must commence your action for damages within the earlier of: (a) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (b) three years after the date of the transaction that gave rise to the cause of action.

A misrepresentation is defined in the *Securities Act* (Ontario) as an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary in order to make any statement therein not misleading in light of the circumstances in which it is made. A material fact, when used in relation to securities issued or proposed to be issued, is defined in the *Securities Act* (Ontario) as a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of such securities.

Investors in Saskatchewan

If you are resident in Saskatchewan and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, subject to certain limitations, you have a statutory right to sue:

(a) the Corporation to cancel your agreement to buy the Class B Shares or the Class F Shares, as applicable; or

(b) for damages against:

(i) the Corporation, every person who was a director or the promoter of the Corporation, respectively, at the date of this Offering Memorandum,

(ii) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them,

(iii) every person who, or company that, in addition to the persons or companies mentioned in clauses (i) and (ii), signed this Offering Memorandum, and

(iv) every person who, or company that, sells the Class B Shares or the Class F Shares, as applicable, on behalf of the Corporation under this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Class B Shares or the Class F Shares, as applicable. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Class B Shares or the Class F Shares, as applicable.

You must commence your action for damages within the earlier of: (a) one year after learning of the misrepresentation; or (b) six (6) years after you signed the agreement to purchase the Class B Shares or the Class F Shares, as applicable.

In addition, subject to certain limitations, where any advertising or sales literature (as such terms are defined in the Saskatchewan securities legislation) disseminated in connection with the offering contains a misrepresentation, a purchaser who purchases the Class B Shares or the Class F Shares, as applicable, referred to in that advertising or sales literature has a right of action against the Corporation, every promoter and director of the Corporation, and every person who or company that sells the Class B Shares or the Class F Shares, as applicable, under the offering with respect to which the advertising or sales literature was disseminated. In addition, subject to certain limitations, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the Class B Shares or the Class F Shares, as applicable, and the verbal statement is made either before or contemporaneously with the purchase of the Class B Shares or the Class F Shares, as applicable, the purchaser has a right of action for damages against the individual who made the verbal statement.

You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.

You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.

ITEM 12 - FINANCIAL STATEMENTS

The following audited annual financial statements are attached as Schedule "A" to this Offering Memorandum:

(a) audited annual financial statements for the year ended December 31, 2018, and

(b) audited annual financial statements for the year ended December 31, 2019.

ITEM 13 - DATE AND CERTIFICATE

Dated April 29, 2020.

This Offering Memorandum does not contain a misrepresentation.

AP CAPITAL MORTGAGE INVESTMENT CORPORATION

DocuSigned by:
FE52E5693A814D6...
Ches Orlando Hagen
Director, Chief Executive Officer and Acting Chief Financial Officer

On behalf of the Board of Directors

DocuSigned by:
497B19A30A294E1...
Daniel Harold Weiss
Director

DocuSigned by:
Bradly Unrau
5904044C0377430...
Bradly Daniel Unrau
Director

Manager and Promoter

AP CAPITAL MIC MANAGEMENT CORP.

DocuSigned by:
FE52E5693A814D6...
Ches Orlando Hagen
Director and Chief Executive Officer

DocuSigned by:
497B19A30A294E1...
Daniel Harold Weiss
Director

SCHEDULE "A" – FINANCIAL STATEMENTS

AP Capital Mortgage Investment Corporation

Financial Statements

December 31, 2018

AP Capital Mortgage Investment Corporation

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Independent Auditor's Report

To the Shareholders of AP Capital Mortgage Investment Corporation:

Opinion

We have audited the financial statements of AP Capital Mortgage Investment Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to

modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Vancouver, British Columbia
March 27, 2019

MNP LLP

Chartered Professional Accountants

AP Capital Mortgage Investment Corporation
Statement of Financial Position
As at December 31, 2018

	2018	2017
Assets		
Current		
Cash and cash equivalents	**14,994**	54,405
Prepaid expenses and deposits	**4,660**	83,849
Mortgage investments, current (Note 4)	**81,855,354**	68,448,956
Investment in associate, AP Capital REIT (Note 5)	**181,911**	690,029
	82,056,919	69,277,239
Non-current		
Mortgage investments, non-current (Note 4)	**3,870,991**	919,982
Total assets	**85,927,910**	70,197,221
Liabilities		
Current		
Credit facility (Note 6)	**5,199,566**	9,089,560
Trade and other payables (Note 7)	**63,953**	132,142
Additional dividends payable	**81,922**	14,404
Deferred revenue	**108,929**	417,829
Total liabilities	**5,454,370**	9,653,935
Shareholders' Equity		
Share capital (Note 8)	**78,399,226**	58,865,870
Retained earnings	**2,074,314**	1,677,416
Total shareholders' equity	**80,473,540**	60,543,286
	85,927,910	70,197,221

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

AP Capital Mortgage Investment Corporation
Statement of Income and Comprehensive Income
For the year ended December 31, 2018

	2018	*2017*
Revenue		
Commitment fees	**713,414**	789,972
Income (loss) from associate, AP Capital REIT (Note 5)	**(8,118)**	46,517
Interest	**7,085,134**	5,980,059
Other fees	**83,269**	135,538
	7,873,699	6,952,086
Expenses		
Financial services and other fees (Notes 7 and 10)	**1,619,135**	1,959,204
Impairment loss (recoveries) on mortgage investments (Note 4)	**209,329**	(26,498)
Interest and bank charges	**319,018**	483,829
Office	**90,089**	98,941
Professional and consulting fees	**128,536**	105,905
Share trustee fees	**18,976**	21,386
	2,385,083	2,642,767
Net income and comprehensive income	**5,488,616**	4,309,319
Earnings per share		
Basic and diluted net earnings per share (Note 11)	**7.668**	7.642

The accompanying notes are an integral part of these financial statements

AP Capital Mortgage Investment Corporation
Statement of Changes in Equity
For the year ended December 31, 2018

	Share capital	*Retained earnings*	*Total equity*
Balance December 31, 2016	**47,440,973**	**1,331,054**	**48,772,027**
Net and comprehensive income	**-**	**4,309,319**	**4,309,319**
Class B Dividends declared (Note 12)	**-**	**(3,962,957)**	**(3,962,957)**
Issued - dividends reinvestment	**1,734,767**	**-**	**1,734,767**
Issued - cash consideration	**16,368,842**	**-**	**16,368,842**
Redemption of shares for cash	**(6,414,516)**	**-**	**(6,414,516)**
Share issue costs	**(264,196)**	**-**	**(264,196)**
Balance December 31, 2017	**58,865,870**	**1,677,416**	**60,543,286**
Net and comprehensive income	**-**	**5,488,616**	**5,488,616**
Class B Dividends declared (Note 12)	**-**	**(4,901,740)**	**(4,901,740)**
Class F Dividends declared (Note 12)	**-**	**(189,978)**	**(189,978)**
Issued - dividends reinvestment	**2,307,548**	**-**	**2,307,548**
Issued - cash consideration	**23,418,449**	**-**	**23,418,449**
Redemption of shares for cash	**(5,690,482)**	**-**	**(5,690,482)**
Share issue costs	**(502,159)**	**-**	**(502,159)**
Balance December 31, 2018	**78,399,226**	**2,074,314**	**80,473,540**

The accompanying notes are an integral part of these financial statements

AP Capital Mortgage Investment Corporation
Statement of Cash Flows
For the year ended December 31, 2018

	2018	*2017*
Cash provided by (used for) the following activities		
Operating activities		
Net and comprehensive income for the year	**5,488,616**	4,309,319
Impairment (recoveries) on mortgage investments	**209,329**	(26,498)
Loss (income) from associate	**8,118**	(46,517)
Interest paid on credit facility	**306,256**	472,097
Interest received	**(6,870,344)**	(5,578,992)
	(858,025)	(870,591)
Changes in working capital accounts		
Prepaid expenses	**79,189**	(76,571)
Accrued interest receivable	**(171,032)**	(172,588)
Trade and other payables	**(68,813)**	(282,508)
Deferred revenue	**(308,900)**	(80,308)
Additional dividends payable	**67,518**	14,404
	(1,260,063)	(1,468,162)
Financing activities		
Proceeds from (repayment of) credit facility	**(4,196,250)**	(68,254)
Redemption of common shares	**(5,690,482)**	(6,414,516)
Issuance of common shares	**23,418,449**	16,368,842
Dividends	**(2,798,574)**	(2,228,190)
Share issue costs	**(502,159)**	(264,196)
	10,230,984	7,393,686
Investing activities		
Funding of mortgage investments	**(48,248,783)**	(26,915,393)
Discharge of mortgage investments	**38,738,451**	20,892,583
Redemption of AP Capital REIT units (Note 5)	**500,000**	-
	(9,010,332)	(6,022,810)
Decrease in cash and cash equivalents	**(39,411)**	(97,285)
Cash and cash equivalents, beginning of year	**54,405**	151,690
Cash and cash equivalents, end of year	**14,994**	54,405

Supplementary cash flow information in Note 13.

The accompanying notes are an integral part of these financial statements

1. Corporate information

AP Capital Mortgage Investment Corporation (the "Company") was incorporated on March 27, 2007 under the laws of British Columbia. The Company is domiciled in Canada with its registered principal business office located in Suite 1795 – 555 Burrard Street, Vancouver, British Columbia. The Company is in the business of investing in financial instruments, principally mortgages. The Company is managed by AP Capital MIC Management Corp. ("Manager/Administrator").

2. Basis of presentation

a. Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements for the year ended December 31, 2018 were authorized for issuance by the Board of Directors of the Company ("Board") on March 27, 2019.

b. New accounting pronouncements adopted during the year

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments (IFRS 9), which replaced IAS 39 Financial Instruments: Recognition and measurement (IAS 39).

IFRS 9 was adopted retrospectively without restatement as allowed under the standard's transitional provisions. IFRS 9 addresses the measurement of financial assets and financial liabilities, including the impairment of financial assets and other commitments. As a result of the application of IFRS 9, the Company changed its accounting policies for financial instruments, including mortgages investments effective January 1, 2018, as described in Note 3(b) and Note 3(j). The IAS 39 accounting policies for financial instruments that were applied prior to January 1, 2018 are included in Note 3(k).

Adoption of IFRS 9 had no effect on the measurement of the Company's financial assets and financial liabilities, which continue to be measured at amortized cost subsequent to their initial recognition.

c. Basis of measurement

These financial statements have been prepared on the basis of historical cost, except for financial instruments classified as fair value through profit and loss, which are measured at fair value.

d. Functional and presentation currency

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

e. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner consistent with the prior year and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these financial statements. The significant estimates and judgements used in determining the recorded amount for assets and liabilities in the financial statements are as follows:

2. Basis of presentation (continued)

e. Use of estimates and judgements (continued)

Mortgage investments:

The Company makes an estimate for determining whether the cash flows from mortgages investments represent solely payments of principal and interest (SPPI). The Company is also required to make assessments of the future expected losses on mortgage investments. In particular, the measurement of credit risk to determine significant changes. The estimation of future cash flows and expected losses includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. The assumptions used in the assessment of impairment are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Illiquid credit markets and volatile equity markets have increased the uncertainty inherent in such estimates and assumptions.

These estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

Foreclosed properties held for sale:

The Company uses management's best estimate to determine the fair market value of real estate assets in making an assessment of the impairment of the foreclosed properties held for sale. This may involve inspections, engaging realtors to assess market conditions based on previous property transactions or retaining professional appraisers to provide independent valuations. The estimates of realizable value of real estate assets are made at a specific point in time, given current relevant market information. These estimates are subjective and involve uncertainties and judgement. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

3. Summary of significant accounting policies

a. Cash and cash equivalents

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents.

b. Mortgage investments

The Company's business model is to manage mortgages and to collect principal and interest payments on mortgage investments. Mortgage investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses.

c. Foreclosed properties held for sale

Real estate acquired through loan default is classified as foreclosed properties held for sale ("FPHFS") when their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for "held for sale" includes management's commitment to a plan to sell the assets and the expectation that such sale will be completed within a twelve-month period. Events or circumstances beyond the Company's control may extend the period to complete the sale beyond one year. Such assets continue to be classified as "held for sale" as management remains committed to its plan to sell the assets. FPHFS are not depreciated.

3. Summary of significant accounting policies (continued)

c. Foreclosed properties held for sale (continued)

Contractual interest on the mortgage investment is discontinued from the date of transfer from mortgage investments to FPHFS. Any difference between the carrying value of the asset before foreclosure and the initially estimated realizable amount of the asset is recorded in the impairment losses on mortgage investments.

The Company capitalizes all foreclosures, maintenance, pre-development costs and property taxes with the intention of recovering the costs upon subsequent sale of the property.

FPHFS are carried at the lower of carrying amount and fair market value less costs to sell.

d. Investment in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

Investment in associate is accounted for at fair value.

e. Deferred revenue

Deferred revenue comprises of unearned upfront commitment fees and mortgage interest received in advance from borrowers, which are amortized to income using the effective interest method over the contractual terms of the mortgages.

f. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity.

Dividends are recognized in equity in the year in which they are declared. Dividends on new shares issued during the year and dividends on shares redeemed during the year are calculated on a pro-rated daily basis.

g. Revenue recognition

Interest on mortgage investments is recognized as revenue using the effective interest method. Interest is calculated on the gross carrying amount for mortgage investments in Stage 1 and 2 and on the net carrying amount for mortgage investments in Stage 3. Other fees are recognized as revenue when earned.

The Company charges upfront commitment fees, such as lender, broker and renewal fees, based on the gross mortgage values for all mortgages funded. These fees, net of related referral fees paid, are amortized to income using the effective interest method over the contractual terms of the mortgage.

h. Basic and diluted net earnings per share

The Company presents basic and diluted net earnings per share data for its common shares. Basic per share amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. As the Company has no dilutive financial instruments that could be converted to common shares, basic and diluted net earnings per share are identical.

3. Summary of significant accounting policies (continued)

i. Income taxes

The Company is a Mortgage Investment Corporation as defined in Section 130.1 (6) of the Canadian Income Tax Act and, as such, is not taxable on income which flows through to the shareholders in the form of dividends paid during the year or within 90 days of the end of the year. It is the Company's policy to flow such dividends out to the shareholders and as such have no taxable income for the year. Accordingly, no provision for corporate income taxes has been made in the accounts.

j. Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets consist of cash and cash equivalents, mortgage investments and investment in AP Capital REIT. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, cash and cash equivalents and mortgage investments are classified and measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Investment in AP Capital REIT is classified as financial assets at fair value through profit and loss, which is measured at fair value.

Reclassifications

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Company commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Company's accounting policies for impairment of financial assets.

For mortgage investments, the Company records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Company assessed that a significant increase in credit risk has occurred, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

For mortgage investments assessed by the Company as having a significant increase in credit risk since initial recognition, the Company recognizes a loss allowance equal to the cumulative changes in lifetime expected credit losses since initial recognition.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment (continued)

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants or requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit loss.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 16 for additional information about the Company's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Company either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Company retains the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. Financial liabilities consist of credit facility, trade and other payable and additional dividends payable. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

3. Summary of significant accounting policies (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses. Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated as credit-impaired financial assets, a credit-adjusted effective interest rate is calculated which incorporated expected credit losses. Interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. Calculation of interest does not revert to another basis if credit risk of the asset subsequently improves.

k. Financial Instruments – IAS 39 accounting policy applied prior to January 1, 2018

Financial Instruments:

Financial assets consist of cash and cash equivalents, mortgage investments and investment in AP Capital REIT. Financial liabilities consist of credit facility, trade and other payable and additional dividends payable.

The Company determines the classification of its financial assets and liabilities at initial recognition. Financial instruments are recognized initially at fair value and in the case of financial assets and liabilities carried at amortized costs, adjusted for directly attributable transaction costs.

The Company has classified its financial assets and liabilities as follows:

(i) Cash and cash equivalents and mortgage investments are classified as loans and receivables, which are measured at amortized costs using the effective interest method, less impairment losses. Investment in AP Capital REIT is classified as financial assets at fair value through profit and loss, which is measured at fair value.

(ii) Credit facility, trade and other payable and additional dividends payable are classified as financial liabilities and are measured at amortized costs using the effective interest method.

3. Summary of significant accounting policies (continued)

l. Offsetting financial instruments

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Company has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

m. Future changes in accounting policies

Management has reviewed and determined that the new accounting standards and interpretations mandatory after the December 31, 2018 reporting year are not relevant to the Company.

4. Mortgage investments

Mortgages written by the Company are for terms of two years or less and earn interest at rates ranging from 6.95% to 14.99% (2017 - from 6.5% to 15.0%) per annum with a weighted average annual interest rate of 9.34% (2017 – 9.1%). The mortgages are secured by first, second and/or third charges on real properties. There are no, or nominal, principal repayments required during the terms of the mortgages. A majority of the mortgage investments contain prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

Property Locations	**No.**		***2018***	**%**	*2017*	%
Urban properties in British Columbia	**196**	**$**	**78,593,822**	**92.34**	62,431,939	90.71
Rural properties in British Columbia	**14**		**2,830,410**	**3.33**	2,667,264	3.88
Urban properties in Alberta	**17**		**1,684,097**	**1.98**	2,536,585	3.69
Rural properties in Alberta	**14**		**1,932,678**	**2.27**	1,116,712	1.62
Urban properties in Ontario	**1**		**68,632**	**0.08**	69,921	0.10
			85,109,639	**100.0**	68,822,421	100.0
Accrued interest receivable			**717,549**		546,517	
Allowance for impairment losses			**(100,843)**		-	
		$	**85,726,345**		69,368,938	
Non-current portion			**(3,870,991)**		(919,982)	
		$	**81,855,354**		68,448,956	

The mortgages, including accrued interest receivable, net of allowance for impairment losses all invested in residential properties.

4. Mortgage investments (continued)

Principal repayments, based on contractual maturity dates, are as follows:

		2018		*2017*
Year ending December 31,				
2018	**$**	**-**	$	67,902,439
2019		**81,238,648**		919,982
2020		**3,870,991**		**-**
Total	**$**	**85,109,639**	$	68,822,421

The Company has invested in 7 (2017 - 6) non-current mortgage investments, which mature from January 1, 2020 to April 1, 2020.

For the year ended December 31, 2018, the Company received total lender and renewal fees of $337,027 (2017 – $735,987) and $122,275 (2017 - $148,812), respectively, which are amortized to commitment fees income over the term of the related mortgage investments using the effective interest method.

During the transition to IFRS 9 on January 1, 2018, management determined the transition adjustment to be $nil. The changes in allowance for impairment losses are summarized as follows:

		2018		*2017*
Balance at beginning of year	**$**	**-**	$	100,879
Impairment loss (recoveries), net of provision		**209,329**		(26,498)
Discharge of mortgage investments		**(108,486)**		(74,381)
Balance at end of year	**$**	**100,843**	$	**-**

		2018	%		*2017*	%
Interest in first mortgages	**$**	**59,551,081**	**69.97**	**$**	48,565,517	70.57
Interest in non-first mortgages		**25,558,558**	**30.03**		20,256,904	29.43
		85,109,639	**100.00**		68,822,421	100.00
Accrued interest receivable		**717,549**			546,517	
Allowance for impairment losses		**(100,843)**			**-**	
	$	**85,726,345**		$	69,368,938	
Non-current portion		**(3,870,991)**			(919,982)	
	$	**81,855,354**		$	68,448,956	

5. Investment in AP Capital REIT

The Company holds 181.911 (2017 – 690.029) Class G Units of AP Capital REIT (the "REIT") with a total redemption and fair value of $181,911 (2017 - $690,029). During the year, the Company redeemed 527.16 units for $500,000 at a loss of $27,160.

The Company has significant influence over the REIT as it is related by virtue of having common directors and officers.

		2018		*2017*
Balance at beginning of year	**$**	**690,029**	$	643,512
Distributions under the Dividend Reinvestment Plan		**19,042**		46,517
Redemption of shares		**(527,160)**		**-**
Balance at end of year	**$**	**181,911**	$	690,029

6. Credit facility

The Company has a credit facility ("Facility") with a Canadian financial institution for an amount of up to $14,000,000 (2017 - $14,000,000). The Facility renews annually and bears an annual interest rate equal to the bank's prime rate plus 1.5% per annum. The Facility is secured by a general security agreement, creating a first fixed charge over all present and after acquired personal property of the Company and assignment of all mortgage investments and all risk insurance showing the bank as the first loss payee. As at December 31, 2018, $5,199,566 (2017 - $9,089,560) was outstanding on the Facility and is due on demand.

The Company has met its required financial covenants, including debt to tangible net worth, current to non-current liabilities and debt service coverage ratios.

Subsequent to year end, the Company entered into a credit facility agreement with Royal Bank of Canada for an amount up to $28,000,000.

7. Related party transactions and balances

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a. During the year, financial services fees amounted to $1,619,135 (2017 - $1,959,204), to the Manager/Administrator, a Company controlled by the directors/shareholders, were incurred; of which $5,784 (2017 - $53,377) is included in accounts payable. Under the new management agreement dated July 1, 2018, between the Company and the Manager/Administrator, any administration, lender, renewal or other fees will be collected on behalf of the Manager/Administrator by the Company.

b. During the year, dividends, including dividends reinvested in shares, to the shareholders/directors totaled $213,051 (2017 - $45,120).

8. Share capital

The authorized share capital of the Company consists of unlimited Class A common shares, voting, non-participating, without par value and unlimited Class B and F common shares, non-voting, participating, without par value.

The Company's issued share capital consists of the following:

NUMBER OF SHARES	***2018***	*2017*
Class A common shares	**2,400**	2,400
Class B common shares		
Opening balance	**612,674**	495,783
Issued - dividends reinvestment	**21,343**	17,348
Issued - cash consideration	**186,771**	163,688
Redemption of shares for cash	**(54,905)**	(64,145)
Closing balance	**765,883**	612,674
Class F common shares		
Opening balance	**-**	-
Issued - dividends reinvestment	**1,732**	-
Issued - cash consideration	**47,414**	-
Redemption of shares for cash	**(2,000)**	-
Closing balance	**47,146**	-
Total share capital	**815,429**	**615,074**

AMOUNT		***2018***		*2017*
Class A common shares	**$**	**2,400**	**$**	2,400
Class B common shares				
Opening balance	**$**	**58,863,470**	**$**	47,438,573
Issued - dividends reinvestment		**2,134,299**		1,734,767
Issued - cash consideration		**18,677,062**		16,368,842
Redemption of shares for cash		**(5,490,482)**		(6,414,516)
Share issue costs		**(502,159)**		(264,196)
Closing balance	**$**	**73,682,190**	**$**	58,863,470
Class F common shares				
Opening balance	**$**	**-**	**$**	-
Issued - dividends reinvestment		**173,249**		-
Issued - cash consideration		**4,741,387**		-
Redemption of shares for cash		**(200,000)**		-
Closing balance	**$**	**4,714,636**	**$**	-
Total share capital		**78,399,226**		**58,865,870**

8. Share capital (continued)

The Class B and F shares, which are the only class of shares entitled to receive dividends as and when declared at the discretion of the Board, shall be redeemable at the option of either the Company or the holder of Class B and F shares in accordance with the Special Rights and Restrictions of the Company's Articles and Notice of Articles. The Company will not, except upon resolution of the Board in favor of such redemption, redeem more than 5% of all Class B and F shares which are issued and outstanding on the first day of the fiscal quarter in which the retraction notice is given to the Company. Such retraction notice shall be processed on a "first-come, first serve basis."

9. Distribution reinvestment plan

The Distribution Reinvestment Plan ("DRIP") allows holders of Class B and F shares to elect to have all cash distributions from the Company reinvested in additional Class B and F shares.

For the year ended December 31, 2018, 21,343 Class B common shares (2017 – 17,348 shares) and 1,732 Class F common shares (2017 – nil shares) were issued under the DRIP at $100 per share, for a total of $2,134,299 (2017 - $1,734,767) and $173,249 (2017 - $nil) respectively.

10. Financial services fees

The Manager/Administrator is responsible for the day-to-day operations, including administration of the Company's mortgage investments. Pursuant to the Management/Administration Agreement ("Management Contract") updated July 1, 2018, the Company shall pay to the Manager/Administrator, an annual mortgage servicing and administration fee ("Annual Administration Fee") equal to 1.5% (2017 – 2.85%) per annum of the Company's mortgages under management of the Corporation, calculated and payable monthly, plus applicable taxes.

The Manager/Administrator pays all of its internal direct costs and overhead relating to the provision of the services under the Management Contract, including office expenses, rent, employee salaries and management financial services fees, with the exception of the costs for the independent advisory board, which are paid by the Company.

All other costs with respect to the business of the Company are paid by the Company including, without limitation, legal, audit, referral fees, fundraising, as well as travel, marketing, advertising, shareholder meetings and communication costs that relate specifically to the Company and its shareholders. The Company is also responsible for the costs of independent advisory board members as well as director and officer fees for attending meetings of the Directors, conference calls and meetings of the committees of the Company. The Company is responsible for paying the costs, including legal fees and disbursements, of collecting or attempting to collect any amounts owing or in arrears on its mortgage investments, including foreclosure or other court proceedings.

The Management Contract permits the Manager/Administrator to charge lender fees, broker fees, commitment fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan. These fees are collected by the Company and paid monthly to the Manager/Administrator.

The Management Contract is for an indefinite term and may be terminated upon occurrence of certain specified events and by the mutual consent of the parties.

11. Basic and diluted net earnings per share

The following table reconciles the numerator and denominator of both the basic and diluted net earnings per Class B and Class F common shares:

		2018		*2017*
Numerator for net earnings per share				
Net and comprehensive income	**$**	**5,488,616**	$	4,309,319
Denominator for net earnings per share				
Weighted average shares		**715,776**		563,902
Basic and diluted net earnings per share	**$**	**7.668**	$	7.642

12. Amount available for dividend distribution

The Company follows the practice of paying a dividend subsequent to the end of the fiscal year in an amount at least sufficient to remain non-taxable under the provisions of the Canadian Income Tax Act related to Mortgage Investment Corporations.

The following table reconciles the numerator and denominator of the dividend yield per Class B common share:

		2018		*2017*
Numerator for dividend yield per share				
Net income	**$**	**5,298,110**	$	4,309,319
Deduct financing costs, net of amount deductible for tax purposes		**(11,583)**		(15,204)
Deduct share issue costs deductible for tax purposes		**(384,787)**		(331,158)
Dividends declared	**$**	**4,901,740**	$	3,962,957
Denominator for net earnings per share				
Weighted average shares		**690,932**		563,902
Dividend yield per share	**%**	**7.094**	%	7.028

The following table reconciles the numerator and denominator of the dividend yield per Class F common share:

		2018		*2017*
Numerator for dividend yield per share				
Net income	**$**	**190,506**	$	**-**
Deduct financing costs, net of amount deductible for tax purposes		**(528)**		-
Deduct share issue costs deductible for tax purposes		**-**		**-**
Dividends declared	**$**	**189,978**	$	-
Denominator for net earnings per share				
Weighted average shares		**24,844**		-
Dividend yield per share	**%**	**7.647**	%	-

13. Supplementary cash flow information

Non-cash transactions

The Company issued 21,343 (2017 - 17,348) Class B common shares and 1,732 (2017 – nil) Class F commons shares at a value of $100 per share for a total of $2,134,299 (2017 - $1,734,767) and $173,249 (2017 - $nil) respectively as dividend reinvestment.

14. Capital management

The Company defines its capital structure to include Class B common shares, Class F common shares, and Credit Facility. The overall objective of capital management is to ensure that the Company has sufficient capital to maintain its operations based on current activities and expected business developments in the future and to provide a return to the shareholders commensurate with the risk of the business and comparable to other similar companies.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions. The Company's capital management objectives and strategies are unchanged from prior years.

The Company's investment guidelines are subject to externally imposed capital requirements to maintain the Company's eligibility as a Mortgage Investment Corporation as defined in Section 130.1(6) of the Canadian Income Tax Act. These guidelines state that (i) at least 50% of the Company assets must be residential mortgages and/or cash and insured deposits at Canada Deposit Insurance Corporation member financial institutions, (ii) no more than 25% of its assets must be in real estate, and (iii) that all investments must be within Canada. The Company complied with these requirements during the year.

15. Fair value measurements

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly;

Level 3 - Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions.

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

15. Fair value measurements (continued)

The following table shows the carrying amounts and fair values of assets and liabilities:

	Carrying value		
December 31, 2018	***Investments, loans and receivable***	***Other financial liabilities***	***Fair Value***
Assets not measured at fair value			
Cash and cash equivalents	**$ 14,994**	**$ -**	**$ 14,994**
Mortgage investments	**85,726,345**	**-**	**85,726,345**
Assets measured at fair value			
Investment in AP Capital REIT	**181,911**	**-**	**181,911**
Liabilities not measured at fair value			
Credit facility	**-**	**5,199,566**	**5,199,566**
Trades and other payable	**-**	**63,953**	**63,953**
Additional dividends payable	**-**	**81,922**	**81,922**

	Carrying value		
December 31, 2017	*Investments, loans and receivable*	*Other financial liabilities*	*Fair Value*
Assets not measured at fair value			
Cash and cash equivalents	$ 54,405	$ -	$ 54,405
Mortgage investments	69,368,938	-	69,368,938
Assets measured at fair value			
Investment in AP Capital REIT	690,029	-	690,029
Liabilities not measured at fair value			
Credit facility	-	9,089,560	9,089,560
Trades and other payable	-	132,142	132,142
Additional dividends payable	-	14,404	14,404

The valuation techniques and inputs used for the Company's financial and non-financial assets and liabilities are as follows:

a. Mortgage investments

There is no quoted price in an active market for the mortgage investments. The Manager/Administrator makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments approximates their carrying values given the amounts consist of short-term loans that are repayable without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on level 3 inputs.

b. Other assets and liabilities

The fair values of cash and cash equivalents, credit facility and trade and other payable approximate their carrying amounts due to their short-term maturities. The fair value of the investment in AP Capital REIT is based on level 1 input.

There were no transfers between level 1, level 2 and level 3 during the year ended December 31, 2018 and December 31, 2017.

16. Risk management

The Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these factors are beyond the Company's direct control. The Manager/Administrator and Board of Directors play an active role in monitoring the Company's key risks in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

The Company's business activities, including its use of financial instruments, expose the Company to various risks, the most significant of which are interest rate risk, credit risk, redemption risk and liquidity risk:

a. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rates on the mortgage investments are fixed until maturity and therefore the interest rate risk associated with mortgage investments at year-end is not considered significant. The floating interest rate on the credit facility subjects the Company to a cash flow risk. The interest rate risk on cash and cash equivalents and trade and other payable are also not considered significant.

Sensitivity analysis

The Company is exposed to interest rate risk on the Credit Facility. Based on the outstanding balance of $5,199,566 on the Credit Facility as at December 31, 2018, a 0.50% decrease in the bank's prime rate, keeping other variables constant, would result in an annual increase in net income of $25,998 (2017 - $45,448) as a result of lower interest payable on the Credit Facility. A 0.50% increase in the bank's prime rate would have an equal but opposite effect on the net income of the Company.

b. Credit risk

As with most mortgage investment corporations, the Company provides financing to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the possibility that the mortgagor may fail to discharge the obligation causing the Company to incur a financial loss. The Company minimizes its credit risk primarily by ensuring that the collateral value of the security fully protects first, second and subsequent mortgage advances and that there is a viable exit strategy for each loan. In addition, the Company limits concentration of risk by diversifying its mortgage portfolio by way of location, property type, maximum loan amount on anyone property and maximum loan amount to one borrower.

At the end of each reporting period, impairment is assessed using an expected credit loss (ECL) approach. Under this approach the level of credit risk deterioration is assessed in a three-stage impairment model. The three stages are determined, and expected credit losses are assessed as follows:

Stage 1 - No significant increase to credit risk since initial recognition. 12-month expected credit losses are recognized.

Stage 2 - Significant increase in credit risk since initial recognition. Lifetime expected credit losses are recognized.

Stage 3 - Credit Impaired. Lifetime expected credit losses are recognized.

The Company is required to make assessments of the future expected losses on mortgage investments in Stage 1 and Stage 2 using forward-looking information, including macro-economic factors. Mortgage investments are transferred to Stage 3 when there is objective information that indicates that one or more events ("loss events") have occurred that have a negative effect on the estimated future cash flows of that asset.

16. Risk management (continued)

b. Credit risk (continued)

The Company makes an estimate for determining whether the cash flows from mortgage investments represent solely payments of principal and interest (SPPI). The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors.

The Company considers a number of past events, current conditions and forward-looking information to assess if there has been a significant increase or subsequent decrease in credit risk. To identify whether the credit risk of a mortgage investment has significantly increased since initial recognition, management will consider forward-looking information, including macro-economic factors as well as information related to the specific borrower, including the outstanding balance upon default, credit worthiness and changes in personal economic situation.

Determining if there was a significant increase or decrease in credit risk requires significant judgement. Management reviews the mortgage investments and considers the credit risk to be increase when reasonable assurance no longer exists that the sole payments of principal and interest would be recoverable.

Loss provisions are recorded upon initial recognition of the mortgage investment based upon expectations of future losses at the time. For Stage 1 mortgages, the Company will recognize a loss allowance equal to 12-month expected credit losses, if the credit risk at the reporting date has not increased significantly since initial recognition, representing the expected credit losses from default events that are possible within the next 12 months.

Under IFRS 9, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. However, based on historical experience, mortgages that were 30 day past due could be brought up to date with later payments. Therefore, this factor will not be used to identified mortgages above Stage 1.

The recognition of credit losses must be made for the remaining life of the mortgage investments (lifetime expected credit losses) that are considered to have experienced a significant increase in credit risk (Stage 2) and for mortgage investments that are credit impaired at the reporting date (Stage 3). The lifetime expected credit losses represent the expected loss in value due to possible default events over the life of the mortgage investment weighted by the likelihood of a loss. At each reporting date, credit impaired mortgage investments will be transferred to Stage 3 when there is objective information that the mortgage investments are credit impaired.

To determine whether a mortgage investment is credit impaired, an event must be identified that has a detrimental impact on the estimated future cash flows.

The Company considers evidence of impairment for mortgage investments in Stage 3 at a specific level on a mortgage-by-mortgage basis, and specific allowances are recorded if management determines that the mortgage investment is impaired. In such cases, a specific provision is established to write-down the loan to the estimated future cash flows from the loan discounted at the loan's original effective interest rate. In cases where it is impractical to estimate the future cash flows, the carrying amount of the loan is reduced to its fair value calculated based on an observable market price.

16. Risk management (continued)

b. Credit risk (continued)

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 Financial instruments. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

The gross carrying amount represents the maximum exposure to credit risk for that class of financial asset.

			As at December 31, 2018			
Property Locations		**Stage 1**	**Stage 2**	**Stage 3**		**Total**
Urban properties in British Columbia	$	68,317,923	4,959,687	5,316,211	$	78,593,821
Rural properties in British Columbia		2,830,410	-	-		2,830,410
Urban properties in Alberta		1,376,211	31,058	276,827		1,684,096
Rural properties in Alberta		1,632,014	279,017	21,647		1,932,678
Urban properties in Ontario		68,634	-	-		68,634
	$	74,225,192	5,269,762	5,614,685	$	85,109,639

The changes in allowance for impairment losses are summarized as follows:

			As at December 31, 2018			
Property Locations		**Stage 1**	**Stage 2**	**Stage 3**		**Total**
Urban properties in British Columbia	$	-	14,182	74,166	$	88,348
Rural properties in British Columbia		-	47	11,705		11,752
Urban properties in Alberta		-	418	325		743
Rural properties in Alberta		-	-	-		-
Urban properties in Ontario		-	-	-		-
	$	-	14,647	86,196	$	100,843

As at December 31, 2018, the allowance for impairment losses is $100,843. This allowance represents management's estimate of the ECL on mortgage investments that have experience a significant increase in credit risk since initial recognition (Stage 1). Management estimated the ECL for mortgages in Stage 1 as $nil due to the mortgage collateral held. Mortgage that transferred to Stage 2 and 3 were assessed individually for the ECL.

As at December 31, 2018, there were nil mortgages in arrears (2017 - nil) or in collections other than those in foreclosures.

There were three (2017 - three) foreclosures with total carrying amounts of $4,911,611 (2017 - $1,653,790).

Concentration of credit risk analysis

At December 31, 2018, the Company had two mortgage investments (2017 - two) which represents 5.32% (2017 – 6.57%) of total mortgage investments which are risk to a potential loss. The average mortgage amount for the portfolio was $351,276 (2017 - $281,988).

16. Risk management (continued)

c. Redemption risk

The amount payable by the Company by cash payment in respect of the redemption of Class B and Class F common shares in any fiscal quarter of the Company will not exceed the redemption price payable plus any unpaid dividends in respect of 5% of the issued and outstanding Class B and Class F common shares. The Board may, in its sole discretion, redeem by cash payment such excess Class B and Class F common shares, if in the opinion of the Board, doing so, will not adversely affect the Company.

d. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligation as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

The following are the contractual maturities of the financial liabilities as at December 31, 2018:

	Amortized cost	*Due in 1 year*
Credit facility	**$ 5,199,566**	**$ 5,199,566**
Trade and other payable	**63,953**	**63,953**
	$ 5,263,519	**$ 5,263,519**

17. Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgages. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company's financial position. No contingent loss provision was recorded as at year-end.

18. Key management personnel compensation

The compensation of the senior management of the Manager/Administrator is paid through the annual mortgage servicing and administration fees paid to the Manager/Administrator (Note 10).

AP Capital Mortgage Investment Corporation

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Independent Auditor's Report

To the Shareholders of AP Capital Mortgage Investment Corporation:

Opinion

We have audited the financial statements of AP Capital Mortgage Investment Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to

modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Vancouver, British Columbia

March 27, 2020

MNP LLP

Chartered Professional Accountants

AP Capital Mortgage Investment Corporation
Statement of Financial Position
As at December 31, 2019

	2019	*2018*
Assets		
Current		
Cash and cash equivalents	-	14,994
Trade and other receivables (Note 7b)	**171,813**	-
Prepaid expenses and deposits	**12,936**	4,660
Mortgage investments, current (Note 4)	**92,224,902**	81,855,354
Investment in associate, AP Capital REIT (Note 5)	**185,564**	181,911
	92,595,215	82,056,919
Non-current		
Mortgage investments, non-current (Note 4)	**3,228,005**	3,870,991
Total assets	**95,823,220**	85,927,910
Liabilities		
Current		
Credit facility (Note 6)	**972,421**	5,199,566
Trade and other payables (Note 7b)	**54,142**	63,953
Additional dividends payable	**157,946**	81,922
Deferred revenue	**37,210**	108,929
Total liabilities	**1,221,719**	5,454,370
Shareholders' Equity		
Share capital		
Common shares (Note 8)	**91,461,159**	78,399,226
Shares to be issued (Note 19a)	**637,500**	-
	92,098,659	78,399,226
Retained earnings	**2,502,842**	2,074,314
Total shareholders' equity	**94,601,501**	80,473,540
	95,823,220	85,927,910

Approved on behalf of the Board

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Director

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Director

The accompanying notes are an integral part of these financial statements

AP Capital Mortgage Investment Corporation
Statement of Income and Comprehensive Income
For the year ended December 31, 2019

	2019	*2018*
Revenue		
Commitment fees	**89,770**	713,414
Income (loss) from associate, AP Capital REIT (Note 5)	**3,653**	(8,118)
Interest	**8,605,852**	7,085,134
Other fees	**2,100**	83,269
	8,701,375	7,873,699
Expenses		
Financial services and other fees (Notes 7 and 10)	**1,232,991**	1,619,135
Impairment loss on mortgage investments (Note 4)	**158,476**	209,329
Interest and bank charges	**258,831**	319,018
Office	**109,001**	90,089
Professional and consulting fees	**160,361**	128,536
Share trustee fees	**29,406**	18,976
	1,949,066	2,385,083
Net income and comprehensive income	**6,752,309**	5,488,616
Earnings per share		
Basic and diluted net earnings per share (Note 11)	**7.662**	7.668

The accompanying notes are an integral part of these financial statements

AP Capital Mortgage Investment Corporation
Statement of Changes in Equity
For the year ended December 31, 2019

	Share capital	*Retained earnings*	*Total equity*
Balance December 31, 2017	**58,865,870**	**1,677,416**	**60,543,286**
Net and comprehensive income	**-**	**5,488,616**	**5,488,616**
Class B Dividends declared (Note 12)	**-**	**(4,901,740)**	**(4,901,740)**
Class F Dividends declared (Note 12)	**-**	**(189,978)**	**(189,978)**
Issued - dividends reinvestment	**2,307,548**	**-**	**2,307,548**
Issued - cash consideration	**23,418,449**	**-**	**23,418,449**
Redemption of shares for cash	**(5,690,482)**	**-**	**(5,690,482)**
Share issue costs	**(502,159)**	**-**	**(502,159)**
Balance December 31, 2018	**78,399,226**	**2,074,314**	**80,473,540**
Net and comprehensive income	**-**	**6,752,309**	**6,752,309**
Class B Dividends declared (Note 12)	**-**	**(5,956,463)**	**(5,956,463)**
Class F Dividends declared (Note 12)	**-**	**(367,318)**	**(367,318)**
Issued - dividends reinvestment	**3,113,938**	**-**	**3,113,938**
Issued - cash consideration	**24,459,175**	**-**	**24,459,175**
Shares to be issued (Note 19a)	**637,500**	**-**	**637,500**
Redemption of shares for cash	**(13,853,093)**	**-**	**(13,853,093)**
Share issue costs	**(658,087)**	**-**	**(658,087)**
Balance December 31, 2019	**92,098,659**	**2,502,842**	**94,601,501**

The accompanying notes are an integral part of these financial statements

AP Capital Mortgage Investment Corporation
Statement of Cash Flows
For the year ended December 31, 2019

	2019	*2018*
Cash provided by (used for) the following activities		
Operating activities		
Net and comprehensive income for the year ended	**6,752,309**	5,488,616
Impairment recoveries on mortgage investments	**158,476**	209,329
Income from associate	**(3,653)**	8,118
Interest paid on credit facility	**135,179**	306,256
Interest received	**(8,249,773)**	(6,870,344)
	(1,207,462)	(858,025)
Changes in working capital accounts		
Trade and other receivables	**(171,813)**	-
Prepaid expenses	**(8,276)**	79,189
Accrued interest payable	**(369,466)**	(171,032)
Trade and other payables	**(9,810)**	(68,813)
Suscriptions advance	**637,500**	-
Deferred revenue	**(71,720)**	(308,900)
Dividends payable	**-**	67,518
	(1,201,047)	(1,260,063)
Financing activities		
Proceeds from (repayment of) credit facility	**(4,227,145)**	(4,196,250)
Redemption of common shares	**(32,940,444)**	(5,690,482)
Issuance of common shares	**46,660,464**	23,418,449
Dividends	**(5,937,802)**	(2,798,574)
Share issue costs	**(658,097)**	(502,159)
Total class f dividends declared	**(358,641)**	-
	2,538,335	10,230,984
Investing activities		
Funding of mortgage investments	**(1,352,282)**	(48,248,783)
Discharge of mortgage investments	**-**	38,738,451
Investment in AP Capital REIT Units	**-**	500,000
	(1,352,282)	(9,010,332)
Increase (decrease) in cash and cash equivalents	**(14,994)**	(39,411)
Cash and cash equivalents, beginning of year	**14,994**	54,405
Cash and cash equivalents, end of year	**-**	14,994

The accompanying notes are an integral part of these financial statements

1. Corporate information

AP Capital Mortgage Investment Corporation (the "Company") was incorporated on March 27, 2007 under the laws of British Columbia. The Company is domiciled in Canada with its registered principal business office located in Suite 1795 – 555 Burrard Street, Vancouver, British Columbia. The Company is in the business of investing in financial instruments, principally mortgages. The Company is managed by AP Capital MIC Management Corp. ("Manager/Administrator").

2. Basis of presentation

a. Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements for the year ended December 31, 2019 were authorized for issuance by the Board of Directors of the Company ("Board") on March 27, 2020.

b. New accounting pronouncements adopted during the year

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments (IFRS 9), which replaced IAS 39 Financial Instruments: Recognition and measurement (IAS 39).

IFRS 9 was adopted retrospectively without restatement as allowed under the standard's transitional provisions. IFRS 9 addresses the measurement of financial assets and financial liabilities, including the impairment of financial assets and other commitments. As a result of the application of IFRS 9, the Company changed its accounting policies for financial instruments, including mortgages investments effective January 1, 2018, as described in Note 3(b) and Note 3(j).

Adoption of IFRS 9 had no effect on the measurement of the Company's financial assets and financial liabilities, which continue to be measured at amortized cost subsequent to their initial recognition.

c. Basis of measurement

These financial statements have been prepared on the basis of historical cost, except for financial instruments classified as fair value through profit and loss, which are measured at fair value.

d. Functional and presentation currency

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

e. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner consistent with the prior year and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these financial statements. The significant estimates and judgements used in determining the recorded amount for assets and liabilities in the financial statements are as follows:

2. Basis of presentation (continued)

e. Use of estimates and judgements (continued)

Mortgage investments:

The Company makes an estimate for determining whether the cash flows from mortgages investments represent solely payments of principal and interest (SPPI). The Company is also required to make assessments of the future expected losses on mortgage investments. In particular, the measurement of credit risk to determine significant changes. The estimation of future cash flows and expected losses includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. The assumptions used in the assessment of impairment are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Illiquid credit markets and volatile equity markets have increased the uncertainty inherent in such estimates and assumptions.

These estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

Foreclosed properties held for sale:

The Company uses management's best estimate to determine the fair market value of real estate assets in making an assessment of the impairment of the foreclosed properties held for sale. This may involve inspections, engaging realtors to assess market conditions based on previous property transactions or retaining professional appraisers to provide independent valuations. The estimates of realizable value of real estate assets are made at a specific point in time, given current relevant market information. These estimates are subjective and involve uncertainties and judgement. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

3. Summary of significant accounting policies

a. Cash and cash equivalents

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents.

b. Mortgage investments

The Company's business model is to manage mortgages and to collect principal and interest payments on mortgage investments. Mortgage investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses.

c. Foreclosed properties held for sale

Real estate acquired through loan default is classified as foreclosed properties held for sale ("FPHFS") when their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for "held for sale" includes management's commitment to a plan to sell the assets and the expectation that such sale will be completed within a twelve-month period. Events or circumstances beyond the Company's control may extend the period to complete the sale beyond one year. Such assets continue to be classified as "held for sale" as management remains committed to its plan to sell the assets. FPHFS are not depreciated.

3. Summary of significant accounting policies (continued)

c. Foreclosed properties held for sale (continued)

Contractual interest on the mortgage investment is discontinued from the date of transfer from mortgage investments to FPHFS. Any difference between the carrying value of the asset before foreclosure and the initially estimated realizable amount of the asset is recorded in the impairment losses on mortgage investments.

The Company capitalizes all foreclosures, maintenance, pre-development costs and property taxes with the intention of recovering the costs upon subsequent sale of the property.

FPHFS are carried at the lower of carrying amount and fair market value less costs to sell.

d. Investment in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

Investment in associate is accounted for at fair value.

e. Deferred revenue

Deferred revenue comprises of unearned upfront commitment fees and mortgage interest received in advance from borrowers, which are amortized to income using the effective interest method over the contractual terms of the mortgages.

f. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity.

Dividends are recognized in equity in the year in which they are declared. Dividends on new shares issued during the year and dividends on shares redeemed during the year are calculated on a pro-rated daily basis.

g. Revenue recognition

Interest on mortgage investments is recognized as revenue using the effective interest method. Interest is calculated on the gross carrying amount for mortgage investments in Stage 1 and 2 and on the net carrying amount for mortgage investments in Stage 3. Other fees are recognized as revenue when earned.

The Company charges upfront commitment fees, such as lender, broker and renewal fees, based on the gross mortgage values for all mortgages funded. These fees, net of related referral fees paid, are amortized to income using the effective interest method over the contractual terms of the mortgage.

h. Basic and diluted net earnings per share

The Company presents basic and diluted net earnings per share data for its common shares. Basic per share amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. As the Company has no dilutive financial instruments that could be converted to common shares, basic and diluted net earnings per share are identical.

3. Summary of significant accounting policies (continued)

i. Income taxes

The Company is a Mortgage Investment Corporation as defined in Section 130.1 (6) of the Canadian Income Tax Act and, as such, is not taxable on income which flows through to the shareholders in the form of dividends paid during the year or within 90 days of the end of the year. It is the Company's policy to flow such dividends out to the shareholders and as such have no taxable income for the year. Accordingly, no provision for corporate income taxes has been made in the accounts.

j. Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets consist of cash and cash equivalents, trade and other receivables, mortgage investments and investment in AP Capital REIT. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, cash and cash equivalents, trade and other receivables and mortgage investments are classified and measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Investment in AP Capital REIT is classified as financial assets at fair value through profit and loss, which is measured at fair value.

Reclassifications

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Company commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Company's accounting policies for impairment of financial assets.

For mortgage investments, the Company records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Company assessed that a significant increase in credit risk has occurred, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

For mortgage investments assessed by the Company as having a significant increase in credit risk since initial recognition, the Company recognizes a loss allowance equal to the cumulative changes in lifetime expected credit losses since initial recognition.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment (continued)

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants or requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit loss.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 16 for additional information about the Company's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Company either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Company retains the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. Financial liabilities consist of credit facility, trade and other payable and additional dividends payable. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

3. Summary of significant accounting policies (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses. Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated as credit-impaired financial assets, a credit-adjusted effective interest rate is calculated which incorporated expected credit losses. Interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. Calculation of interest does not revert to another basis if credit risk of the asset subsequently improves.

k. Offsetting financial instruments

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Company has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

l. Future changes in accounting policies

Management has reviewed and determined that the new accounting standards and interpretations mandatory after the December 31, 2019 reporting year are not relevant to the Company.

4. Mortgage investments

Mortgages written by the Company are for terms of two years or less and earn interest at rates ranging from 6.95% to 14.99% (2018 - from 6.95% to 14.99%) per annum with a weighted average annual interest rate of 9.59% (2018 – 9.34%). The mortgages are secured by first, second and/or third charges on real properties. There are no, or nominal, principal repayments required during the terms of the mortgages. A majority of the mortgage investments contain prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

Property Locations	**No.**		***2019***	**%**	*2018*	%
Urban properties in British Columbia	**196**	**$**	**68,798,065**	**72.79**	78,593,822	92.34
Rural properties in British Columbia	**29**		**18,233,508**	**19.29**	2,830,410	3.33
Urban properties in Alberta	**31**		**6,149,688**	**6.51**	1,684,097	1.98
Rural properties in Alberta	**7**		**1,260,361**	**1.33**	1,932,678	2.27
Urban properties in Ontario	**1**		**69,270**	**0.07**	68,632	0.08
	264		**94,510,892**	**100.0**	85,109,639	100.0
Accrued interest receivable			**1,087,015**		717,549	
Allowance for impairment losses			**(145,000)**		(100,843)	
		$	**95,452,907**		85,726,345	
Non-current portion			**(3,228,005)**		(3,870,991)	
		$	**92,224,902**		81,855,354	

The mortgages, including accrued interest receivable, net of allowance for impairment losses are all invested in residential and commercial properties.

Principal repayments, based on contractual maturity dates, are as follows:

		2019		*2018*
Year ending December 31,				
2019	**$**	**-**	$	81,238,648
2020		**91,282,887**		3,870,991
2021		**3,228,005**		-
Total	**$**	**94,510,892**	$	85,109,639

The Company has invested in ten (2018 - seven) non-current mortgage investments, which mature on January 1, 2021.

4. Mortgage investments (continued)

For the year ended December 31, 2019, the Company received total lender and renewal fees of $nil (2018 – $337,027) and $nil (2018 - $122,275), respectively, which are amortized to commitment fees income over the term of the related mortgage investments using the effective interest method. Under the management agreement, all lender and renewal fees are collected by the Manager/Administrator.

During the transition to IFRS 9 on January 1, 2018, management determined the transition adjustment to be $nil. The changes in allowance for impairment losses are summarized as follows:

		2019		*2018*
Balance at beginning of year	**$**	**100,843**	$	-
Impairment loss, net of provision		**158,476**		209,329
Discharge of mortgage investments		**(114,319)**		(108,486)
Balance at end of year	**$**	**145,000**	$	100,843

		2019	%		*2018*	%
Interest in first mortgages	**$**	**65,491,576**	**69.3**	**$**	59,551,081	69,97
Interest in non-first mortgages		**29,019,316**	**30.7**		25,558,558	30.03
		94,510,892	**100.00**		85,109,639	100.00

5. Investment in AP Capital REIT

The Company holds 185.564 (2018 – 181.911) Class G Units of AP Capital REIT (the “REIT”) with a total redemption and fair value of $185,564 (2018 - $181,911).

The Company has significant influence over the REIT as it is related by virtue of having common directors and officers.

		2019		*2018*
Balance at beginning of year	**$**	**181,911**	$	690,029
Distributions under the Dividend Reinvestment Plan		**3,653**		19,042
Redemption of shares		**-**		(527,160)
Balance at end of year	**$**	**185,564**	$	181,911

6. Credit facility

On March 27, 2019, the Company entered into a new credit facility ("Facility") with a new Canadian financial institution for an amount of up to $28,000,000 ("total commitment"). The Facility renews annually and bears an annual interest rate equal to the bank's prime rate plus 0.75% per annum and is charged a standby fee on the amount of undrawn portion of the total commitment. The Facility is secured by a credit agreement, creating a first fixed charge over all present and after acquired personal property of the Company and assignment of all mortgage investments and all risk insurance showing the bank as the first loss payee. As at December 31, 2019, $972,421 was outstanding on the Facility and is due on demand.

The Company terminated the credit facility for an amount of up to $14,000,000 with its previous Canadian financial institution on May 24, 2019. The previous facility bared an annual interest rate equal to the bank's prime rate plus 1.5% per annum. As at December 31, 2018, $5,199,566 was outstanding on the Facility.

Under the terms of the Facility, the Company is required to comply with certain financial covenants. As at December 31, 2019, all financial covenants have been met.

7. Related party transactions and balances

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a. During the year, financial services fees amounted to $1,232,991 (2018 - $1,619,135), to the Manager/ Administrator, a Company controlled by the directors/shareholders.

b. During the year, dividends, including dividends reinvested in shares, to the shareholders/directors totaled $425,315 (2018 - $213,051).

At December 31, 2019, there was $2,576 is due from the Manager/ Administrator included in trade and other payables (2018 - $5,784 was due to the Manager/ Administrator); and $170,000 due from the Manager/ Administrator included in trade and other receivables.

8. Common shares

The authorized share capital of the Company consists of unlimited Class A common shares, voting, non-participating, without par value and unlimited Class B and F common shares, non-voting, participating, without par value.

The Company's issued share capital consists of the following:

NUMBER OF SHARES	***2019***	*2018*
Class A common shares	**2,400**	2,400
Class B common shares		
Opening balance	**765,883**	612,674
Issued - dividends reinvestment	**28,171**	21,343
Issued - cash consideration	**216,151**	186,771
Redemption of shares for cash	**(96,253)**	(54,905)
Closing balance	**913,952**	765,883
Class F common shares		
Opening balance	**47,146**	-
Issued - dividends reinvestment	**2,969**	1,732
Issued - cash consideration	**28,441**	47,414
Redemption of shares for cash	**(42,279)**	(2,000)
Closing balance	**36,277**	47,146
Total share capital	**952,629**	**815,429**

AMOUNT		***2019***		*2018*
Class A common shares	**$**	**2,400**	**$**	2,400
Class B common shares				
Opening balance	**$**	**73,682,190**	**$**	58,863,470
Issued - dividends reinvestment		**2,817,053**		2,134,299
Issued - cash consideration		**21,615,103**		18,677,062
Redemption of shares for cash		**(9,625,250)**		(5,490,482)
Share issue costs		**(658,087)**		(502,159)
Closing balance	**$**	**87,831,009**	**$**	73,682,190
Class F common shares				
Opening balance	**$**	**4,714,636**	**$**	-
Issued - dividends reinvestment		**296,885**		173,249
Issued - cash consideration		**2,844,072**		4,741,387
Redemption of shares for cash		**(4,227,843)**		(200,000)
Closing balance	**$**	**3,627,750**	**$**	4,714,636
Total share capital	**$**	**91,461,159**	**$**	**78,399,266**

8. Common shares (continued)

The Class B and F shares, which are the only class of shares entitled to receive dividends as and when declared at the discretion of the Board, shall be redeemable at the option of either the Company or the holder of Class B and F shares in accordance with the Special Rights and Restrictions of the Company's Articles and Notice of Articles. The Company will not, except upon resolution of the Board in favor of such redemption, redeem more than 5% of all Class B and F shares which are issued and outstanding on the first day of the fiscal quarter in which the retraction notice is given to the Company. Such retraction notice shall be processed on a "first-come, first serve basis."

9. Distribution reinvestment plan

The Distribution Reinvestment Plan ("DRIP") allows holders of Class B and F shares to elect to have all cash distributions from the Company reinvested in additional Class B and F shares.

For the year ended December 31, 2019, 28,171 Class B common shares (2018 – 21,343 shares) and 2,969 Class F common shares (2018 – 1,732 shares) were issued under the DRIP at $100 per share, for a total of $2,817,053 (2018 - $2,134,299) and $296,885 (2018 - $173,249) respectively.

10. Financial services fees

The Manager/Administrator is responsible for the day-to-day operations, including administration of the Company's mortgage investments. Pursuant to the Management/Administration Agreement ("Management Contract") updated on July 1, 2018, the Company shall pay to the Manager/Administrator, an annual mortgage servicing and administration fee ("Annual Administration Fee") up to 1.5% (2018 – 1.5%) per annum of the Company's mortgages under management of the Corporation, calculated and payable monthly, plus applicable taxes.

The Manager/Administrator pays all of its internal direct costs and overhead relating to the provision of the services under the Management Contract, including office expenses, rent, employee salaries and management financial services fees, with the exception of the costs for the independent advisory board, which are paid by the Company.

All other costs with respect to the business of the Company are paid by the Company including, without limitation, legal, audit, referral fees, fundraising, as well as travel, marketing, advertising, shareholder meetings and communication costs that relate specifically to the Company and its shareholders. The Company is also responsible for the costs of independent advisory board members as well as director and officer fees for attending meetings of the Directors, conference calls and meetings of the committees of the Company. The Company is responsible for paying the costs, including legal fees and disbursements, of collecting or attempting to collect any amounts owing or in arrears on its mortgage investments, including foreclosure or other court proceedings.

The Management Contract permits the Manager/Administrator to charge lender fees, broker fees, commitment fees, extension fees, renewal fees, NSF fees, administration fees and similar fees to borrowers with respect to any mortgage loan. These fees are collected by the Company and paid monthly to the Manager/Administrator.

The Management Contract is for an indefinite term and may be terminated upon occurrence of certain specified events and by the mutual consent of the parties.

11. Basic and diluted net earnings per share

The following table reconciles the numerator and denominator of both the basic and diluted net earnings per Class B and Class F common shares:

		2019		*2018*
Numerator for net earnings per share				
Net and comprehensive income	**$**	**6,752,309**	$	5,488,616
Denominator for net earnings per share				
Weighted average shares		**881,268**		715,776
Basic and diluted net earnings per share	**$**	**7.662**	$	7.668

12. Amount available for dividend distribution

The Company follows the practice of paying a dividend subsequent to the end of the fiscal year in an amount at least sufficient to remain non-taxable under the provisions of the Canadian Income Tax Act related to Mortgage Investment Corporations.

The following table reconciles the numerator and denominator of the dividend yield per Class B common share:

		2019		*2018*
Numerator for dividend yield per share				
Net income	**$**	**6,387,072**	$	5,298,110
Add (deduct) financing costs, net of amount deductible for tax purposes		**36,409**		(11,583)
Deduct share issue costs deductible for tax purposes		**(467,018)**		(384,787)
Dividends declared	**$**	**5,956,463**	$	4,901,740
Denominator for net earnings per share				
Weighted average shares		**833,599**		690,932
Dividend yield per share	**%**	**7.145**	%	7.094

The following table reconciles the numerator and denominator of the dividend yield per Class F common share:

		2019		*2018*
Numerator for dividend yield per share				
Net income	**$**	**365,237**	$	190,506
Add (deduct) financing costs, net of amount deductible for tax purposes		**2,081**		(528)
Deduct share issue costs deductible for tax purposes		-		-
Dividends declared	**$**	**367,318**	$	189,978
Denominator for net earnings per share				
Weighted average shares		**47,668**		24,844
Dividend yield per share	**%**	**7.706**	%	7.647

13. Supplementary cash flow information

Non-cash transactions

The Company issued 28,171 (2018 – 21,343) Class B common shares and 2,969 (2018 – 1,732) Class F commons shares at a value of $100 per share for a total of $2,817,053 (2018 - $2,134,299) and $296,885 (2018 - $173,249) respectively as dividend reinvestment.

14. Capital management

The Company defines its capital structure to include Class B common shares, Class F common shares, and Credit Facility. The overall objective of capital management is to ensure that the Company has sufficient capital to maintain its operations based on current activities and expected business developments in the future and to provide a return to the shareholders commensurate with the risk of the business and comparable to other similar companies.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions. The Company's capital management objectives and strategies are unchanged from prior years.

The Company's investment guidelines are subject to externally imposed capital requirements to maintain the Company's eligibility as a Mortgage Investment Corporation as defined in Section 130.1(6) of the Canadian Income Tax Act. These guidelines state that (i) at least 50% of the Company assets must be residential mortgages and/or cash and insured deposits at Canada Deposit Insurance Corporation member financial institutions, (ii) no more than 25% of its assets must be in real estate, and (iii) that all investments must be within Canada. The Company complied with these requirements during the year.

15. Fair value measurements

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly;

Level 3 - Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions.

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

15. Fair value measurements (continued)

The following table shows the carrying amounts and fair values of assets and liabilities:

	Carrying value		
December 31, 2019	***Investments, loans and receivable***	***Other financial liabilities***	***Fair Value***
Assets not measured at fair value			
Trade and other receivables	**$ 171,813**	**$ -**	**$ 171,813**
Mortgage investments	**95,452,907**	**-**	**95,452,907**
Assets measured at fair value			
Investment in AP Capital REIT	**185,564**	**-**	**185,564**
Liabilities not measured at fair value			
Credit facility	**-**	**972,421**	**972,421**
Trades and other payables	**-**	**54,142**	**54,142**
Additional dividends payable	**-**	**157,946**	**157,946**

	Carrying value		
December 31, 2018	*Investments, loans and receivable*	*Other financial liabilities*	*Fair Value*
Assets not measured at fair value			
Cash and cash equivalents	$ 14,994	$ -	$ 14,994
Mortgage investments	85,726,345	-	85,726,345
Assets measured at fair value			
Investment in AP Capital REIT	181,911	-	181,911
Liabilities not measured at fair value			
Credit facility	-	5,199,566	5,199,566
Trades and other payable	-	63,953	63,953
Additional dividends payable	-	81,922	81,922

The valuation techniques and inputs used for the Company's financial and non-financial assets and liabilities are as follows:

a. Mortgage investments

There is no quoted price in an active market for the mortgage investments. The Manager/Administrator makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments approximates their carrying values given the amounts consist of short-term loans that are repayable without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on level 3 inputs.

b. Other assets and liabilities

The fair values of cash and cash equivalents, credit facility, trade and other receivable and trade and other payable approximate their carrying amounts due to their short-term maturities. The fair value of the investment in AP Capital REIT is based on level 1 input. There were no transfers between level 1, level 2 and level 3 during the year ended December 31, 2019 and December 31, 2018.

16. Risk management

The Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these factors are beyond the Company's direct control. The Manager/Administrator and Board of Directors play an active role in monitoring the Company's key risks in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

The Company's business activities, including its use of financial instruments, expose the Company to various risks, the most significant of which are interest rate risk, credit risk, redemption risk and liquidity risk:

a. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rates on the mortgage investments are fixed until maturity and therefore the interest rate risk associated with mortgage investments at year-end is not considered significant. The floating interest rate on the credit facility subjects the Company to a cash flow risk. The interest rate risk on cash and cash equivalents and trade and other payable are also not considered significant.

Sensitivity analysis

The Company is exposed to interest rate risk on the Credit Facility. Based on the outstanding balance of $972,421 (2018 - $5,199,566) on the Credit Facility as at December 31, 2019, a 0.50% decrease in the bank's prime rate, keeping other variables constant, would result in an annual increase in net income of $4,862 (2018 - $25,998) as a result of lower interest payable on the Credit Facility. A 0.50% increase in the bank's prime rate would have an equal but opposite effect on the net income of the Company.

b. Credit risk

As with most mortgage investment corporations, the Company provides financing to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the possibility that the mortgagor may fail to discharge the obligation causing the Company to incur a financial loss. The Company minimizes its credit risk primarily by ensuring that the collateral value of the security fully protects first, second and subsequent mortgage advances and that there is a viable exit strategy for each loan. In addition, the Company limits concentration of risk by diversifying its mortgage portfolio by way of location, property type, maximum loan amount on anyone property and maximum loan amount to one borrower.

At the end of each reporting period, impairment is assessed using an expected credit loss (ECL) approach. Under this approach the level of credit risk deterioration is assessed in a three-stage impairment model. The three stages are determined, and expected credit losses are assessed as follows:

Stage 1 - No significant increase to credit risk since initial recognition. 12-month expected credit losses are recognized.

Stage 2 - Significant increase in credit risk since initial recognition. Lifetime expected credit losses are recognized.

Stage 3 - Credit Impaired. Lifetime expected credit losses are recognized.

The Company is required to make assessments of the future expected losses on mortgage investments in Stage 1 and Stage 2 using forward-looking information, including macro-economic factors. Mortgage investments are transferred to Stage 3 when there is objective information that indicates that one or more events ("loss events") have occurred that have a negative effect on the estimated future cash flows of that asset.

16. Risk management (continued)

b. Credit risk (continued)

The Company makes an estimate for determining whether the cash flows from mortgage investments represent solely payments of principal and interest (SPPI). The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors.

The Company considers a number of past events, current conditions and forward-looking information to assess if there has been a significant increase or subsequent decrease in credit risk. To identify whether the credit risk of a mortgage investment has significantly increased since initial recognition, management will consider forward-looking information, including macro-economic factors as well as information related to the specific borrower, including the outstanding balance upon default, credit worthiness and changes in personal economic situation.

Determining if there was a significant increase or decrease in credit risk requires significant judgement. Management reviews the mortgage investments and considers the credit risk to be increase when reasonable assurance no longer exists that the sole payments of principal and interest would be recoverable.

Loss provisions are recorded upon initial recognition of the mortgage investment based upon expectations of future losses at the time. For Stage 1 mortgages, the Company will recognize a loss allowance equal to 12-month expected credit losses, if the credit risk at the reporting date has not increased significantly since initial recognition, representing the expected credit losses from default events that are possible within the next 12 months.

Under IFRS 9, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. However, based on historical experience, mortgages that were 30 day past due could be brought up to date with later payments. Therefore, this factor will not be used to identified mortgages above Stage 1.

The recognition of credit losses must be made for the remaining life of the mortgage investments (lifetime expected credit losses) that are considered to have experienced a significant increase in credit risk (Stage 2) and for mortgage investments that are credit impaired at the reporting date (Stage 3). The lifetime expected credit losses represent the expected loss in value due to possible default events over the life of the mortgage investment weighted by the likelihood of a loss. At each reporting date, credit impaired mortgage investments will be transferred to Stage 3 when there is objective information that the mortgage investments are credit impaired.

To determine whether a mortgage investment is credit impaired, an event must be identified that has a detrimental impact on the estimated future cash flows.

The Company considers evidence of impairment for mortgage investments in Stage 3 at a specific level on a mortgage-by-mortgage basis, and specific allowances are recorded if management determines that the mortgage investment is impaired. In such cases, a specific provision is established to write-down the loan to the estimated future cash flows from the loan discounted at the loan's original effective interest rate. In cases where it is impractical to estimate the future cash flows, the carrying amount of the loan is reduced to its fair value calculated based on an observable market price.

16. Risk management (continued)

b. Credit risk (continued)

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 Financial instruments. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

The gross carrying amount represents the maximum exposure to credit risk for that class of financial asset.

					As at December 31, 2019			
Property Locations		**Stage 1**		**Stage 2**		**Stage 3**		**Total**
Urban properties in British Columbia	**$**	**50,548,557**	**$**	**4,916,352**	**$**	**3,333,157**	**$**	**68,798,066**
Rural properties in British Columbia		**16,758,407**		**-**		**1,475,101**		**18,233,508**
Urban properties in Alberta		**5,506,804**		**-**		**642,884**		**6,149,688**
Rural properties in Alberta		**775,397**		**-**		**484,963**		**1,260,360**
Urban properties in Ontario		**69,270**		**-**		**-**		**69,270**
	$	**73,658,435**	**$**	**4,916,352**	**$**	**15,936,105**	**$**	**94,510,892**

						As at December 31, 2018		
Property Locations		Stage 1		Stage 2		Stage 3		Total
Urban properties in British Columbia	$	68,317,923	$	4,959,687	$	5,316,211	$	78,593,821
Rural properties in British Columbia		2,830,410		-		-		2,830,410
Urban properties in Alberta		1,376,211		31,058		276,827		1,684,096
Rural properties in Alberta		1,632,014		279,017		21,647		1,932,678
Urban properties in Ontario		68,634		-		-		68,634
	$	74,225,192	$	5,269,762	$	5,614,685	$	85,109,639

16. Risk management (continued)

b. Credit risk (continued)

The changes in allowance for impairment losses are summarized as follows:

								As at December 31, 2019		
Property Locations		**Stage 1**		**Stage 2**		**Stage 3**		**Total**		
Opening balance	**$**	**-**	**$**	**14,647**	**$**	**86,196**	**$**	**100,843**		
Advances[1]										
Urban properties in British Columbia		**-**		**2,050**		**93,750**		**95,800**		
Rural properties in British Columbia		**-**		**-**		**-**		**-**		
Urban properties in Alberta		**-**		**-**		**-**		**-**		
Rural properties in Alberta		**-**		**-**		**750**		**750**		
Urban properties in Ontario		**-**		**-**		**-**		**-**		
Transfers[2]		**-**		**(642)**		**6,450**		**5,808**		
Net remeasurement[3]		**-**		**-**		**33,996**		**33,996**		
Repayments[4]		**-**		**(14,005)**		**(78,192)**		**(92,197)**		
	$	**-**	**$**	**2,050**	**$**	**142,950**	**$**	**145,000**		

(1) Advances represent the expected credit loss for existing mortgages or mortgages advanced during the year.

(2) Transfer between stages which are presumed to occur before any corresponding remeasurement of the provision.

(3) Net remeasurement represents the change in the expected credit loss related to change in model inputs or assumptions, including changes in macroeconomic conditions, and change in measurement following a transfer between stages.

(4) Repayments represent the expected credit loss removed due to mortgage discharged or paid out during the year.

As at December 31, 2019, the allowance for impairment losses was $145,000. Management estimated the ECL for mortgages in Stage 1 as $nil due to the mortgage collateral held. Mortgages that transferred to Stage 2 and 3 were assessed individually for the ECL. The provision for losses for mortgages classified in Stage 2 decreased as result of the transfer from Stage 2 to Stage 3 due to a significant increase in credit risk since initial recognition as well as increase in ECL of existing Stage 2 mortgages. The provision for losses for mortgages classified in Stage 3 increased as a result of overall increase of foreclosures.

								As at December 31, 2018		
Property Locations		Stage 1		Stage 2		Stage 3		Total		
Urban properties in British Columbia	$	-	$	14,182	$	74,166	$	88,348		
Rural properties in British Columbia		-		47		11,705		11,752		
Urban properties in Alberta		-		418		325		743		
Rural properties in Alberta		-		-		-		-		
Urban properties in Ontario		-		-		-		-		
	$	-	$	14,647	$	86,196	$	100,843		

16. Risk management (continued)

b. Credit risk (continued)

As at December 31, 2018, the allowance for impairment losses was $100,843. This allowance represents management's estimate of the ECL on mortgage investments that have experience a significant increase in credit risk since initial recognition (Stage 1). Management estimated the ECL for mortgages in Stage 1 as $nil due to the mortgage collateral held. Mortgage that transferred to Stage 2 and 3 were assessed individually for the ECL.

As at December 31, 2019, there were thirteen (2018 - nil) mortgages with three payments or more in arrears or in collections other than those in foreclosures.

There were fourteen (2018 - three) foreclosures with total carrying amounts of $9,675,404 (2018 - $4,911,611).

Concentration of credit risk analysis

At December 31, 2019, the Company had three mortgage investments (2018 - two) which represents 6.76% (2018 – 5.32%) of total mortgage investments which are risk to a potential loss. The average mortgage amount for the portfolio was $357,447 (2018 - $351,276).

c. Redemption risk

The amount payable by the Company by cash payment in respect of the redemption of Class B and Class F common shares in any fiscal quarter of the Company will not exceed the redemption price payable plus any unpaid dividends in respect of 5% of the issued and outstanding Class B and Class F common shares. The Board may, in its sole discretion, redeem by cash payment such excess Class B and Class F common shares, if in the opinion of the Board, doing so, will not adversely affect the Company.

d. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligation as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

The following are the contractual maturities of the financial liabilities as at December 31, 2019:

		Amortized cost		***Due in 1 year***
Credit facility	**$**	**972,421**	**$**	**972,421**
Trade and other payable		**54,142**		**53,142**
	$	**1,026,563**	**$**	**1,026,563**

The following are the contractual maturities of the financial liabilities as at December 31, 2018:

		Amortized cost		***Due in 1 year***
Credit facility	**$**	**5,199,566**	**$**	**5,199,566**
Trade and other payable		**63,953**		**63,953**
	$	**5,263,519**	**$**	**5,263,519**

17. Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgages. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company's financial position. No contingent loss provision was recorded as at year-end.

18. Key management personnel compensation

The compensation of the senior management of the Manager/Administrator is paid through the annual mortgage servicing and administration fees paid to the Manager/Administrator (Note 10).

19. Subsequent events

The following events occurred subsequent to year end:

a) In December 2019, the Company received advance payments of $637,500 for share subscriptions. On January 2, 2020, the Company issued 6,375 Class B Common shares at $100 per share for a total of $637,500.

b) The COVID-19 pandemic has caused significant and negative impact to the global financial market. The Corporation continues to monitor the mortgages receivable and assess the impact on its business activities. The potential impact is uncertain, and it is difficult to reliably measure the extent of the effect of the COVID-19 pandemic on future financial results.