AP Capital Mortgage Investment Corporation
Financial Statements
December 31, 2024

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For the year ended December 31, 2024

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MNP

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 statement of financial position as at December 31, 2024, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

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 IFRS® Accounting Standards as issued by the International Accounting Standards Board, 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vancouver, British Columbia

April 30, 2025

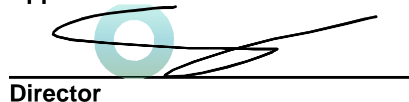
MNP LLP

Chartered Professional Accountants

AP Capital Mortgage Investment Corporation
Statement of Financial Position
As at December 31, 2024

	2024	*2023*
Assets		
Prepaid expenses and deposits	**102,722**	30,051
Mortgage investments *(Note 4)*	**247,946,105**	216,654,607
Total assets	**248,048,827**	216,684,658
Liabilities		
Credit facility *(Note 6)*	**45,212,280**	46,099,741
Trade and other payables *(Note 7)*	**1,047,486**	526,910
Dividends payable	**-**	490,556
Deferred revenue	**970,199**	960,810
Total liabilities	**47,229,965**	48,078,017
Events after the reporting period *(Note 18)*		
Shareholders' Equity		
Share capital		
Common shares *(Note 8)*	**194,455,106**	163,494,225
Shares to be issued	**865,000**	392,300
	195,320,106	163,886,525
Retained earnings	**5,498,756**	4,720,116
Total shareholders' equity	**200,818,862**	168,606,641
	248,048,827	216,684,658

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, 2024

	2024	*2023*
Revenue		
Interest	**25,125,169**	22,338,700
Expenses		
Financial services and other fees *(Note 7), (Note 10)*	**3,691,692**	3,482,511
Impairment loss on mortgage investments *(Note 4)*	**516,388**	378,412
Interest and bank charges	**3,878,901**	4,665,080
Office	**272,934**	196,043
Professional and consulting fees	**217,788**	145,678
Share trustee fees	**-**	224
	8,577,703	8,867,948
Operating income	**16,547,466**	13,470,752
Other income (loss)		
Income from Dominion Properties REIT *(Note 5)*	**-**	2,281
Loss on disposal of investment *(Note 5)*	**-**	(71,522)
Net income and comprehensive income	**16,547,466**	13,401,511
Earnings per share		
Basic and diluted net earnings per share *(Note 11)*	**8.993**	8.281

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, 2024

	Share capital	Retained earnings	Total equity
Balance December 31, 2022	**152,846,873**	**4,084,853**	**156,931,726**
Net and comprehensive income	**-**	**13,401,511**	**13,401,511**
Class B Dividends declared (Note 12)	**-**	**(11,555,786)**	**(11,555,786)**
Class F Dividends declared (Note 12)	**-**	**(1,210,462)**	**(1,210,462)**
Issued - dividends reinvestment (Note 9)	**5,824,331**	**-**	**5,824,331**
Issued - cash consideration	**35,818,882**	**-**	**35,818,882**
Shares to be issued (Note 18)	**392,300**	**-**	**392,300**
Redemption of shares for cash	**(29,981,686)**	**-**	**(29,981,686)**
Share issue costs	**(1,014,175)**	**-**	**(1,014,175)**
Balance December 31, 2023	**163,886,525**	**4,720,116**	**168,606,641**
Net and comprehensive income	**-**	**16,547,466**	**16,547,466**
Class B Dividends declared (Note 12)	**-**	**(12,637,897)**	**(12,637,897)**
Class F Dividends declared (Note 12)	**-**	**(3,130,929)**	**(3,130,929)**
Issued - dividends reinvestment (Note 9)	**7,677,293**	**-**	**7,677,293**
Issued - cash consideration	**45,811,142**	**-**	**45,811,142**
Shares to be issued (Note 18)	**865,000**	**-**	**865,000**
Redemption of shares for cash	**(21,919,772)**	**-**	**(21,919,772)**
Share issue costs	**(1,000,082)**	**-**	**(1,000,082)**
Balance December 31, 2024	**195,320,106**	**5,498,756**	**200,818,862**

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, 2024

	2024	*2023*
Cash provided by (used for) the following activities		
Operating activities		
Net income and comprehensive income	**16,547,466**	13,401,511
Impairment on mortgage investments	**516,388**	378,412
Interest on credit facility	**3,597,159**	4,434,119
Loss on disposal of investment	**-**	71,522
	20,661,013	18,285,564
Changes in working capital accounts		
Prepaid expenses and deposits	**(72,671)**	(22,962)
Accrued interest receivable	**49,718**	(297,608)
Trade and other payables	**520,576**	(340,312)
Dividends payable	**(490,556)**	199,146
Deferred revenue	**9,389**	702,049
	20,677,469	18,525,877
Financing activities		
Repayments of credit facility	**(4,484,585)**	(30,443,968)
Redemption of common shares	**(21,919,772)**	(29,981,686)
Issuance of common shares	**45,811,142**	35,818,937
Payment of dividends	**(8,091,534)**	(6,941,972)
Shares to be issued	**865,000**	392,300
Share issuance costs	**(1,000,082)**	(1,014,175)
	11,180,169	(32,170,564)
Investing activities		
Proceeds from disposal of investment	**-**	85,545
Funding of mortgage investments	**(205,804,057)**	(128,027,648)
Discharge of mortgage investments	**173,946,419**	141,586,790
	(31,857,638)	13,644,687
Increase in cash resources	**-**	-
Cash resources, beginning of year	**-**	-
Cash resources, end of year	**-**	-
Supplementary cash flow information		
Shares issued via dividend reinvestment *(Note 9)*	**7,677,293**	5,824,331
Shares transferred between classes *(Note 8)*	**-**	-

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, and carries on business as a Mortgage Investment Corporation as defined in Section 130.1 (6) of the Income Tax Act of Canada. The Company is managed by AP Capital MIC Management Corp. ("Manager/Administrator").

2. Basis of presentation

a. Statement of compliance

These financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

These financial statements for the year ended December 31, 2024 were authorized for issuance by the Board of Directors of the Company ("Board") on April 30, 2025

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. Significant accounting judgements, estimates and assumptions

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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. These estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of future legislation or regulation, prior encumbrances and other factors affecting the investments in mortgages and the underlying security of the mortgages. However, actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future period. Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Mortgage investments and impairment of financial assets

The Company determines the cash flows from mortgage investments represent solely payments of principal and interest (SPPI). The Company is also required to make assessments of the future expected losses on mortgage receivables, and 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. Liquid 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.

2. Basis of presentation (continued)

d. Significant accounting judgements, estimates and assumptions (continued)

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.

e. Non-classified statement of financial position

In the opinion of management, a classified statement of financial position would present no additional information as the Company's activities are substantially directed towards short-term mortgage investments. Accordingly, a non-classified statement of financial position has been presented.

3. Summary of material 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.

3. Summary of material accounting policies (continued)

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.

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 15(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 mortgage investments. 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, all financial assets 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.

3. Summary of material accounting policies (continued)

Financial assets (continued)

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 mortgages that have experienced a significant increase in credit risk since initial recognition and credit-impaired mortgages, the loss allowance is based on contractual lifetime expected credit losses

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 15 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 material 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 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 material 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. Adopted accounting standards

The following is a summary of recent accounting pronouncements which were adopted by the Company during the year:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants

Effective January 1, 2024, the Company adopted amendments to IAS 1, which add new disclosure requirements for situations where a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months after the reporting date. The disclosure enables users of financial statements to understand the risk that the liability classified as non-current could become repayable within 12 months after the reporting period.

l. Accounting standards issued but not yet applied

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, replacing IAS 1 Presentation of Financial Statements and establishes the overall requirements for presentation and disclosures in the financial statements, including a new defined structure for the Statement of Profit or Loss and specific disclosure requirements related to management-defined performance measures. IFRS 18 also enhances guidance on how to group information within the financial statements.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027, including for interim financial statements. The Company is currently assessing the impact of these amendments on its financial statements.

There are no other relevant standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the financial statements of the Company.

4. Mortgage investments

Mortgages written by the Company are for terms of one year or less and earn interest at rates ranging from 7.50% to 14.99% (2023 – from 7.50% to 14.99%) per annum with a weighted average annual interest rate of 10.98% (2023 – 11.34%). 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.**		***2024***	**%**	No.		*2023*	%
Urban properties in British Columbia	**336**	**$**	**214,451,250**	**86.96**	**270**	$	190,672,126	88.63
Rural properties in British Columbia	**22**		**13,185,126**	**5.35**	**14**		6,933,036	3.22
Urban properties in Alberta	**52**		**17,888,504**	**7.25**	**58**		17,005,664	7.90
Rural properties in Alberta	**4**		**1,087,250**	**0.44**	**2**		532,053	0.25
	414		**246,612,130**	**100.0**	344		215,142,879	100.0
Accrued interest receivable			**1,929,475**				1,979,228	
Allowance for impairment losses			**(595,500)**				(467,500)	
		$	**247,946,105**			$	216,654,607	

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

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

		2024		*2023*
Balance at beginning of year	**$**	**467,500**	$	227,879
Impairment loss, net of provision		**516,388**		378,412
Discharge of mortgage investments		**(388,388)**		(138,791)
Balance at end of year	**$**	**595,500**	$	467,500

		2024	**%**		*2023*	%
Interest in first mortgages	**$**	**192,447,705**	**78.00**	$	175,100,675	81.40
Interest in non-first mortgages		**54,164,425**	**22.00**		40,042,204	18.60
	$	**246,612,130**	**100.00**	$	215,142,879	100.00

5. Investment in Dominion Properties REIT

In December 2023, the Company sold 185.564 Class G Units of Dominion Properties REIT (the "REIT") with a total redemption and fair value on disposal date of $85,545, to the Manager/Administrator.

		2024		2023
Balance at beginning of year	**$**	**-**	$	157,067
Disposal		**-**		(157,067)
Balance at end of year	**$**	**-**	$	-

During the year, the Company received cash dividends of $nil (2023 - $2,281).

6. Credit facility

On April 29, 2022, the Company entered into a credit agreement with a syndicate of banks including Royal Bank of Canada, Toronto-Dominion Bank, and Bank of Montreal for a total commitment of $100,000,000 consisting of two portions: a prime loan portion and a Canadian Dollar Offered Rate ("CDOR") portion. The CDOR is the financial benchmark for bankers acceptances in Canada. The prime loan portion bears an annual interest rate equal to the bank's prime rate plus 0.50% per annum. The CDOR portion bears an annual interest rate equal to the bank's prime rate plus 2.10% per annum. The Company has the option of using the CDOR or Prime rate structure and will choose the option which is most favorable.

On April 26, 2024, the syndicated credit facility was amended with an increased total commitment of $150,000,000 in revolving credit facilities in the form of an operating line of credit ("Swingline"), prime loan, and Canadian Overnight Repo Rate Average ("CORRA") loan. The Swingline and the prime loan balances bear interest at the bank's prime rate plus 0.5% per annum, and the CORRA portion bears interest at rate equal to Adjusted Term CORRA plus 2.15% per annum. The Swingline can be drawn to $10,000,000, of which the Company had utilized $2,659,500 as at December 31, 2024.

The Facility is secured by a credit agreement, creating a first fixed charge over all present and subsequently 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, 2024, $42,552,780 (2023 – $46,099,741) 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, 2024, the Company is in compliance with all financial covenants.

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 $3,691,692 (2023 – $3,482,511), 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 directors and associated persons totaled $349,478 (2023 – $278,929).

c. At December 31, 2024, there was $608,197 (2023 - $472,825) due to the Manager/Administrator included in trade and other payables.

d. In December 2023, the Company sold its investment in Dominion Properties REIT to the Manager/Administrator (Note 5).

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	***2024***	*2023*
Class A common shares	**2,400**	2,400
Class B common shares		
Opening balance	**1,541,948**	1,448,635
Issued - dividends reinvestment	**65,481**	56,644
Issued - cash consideration	**246,753**	291,242
Non-cash transfer to Class F	**(270,859)**	-
Redemption of shares for cash	**(189,448)**	(254,573)
Closing balance	**1,393,875**	1,541,948
Class F common shares		
Opening balance	**160,021**	135,939
Issued - dividends reinvestment	**11,292**	1,599
Issued - cash consideration	**215,281**	67,727
Non-cash transfer from Class B	**270,859**	-
Redemption of shares for cash	**(29,750)**	(45,244)
Closing balance	**627,703**	160,021
Total issued share capital	**2,023,978**	1,704,369

AMOUNT		***2024***		*2023*
Class A common shares	**$**	**2,400**	$	2,400
Class B common shares				
Opening balance	**$**	**147,489,711**	$	139,172,580
Issued - dividends reinvestment		**6,548,117**		5,664,350
Issued - cash consideration		**24,675,342**		29,124,242
Non-cash transfer to Class F		**(27,085,921)**		-
Redemption of shares for cash		**(18,944,774)**		(25,457,286)
Share issue costs		**(1,000,082)**		(1,014,175)
Closing balance	**$**	**131,682,393**	$	147,489,711
Class F common shares				
Opening balance	**$**	**16,002,114**	$	13,593,893
Issued - dividends reinvestment		**1,129,176**		159,926
Issued - cash consideration		**21,528,100**		6,772,695
Non-cash transfer from Class B		**27,085,921**		-
Redemption of shares for cash		**(2,974,998)**		(4,524,400)
Closing balance	**$**	**62,770,313**	$	16,002,114
Total issued share capital	**$**	**194,455,106**	$	163,494,225

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 at a value of $100 per share. These issuances are considered non-cash transactions.

For the year ended December 31, 2024, 65,481 Class B common shares (2023 – 56,644 shares) and 11,292 Class F common shares (2023 – 1,599 shares) were issued under the non-cash DRIP at $100 per share, for a total of $6,548,117 (2023 – $5,664,405) and $1,129,176 (2023 - $159,926) 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% (2023 – 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, insurance, IT support, software fees, and fund service expenses, 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:

		2024		*2023*
Numerator for net earnings per share				
Net and comprehensive income	**$**	**16,547,466**	$	13,401,511
Denominator for net earnings per share				
Weighted average shares		**1,839,960**		1,618,283
Basic and diluted net earnings per share	**$**	**8.993**	$	8.281

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:

		2024		*2023*
Numerator for dividend yield per share				
Net income	**$**	**13,425,890**	$	12,202,434
Add financing costs, net of amount deductible for tax purposes		**40,229**		48,053
Add (deduct) fair value adjustment on investment		**-**		65,123
Deduct share issue costs deductible for tax purposes		**(828,222)**		(759,824)
Dividends declared	**$**	**12,637,897**	$	11,555,786
Denominator for net earnings per share				
Weighted average shares		**1,492,863**		1,473,490
Dividend yield per share	**%**	**8.466**	%	7.842

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

		2024		*2023*
Numerator for dividend yield per share				
Net income	**$**	**3,121,576**	$	1,199,077
Add financing costs, net of amount deductible for tax purposes		**9,353**		6,398
Add (deduct) fair value adjustment on investment		**-**		4,987
Dividends declared	**$**	**3,130,929**	$	1,210,462
Denominator for net earnings per share				
Weighted average shares		**347,097**		144,793
Dividend yield per share	**%**	**9.020**	%	8.360

13. 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.

14. 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 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 credit facility, trade and other payables, dividends payable, and deferred revenue approximate their carrying amounts due to their short-term maturities. There were no transfers between level 1, level 2 and level 3 during the years ended December 31, 2024 and December 31, 2023.

15. 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 $45,212,280 (2023 – $50,000,000) on the Credit Facility as at December 31, 2024, a 0.5% increase in the bank's prime rate, keeping other variables constant, would result in an annual decrease in net income of $226,061 (2023 - $250,000) as a result of higher interest payable on the Credit Facility. A 0.5% decrease 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 any one 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.

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.

15. Risk management (continued)

b. Credit risk (continued)

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.

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, 2024

Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	$ 196,490,879	$ 3,584,260	$ 14,376,111	$ 214,451,250
Rural properties in British Columbia	9,558,105	-	3,627,021	13,185,126
Urban properties in Alberta	14,928,984	153,455	2,806,065	17,888,504
Rural properties in Alberta	1,087,250	-	-	1,087,250
	$ 222,065,218	$ 3,737,715	$ 20,809,197	$ 246,612,130

15. Risk management (continued)

b. Credit risk (continued)

As at December 31, 2023

Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	$ 162,641,435	$ 3,755,563	$ 24,275,128	$ 190,672,126
Rural properties in British Columbia	3,199,118	1,127,418	2,606,500	6,933,036
Urban properties in Alberta	13,490,466	910,078	2,605,121	17,005,664
Rural properties in Alberta	532,053	-	-	532,053
	$ 179,863,072	$ 5,793,059	$ 29,486,749	$ 215,142,879

The allowance for impairment losses is summarized as follows:

As at December 31, 2024

Property Locations	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Urban properties in British Columbia	**$ -**	**$ -**	**$ 595,500**	**$ 595,500**
Rural properties in British Columbia	**-**	**-**	**-**	**-**
Urban properties in Alberta	**-**	**-**	**-**	**-**
Rural properties in Alberta	**-**	**-**	**-**	**-**
	$ -	**$ -**	**$ 595,500**	**$ 595,500**

As at December 31, 2023

Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	$ -	$ -	$ 342,500	$ 342,500
Rural properties in British Columbia	-	-	25,500	25,500
Urban properties in Alberta	-	-	99,500	99,500
Rural properties in Alberta	-	-	-	-
	$ -	$ -	$ 467,500	$ 467,500

15. Risk management (continued)

b. Credit risk (continued)

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

Property Locations	Stage 1	Stage 2	Stage 3	Total
Opening balance as of Dec 31, 2023	$ -	$ -	$ **467,500**	$ **467,500**
Advances[(1)]				
Urban properties in British Columbia	-	-	**235,500**	**235,500**
Rural properties in British Columbia	-	-	-	-
Urban properties in Alberta	-	-	-	-
Rural properties in Alberta	-	-	-	-
Transfers[(2)]	-	-	-	-
Net remeasurement[(3)]	-	-	**247,500**	**247,500**
Repayments[(4)]	-		**(355,000)**	**(355,000)**
Ending balance as of Dec 31, 2024	$ -	$ -	$ **595,500**	$ **595,500**

(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.

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 decreased as a result of decrease in loan-to-value in specific mortgages in Stage 3. The ECL is assessed individually for all mortgages.

As at December 31, 2024, there was one (2023 – two) mortgage with three payments or more in arrears or in collections other than those in foreclosures. The amounts in arrears on these mortgages are immaterial and management has received the balance post year-end.

There were seventeen (2023 – nine) mortgages in foreclosure with total carrying amounts of $16,740,750 (2023 – $11,802,515). The Company has recognized an allowance for impairment losses of $595,500 (2023 - $287,000) on mortgages in foreclosure.

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 obligations associated with financial liabilities. 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. All of the Company's financial liabilities mature within one year.

16. 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.

17. 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).

18. Subsequent events

Subsequent to year end, the United States government announced new tariffs on imported goods. The Canadian government then announced retaliatory tariffs and other measures. This has caused significant economic uncertainty and the effects on the Company are currently uncertain.

19. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.