AP Capital Mortgage Investment Corporation
Financial Statements
December 31, 2021

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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, 2021, and the statements of income and other comprehensive income, changes in equity and cash flows for the year 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, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit 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 audit 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.

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- 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vancouver, British Columbia

MNP LLP

April 4, 2022

Chartered Professional Accountants

AP Capital Mortgage Investment Corporation
Statement of Financial Position
As at December 31, 2021

	2021	*2020*
Assets		
Current		
Cash and cash equivalents	**-**	2,045,452
Trade and other receivables (Note 7c)	**32,870**	450,000
Prepaid expenses and deposits	**8,894**	4,036
Mortgage investments, current (Note 4)	**159,055,470**	90,671,408
Investment in AP Capital REIT (Note 5)	**134,614**	136,247
	159,231,848	93,307,143
Non-current		
Mortgage investments, non-current (Note 4)	**6,540,000**	2,658,000
Total assets	**165,771,848**	95,965,143
Liabilities		
Current		
Credit facility (Note 6)	**49,061,760**	-
Trade and other payables (Note 7c)	**484,213**	226,939
Additional dividends payable	**37,004**	32,387
Deferred revenue	**890,106**	149,056
Total liabilities	**50,473,083**	408,382
Shareholders' Equity		
Share capital		
Common shares (Note 8)	**111,600,745**	92,321,533
Shares to be issued (Note 19)	**200,000**	300,000
	111,800,745	92,621,533
Retained earnings	**3,498,020**	2,935,228
Total shareholders' equity	**115,298,765**	95,556,761
	165,771,848	95,965,143

Approved on behalf of the Board

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, 2021

	2021	*2020*
Revenue		
Income from AP Capital REIT (Note 5)	**6,472**	5,177
Interest	**9,159,510**	8,697,684
Other fees	**-**	4,698
	9,165,982	8,707,559
Expenses		
Financial services and other fees (Notes 7a and 10)	**1,778,156**	1,019,737
Impairment loss on mortgage investments (Note 4)	**92,175**	161,804
Interest and bank charges	**503,140**	244,350
Office	**126,136**	118,375
Professional and consulting fees	**146,902**	118,517
Share trustee fees	**21,864**	23,259
	2,668,373	1,686,042
Operating income	**6,497,609**	7,021,517
Unrealized loss on investments (Note 5)	**(1,633)**	(49,317)
Net income and comprehensive income	**6,495,976**	6,972,200
Earnings per share		
Basic and diluted net earnings per share (Note 11)	**6.227**	7.274

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, 2021

	Share capital	*Retained earnings*	*Total equity*
Balance December 31, 2019	**92,098,659**	**2,502,842**	**94,601,501**
Net and comprehensive income	**-**	**6,972,200**	**6,972,200**
Class B Dividends declared (Note 12)	**-**	**(6,269,551)**	**(6,269,551)**
Class F Dividends declared (Note 12)	**-**	**(270,263)**	**(270,263)**
Issued - dividends reinvestment	**3,355,789**	**-**	**3,355,789**
Issued - cash consideration	**15,943,691**	**-**	**15,943,691**
Shares to be issued (Note 19a)	**300,000**	**-**	**300,000**
Redemption of shares for cash	**(18,567,257)**	**-**	**(18,567,257)**
Share issue costs	**(509,349)**	**-**	**(509,349)**
Balance December 31, 2020	**92,621,533**	**2,935,228**	**95,556,761**
Net and comprehensive income	**-**	**6,495,976**	**6,495,976**
Class B Dividends declared (Note 12)	**-**	**(5,553,294)**	**(5,553,294)**
Class F Dividends declared (Note 12)	**-**	**(379,890)**	**(379,890)**
Issued - dividends reinvestment	**2,971,612**	**-**	**2,971,612**
Issued - cash consideration	**35,245,370**	**-**	**35,245,370**
Shares to be issued (Note 19a)	**200,000**	**-**	**200,000**
Redemption of shares for cash	**(18,470,890)**	**-**	**(18,470,890)**
Share issue costs	**(766,880)**	**-**	**(766,880)**
Balance December 31, 2021	**111,800,745**	**3,498,020**	**115,298,765**

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, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Net and comprehensive income for the year	**6,495,976**	6,972,200
Impairment on mortgage investments	**92,175**	161,804
Interest paid on credit facility	**424,928**	89,145
Interest received	**(9,979,622)**	(8,848,554)
Unrealized loss on investments	**1,633**	49,317
	(2,964,910)	(1,576,088)
Changes in working capital accounts		
Trade and other receivables	**417,130**	(278,187)
Prepaid expenses	**(4,859)**	8,900
Accrued interest receivable	**79,062**	39,024
Trade and other payables	**257,275**	172,797
Deferred revenue	**741,050**	111,846
Dividends payable	**4,617**	(125,559)
	(1,470,635)	(1,647,267)
Financing activities		
Advances (repayment) of credit facility	**48,636,832**	(1,061,566)
Redemption of common shares	**(18,470,890)**	(18,567,257)
Issuance of common shares	**35,245,370**	15,943,691
Payment of dividends	**(2,961,573)**	(3,184,025)
Shares to be issued	**200,000**	300,000
Share issue costs	**(766,880)**	(509,349)
	61,882,859	(7,078,506)
Investing activities		
Funding of mortgage investments	**(139,181,466)**	(51,940,519)
Discharge of mortgage investments	**76,723,790**	62,711,744
	(62,457,676)	10,771,225
Increase (decrease) in cash and cash equivalents	**(2,045,452)**	2,045,452
Cash and cash equivalents, beginning of year	**2,045,452**	-
Cash and cash equivalents, end of year	**-**	2,045,452

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").

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 12, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States, Canada and China, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19.

There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

The Company transitioned smoothly to a combination of remote and office workforce over the course of the pandemic keeping with Provincial regulations and the phased reopening plan and sees no future risks associated with the current work environment.

Potential Impact of the COVID-19 Pandemic on the Mortgage Portfolio

As a result of the COVID-19 outbreak, the Company (amongst other protective initiatives) starting in March 2020 has allowed mortgage deferrals to its existing borrowers for a period of up to one month. A mortgage deferral allows a borrower to delay or reduce his/her monthly mortgage payment and add the missed or reduced portion of the payment to the principal of the mortgage. As at December 31, 2021, there was one borrower (0.40% of all borrowers) utilizing the mortgage deferral program (2020 – two borrowers, 0.83% of all borrowers) representing $90,100 (2020 - $779,428) of the mortgage portfolio (0.05% of the mortgage portfolio) (2020 – 0.84% of the mortgage portfolio).

Significant uncertainty remains as to the potential impact of the COVID-19 pandemic on the Company's business operations, and on the global economy as a whole. Government-imposed restrictions on travel and other "social-distancing" measures such as restrictions on assembly of groups of persons, have the potential to affect the income of the Company's borrowers and their ability to pay mortgage payments on a timely basis, which has had an adverse impact on the Company's operations. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The Company will continue to monitor the COVID-19 situation closely and intends to follow health and safety guidelines as they evolve.

Areas of the Company's business that could potentially be adversely impacted include, but are not limited to, mortgage interest rates, mortgage interest and fee revenue, provision for mortgages losses, valuation of properties held as security, redemptions and capital raising.

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, 2021 were authorized for issuance by the Board of Directors of the Company ("Board") on April 4, 2022.

2. Basis of presentation (continued)

b. 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.

c. Functional and presentation currency

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

d. 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:

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.

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. 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.

e. 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.

3. Summary of significant accounting policies (continued)

f. 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. See Note 16(b) for further discussion on the various stages.

g. 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.

h. 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.

i. 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.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

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.

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.

3. Summary of significant accounting policies (continued)

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, deferred revenue 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.

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.

3. Summary of significant accounting policies (continued)

j. 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.

k. Newly adopted and future changes in accounting policies

Management has reviewed and determined that the new accounting standards and interpretations mandatory adopted in the year and effective after the December 31, 2021 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 5.25% to 14.99% (2020 – from 5.50% to 14.99%) per annum with a weighted average annual interest rate of 7.69% (2020 – 8.81%). 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.		*2021*	%	No.		*2020*	%
Urban properties in British Columbia	**177**	**$**	**142,663,725**	**86.53**	176	$	69,531,469	75.21
Rural properties in British Columbia	**18**		**6,368,563**	**3.86**	19		11,663,462	12.62
Urban properties in Alberta	**48**		**14,802,974**	**8.98**	32		8,109,650	8.77
Rural properties in Alberta	**4**		**1,035,815**	**0.63**	14		3,082,487	3.33
Urban properties in Ontario	**-**		**-**	**0.00**	1		68,649	0.07
	247		**164,871,077**	**100.0**	242		92,455,717	100.0
Accrued interest receivable			**968,929**				1,047,991	
Allowance for impairment losses			**(244,536)**				(174,300)	
		$	**165,595,470**			$	93,329,408	
Non-current portion			**(6,540,000)**				(2,658,000)	
		$	**159,055,470**			$	90,671,408	

4. Mortgage investments (continued)

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:

		2021		*2020*
Year ending December 31,				
2021	**$**	**-**	$	89,797,717
2022		**158,331,077**		2,658,000
2023		**6,540,000**		-
Total	**$**	**164,871,077**	$	92,455,717

The Company has invested in four (2020 – four) non-current mortgage investments, which mature on or after January 1, 2023.

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

		2021		*2020*
Balance at beginning of year	**$**	**174,300**	$	145,000
Impairment loss, net of provision		**92,175**		161,804
Discharge of mortgage investments		**(21,939)**		(132,504)
Balance at end of year	**$**	**244,536**	$	174,300

		2021	%		*2020*	%
Interest in first mortgages	**$**	**139,485,620**	**84.60**	**$**	65,214,500	70.54
Interest in non-first mortgages		**25,385,457**	**15.40**		27,241,217	29.46
		164,871,077	**100.00**		92,455,717	100.00

5. Investment in AP Capital REIT

The Company holds 185.564 (2020 – 185.564) Class G Units of AP Capital REIT (the "REIT") with a total redemption and fair value of $134,614 (2019 – $136,247).

The Company has one related common director and officer.

		2021		*2020*
Balance at beginning of year	**$**	**136,247**	$	185,564
Fair value adjustment		**(1,633)**		(49,317)
Balance at end of year	**$**	**134,614**	$	136,247

During the year, the Company received cash dividends of $6,472 (2020 - $5,177).

6. Credit facility

On March 27, 2019, the Company entered into a 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. This facility was renewed on March 26, 2021 and the total commitment amount was increased up to $60,000,000. 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, 2021, $49,061,760 (2020 – $nil) 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, 2021, 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 $1,778,156 (2020 – $1,019,737), to the Manager/ Administrator, a Company controlled by the directors/shareholders.

b. During the year, dividends on Class B and F common shares, including dividends reinvested in such shares, to the shareholders/directors totaled $179,327 (2020 – $273,768).

c. At December 31, 2021, there was $nil (2020 - $11,641) due to the Manager/ Administrator included in trade and other payables; and $32,000 (2020 – $450,000) 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	***2021***	*2020*
Class A common shares	**2,400**	2,400
Class B common shares		
Opening balance	**928,829**	913,952
Issued - dividends reinvestment	**26,274**	34,979
Issued - cash consideration	**273,934**	133,912
Redemption of shares for cash	**(173,904)**	(154,014)
Closing balance	**1,055,133**	928,829
Class F common shares		
Opening balance	**37,848**	36,277
Issued - dividends reinvestment	**689**	1,330
Issued - cash consideration	**81,520**	31,900
Redemption of shares for cash	**(10,805)**	(31,659)
Closing balance	**109,252**	37,848
Total share capital	**1,166,785**	969,077

AMOUNT		***2021***		*2020*
Class A common shares	**$**	**2,400**	**$**	2,400
Class B common shares				
Opening balance	**$**	**88,537,225**	**$**	87,831,009
Issued - dividends reinvestment		**2,899,758**		3,225,770
Issued - cash consideration		**27,393,362**		13,391,190
Redemption of shares for cash		**(17,390,400)**		(15,401,395)
Share issue costs		**(766,880)**		(509,349)
Closing balance	**$**	**100,673,065**	**$**	88,537,225
Class F common shares				
Opening balance	**$**	**3,781,908**	**$**	3,627,750
Issued - dividends reinvestment		**71,854**		130,019
Issued - cash consideration		**8,152,008**		3,190,001
Redemption of shares for cash		**(1,080,490)**		(3,165,862)
Closing balance	**$**	**10,925,280**	$	3,781,908
Total share capital	**$**	**111,600,745**	**$**	92,321,533

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, 2021, 26,274 Class B common shares (2020 – 34,979 shares) and 689 Class F common shares (2020 – 1,330 shares) were issued under the DRIP at $100 per share, for a total of $2,899,757 (2020 – $3,225,770) and $71,854 (2020 - $130,019) 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% (2020 – 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:

		2021		2020
Numerator for net earnings per share				
Net and comprehensive income	**$**	**6,495,976**	$	6,972,200
Denominator for net earnings per share				
Weighted average shares		**1,043,266**		958,495
Basic and diluted net earnings per share	**$**	**6.227**	$	7.274

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:

		2021		2020
Numerator for dividend yield per share				
Net income	**$**	**6,116,219**	$	6,703,933
Add (deduct) financing costs, net of amount deductible for tax purposes		**603**		2,571
Add fair value adjustment on investment		**1,538**		47,420
Deduct share issue costs deductible for tax purposes		**(565,066)**		(484,373)
Dividends declared	**$**	**5,553,294**	$	6,269,551
Denominator for net earnings per share				
Weighted average shares		**982,276**		921,615
Dividend yield per share	**%**	**5.653**	%	6.803

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

		2021		2020
Numerator for dividend yield per share				
Net income	**$**	**379,757**	$	268,267
Add (deduct) financing costs, net of amount deductible for tax purposes		**37**		99
Add fair value adjustment on investment		**96**		1,897
Dividends declared	**$**	**379,890**	$	270,263
Denominator for net earnings per share				
Weighted average shares		**60,990**		36,880
Dividend yield per share	**%**	**6.229**	%	7.328

13. Supplementary cash flow information

Non-cash transactions

The Company issued 26,274 (2020 – 34,979) Class B common shares and 689 (2020 – 1,330) Class F commons shares at a value of $100 per share for a total of $2,899,757 (2020 – $3,225,770) and $71,854 (2020 – $130,019) respectively as dividend reinvestment.

14. Capital management

The Company defines its capital structure to include Class B common shares, Class F common shares, and the 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.

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

15. Fair value measurements (continued)

December 31, 2021	***Carrying value***		
	Investments, loans and receivable	***Other financial liabilities***	***Fair Value***
Assets not measured at fair value			
Trade and other receivables	**$ 32,870**	**$ -**	**$ 32,870**
Mortgage investments	**165,595,470**	**-**	**165,595,470**
Assets measured at fair value			
Investment in AP Capital REIT	**134,614**	**-**	**134,614**
Liabilities not measured at fair value			
Credit facility	**-**	**49,061,760**	**49,061,760**
Trades and other payables	**-**	**484,213**	**484,213**
Additional dividends payable	**-**	**37,004**	**37,004**
Deferred revenue	**-**	**890,106**	**890,106**

December 31, 2020	*Carrying value*		
	Investments, loans and receivable	*Other financial liabilities*	*Fair Value*
Assets not measured at fair value			
Trade and other receivables	$ 450,000	$ -	$ 450,000
Mortgage investments	93,329,408	-	93,329,408
Assets measured at fair value			
Investment in AP Capital REIT	136,247	-	136,247
Liabilities not measured at fair value			
Credit facility	-	-	-
Trades and other payables	-	226,939	226,939
Additional dividends payable	-	32,387	32,387
Deferred revenue	-	149,056	149,056

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, deferred revenue 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 years ended December 31, 2021 and December 31, 2020.

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 $49,061,760 (2020 – $nil) on the Credit Facility as at December 31, 2021, a 0.50% decrease in the bank's prime rate, keeping other variables constant, would result in an annual increase in net income of $245,309 (2020 – $nil) 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, 2021			
Property Locations	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Urban properties in British Columbia	**$ 127,740,715**	**$ 4,113,404**	**$ 10,809,606**	**$ 142,663,725**
Rural properties in British Columbia	**6,368,563**	**-**	**-**	**6,368,563**
Urban properties in Alberta	**9,933,709**	**1,601,438**	**3,267,827**	**14,802,974**
Rural properties in Alberta	**1,035,815**	**-**	**-**	**1,035,815**
Urban properties in Ontario	**-**	**-**	**-**	**-**
	$ 145,078,802	**$ 5,714,842**	**$ 14,077,433**	**$ 164,871,077**

	As at December 31, 2020			
Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	$ 63,320,961	$ 784,137	$ 5,426,371	$ 69,531,469
Rural properties in British Columbia	7,568,988	-	4,094,474	11,663,462
Urban properties in Alberta	7,052,214	-	1,057,436	8,109,650
Rural properties in Alberta	2,646,210	-	436,277	3,082,487
Urban properties in Ontario	68,649	-	-	68,649
	$ 80,657,022	$ 784,137	$ 11,014,558	$ 92,455,717

The allowance for impairment losses is summarized as follows:

	As at December 31, 2021			
Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	$ -	$ -	$ -	$ -
Rural properties in British Columbia	-	-	-	-
Urban properties in Alberta	-	-	244,536	244,536
Rural properties in Alberta	-	-	-	-
Urban properties in Ontario	-	-	-	-
	$ -	$ -	$ 244,536	$ 244,536

16. Risk management (continued)

b. Credit risk (continued)

	As at December 31, 2020			
Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	$ -	$ -	$ 158,250	$ 158,250
Rural properties in British Columbia	-	-	-	-
Urban properties in Alberta	-	-	4,800	4,800
Rural properties in Alberta	-	-	11,250	11,250
Urban properties in Ontario	-	-	-	-
	$ -	$ -	$ 174,300	$ 174,300

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

	As at December 31, 2021			
Property Locations	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance	**$ -**	**$ -**	**$ 174,300**	**$ 174,300**
Advances[1]				
Urban properties in British Columbia	**-**	**-**	**-**	**-**
Rural properties in British Columbia	**-**	**-**	**-**	**-**
Urban properties in Alberta	**-**	**-**	**-**	**-**
Rural properties in Alberta	**-**	**-**	**-**	**-**
Urban properties in Ontario	**-**	**-**	**-**	**-**
Transfers[2]	**-**	**-**	**-**	**-**
Net remeasurement[3]	**-**	**-**	**86,286**	**86,286**
Repayments[4]	**-**		**(16,050)**	**(16,050)**
	$ -	**$ -**	**$ 244,536**	**$ 244,536**

(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, 2021, the allowance for impairment losses was $244,536. Management estimated the ECL for mortgages in Stage 1 and 2 as $nil due to the mortgage collaterals held. The provision for losses for mortgages classified in Stage 2 did not change during the current year. The provision for losses for mortgages classified in Stage 3 increased as a result of increase in loan-to-value in specific mortgages in Stage 3. The ECL is assessed individually for all mortgages.

16. Risk management (continued)

b. Credit risk (continued)

As at December 31, 2020, the allowance for impairment losses was $174,300. Management estimated the ECL for mortgages in Stage 1 and 2 as $nil due to the mortgage collaterals held. The provision for losses for mortgages classified in Stage 2 decreased as a result of the repayment of the mortgages. The provision for losses for mortgages classified in Stage 3 increased as a result of increase in loan-to-value in specific mortgages in Stage 3. The ECL is assessed individually for all mortgages.

As at December 31, 2021, there were six (2020 – eight) mortgages with three payments or more in arrears or in collections other than those in foreclosures.

There were six (2020 – ten) foreclosures with total carrying amounts of $1,843,390 (2020 – $6,832,206).

Concentration of credit risk analysis

At December 31, 2021, the Company had four mortgage investments (2020 – three) which represents 13.25% (2020 – 7.83%) of total mortgage investments. The average mortgage amount for the portfolio was $666,504 (2020 – $381,328).

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, 2021:

		Amortized cost		***Due in 1 year***
Credit facility	**$**	**49,061,760**	**$**	**49,061,760**
Trade and other payable		**484,213**		**484,213**
	$	**49,545,973**	**$**	**49,545,973**

The following are the contractual maturities of the financial liabilities as at December 31, 2020:

		Amortized cost		***Due in 1 year***
Credit facility	**$**	**-**	**$**	**-**
Trade and other payable		**226,939**		**226,939**
	$	**226,939**	**$**	**226,939**

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

In December 2021, the Company received advance payments of $200,000 for share subscriptions. On January 4, 2022, the Company issued 2,000 Class B Common shares at $100 per share for a total of $200,000.