AMENDED OFFERING MEMORANDUM

This Offering Memorandum constitutes a private offering of securities only in those jurisdictions and to those persons where and to whom they may be lawfully sold and therein only by those entities permitted to sell such securities. This Offering Memorandum is not, and under no circumstances is it to be construed as a prospectus, advertisement or public offering of the securities referred to herein. ***No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. You could lose all the money you invest. See "Risk Factors".*** *Persons who will be acquiring securities pursuant to this Offering Memorandum will not have the benefit of the review of the material by the securities commissions or similar authorities in Canada. The securities offered hereunder will be issued under exemptions from the prospectus requirements of the applicable securities laws of the Province of British Columbia and the rules, regulations and policies thereunder and will be subject to certain resale restrictions. These securities will not be offered for sale in the United States of America.*

February 20, 2020 **Continuous Offering**

GUARDS CAPITAL CORP.

701 – 17665 66A Avenue
Surrey, British Columbia, V3S 2A7
Telephone: (604) 576-4838
Fax: (604) 576-4851

$1.00 per Class A Participating Share

Offering of Class A Participating Non-Voting Shares up to a Maximum of $30,000,000

Minimum Subscription: $25,000 (25,000 Participating Shares)

Guards Capital Corp. (the "**Company**") is a private mortgage investment corporation incorporated under the *Business Corporations Act* (British Columbia) on August 1, 1997. The Company is managed by B.B.I. Group Investments Inc. (the "**Manager**").

The Company is offering on a private placement basis an unlimited number of Class A Participating Non-Voting shares (the "**Participating Shares**") in the capital of the Company at an initial price of $1.00 per Participating Share (the "**Offering**"). Each Participating Share represents a beneficial interest in the profits of the Company, which will principally be comprised of annual dividends paid in cash or in shares of the Company.

The Offering is being made with reliance on certain exemptions from the prospectus filing requirements available under the securities laws of the Province of British Columbia. As a result, the Participating Shares offered herein will be subject to the applicable resale restrictions under these laws. You will be restricted from selling your securities for an indefinite period. See “Resale Restrictions”. There are certain risk factors inherent in an investment in the Participating Shares and in the activities of the Company. See “Risk Factors”.

Subscriptions will be received if, as and when accepted, subject to prior sale and satisfaction of the conditions set forth under “Subscription Procedure” and to the right of the Company to close the subscription books at any time without notice. The Offering is continuous and Participating Shares will be available for sale. Purchasers will have two business days to cancel their agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, purchasers will have the right to sue either for damages or to cancel their agreement to purchase these securities. See “Subscription Procedure” and “Purchasers’ Rights”.

DISCLAIMERS

This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized, or to any person to whom it is unlawful to make such an offer or solicitation. You are directed to inform yourself of and observe such restrictions and all legal requirements of your jurisdiction of residence in respect of the acquisition, holding and disposition of the securities offered hereby. Subscribers should thoroughly review this Offering Memorandum and are advised to consult with their professional advisors to assess the business, legal, income tax and other aspects of this investment. The securities offered hereby will be issued only on the basis of information contained in this Offering Memorandum and no other information or representation is authorized or may be relied upon as having been authorized by the Company. Any subscription for the securities offered hereby made by any person on the basis of statements or representations not contained in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, will be solely at the risk of such person.

This Offering Memorandum is confidential. By their receipt hereof, prospective Subscribers agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein.

AMENDED OFFERING MEMORANDUM
Dated February 20, 2020
For
GUARDS CAPITAL CORP.

Offering of Class A Participating Non-Voting Shares up to a Maximum of $30,000,000

Date:	February 20, 2020
The Issuer:	
Name:	**Guards Capital Corp.** (the "**Company**").
Head office:	701 – 17665 66A Avenue, Surrey, BC V3S 2A7 Phone No. (604) 576-4838 E-mail address: amarbains@shaw.ca
Currently listed or quoted:	**No. These securities do not trade on any exchange or market.**
Reporting issuer:	No.
SEDAR filer:	No.
The Offering	
Securities Offered:	Class A Participating Non-Voting shares (the "**Participating Shares**"). Each Participating Share represents a beneficial interest in the profits of the Company. Each Participating Share will have the attributes and characteristics as set out under the heading "Terms of Securities".
Price Per Security:	$1.00 per Participating Share (the "**Subscription Price**").
Minimum/Maximum Offering:	**There is no minimum. The maximum is $30,000,000. You may be the only purchaser. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.**
Minimum subscription amount:	The minimum number of Participating Shares that may be subscribed for by any one Subscriber is 25,000 Participating Shares at a Subscription Price of $1.00 per Participating Share for a total of $25,000. For subsequent investments by existing Participating Shareholders holding at least 25,000 Participating Shares, the minimum number of Participating Shares that may be subscribed for is 5,000 Participating Shares at a subscription price of $1.00 per Participating Share for a total of $5,000. The Company reserves the right to change the minimum amount at any time and from time to time.
Payment terms:	The full subscription price is payable upon subscription, by cheque, electronic transfer or by bank draft to "Computershare Trust Company of Canada". No financing of the subscription price will be provided by the Company or the Manager.
Proposed closing date(s):	The closing of the sale of Participating Shares offered hereunder will take place at such times as are chosen by the Company (each, a "**Closing**"). The Company reserves the right to close the Offering at any time as subscriptions are received.
Income tax consequences:	There are important tax consequences to these securities (see Item 6 "Income Tax Consequences and Eligibility for Investment").
Exempt Market Dealer:	Drake Financial Ltd. | Head Office: 2190 McCallum Road, Abbotsford, B.C. V2S 3P3
Resale restrictions	As there is no market for Participating Shares, it may be difficult or even impossible to sell them. Participating Shares are subject to resale restrictions and you will be restricted from selling your Participating Shares for an indefinite period (see Item 10 "Resale Restrictions"). However, you may elect to redeem any or all of your Participating Shares at certain times if you follow the procedures established (see Item 5 "Terms of Securities").
Purchaser's rights	You have two (2) business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 "Purchasers' Rights". **No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment (see Item 8 - "Risk Factors").**

TABLE OF CONTENTS

DEFINITIONS

The following terms used in this Offering Memorandum have the meanings set out below:

"BCI 32-517"	means the British Columbia Instrument 32-517 Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities which expired on February 18, 2020.
"BCABC"	means the *Business Corporations Act* (BC).
"Closing"	means a closing of the sale of Participating Shares as the Company may determine from time to time.
"Company"	means Guards Capital Corp., a private mortgage investment company established under the laws of the Province of British Columbia.
"Credit Agreement"	means the credit agreement between the Company and Envision dated March 27, 2007 in respect of the Line of Credit granted to the Company.
"Deferred Plan"	means a trust governed by a "registered retirement savings plan", "registered educations savings plan", "registered retirement income fund", "deferred profit sharing plan" or "tax free saving account", as those terms are defined in the *Tax Act*.
"Directors"	means the board of directors of the Company.
"Envision"	means Envision Credit Union.
"Exempt Market Dealer"	means Drake Financial Ltd, a registered exempt market dealer in the jurisdiction of British Columbia.
"Invested Mortgage Portfolio"	means the Company's mortgage portfolio consisting of mainly investments in Mortgages, the composition of which varies over time.
"Line of Credit"	means the $1,000,000.00 secured line of credit Envision has authorized for use by the Company subject to the terms and conditions of the Credit Agreement.
"LTV"	means the loan to value ratio.
"Manager"	means B.B.I. Group Investments Inc., a British Columbia company.
"Management Agreement"	means the management agreement in respect of the management of the business of the Company dated January 1, 2011 entered into between the Company and the Manager.

"Management Fees"	means the management fees to be paid by the Company to the Manager in respect of the Invested Mortgage Portfolio, in accordance with the Management Agreement.
"MIC"	means a "mortgage investment corporation" as defined in the *Tax Act*.
"Mortgage"	means a mortgage, a mortgage of a mortgage or a mortgage of a leasehold interest (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), hypothecation, deed of trust, charge or other security interest of or in Real Property used to secure obligations to repay money by a charge upon the underlying Real Property.
"Offering"	means the offering by the Company of Class A Participating Shares pursuant to this Offering Memorandum or in any amendments hereto.
"Participating Shareholder"	means a person whose holds directly or indirectly a Class A Participating Share.
"Participating Shares"	means a Class A Participating Non-Voting share with a par value of $1.00 in the capital of the Company offered pursuant to this Offering Memorandum.
"Real Property"	means a fee simple or leasehold interest in real property located in Canada, primarily within British Columbia.
"**Selling Agent**"	means Drake Financial Ltd.
"**Selling Agent Agreement"**	means the services contract in respect of selling agent services provided to the Company and entered into between the Company and Drake Financial Ltd. dated April 1, 2019.
"Subscriber"	means a subscriber of Participating Shares pursuant to the Offering.
"Subscription Agreement"	means a subscription agreement for Participating Shares in such form as the Company or the Manager will prescribe from time to time.
"Subscription Price"	means $1.00 per Participating Share.
"Tax Act"	means the *Income Tax Act (Canada)* and the regulations promulgated thereunder, as amended from time to time.

CANADIAN CURRENCY

All dollars amounts stated herein, unless otherwise stated, are expressed in Canadian currency.

ITEM 1

USE OF NET PROCEEDS

1.1 Net Funds

The following table describes the net proceeds from the Offering:

		Assuming Minimum Offering	Assuming Maximum Offering
A.	Amount to be raised by the Offering	$0(1)	$30,000,000
B.	Selling commissions and fees	nil	$10,000(5)
C.	Estimated offering costs (e.g., legal, accounting, audit)	$40,000	$40,000
D.	Net proceeds: D = A – (B+C)	($40,000)	$29,950,000
E.	Additional sources of funding required	$40,000(2)(3)	nil
F.	Working capital deficiency	N/A	nil
G.	**Total: G = (D+E) – F**	**$0**	**$29,950,000 (4)**

(1) There is no minimum Offering. The Company may raise only a portion of the maximum Offering.
(2) If necessary the Company will access the Line of Credit with Envision to provide this additional funding. See "Material Agreements – Credit Agreement".
(3) If necessary, the Manager may lend and pay on behalf of the Company all costs incurred in connection with the preparation for and completion of the Offering, including legal and accounting fees which are estimated to be $40,000. All costs in connection with the Offering funded by the Manager will be repaid, without interest from funds received by the Company from Subscribers or from income generated by the Company.
(4) As of July 31, 2019, $7,048,880 is owed and due to the Company by related parties. As of that date, this amount represents approximately 16% of the Company's Mortgage portfolio.
(5) Drake Financial Ltd., the Company's Selling Agent, charges fees of $300 per trade in the securities of the Company. The $10,000 in selling fees is an estimate based on approximately 33 trades completed by Drake Financial.

1.2 Use of Net Funds

The Company will invest the net proceeds of the Offering in Mortgages in accordance with its investment objectives and strategies set out herein. No proceeds from the Offering will be used to fund mortgages with related parties.

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Investment in Mortgages in compliance with the Tax Act (See "Our Business").	$0	$**29,950,000**

Yearly Management Fees (See "Material Agreements")	$0	$**362,850**
Total:	**$0**	**$29,587,150**

1.3 Reallocation

We intend to invest the net proceeds of the Offering as stated in accordance with Item 1.2 above. We will reallocate funds only for sound business reasons.

ITEM 2

BUSINESS OF GUARDS CAPITAL CORP.

2.1 Structure

The Company was incorporated on August 1, 1997 under the laws of the Province of British Columbia and the *Company Act* (British Columbia). On May 3, 2005 the Company transitioned under the *Company Act's* successor, the *Business Corporations Act* (British Columbia). The Company qualifies as a "mortgage investment corporation" ("**MIC**") (within the meaning of subsection 130.1(6) of the Tax Act).

B.B.I. Group Investments Inc. is the Manager of the Company pursuant to the terms of the Management Agreement. It is a company amalgamated under the *Business Corporations Act* (British Columbia) on January 1, 2010. The Manager's registered and records office is located at 701-17665 66A Avenue, Surrey, British Columbia and its head office is also located at 701-17665 66A Avenue, Surrey, British Columbia.

2.2 Our Business

The Company lends on security of mortgages on real properties situated in the provinces of British Columbia and Alberta. The mortgages transacted by the Company do not generally meet the underwriting criteria of conventional lenders. Consequently, the investments are subject to greater risk and accordingly earn a higher rate of interest than is generally obtainable through conventional mortgage lending activities.

The Company currently qualifies as a MIC and anticipates that this should effectively enable the Company to operate as a tax-free "flow through" conduit of profit to its shareholders since it does not pay income taxes on net earnings from which dividends are paid.

Restrictions under the Tax Act

The business of the Company is restricted by the Tax Act as follows:

(a) its activities are passive and of an investment nature;

(b) its only undertaking is the investing of funds;

(c) it does not invest its funds in real property or leasehold interests situated outside Canada;

(d) it does not invest its funds in debts of non-residents, except those secured on Canadian real property;

(e) it does not invest its funds in shares of non-resident corporations;

(f) at least 50% of the cost amount of all of its property consists of bank deposits or debts secured on Canadian homes or housing projects;

(g) no more than 25% of the cost amount of all of its properties consist of real property or leasehold interests herein unless acquired through foreclosure;

(h) it restricts its net leveraging to 3:1 unless more than two-thirds of its investments are in residential mortgages and bank deposits, in which case it is entitled to 5:1 leveraging;

(i) no one shareholder of the Company may own, directly or indirectly, at any time more than 25% of the issued and outstanding shares of any class of the Company; and

(j) there must be, at minimum, 20 non-related shareholders of the Company during each year of its continuance.

Investment Objectives

The Company intends to provide its Participating Shareholders with the opportunity to participate in a professionally managed portfolio of residential and other mortgage loans secured by Real Property located within Canada and primarily within British Columbia. The Company distributes all of its profits to Participating Shareholders by way of annual dividends in cash or in shares of the Company and is not taxed on its earnings.

The investment parameters of the Company, as further described below, are designed to allow it to qualify for the special tax treatment afforded to MICs under the Tax Act. The policy requires the Company to invest the majority of its assets in residential and commercial mortgages, cash on hand and deposits. The Company has arranged financing through Envision (See “Material Agreements”).

By leveraging the capital base of the Company and investing prudently, it is anticipated that a net return on investment (after payment of all expenses of the Company) in the range of 8% - 10% can be achieved. There can be no assurance or guarantees that such returns will be obtained.

The annual rates of return of the dividends paid to the Participating Shareholders since the 2011 were as follows:

Year	**Annualized Rate of Return (Dividends Paid)**
2011	**9.1**%
2012	**8.0**%
2013	**7.35**%
2014	**7.5%**

2015	**8.0%**
2016	**10.41%**
2017	**12.41%**
2018	**10.23%**
2019	**9.92%**

Investment Policies

The types of Mortgages in which the Company has invested and will invest in, are consistent with the criteria for MICs and for so long as the Company meets these criteria, it will be accorded "flow through" tax treatment and not be taxed on any of its earnings so long as all profits after expenses are paid out in the form of dividends, either in shares or cash.

The Company is in the business of investing in Mortgages to a variety of borrowers, including builders, developers and owners of commercial, industrial and residential real estate located primarily in the Lower Mainland and Fraser Valley of British Columbia.

The following investment parameters are applied by the Company in selecting Mortgages:

(a) the Company may invest in Mortgages which may be first, second or in exceptional cases, third charges on the security of the Real Property;

(b) the Company will invest primarily in Mortgages for residential properties such as single family dwellings, duplexes, townhouses, condominium units, land or multiple family dwellings such as apartment buildings, including properties under construction, providing that in so doing the Company continues to qualify as a MIC;

(c) the Company may invest in mortgages on commercial and industrial properties including properties under construction or development. The Company and its lending committee are knowledgeable about the land development process and assess the risks associated with lending for the purchase of raw land before making any lending decision;

(d) the Company invests primarily in Mortgages each having a principal amount which, when added to the principal amount of prior mortgages, is generally not more than 75% of the appraised value of the Real Property against which they are secured;

(e) all of Company's Mortgages are for one-year terms. After the one year term, if a borrower asks for a mortgage renewal, then the Company's lending committee reviews the mortgage and its underlying security. If the Company is satisfied that the mortgage meets its lending criteria, then it is extended for another one-year term;

(f) there may be instances in which the Company will invest in Mortgages with a higher or lower loan-to-value ratio if the directors of the Company determine that it is in the best interests of the Company to do so;

(g) to the extent that the Company's funds are not invested in Mortgages from time to time, they are held in cash deposited with a Canadian chartered bank or credit union or are invested in short term deposits, savings accounts or government guaranteed income certificates so that the Company may maintain a level of working capital for its ongoing operations considered acceptable by the directors of the Company;

(h) the Company may not invest in any asset which in any way does not qualify as a "qualified investment" as that term is defined in the Tax Act; and

(i) Subject to limitations and restrictions applicable to MICs that are contained in the Tax Act, the Company may make other permitted investments over time, including the direct ownership of Real Property (including Real Property acquired by way of foreclosure under Mortgages).

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Company, any of the foregoing parameters require amendment in order for the Company to maintain its MIC status, the Company may make such change and such change will be binding on the Company. In addition, the investment parameters of the Company may be changed at any time (so long as such change complies with applicable legislation) if the change is determined by the Manager to be required in order to ensure that the Company remains competitive in the making of the highest quality loans being undertaken in the marketplace at the time of such change and is in the best interests of the Company.

Mortgage Security

The Company will seek out and originate Mortgages for investment and which are consistent with the investment objectives and parameters of the Company discussed above.

The Mortgages to be invested in by the Company are a common form of financing within the real estate industry. The standard documentation used with respect to Mortgages will provide that, in the event of a failure by the mortgagor to pay any amount owing under a Mortgage, the mortgagees will be entitled to enforce the Mortgage in accordance with applicable law. In the event of a failure by a mortgagor to make a payment of interest and/or principal when due, the mortgagees will immediately communicate with the mortgagor and, failing prompt rectification, will issue a notice of its intent to exercise the remedy or remedies which are available to the mortgagees which the Manager considers appropriate. Typically, all legal costs, costs related to registration of Mortgages and costs relating to obtaining appraisals of Real Property, as allowed by law, will be for the account of the mortgagors.

The Company will also obtain additional standard security in respect of commercial Mortgages which, depending on the specific Mortgage, may include one or more of an assignment of rents, an assignment of insurance proceeds, an assignment of purchase agreements (on residential development projects) and a general security agreement.

Mortgage Portfolio

The Company's assets consist of Mortgages secured against Real Property. As at July 31, 2019, the Company's current portfolio of Mortgages consisted of 35 loans ranging in value from $100,000.00 to $3,298,880 for a total aggregate principal amount of approximately $45,067,385. The Mortgages securing the outstanding principal of these loans are all registered against properties in British Columbia and Alberta and carry interest rates ranging from 8% to 18%. Loan to value ratios vary across the Mortgages in the Company's portfolio, and are based on independent appraisals conducted prior to funding.

As at July 31, 2019, two mortgages with an aggregate principal of $2,354,173 were past due and management has estimated expected credit losses on these mortgages of $240,550. Management classified one mortgage in the amount of $1,738,738 (2018 - $3,613,059) as non-performing and management does not believe that further interest payments will be collected on the balance and as such interest will not be further recorded for this non-performing loan. Management is reasonable assured that the principal portion of these non-performing loans is collectible.

As at July 31, 2019, the Company has recorded an allowance for impairment losses of $356,252. There are no mortgage receivables in foreclosure.

The mortgage portfolio composition of the Company as of January 31, 2020, was as follows:

Mortgage Portfolio Composition Data

Total Mortgage Investments	$45,470,415	
First Mortgages	$32,471,535	71.41%
Second Mortgages	$12,798,880	28.15%
Third Mortgages	$200,000	0.44%
Residential Mortgages	$42,310,415	93%
Commercial Mortgages	$3,160,000	7%
Average Mortgage Investment	**$1,228,930**	
Average Loan to Value	**58**%	

The updated mortgage portfolio (based on total mortgages funded as of January 31, 2020) can be summarized in further detail as follows:

Property under Mortgage	Location	Priority Ranking	Loan Rate (%)	Repayment Term[(1)]	Mortgage Balance($)[(3)]	LTV (%)[(4)]

Residential	Surrey, BC	First	9%	P&I	$550,000	65%
Residential	Surrey, BC	First	9%	P&I	$1,900,000	65%
Residential	Nanaimo, BC	Second	18%	P&I	$3,748,880(2)	25%
Residential	Maple Ridge, BC	First	18%	P&I	$2,300,000(2)	60%
Residential	Cochrane, AB	First	8%	P&I	$1,800,000	60%
Residential	Stoney Plain, AB	Second	12%	P&I	$1,700,000	60%
Residential	Surrey, BC	Second	12%	P&I	$500,000	76%
Residential	Surrey, BC	Second	12%	P&I	$2,000,000	70%
Residential	Surrey, BC	First	9%	P&I	$1,250,000	65%
Commercial	Hope, BC	First	18%	P&I	$560,000	42%
Residential	Burnaby, BC	First	8%	P&I	$1,107,615	30%
Commercial	Langley, BC	First	10%	P&I	$2,600,000	62%
Residential	Surrey, BC	First	10%	P&I	$300,000	46%
Residential	Surrey, BC	Second	12%	P&I	$550,000	60%
Residential	Langley, BC	First	10%	P&I	$900,000	68%
Residential	Surrey, BC	First	9%	P&I	$2,600,000	59%
Residential	Wetaskiwin, AB	First	12%	P&I	$500,000	60%
Residential	Wetaskiwin, AB	Second	12%	P&I	$350,000	60%
Residential	Penticton, BC	First	18%	P&I	$1,520,000	55%
Residential	Surrey, BC	First	10%	P&I	$3,000,000	60%
Residential	Surrey, BC	Second	12%	P&I	$1,050,000	59%
Residential	Surrey, BC	Second	12%	P&I	$800,000	57%
Residential	Surrey, BC	Second	12%	P&I	$250,000	75%
Residential	Vancouver, BC	Second	12%	P&I	$400,000	72%
Residential	Surrey, BC	Second	12%	P&I	$700,000	57%
Residential	Delta, BC	Third	12%	P&I	$200,000	62%
Residential	Surrey, BC	First	10%	P&I	$850,000	68%
Residential	West Van, BC	Second	12%	P&I	$600,000	63%
Residential	Surrey, BC	First	9%	P&I	$3,000,000	60%

Residential	Surrey, BC	First	10%	P&I	$1,500,000	70%
Residential	Burnaby, BC	First	9%	P&I	$3,383,920	51%
Residential	Langley, BC	First	10%	P&I	$1,950,000	70%
Residential	Langley, BC	First	9%	P&I	$1,700,000	65%
Residential	Abbotsford, B.C.	First	9%	P&I	$250,000	71%
Residential	Abbotsford, B.C.	First	9%	P&I	$250,000	71%
Residential	Surrey, B.C.	Second	12%	P&I	$300,000	72%
Residential	Surrey, B.C.	Second	12%	P&I	$300,000	51%

(1) Repayment Terms: P = Principal, IO = Interest Only, P&I = Principal & Interest
(2) The Company has provided two mortgage loans to Nordel Homes Ltd. ("Nordel"), a related party. As of January 31, 2020 the first mortgage to Nordel had a balance of $3,748,880 due and owing to the Company (the "First Nordel Loan"). As of January 31, 2020, the second mortgage to Nordel had a balance of $2,300,000 due and owing to the Company (the "Second Nordel Loan").
(3) The Company regularly reviews all outstanding mortgages and will only make allowances for losses in the event that a loan impairment arises. There have been no loan impairments since 2009.
(4) The loan-to-value ratio (LTV) is at the date the loan was issued.

Mortgage Portfolio Schedule
As at January 31, 2020

Type of Property	Amount	Count	%
Commercial	$3,160,000	2	7%
Residential	$42,310,415	35	93%

By Province	Amount	Count	%
Alberta	$4,350,000	4	10%
British Columbia	$41,120,415	33	90%

By Rank	Amount	Count	%	Rate	LTV
1st	$32,471,535	21	71.41%	10.62%	60%
2nd	$12,798,880	15	28.15%	11.60%	63%
3rd	$200,000	1	0.44%	12.00%	62%

Mortgages with Related Parties

Nordel Homes Ltd. and Nordel Homes (Nanaimo) Ltd. (together, "Nordel") are land development and construction companies in British Columbia and are related parties of the Company.

The Company entered into the mortgages with Nordel at the same rate and on the same lending criteria as offered to arm's-length borrowers with similar loan-to-value (LTV) ratios. The Company's mortgage rates are determined based on the borrower's risk profile. As of January 31, 2020, the First Nordel Loan and Second Nordel Loan both bear an interest rate of 18% per annum.

As of January 31, 2020, between the First Nordel Loan and the Second Nordel Loan, these mortgages represent approximately 13% of the Company's current loan portfolio and are mortgages with related parties, as described in the footnotes to the above table.

Manager

To achieve its objectives, the Company will benefit from the Manager's expertise and experience with respect to mortgage administration.

The Manager provides all mortgage administrative services required by the Company. In particular, the Manager is responsible for implementing the Company's investment parameters and the Managers services specifically include: processing and administering mortgage loans on behalf of the Company, providing monthly reports on the operations of the Company, communicating with shareholders of the Company and communicating regularly with mortgage brokers engaged in business with the Company. For greater certainty, the Manager is not registered as an investment advisor or exempt market dealer within the meaning of National Instrument 31-103 and no services will be provided by the Manager to the Company that would require the Manager to be registered as an investment advisor or exempt market dealer under National Instrument 31-103.

The Manager was amalgamated under the laws of the Province of British Columbia on January 1, 2010 under incorporation number BC0869701. The head office and principal business address of the Manager is 701 - 17665 66A Avenue, Surrey, British Columbia. The registered office of the Manager is 701 - 17665 66A Avenue, Surrey, British Columbia. The Manager has one (1) shareholder, the Bains Family Trust. Amarjit Singh Bains is the sole director and officer of the Manager.

Directors, officers and employees of the Manager, either directly or indirectly, may, from time to time, own Participating Shares directly or indirectly through family members and/or associated entities.

Principals of the Manager

Amarjit Singh Bains

Mr. Bains is the principal of the Manager. Mr. Bains was a licensed realtor from 1984 – 1996 and is a licensed mortgage broker since 1997. Mr. Bains has over thirty years of experience in the real estate development field. Mr. Bains is a graduate of Punjab University, India with concentrations in English, Political Science and Economics.

2.3 Development of Business

Since 1997, the Company has conducted the business of investing in loans secured by Mortgages. Since that time the Company has been qualified as a MIC under the Tax Act and has been solely engaged in raising capital for investment in Mortgages.

The following matters have been identified by the Company as occurrences that have and may influence the development of the Company's business. As at July 31, 2019, the Corporation has issued Participating Shares and has made loans which in the aggregate exceed $40 million.

Share Redemptions

As of July 31, 2014, the Company accepted redemptions from Participating Shareholders that exceeded the new issuance of Participating Shares by $767,074.

These excess redemptions occurred in the context of compliance requirements as set out by the Canada Revenue Agency ("CRA") with respect to investments in an MIC held in a Registered Retired Savings Plan ("RRSP") or Registered Retirement Income Fund ("RRIF"). CRA's prohibited investments policy imposes a general prohibition on otherwise eligible investments based on a "significant interest" ownership. A significant interest exists when an investor, along with other non-arm's length parties (i.e. related parties), owns 10% or more of an MIC's total share capital. Certain Participating Shareholders of the Company exceeded this 10% threshold and therefore redeemed a portion of their Participating Shares.

Since July 31, 2014, the Company has not had any further redemptions exceeding the sale of Participating Shares, and the Company does not expect future redemptions to exceed the sale of Participating Shares in a given year.

The Company's redemption policy requires Participating Shareholders to give the Company notice of their request for redemption. See section 5.1 'Terms of Securities" for full details about the Company's redemption policies.

Loan to Alberta Developers

On June 15, 2015, the Company provided a mortgage loan to Elegant Development Inc. and 1330823 Alberta Ltd. (the "Alberta Borrowers") in the principal amount of $2,000,000 at an interest rate of 12% calculated monthly and a mortgage term of six months. This loan was with respect to the development of a mixed commercial and residential property in Alberta. The Company retained $1,319,871 as a construction (surety) bond in the form of a restricted term deposit to protect the Company's interest against unforeseen changes such as an adverse event that would cause disruptions, failure to complete the development of the property, or the developer's failure to meet contract specifications. The balance of the loan was advanced in cash after deducting lending fees.

Pursuant to a Letter of Guarantee, the surety bond allowed for further partial drawings against the loan as the development project proceeded. The Alberta Borrowers completed partial work and requested a draw in the amount of $471,958 from the surety bond, which was correspondingly reduced to $847,913. On March 1, 2016, the Alberta Borrowers sold the property in question and the Company was repaid the sum of $1,738,300. As of July 31, 2018, the Alberta Borrowers paid off the balance owed to the Company and the bond has been assigned to the Borrower.

Loans to Company

During the fiscal 2016 year, the Company borrowed funds for short-term financing in order to fund mortgages when the Company did not have adequate cash on hand. On May 30, 2016, the Company borrowed $1,900,000 (the "Nordel Loan") from a related party, Nordel Developments Ltd. (the "Nordel Lender"). The Company paid back the entire Nordel Loan by May 31, 2016.

During the fiscal 2017 year, the Company borrowed funds for short-term financing in order to fund mortgages when the Company did not have adequate cash on hand. On January 31, 2017, the Company borrowed $115,000 from a related party 0983746 B.C. Ltd. and the Company paid back this loan in full on February 1, 2017. On June 20, 2017, the Company borrowed $400,000 from Company director Jaswinder Sahota and the Company paid back this loan in full on July 7, 2017.

As of July 31, 2019, the Company has no further liabilities for funds borrowed from related parties.

2.4 Long Term Objectives

The Company's primary long term objectives include:

(a) to provide Participating Shareholders with stable income through the issuance of dividends while preserving capital for distribution or re-investment;

(b) to establish a portfolio of high quality loans through prudent investment in Mortgages of Real Property situated primarily in British Columbia;

(c) to distribute income to Participating Shareholders on an annual basis; and

(d) to continue to qualify as MIC pursuant to the Tax Act.

The Company will seek to achieve these investment objectives by investing primarily in loans secured by Mortgages through the guidance and management of the Manager.

2.5 Short Term Objectives and How We Intend to Achieve Them

(a) The Company's business objectives for the next 12 months are to complete the Offering of up to 30,000,000 Participating Shares pursuant to this Offering Memorandum and to invest the net proceeds thereof in loans secured by Mortgages.

(b) It is the intention of the Company and the Manager that the proceeds of the Offering will be invested as quickly as is reasonably possible pursuant to the mortgage investment criteria in the Tax Act to raise further equity capital and optimize returns, and continue paying annual dividends to the Participating Shareholders.

The Company intends to meet the foregoing objectives for the next 12 months as follows:

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our costs to complete
Raise at least $30,000,000 to fund further loans secured by Mortgages. Invest net proceeds from Offering in compliance with the Tax Act. Pay annual dividends to Participating Shareholders while preserving capital.	As this is an ongoing investment program, there is no target completion date. However, it is the intention of the Company to invest the net proceeds as quickly as reasonably possible.	Our costs to carry out our investment program generally consist of administrative costs (including legal and accounting fees) and Management Fees. See "Use of Net Funds".

2.6 Insufficient Funds

The Company has a Line of Credit with Envision, however, the Line of Credit is for operating costs of the Company and not for investment purposes. As at July 31, 2018, the Company had drawn $315,035 against this Line of Credit. By December 31, 2018, that drawn amount was paid off. As at July 31, 2019, the balance on the Line of Credit was nil.

Given that there is no minimum for the Offering, the funds available as a result of the Offering may not be sufficient to accomplish all of the Company's proposed objectives and there is no assurance that alternative financing will be available. If none of the Offering is sold, the Company will continue to use its existing capital and cash flow to carry on its business.

2.7 Material Agreements

The following agreements are material to this Offering and to the Company:

Management Agreement

The following is a summary of the material provisions of the Management Agreement, which does not purport to be complete.

The rights and obligations of the Manager are governed by the Management Agreement. The Management Agreement, between the Manager and the Company, is dated as of January 1, 2011. See "Our Business – Manager" for information regarding the background of the Manager.

Under the Management Agreement, the Manager provides mortgage investment and management services to the Company and is required to:

(a) process and administer mortgage loans on behalf of the Corporation within parameters from time to time approved by the Board of Directors of the Corporation; provide the Company with mortgage investment opportunities;
(b) undertake and be responsible for the day to day administration of the Company;
(c) provide financial services to the Company including administering mortgages and general security agreements and other forms of security of the Company;
(d) provide monthly reports on the operation of the Company to the board of directors of the Company;
(e) communicate regularly with Shareholders of the Company and answer any Shareholder queries;
(f) communicate regularly with mortgage brokers engaged in business with the Company and answer any such mortgage broker queries;
(g) prepare accounting information for the external accountants of the Company;
(h) undertake any accounting task which shall reduce the accounting fees of the auditor;
(i) maintain the business premises of the Company for the conduct of its business;
(j) provide marketing and business development assistance to the Company in regard to the promotion of business and affairs; and
(k) perform other assignments related to the business and affairs of the Company as directed by its board of directors.

The Manager is required to carry out its duties fairly, honestly and in the best interests of the Company and must exercise the degree of care, diligence and skill that a reasonably prudent person experienced in the business of mortgage administration and management would exercise in comparable circumstances.

The Management Agreement is for a term of five years with the term being automatically renewed for an indefinite number of five year terms.

The Manager has no right and shall not participate in any loan or investment opportunities originated for or otherwise made available to the Company by the Manager.

Under the Management Agreement, the Manager is a monthly fee equal to the aggregate sum of 1/12 of 1% per month (1% per annum) of the aggregate outstanding balance of the Company's total assets (after deduction of provisions for losses). The Manager shall also be reimbursed for all reasonable and necessary out-of-pocket disbursements. The Manager shall be entitled to retain any and all brokerage fees or discounts related to mortgages originated by the Manager, the directors and shareholders of the Manager, third party mortgage brokerage companies or any other referral source.

The Management Agreement may be terminated by the Company in the event that:

(a) the Manager makes an assignment for the benefit of creditors or commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada);
(b) the Manager assigns or purports to assign the Management Agreement or any rights accruing thereunder without the prior written consent of the Company;
(c) the Manager commits a breach or default under the Management Agreement not related to the payment of any money to be paid by the Manager to the Company and the same is not cured within 30 days of the Manager receiving notice thereof; or
(d) the Manager fails to pay or refuses to pay monies it may owe to the Company.

The Manager may terminate the Management Agreement in the event that:

(a) the Company makes an assignment for the benefit of its creditors or commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada);
(b) the Company assigns or purports to assign the Management Agreement or any rights accruing thereunder without the prior written consent of the Manager;
(c) the Company commits a breach or default under the Management Agreement provided that if such breach or default does not relate to any payment of money by the Company to the Manager, the Manager shall give the Company notice in writing of such breach and the Company shall have 30 days from the date of notice to remedy the breach; or
(d) at any time during the term of the Management Agreement the Manager gives the Company six (6) months notice of its intention to terminate the Management Agreement.

The Management Agreement may also be terminated by the mutual consent, in writing.

The Company is required to indemnify the Manager from all claims and expenses incurred by the Manager in respect of the origination, administration and servicing of the Company's mortgage portfolio except those caused by the gross negligence or wilful misconduct of the Manager.

Selling Agent Agreement

Following the revocation of BC Instrument 32-517 by the British Columbia Securities Commission ("BCSC") and the dealer registration exemption contained therein for mortgage investment corporations effective February 15, 2019, the Company entered into a selling agent agreement with Drake Financial Ltd. ("Drake Financial") dated April 1, 2019 (the "Selling Agent Agreement"). Drake Financial has a head office at 2190 McCallum Road, Abbotsford, B.C. V2S 3P3.

Pursuant to National Instrument 31-103, Drake Financial applied for registration as an exempt market dealer with the BCSC and prior to the full expiry of BCI 32-517 on February 18, 2020 and as of the date of this Offering Memorandum, Drake Financial has achieved registration as Exempt Market Dealer under NRD number 64780.

The following is a summary of the material provisions of the Selling Agent Agreement, which does not purport to be complete.

The Company will pay Drake Financial a trade fee of $300 for each trade in the Company's securities completed by Drake Financial. Any additional activities requested by the Company to be performed by Drake Financial will be subject to an additional fee agreed upon by the parties.

The Company will on a best efforts basis assist Drake Financial in requirements to comply with securities laws and regulations relating to clients that the Company refers to Drake Financial.

The Company may terminate the Selling Agent Agreement with 60 days' notice and Drake Financial may terminate the agreement after one year on the annual anniversary date with 60 days prior notice.

Mortgage Agreement with Nordel Homes (Nanaimo) Ltd.

The following is a summary of the material provisions of the Mortgage Agreement dated June 25, 2004 and as amended on March 8, 2012, between the Company and Nordel Homes (Nanaimo) Ltd., which does not purport to be complete. Nordel is a related party of the Company.

The Company entered into the Mortgage Agreement, as amended, pursuant to which the Company provided the sum of $3,000,000.00 to Nordel (the "First Nordel Mortgage") for the purpose of financing the development of residential properties in Nanaimo, B.C. The Mortgage is registered against title to the relevant properties and bears interest at a rate of 8% per annum. As at August 1, 2017, the First Nordel Mortgage was re-issued and it currently bears interest at a rate of 18% per annum. As of July 31, 2019, the First Nordel Mortgage had a balance of $4,048,880 due and owing to the Company.

Loan Agreements with Nordel Homes Ltd.

The following are summaries of the material provisions of the Loan Agreement dated August 1, 2012 between the Company and Nordel Homes Ltd. and the promissory notes made by Nordel in favour of the Company, which do not purport to be complete. Nordel is a related party of the Company.

The Company entered into the Loan Agreement pursuant to which the Company loaned $2,975,566.63 to Nordel (the "Maple Ridge Loan") for the purpose of financing the development of residential properties in Nanaimo, B.C. The Maple Ridge Loan was repayable by the earlier of the Maturity Date of August 1, 2017 or the sale of the lands. As at August 1, 2017, the Maple Ridge Loan was re-issued and it currently bears interest at a rate of 18% per annum.

Pursuant to the Loan Agreement:

(a) Interest on the loan has been accruing on the Loan on a monthly basis;
(b) a mortgage of the fee simple interest in the lands is registered in the name of the trustee for the Company;
(c) Nordel grants the Company a security interest in all of its present and after-acquired personal property; and

(d) in the event of default by Nordel, the Company may declare due and payable the outstanding balance of the Loan and any accrued interest thereon without demand, protest or notice.

(e) Between July 31, 2013 and May 2, 2016, the Company loaned the principal sum of $1,823,500 to Nordel. Accordingly, Nordel entered into four (4) promissory notes with the Company. The promissory notes bear an interest rate of 8% per annum. The principal sum was repayable by August 1, 2017. On August 1, 2017, the Loan Agreement was renewed for a one-year term at an interest rate of 18% per annum.

(f) Between May 3, 2016 and July 31, 2017, the Company loaned the further sum of $1,590,000.00 to Nordel. By August 23, 2017, Nordel paid back $1,520,000 to the Company.

(g) Since August 1, 2017, there was no further lending by the Company to Nordel. As of July 31, 2019, the Maple Ridge Loan had a balance of $4,048,880 due and owing to the Company.

As security for the loans provided under the Loan Agreement and the promissory notes, the Company has registered a Mortgage against title to the relevant Nordel properties for all obligations, debts, liabilities, present or future, absolute or contingent, matured or not, at any time owing by Nordel to the Company.

Credit Agreement with Envision

The following is a summary of the material provisions of the Credit Agreement, which does not purport to be complete.

The Company entered into the Credit Agreement pursuant to which Envision approved a $1,000,000 secured Line of Credit for the Company for the purpose of financing the day-to-day operations of the Company. The Line of Credit bears interest at a rate of Prime Plus 2% per year above Envision's prime lending rate. The Line of Credit is repayable on demand.

The Company pays customary fees pursuant to the Credit Agreement, in accordance with industry practice.

The Line of Credit requires the Company to maintain certain minimum equity and debt/equity requirements. The Company must also report and provide financial statements to the Bank on a regular basis.

The Company cannot assign or encumber its rights and obligations under the Line of Credit or the Credit Agreement without the prior written consent of the Bank. The Credit Agreement will remain in effect and continue to apply as long as there are no changes to the Line of Credit or the Credit Agreement.

ITEM 3

DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table provides information about each director, officer and promoter of the Company and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Company:

Name and municipality of principal residence	**Positions Held and the date of obtaining that position**	**Compensation paid by the Company (i) in the most recently completed financial year and (ii) compensation anticipated to be paid in the current financial year**	**Number, type and percentage of securities of the Company held after completion of minimum Offering(1)**	**Number, type and percentage of securities of the Company held after completion of maximum Offering(2)**
Kewal Singh Athwal *Surrey, BC*	Director since November 21, 2006 and Treasurer since November 4, 2016	(i) nil (ii) nil	1 Common Share 1,581,606 Class A Participating Shares	1 Common Share 1,581,606 Class A Participating Shares
Chander Mohan Khosla *Surrey, BC*	Director since September 30, 1998 and President since November 21, 2006	(i) nil (ii) nil	1 Common Share 885,655 Class A Participating Shares	1 Common Share 885,655 Class A Participating Shares
Jaswinder Singh Sahota *White Rock, BC*	Director since December 12, 2001	(i) nil (ii) nil	1 Common Share 984,424 Class A Participating Shares	1 Common Share 984,424 Class A Participating Shares
Shainaz Bains *Surrey, BC*	Director since July 31, 2016 and Secretary since October 16, 2017	(i) nil (ii) nil	1 Common Share 423,382 Class A Participating Shares	1 Common Share 423,382 Class A Participating Shares
Jitender Bhagirath *Surrey, BC*	Director since October 7, 2019	(i) nil (ii) nil	1 Common Share 759,251 Class A Participating Shares	1 Common Share 759,251 Class A Participating Shares

Notes:

(1) Assuming no Participating Shares are issued under the Offering.

(2) Assuming that a maximum of 30,000,000 Participating Shares are issued under the Offering and that no additional Participating Shares are purchased by the directors or officers of the Company under the Offering.

3.2 Management Experience

The following table sets out the principal occupations of the directors and senior officers of the Company over the past five years and any relevant experience in a business similar to the Company:

Name	Principal Occupation and Related Experience
Chander Mohan Khosla *Director & President of the Company*	Mr. Khosla is a professional engineer by trade. He has over 15 years of experience in analytics and risk assessment.

Kewal Singh Athwal *Director & Treasurer of the Company*	Mr. Athwal is a British Columbia real estate agent and is generally involved in the real estate, land development and construction business. He has over 15 years of experience in property value assessment and risk assessment.
Jaswinder Singh Sahota *Director*	Mr. Sahota is a businessman in the land development and construction business in B.C. He has over 15 years of experience in property value assessment and risk assessment.
Shainaz Bains *Director & Secretary of the Company*	Mrs. Bains is an interior designer and has been involved in land development and construction business for the past 10 years.
Jitender Bhagirath *Director*	Mr. Bhagirath is a chartered professional accountant. He has 32 years of experience in public practice as a partner and owner. Currently he is retired and a part-time CFO with a construction and development company.

3.3 Penalties, Sanctions and Bankruptcy

(a) There have been no penalties or sanctions that have been in effect during the last 10 years, nor any cease trade order that has been in effect for a period of more than 30 consecutive days during the past 10 years against either:

(i) a director, executive officer or control person of the Company, or

(ii) an issuer of which a person referred to in (i) above was a director, executive officer or control person at the time.

(b) There have been no declarations of bankruptcy, voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation, proceedings, arrangements or compromises with creditors or appointments of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any:

(i) director, executive officer or control person of the Company, or

(ii) issuer of which a person referred to in (i) above was a director, executive officer or control person at that time.

3.6 Loans

The Company presently has no outstanding loans or debentures due to or from the directors, management, promoters and principal holders as at July 31, 2019.

ITEM 4
CAPITAL STRUCTURE

4.1 Capitalization of the Company

The following table provides information about the capitalization of the Company:

Description of Security	Number authorized to be issued	Price per Security	Number outstanding as at July 31, 2019	Number outstanding after minimum Offering	Number outstanding after maximum Offering
Common Shares(1)	60	$1.00	51	51	51
Class A Participating Shares(2)	75,000,000	$1.00	43,527,982(3)	43,527,982(4)	75,000,000(4)

Notes:

(1) The holders of Common shares are the sole shareholders of the Company entitled to receive notice of and to attend and vote at general meetings of shareholders of the Company. Upon a winding up or liquidation of the Company, once prior distribution has been made to the holders of Participating Shares, the holders of the Common shares shall be entitled to receive a sum equal to the par value of each Common share held in priority to any distribution in the capital of the Company, and once such distribution has been made, the holders of Common shares shall be entitled to participate equally with the holders of the Participating Shares in any further distribution of the assets of the company pro rata in accordance with the number of Common shares held.

(2) Complete details of the attributes and characteristics of the Participating Shares are set forth under the heading "Terms of Securities".

(3) The Class "A" Participating Shares will be issued at a price of $1.00 per Class "A" Participating Share.

(4) Assuming a minimum Offering of nil Participating Shares and a full Offering of 31,472,018 Participating Shares.

4.2 Long Term Debt

The Company has a Line of Credit with Envision. See "Material Agreements – Credit Agreement".

4.3 Prior Sales

From August 1, 2017, to the present, the Company received total sale proceeds of $16,539,570 net of redemptions, from Participating Shareholders.

Date of Issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
October 1, 2017	Class A Participating Shares	465,000	$1.00	$465,000
November 1, 2017	Class A Participating Shares	950,000	$1.00	$950,000
December 1, 2017	Class A Participating Shares	290,869	$1.00	$290,869
June 1, 2018	Class A Participating Shares	1,939,520	$1.00	$1,939,520
July 1, 2018	Class A Participating Shares	999,792	$1.00	$999,792
July 31, 2018	Class A Participating Shares	3,348,412	$1.00	$3,348,412(1)

September 1, 2018	Class A Participating Shares	473,825	$1.00	$473, 825
October 1, 2018	Class A Participating Shares	244,679	$1.00	$244,679
November 1, 2018	Class A Participating Shares	355,582	$1.00	$355,582
December 1, 2018	Class A Participating Shares	518,895	$1.00	$518,895
January 1, 2019	Class A Participating Shares	183,436	$1.00	$183,436
February 1, 2019	Class A Participating Shares	774,221	$1.00	$774,221
June 1, 2019	Class A Participating Shares	199,830	$1.00	$199,830
July 2, 2019	Class A Participating Shares	391,271	$1.00	$391,271
August 1, 2019	Class A Participating Shares	3,996,090	$1.00	$3,996,090[(1)]
September 1, 2019	Class A Participating Shares	47,856	$1.00	$47,856
October 1, 2019	Class A Participating Shares	50,000	$1.00	$50,000
November 1, 2019	Class A Participating Shares	12,000	$1.00	$12,000
December 1, 2019	Class A Participating Shares	1,055,034	$1.00	$1,055,034
January 1, 2020	Class A Participating Shares	489,920	$1.00	$489,920
February 1, 2020	Class A Participating Shares	1,703,362	$1.00	$1,703,362
	Issuances:	18,489,594	**Issuances:**	$18,489,594
	Less Redemptions:	(1,950,024)	**Less Redemptions:**	($1,950,024)[2)]
	Total:	16,539,570	**Total:**	$16,539,570

(1) The amount of dividends re-invested by existing Participating Shareholders in the Company.
(2) Net share redemptions in the same period.

4.4 Redemption History

The following presents a continuity schedule showing the Company's share redemption history for the past two fiscal years and redemptions made since July 31, 2019.

Share Redemptions: August 1, 2017 – July 31, 2018

Date of Redemption	No. of Shares Requested to be Redeemed	Amount Redeemed
31-Aug-2017	56,673	$56,673
17-Oct-2017	286,063	$286,063

16-Nov-2017	10,800	$10,800
15-Feb-2018	114,639	$114,639
10-Apr-2018	1,000	$1,000
30-June-2018	45,000	$45,000
Total Redemptions:	**514,175**	**$514,175**
Opening Balance of Redemption Requests	Nil	Nil
Closing Balance of Redemption Requests	Nil	Nil

Share Redemptions: August 1, 2018 – July 31, 2019

Date of Redemption	No. of Shares Requested to be Redeemed	Amount Redeemed
30-Jan-2019	121,926	$121,926
31-Mar-2019	20,000	$20,000
Total Redemptions:	**141,926**	**$141,926**
Opening Balance of Redemption Requests	Nil	Nil
Closing Balance of Redemption Requests	Nil	Nil

Share Redemptions: August 1, 2019 – February 1, 2020

Date of Redemption	No. of Shares Requested to be Redeemed	Amount Redeemed
31-Aug-2019	20,000	$20,000
8-Oct-2019	50,000	$50,000
1-Nov-2019	30,000	$30,000
1-Dec 2019	523,500	$523,500
1-Jan-2020	270,423	$270,423
1-Feb-2020	400,000	$400,000
Total Redemptions:	**1,293,923**	**$1,293,923**
Opening Balance of Redemption Requests	Nil	Nil
Closing Balance of Redemption Requests	Nil	Nil

ITEM 5
SECURITIES OFFERED

5.1 Terms of Securities

The Company is offering up to 30,000,000 Participating Shares at a $1.00 per Participating Share. Subscribers must subscribe for a minimum of 25,000 Participating Shares at a Subscription Price of $1.00 per Participating Share for a total of $25,000. For subsequent investments by existing Participating Shareholders holding at least 25,000 Participating Shares, the minimum number of Participating Shares that may be subscribed for is 5,000 Participating Shares at a subscription price of $1.00 per Participating Share for a total of $5,000.

Below is an overview of the rights and restrictions attaching to the Participating Shares.

Definitions

“Eligible Owner” of a Person shall mean:

(a) a Retirement Savings Plan registered in accordance with the Tax Act held for the benefit of a Person;
(b) a Retirement Savings Plan registered in accordance with the provisions of the Income Tax Act of Canada held for the benefit of the spouse of a Person;
(c) a Trust governed by a Deferred Profit Sharing Plan (D.P.S.P.) held for the benefit of a Person;
(d) a Trust governed by a Registered Pension Plan (R.P.P.) held for the benefit of a person;
(e) a Retirement Income Fund (R.I.F.) held for the benefit of a Person;
(f) a Registered Education Savings Plan (RESP) held for the benefit of a Person;
(g) a Tax Free Savings Account held for the benefit of a Person;
(h) any Savings Plan created by either the Government of Canada or a Provincial Government in Canada where the plan is held for the benefit of a Person.

“Person” shall mean a shareholder who is a human being.

“Redemption Amount” for a Participating Share shall be a sum of money equal to the net book value of that Participating Share at the date of determination of the Redemption Amount. PROVIDED however, that if the most recent balance sheet of the Company as at such date of determination reported a deficit, the Redemption Amount shall be a sum of money equal to the par value of the Participating Share plus all dividends declared and unpaid on the Participating Share at the date of determination of the Redemption Amount, less a sum equal to the amount of such reported deficit divided by the number of Participating Shares and Common shares issued and outstanding at the date of the balance sheet upon which such deficit was reported. A Redemption Amount per Participating Share shall be determined on the basis of the year end statements for each redemption notice received by the Company within 60 days after the fiscal year end of the Company in which the redemption notice was received.

Transfer and Sale of Participating Shares

This offering of Participating Shares is made only on a private placement basis to investors who are eligible to purchase on an exempt basis under, and subject to compliance with, applicable securities laws. **There is no market for the Participating Shares. The transferability of the Participating Shares will also be subject to resale restrictions under applicable securities laws** (See Item 10 – Resale Restrictions)**.** The Company will be entitled to require and may require, as a condition of allowing any transfer of any Participating Share, the transferor or transferee, at their expense, to furnish to the Company evidence satisfactory to it in form and substance (which may include an opinion of counsel satisfactory to the Company) in order to establish that such transfer will not constitute a violation of the securities laws of any jurisdiction whose securities laws are applicable thereto.

The Company is not a reporting issuer in any of the Provinces of Canada and does not intend to become a reporting issuer in any Province of Canada. The Participating Shares will be subject to resale restrictions under applicable securities laws which restrict the transfer of Participating Shares. Notwithstanding such resale restrictions, and subject to the Articles of the Company and approval by the Company, investors will be able to transfer Participating Shares to another person pursuant to another exemption from the prospectus and registration requirements of applicable securities laws, or pursuant to an order permitting such trade granted by applicable securities regulatory authorities.

Without limiting the generality of the foregoing, no Participating Share shall be transferred without the previous consent of the directors expressed by a resolution of the Board and the directors may at any time in their absolute discretion decline to register any proposed transfer and shall not be required to disclose their reasons therefor.

The foregoing restriction shall not apply in respect of any transfer or transfers by any Person of his Participating Shares to an Eligible Owner or the Eligible Owner of a Person's spouse or the transfer of Participating Shares held by his/her Eligible Owner to the Eligible Owner of his/her spouse and no transfer of Participating Shares will be authorized unless the Shareholder's Common shares, if any have been issued, are transferred to or redeemed by the Company. Notwithstanding the foregoing, the transferability of the Participating Shares will always be subject to resale restrictions under applicable securities laws (See Item 10 – Resale Restrictions).

Voting Rights

The holders of Participating Shares shall not be entitled to receive notice of or to attend any general meeting of shareholders of the Company, and if a holder of a Participating Share is present at a general meeting of shareholders of the Company, he/she shall not be entitled to vote at meetings of the holders of the Common shares.

Distributions

The Company distributes all of its profits to Participating Shareholders by way of annual dividends in cash or in shares of the Company and is not taxed on its earnings. The annual rate of return on investment for Participating Shareholders has ranged between 7.35% - 12.41% in recent years. There is no guarantee that the Company can provide such a rate of return every year. The Company does not utilize debt financing for the payment of its distributions.

The payment of dividends depends entirely on the Company's financial performance in a given year. The Company has no obligation to issue dividends, rather it is only at the discretion of the Company's Board. If approved by the Company's Board, cash or share dividends are issued to Participating Shareholders at the end of each financial year.

The Company expects to continue to be profitable.

Mandatory Redemption

Upon the death of holder of Participating Shares if no spouse survives, the Company shall, within 90 days after the end of the fiscal year of the Company in which such death occurred, and subject to the provisions of the BCBCA, redeem all the Participating Shares owned by holder and by his/her Eligible Owners at the date of his/her death, by paying to the holder each Participating Share the par value of such Participating Share owned by that holder, the "Redemption Amount".

Rights of Redemption of Participating Shareholders

A Participating Shareholder may, subject to the provisions of the BCBCA, give to the Company irrevocable notice that he/she wishes to redeem any or all of the Participating Shares owned by him/her or his/her Eligible Owner for the Redemption Amount of said Participating Shares.

A redemption notice shall only be effected by the Company if the Company is not insolvent at the time that the redemption is to be effected and if the redemption would not render the Company insolvent and if such redemption does not affect the Company's status as a MIC. The provisions in the foregoing paragraph do not apply if the redemption notice does not set out all the Participating Shares owned by a Person or his/her Eligible Owners.

Rights on Winding up or Liquidation

The holders of the Participating Shares shall, on a winding up or liquidation of the Company, be entitled to receive a sum equal to the par value of each Participating Shares held together with all dividends declared and unpaid thereon in priority to any distribution to the holders of any other shares in the capital of the Company. Once such prior distribution has been made to the holders of the Participating Shares and once a distribution equal to the par value of each Common share issued and outstanding has been made to the holders of the Common shares in accordance with the Articles, the holders of the Participating Shares shall be entitled to participate equally with the holders of the Common shares in any further distributions of the assets of the Company pro rata in accordance with the number of Participating Shares held.

Modification of Special Rights and Restrictions

The rights and restrictions and rights given to the Participating Shares may not be altered, amended or changed in any way without a resolution passed by a majority of not less than three-quarters (3/4) of the then registered holders of the Participating Shares and without a special resolution passed by the then registered holders of the Common shares, and not otherwise.

5.2 Subscription Procedure

The minimum initial investment in the Company is $25,000. The minimum subsequent investment in the Company for existing Participating Shareholders holding at least 25,000 Participating Shares is $5,000. The Company reserves the right to change the minimum amount at any time and from time to time.

Subscribers may purchase Participating Shares from the Company by first contacting the Exempt Market Dealer Drake Financial Ltd. at its principal office or such other address as specified. The Company will schedule closings from time to time as decided by the Company.

The subscription price is payable upon subscription pursuant to the terms of the applicable subscription agreement(s), by cheque, bank draft or electronic transfer, payable to “Computershare Trust Company of Canada”. No financing of the subscription price will be provided by the Company or the Manager.

Qualified Investors

The Company is offering for sale up to 30,000,000 Participating Shares on a continuous basis in the Province of British Columbia by way of private placement.

The offering is being conducted in the Province of British Columbia pursuant to the exemptions from the prospectus requirements afforded by Sections 2.3, 2.5, 2.9 and/or 2.10 of National Instrument 45-106 – *Prospectus and Registration Exemptions* (“**NI 45-106**”).

<u>Section 2.3</u> The exemption pursuant to Section 2.3 of NI 45-106 is available for distributions to investors in British Columbia purchasing as principal and who are “accredited investors” as defined in NI 45-106.

<u>Section 2.5</u> The exemption pursuant to Section 2.5 of NI 45-106 is available for distributions to investors in British Columbia purchasing as principal and who are:

(a) a director, executive officer, or control person of the issuer, or of an affiliate of the issuer,

(b) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer or control person of the issuer, or of an affiliate of the issuer,

(c) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer or control person of the issuer or of an affiliate of the issuer,

(d) a close personal friend of a director, executive officer or control person of the issuer, or of an affiliate of the issuer,

(e) a close business associate of a director, executive officer or control person of the issuer, or of an affiliate of the issuer,

(f) a founder of the issuer or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of a founder of the issuer,

(g) a parent, grandparent, brother, sister, child or grandchild of a spouse of a founder of the issuer,

(h) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (g), or

(i) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (g),

provided that no commission or finder's fee may be paid to any director, officer, founder, or control person of an issuer or an affiliate of the issuer in connection with any said distribution.

Section 2.9 The exemption pursuant to Section 2.9 of NI 45-106 is available for distributions to investors in British Columbia, purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a risk acknowledgement in the prescribed form.

Section 2.10 The exemption pursuant to Section 2.10 of NI 45-106 is available for distributions to investors in British Columbia purchasing as principal and who are acquiring Participating Shares with acquisition cost to the Subscriber of not less than $150,000 paid in cash at the time of Closing.

The foregoing exemptions relieve the Company from the provisions of the applicable securities laws of the Province of British Columbia which otherwise would require the Company to file and obtain a receipt for a prospectus. Accordingly, prospective investors for Participating Shares will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

The exemptions from the registration requirements contained in the applicable securities laws of the Province of British Columbia allow the Company to offer the Participating Shares for sale directly to the investors.

Closing Documents

Each prospective and qualified investor who desires to subscribe for Participating Shares must:

(a) First contact the Exempt Market Dealer, Drake Financial Ltd., at their principal offices (2190 McCallum Road, Abbotsford, B.C. V2S 3P3; Phone: (604) 855-6661) and arrange to meet with them regarding the suitability of investing and completing the due diligence process;

(b) Complete and sign the form of subscription agreement prescribed by the Company from time to time (the "**Subscription Agreement**") specifying the number and class of Participating Shares being subscribed for (the Company reserves the right to use different forms of Subscription Agreements for different investors);

(c) if the investor is an "accredited investor" as defined in NI 45-106, complete and sign the accredited investor questionnaire attached as Schedule "A" to the Subscription Agreement;

(d) if the investor (i) is not an "accredited investor" as defined in NI 45-106, and (ii) is not purchasing Participating Shares with an acquisition cost to the investor of not less than $150,000 paid in cash, complete and sign two copies of the Form 45-106F4 — Risk Acknowledgement, in the form attached as Schedule "B" to the Subscription Agreement;

(e) deliver payment of the subscription price for the Participating Shares subscribed for to the Company by certified cheque, bank draft or other electronic transfer satisfactory to the Company. Payments delivered to the Manager will be held in trust pending the later of the date of Closing the date which is two days following receipt of the subscription price (See Item 11 – Purchaser's Rights "***Two Day Cancellation Right for All Investors***"); and

(f) deliver to the Company the Subscription Agreement, the Form 45-106F4 Risk Acknowledgment, and any other forms, declarations and documents as may be required by the Company and the Exempt Market Dealer to complete the subscription.

Subscriptions will be received subject to prior sales and acceptance of the investor's subscription, in whole or in part (subject to compliance with applicable securities laws), by the Company.

The aforementioned cash amounts, Subscription Agreements and other documents will be held in trust and released upon Closing. The subscription amount will be held in trust until midnight on the second business day after the investor signs a Subscription Agreement. Closings will occur on a continuous basis.

Acceptance of Subscriptions

Subscriptions received are subject to rejection or allotment in whole or in part by the Company. The Company reserves the right to close the subscription books at any time without notice. Confirmation of the acceptance of a subscription will be forwarded by the Company to Drake. The Company is not obligated to accept any subscriptions, and will reject any subscription which the Company considers to be not in compliance with applicable securities laws and regulations. If any subscription is rejected, the Company will notify the investor and will return to the investor the subscription funds comprising such subscription, without interest.

An investor who subscribes for Participating Shares by executing and delivering a Subscription Agreement will become a Participating Shareholder after the Company accepts such subscription and the Company has received the subscription amount.

This Offering Memorandum and all subscription documents should be reviewed by prospective Subscribers and their professional advisers prior to subscribing for Participating Shares.

ITEM 6

INCOME TAX CONSEQUENCES AND ELIGIBILITY FOR INVESTMENT

6.1 Independent Advice

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

6.2 Significant Income Tax Consequences

Assumptions

The following is a summary of the principal Canadian federal income tax consequences of acquiring, holding and disposing of the Participating Shares by a Subscriber who, at all relevant times and for purposes of the Tax Act, is a resident solely of Canada, deals with the Company at arm's length, is not affiliated with the Company, and acquires and holds the Participating Shares as capital property (a "**Holder**"). This summary only addresses Holders who meet all of the foregoing requirements. This summary is not applicable to any Holder of Participating Shares (i) that is a "financial institution" or a "specified financial institution" for the purposes of the Tax Act, (ii) an interest in which is a "tax shelter investment" for the purposes of the Tax Act, or (iii) that reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars).

This summary is based upon the facts set out in this Offering Memorandum, the current provisions of the Tax Act and the regulations thereunder, all specific proposals (the "**Tax Proposals**") to amend the Tax Act or the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and our understanding of the current published administrative practices of the Canada Revenue Agency. This summary assumes that the Tax Proposals will be enacted as currently proposed, although no assurance in this regard can be provided. The summary does not take into account or anticipate any other changes in law, whether by way of legislative, governmental or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax consequences. It is not intended to be, and should not be interpreted as, legal or tax advice to any particular Subscriber. You should consult with your own tax advisor regarding the income tax consequences to you of acquiring, holding and disposing of the Participating Shares including the application and effect of the income and other tax laws of any country, province, state or local tax authority. The discussion below is qualified accordingly.

This summary is based on the assumption that the Company meets and will meet on a continuous basis certain conditions which are imposed by the Tax Act on the Company in order for the Company to qualify as a MIC thereunder. These conditions will generally be satisfied if all of the following conditions are met throughout a taxation year of the Company:

(a) the Company was a Canadian corporation as defined in the Tax Act,

(b) the Company's only undertaking was the investing of funds and it did not manage or develop any real property,

(c) none of the property of the Company consisted of debts owing to the Company secured on real or immovable property situated outside Canada, debts owing to the Company by non-resident persons unless such debts were secured on real or immovable property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real or immovable property situated outside of Canada or any leasehold interest in such property,

(d) the Company had at least 20 shareholders, and no one shareholder (together with any related person) at any time in the year owned, directly or indirectly, more than 25% of the issued shares of any class of the Company or was otherwise a "specified shareholder" for purposes of the Tax Act, also taking into account certain applicable rules for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans for purposes of the Tax Act,

(e) all holders of Participating Shares of the Company had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of any common shares of the Company, to participate pari passu (equally) with the holders of the common shares in any further payment of dividends,

(f) the cost amount of the Company's property consisting of debts secured (whether by mortgages, hypothecs, or in any other manner) on houses or on property included within a housing project (as those terms are defined in the National Housing Act), together with cash on hand and deposits with a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation, the Régie de l'assurance-dépots du Québec, or with a credit union (collectively, the "Qualifying Property"), was at least 50% of the cost amount to it of all of its property,

(g) the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage, hypothec or agreement of sale of real property held by the Company) owned by the Company did not exceed 25% of the cost amount to it of all of its property,

(h) where at any time in the year the cost amount to the Company of its Qualifying Property as defined in (f) above was less than two-thirds of the cost amount to it of all of its property, the Company's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities;

(i) where (h) above did not apply, in that the cost amount of its Qualifying Property equaled or was greater than two-thirds of the cost amount of all the Company's property, the Company's liabilities did not exceed five times the amount by which the cost amount to it of all its property exceeded its liabilities.

It is intended, and this summary assumes, that these requirements will be satisfied on a continuous basis and that the Company will qualify as a MIC for purposes of the Tax Act at all relevant times. If the Company were not to qualify as a MIC at any relevant time, the income tax consequences would be materially different from (and generally adverse compared to) those described below. Tax considerations applicable where the Company does not so qualify as a MIC at any particular time are not discussed in this summary or elsewhere in the Offering Memorandum.

Taxation of the Company

Provided that the Company qualifies as a MIC throughout a taxation year, the Company will, in computing its taxable income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Company in computing its income for the preceding year. In addition, a corporation that qualifies as a MIC throughout a taxation year may declare a capital gains dividend in an amount equal to the gross amount of its capital gains and, by making an election in prescribed manner, is entitled to deduct one-half of such dividend from its taxable income.

The Company will be subject to tax at the highest corporate rates. However, at this time the Company believes that it qualifies and will continue to qualify as a MIC, and intends to declare dividends to the extent necessary to reduce its taxable income each year to nil so that it has no tax payable under Part I of the Tax Act, and intends to elect to have dividends to be capital dividends to the maximum extent allowable.

Taxation of the Holders of Participating Shares

Provided that the Company qualifies as a MIC, dividends (other than capital gains dividends) which are paid by the Company on the Participating Shares will be included in Holders' incomes as bond interest, and capital gains dividends will be treated as realized capital gains of Holders and will be subject to the general rules relating to the taxation of capital gains. **AS THE DIVIDENDS (OTHER THAN CAPITAL GAINS DIVIDENDS) ARE TAXED AS BOND INTEREST, THE NORMAL GROSS UP AND DIVIDEND TAX CREDIT RULES WILL NOT APPLY TO DIVIDENDS PAID BY THE COMPANY TO AN INDIVIDUAL AND TRUSTS ON PARTICIPATING SHARES, AND HOLDERS THAT ARE CORPORATIONS WILL NOT BE ENTITLED TO DEDUCT THE AMOUNT OF DIVIDENDS PAID BY THE COMPANY IN COMPUTING TAXABLE INCOME.**

The cost to a Holder of Participating Shares acquired pursuant to this Offering will equal the purchase price of the Participating Shares plus the amount of any other reasonable costs incurred in connection therewith. This cost will be averaged with the cost of all other Participating Shares held by the Holder to determine the adjusted cost base of each Participating Share.

A disposition or a deemed disposition of Participating Shares (other than to the Company) will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Participating Shares exceed (or are exceeded by) the adjusted cost base of the Participating Shares and the disposition costs. Amounts paid by the Company on the redemption or acquisition by it of a Participating Share, up to the paid-up capital thereof, will be treated as proceeds of disposition. Any amount paid by the Company on the redemption or acquisition of a Participating Share which is in excess of the paid-up capital of such Participating Share will be deemed to be a dividend and will be included in the income of a holder of Participating Shares, in accordance with the rules described above.

In general, one-half of any capital gain realized by a Holder (including capital gains deemed to be realized as a result of a receipt of a capital gains dividend) will be included in the Holder's income under the Tax Act as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized in a taxation year is to be deducted against any taxable capital gains realized by the Holder in such year and, to the extent not so deductible, may generally be carried back three years or forward indefinitely and deducted against taxable capital gains realized in such years.

The taxable capital gains realized by a Holder that is an individual may give rise to alternative minimum tax depending upon the Holder's circumstances. A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional tax (refundable in certain circumstances) of 6⅔ % on certain investment income, including amounts in respect of interest and taxable capital gains.

6.3 Eligibility for Investment

The Participating Shares will be qualified investments under the Tax Act for a trust governed by a Registered Retirement Savings Plan ("**RRSP**"), Registered Educational Savings Plan ("**RESP**"), Deferred Profit Sharing Plan, Registered Retirement Income Fund ("**RRIF**") or a Tax Free Saving Account ("**TFSA**") (collectively, the "**Plans**") at a particular time provided that the Company qualifies as a MIC under the Tax Act at such particular time and further provided that throughout the relevant calendar year, the Company does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the Plan, or of any other person who does not deal at arm's length with that person. Adverse tax consequences, not discussed herein, would generally result if the Company at any time fails to qualify as a MIC or its shares otherwise fail to constitute qualified investment for Plans.

Notwithstanding that the Participating Shares may be a qualified investment for a TFSA, an RRSP or a RRIF, the holder of a TFSA or the annuitant of an RRSP or RRIF, as the case may be, which acquires Participating Shares will be subject to a penalty tax under the Tax Act if such Participating Shares are a "prohibited investment" (within the meaning of the Tax Act) for the particular TFSA, RRSP or RRIF. The Participating Shares will generally be a prohibited investment for a TFSA, an RRSP or RRIF if the holder of the TFSA, or annuitant of the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Company for purposes of the Tax Act or (ii) has a "significant interest" (within the meaning of the Tax Act) in the Company. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Company unless the holder or annuitant, as the case may be, owns directly or indirectly, 10% or more of the issued shares of any class of the capital stock of the Company (or of any related corporation), either alone or together with persons with which the holder or annuitant, as the case may be, does not deal at arm's length. In addition, the Participating Shares will not be prohibited investments if they are "excluded property" as defined in the Tax Act.

Holders and annuitants should consult their own tax advisors to ensure that the Participating Shares would not be a prohibited investment for a trust governed by a TFSA, RRSP or RRIF in their particular circumstances.

Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisors to obtain advice on the RRSP eligibility of these securities.

ITEM 7

COMPENSATION PAID TO SELLERS AND FINDERS

The Manager, the Company, their respective directors, officers and employees will not sell the Participating Shares. The Company will enter into agreements or arrangements with registered deals and may pay commissioners or fees on terms to be negotiated between the Company and such registered dealers. However, any commissions or fees so payable shall be the responsibility of the Company. No commission, corporate finance fee or finder's fee is payable to the Manager in respect of orders to purchase Participating Shares of the Company.

The Company has entered into a service agreement (see Page 19 – Material Agreements) with Drake Financial Ltd. to provide exempt market dealer services to the Company whereby Drake will trade in the Company's securities in accordance with applicable securities laws and regulations. For its services, the Company will pay Drake a trade fee of $300 for each trade in the Company's securities completed by Drake. Any additional activities requested by the Company to be performed by Drake will be subject to an additional fee agreed upon by the parties.

ITEM 8

RISK FACTORS

The purchase of Participating Shares involves a number of risk factors and is suitable only for Subscribers who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. There is no assurance of any return on a Subscriber's investment. In addition to the other information presented in this Offering Memorandum, the following risk factors should be given special consideration when evaluating an investment in any of our securities. The risk factors outlined below are not a definitive list of all risk factors associated with an investment in the Company.

The Company advises that prospective Subscribers should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Participating Shares in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.

Investment Risk

Risks that are specific to the Participating Shares being offered under this Offering include the following:

No Regulatory Review

This Offering Memorandum has not been reviewed by any regulatory authorities.

No Market for Participating Shares

There is no market through which the Participating Shares may be sold, and the Company does not expect that any market will develop pursuant to this Offering or in the future. Accordingly, an investment in Participating Shares should only be considered by Subscribers who do not require liquidity. The Participating Shares are subject to onerous resale restrictions under applicable securities legislation. See “Item 10 - Resale Restrictions”, regarding resale restrictions applicable to the Participating Shares.

Redemption Liquidity

The Participating Shares are redeemable, meaning that Subscribers have the right to require the Company to redeem them, upon appropriate advance notice from the Subscriber to the Company. See “Terms of Securities”.

Notwithstanding that the Participating Shares are redeemable, the Company gives no assurance that any Subscriber will be able to redeem any or all of their Participating Shares at any time. Redemption is not possible if the Company is insolvent at the time that the redemption is to be effected and/or if the redemption would render the Company insolvent. Redemption of the Participating Shares is subject to applicable corporate and securities legislation, and is subject to the terms in this Offering Memorandum, all as determined solely by the Company. Redemption is only permissible where said redemption does not affect the Company’s status as a MIC. Accordingly this investment is unsuitable for those prospective Subscribers who may require liquidity.

The Participating Shares are not insured

The Company is not a member institution of the Canada Deposit Insurance Corporation and the Participating Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation.

Speculative Investment

An investment in the Participating Shares is highly speculative. Investment in the Participating Shares should be considered only by investors who are able to make a long term investment and are aware of the risk factors involved in such an investment. You should only invest in the Participating Shares if you are able to bear the risk of the entire loss of your investment and have no need for immediate liquidity in such investment.

No Voting Rights

The Participating Shares being sold under this Offering do not carry voting rights, and consequently a Subscriber’s investment in Participating Shares does not carry with it any right to take part in the control or management of the Company’s business, including the election of Directors.

In assessing the risks and rewards of an investment in Participating Shares, potential Subscribers should appreciate that they are relying solely on the good faith, judgment and ability of the directors, officers and the Manager to make appropriate decisions with respect to the management of the Company, and that they will be bound by the decisions of the Company's and the Manager's directors, officers and employees. It would be inappropriate for Subscribers unwilling to rely on these individuals to this extent to purchase Participating Shares.

Dilution

The number of Participating Shares the Company is authorized to issue is 75,000,000 and the Directors have the sole discretion to issue additional Participating Shares up to said number. The proceeds of this Offering may not be sufficient to accomplish all of the Company's proposed objectives. In addition to alternate financing sources, the Company may conduct future offerings of Participating Shares in order to raise the funds required which will result in a dilution of the interest of the Participating Shareholders in the Company and the income or loss from the Company.

No Guaranteed Return

Although investments in Mortgages will be carefully chosen by the Company, there is no representation made by the Corporation that such investments will have a guaranteed return to the Participating Shareholders, nor that losses will not be incurred by the Company in respect of such investments. This Offering is not suitable for investors who cannot afford to assume significant risks in connection with their investments.

Lack of Full Offering

There is no assurance that more than the minimum Offering will be sold. In that case, less than the maximum proceeds will be available to the Company and, therefore, the Company's business plans and prospects could be adversely affected, since fewer Mortgage loans will be issued by the Company.

Issuer Risk

Risks that are specific to the Company include the following:

Composition of Mortgage Portfolio & Related Parties

Approximately 13% of the Company's current Mortgage portfolio consists of loans provided to related parties to the Company, including Nordel Homes Ltd. and Nordel Homes (Nanaimo) Ltd.

Although the Company does not anticipate any adverse events with respect to these related party Mortgages, there can be no assurance that the mortgagors will not default on their mortgage obligations to the Company. In the event the Company is unable to recover monies owed under these outstanding Mortgages, the Company and its shareholders would potentially face significant financial losses on their investments, which may impact the long-term viability of the Company.

Inadequate Diversification of Mortgage Porfolio

The composition of the Company's Mortgage portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the Mortgage portfolio being less diversified than anticipated. A lack of diversification may result in the Company being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

Availability and Competition

The ability of the Company to make investments in Mortgages in accordance with its investment objectives and parameters will depend upon the availability of suitable investments and the amount and nature of Mortgages available.

The Company does and will continue to compete with individuals, partnerships, companies, trusts and institutions for the investment in the financing of real properties. Many of these competitors have greater resources than the Company or operate with greater flexibility. If lenders enter the market, the yields which are now available may decrease and the risk/reward ratio may become less favourable to the Company than it is currently.

Alberta Economic Conditions

The Company has approximately $4.35 million in outstanding mortgages with Alberta-based borrowers. In recent years, the Province of Alberta has faced a serious economic recession and subsequent liquidity problems in its housing markets. There is a risk that Alberta-based borrowers may default on their mortgage obligations if there is an ongoing decline in the viability of residential and commercial property development projects in Alberta. Any default on mortgages held with the Company would have adverse consequences for the Company's financial position.

Mortgage Investment Company Tax Designation

Under the Company's articles the Company's directors are required to use their best efforts to ensure that the Company qualifies as a MIC pursuant to the Tax Act. As well, the Company's Articles of Incorporation grant the directors the discretion to reject any applications for share dividends or share subscriptions, transfers, redemptions or retractions where, in the view of the directors, such would not be in the Company's best interests as a mortgage investment under the Tax Act.

There can be no assurance, however, that the Company will be able to meet the Tax Act's mortgage investment qualifications at all material times.

As a company qualified as a MIC the Company may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Company on the Participating Shares. Rather, the dividends will be taxable in the hands of shareholders as if they had received an interest payment. If for any reason the Company fails to maintain its MIC qualification in a particular year, the dividends paid by the Company on the Participating Shares would cease to be deductible from the income of the Company for that year and the dividends it pays on the Participating Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Participating Shares might cease to be qualified investments for Deferred Plans, with adverse tax implications.

Reliance on the Manager

In accordance with the terms of the Management Agreement between the Company and the Manager, the Manager has significant responsibility for assisting the Company to conduct its affairs. Any inability of the Manager to perform competently or on a timely basis will negatively affect the Company.

Participating Shareholders will be relying on the expertise of the Manager in selecting appropriate real estate investments and negotiating the pricing and other terms of the agreements leading to the acquisition of such investments.

Reliance on Drake Financial Ltd.

Given the full expiry of the dealer registration exemption contained in BCI 32-517 on February 18, 2020, only registered EMDs may market, distribute, and trade in the securities of a mortgage investment corporation. Drake Financial is a registered Exempt Market Dealer (EMD) under the jurisdiction of the B.C. Securities Commission. The Company has engaged Drake Financial to provide EMD services in connection with the prospectus-exempt distribution of the Company's Participating Shares (see Material Agreements, Page 20).

Drake Financial must maintain its EMD registration status in order to continue to trade in the Company's securities. The Company's ability to sell the Participating Shares is dependent upon Drake Financial's continued status as a registered EMD. Any inability on the part of Drake Financial to maintain its registered EMD status will inhibit the Company's ability to meet its proposed objectives.

Conflict of Interest

Conflicts of interest exist, and others may arise, between Subscribers and the directors and officers of the Manager and the Company and their associates and affiliates.

In particular, the Manager is not prohibited from carrying on business ventures (other than for the Company) for its own account and for the account of others and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Company. The Manager may establish in the future other investment vehicles which have or may have similar or competing investment objectives to those of the Company.

Industry Risk

There are also risks faced by the Company because of the industry in which it operates. Real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The anticipated higher returns associated with the Company's mortgage loans reflect the greater risks involved in making these types of loans as compared to long term conventional mortgage loans. In addition, prospective Subscribers should take note of the following:

Nature of Mortgage Backed Investments

Investments in Mortgages are affected by general economic conditions, local real estate markets, demand for leased premises, fluctuation in occupancy rates and operating expenses, and various other factors. The value of a real estate property may ultimately depend on the credit and financial stability of the tenants. Investments in Mortgages are relatively illiquid. Such illiquidity will tend to limit the Company's ability to change its portfolio promptly in response to changing economic or investment conditions. Investments in Mortgages on residential real property projects under development may be riskier than investments in Mortgages on already constructed residential real property developments.

Insurance

The Company's mortgage loans will not usually be insured in whole or in part. As well, there are certain inherent risks in the real estate industry, some of which the Company may not be able to insure against or which the Company may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted.

Priority

Financial charges for construction and other financing funded by conventional third party lenders may rank in priority to the Mortgages registered in favor of the Company. In the event of default by the mortgagor under any prior financial charge, the Company may not recover any or all of the monies advanced.

Default

If there is default on a Mortgage it may be necessary for the Company, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In such cases it is possible that the total amount recovered by the Company may be less than the total investment, resulting in loss to the Company. Equity investments in real property may involve fixed costs in respect of mortgage payments, real estate taxes, and maintenance costs, which could adversely affect the Company's income.

Renewal of Mortgages

There can be no assurances that any of the Mortgages comprising the Company's Invested Mortgage Portfolio from time to time can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each Mortgage in the Mortgage Portfolio, it is possible that the mortgagor, the mortgagee or both, will not elect to renew such Mortgage. In addition, if the Mortgages in the Mortgage Portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such Mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal.

Composition of Mortgage Portfolio

The composition of the Company's Mortgage Portfolio may vary widely from time to time and may be concentrated by borrower, type of security, industry or geography, resulting in the Invested Mortgage Portfolio being less diversified than anticipated. A lack of diversification may result in the Company being exposed to economic downturns in the Province of British Columbia and elsewhere or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

Yield

The yields on real estate investments, including mortgages, depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, government regulation and tax laws. The Company cannot predict the effect that such factors will have on its operations.

ITEM 9

REPORTING OBLIGATIONS

9.1 Required Disclosure

The Company is not a "reporting issuer" as that term is defined in applicable securities legislation, nor does it currently intend to become a reporting issuer and therefore obligations of the Company to publicly disclose documents is limited. However, Participating Shareholders will receive annual statements reflecting their investment in the Company and annual dividend cheques, if applicable, and will receive yearly T5 tax returns for cash investment income.

The Company's fiscal year commences August 1 in each year and ends July 31 of the following year. The Company will prepare audited financial statements for each fiscal year in connection with an annual general meeting to be held as required by the *Business Corporations Act* (British Columbia), and provide them to shareholders within 120 days of the Company's fiscal year end.

9.2 Public Disclosure

The Office of the Registrar of Mortgage Brokers at the Financial Institutions Commission regulates the mortgage brokering and lending activities of Mortgage Investment Corporations (MICs) under the *Mortgage Brokers Act*. The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

Information about the Company may be obtained from the British Columbia Registrar of Companies, the British Columbia Securities Commission, and the British Columbia Financial Institutions Commission. The Company is not a publicly traded company therefore no corporate or securities information about the Company is available from a quotation or trade reporting system.

ITEM 10

RESALE RESTRICTIONS

10.1 General Statement

Participating Shares will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

10.2 Restricted Period

Unless permitted under securities legislation, you cannot trade Participating Shares before the date that is four months and a day after the date the Company becomes a reporting issuer in any Province or territory of Canada. The Company has no intention or plan to proceed with becoming a reporting issuer.

ITEM 11

PURCHASERS' RIGHTS

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

The following summary is subject to the express provisions of the securities legislation of each offering jurisdiction and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions. Subscribers should refer to those provisions for the particulars of these rights or consult with a legal adviser.

The rights of action described herein are in addition to and without derogation from any other right or remedy that the investor may have at law.

11.1 Two Day Cancellation Right for All Investors

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Company or the Manager by midnight on the second business day after you sign the Subscription Agreement to buy the securities.

11.2 Statutory Rights of Action in the Event of a Misrepresentation

If there is a misrepresentation in this Offering Memorandum, investors resident in British Columbia will have a statutory right to sue:

(a) the Company to cancel your agreement to buy these securities, or

(b) for damages against the Company, every director of the Company at the date of the Offering Memorandum and every person who signs the Offering Memorandum or any amendment thereto.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you purchased the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three years after you purchased the securities.

ITEM 12

FINANCIAL STATEMENTS

12.1 The Company's audited annual financial statements as at July 31, 2018, are attached.

12.2 The Company's audited annual financial statements as at July 31, 2019, are attached.

Guards Capital Corp.

Financial Statements

For the year ended July 31, 2018

Page

Independent Auditors' Report

To the Shareholders of Guards Capital Corp.:

We have audited the accompanying financial statements of Guards Capital Corp., which comprise the statement of financial position as at July 31, 2018, and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Guards Capital Corp. as at July 31, 2018 and its financial performance the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter
The financial statements of Guards Capital Corp. as at July 31, 2017 were audited by Clearline Chartered Professional Accountants of Surrey, Canada, who expressed an unqualified opinion on those statements on April 18, 2018.

Surrey, British Columbia

December 10, 2018

MNP LLP
Chartered Professional Accountants

MNP

Guards Capital Corp.
Statement of Financial Position
As at July 31, 2018

	2018	2017
Assets		
Current		
Cash	**794**	1,313,419
Interest receivable	**500,959**	521,392
Mortgages receivable - current portion *(Note 5)*	**23,018,234**	5,027,327
	23,519,987	6,862,138
Non-current		
Mortgages receivable - net of current portion *(Note 5)*	**17,786,480**	26,042,207
Total assets	**41,306,467**	32,904,345
Liabilities		
Current		
Bank indebtedness *(Note 6)*	**315,035**	-
Trade and other payables	**32,311**	44,101
Dividends payable *(Note 7)*	**3,538,258**	3,303,831
Deferred revenue	**241,626**	31,958
Liability component of redeemable preferred shares *(Note 8)*	**37,179,186**	29,524,404
	41,306,416	32,904,294
Events after the reporting period *(Note 9)*		
Equity		
Share capital		
Common shares *(Note 10)*	**51**	51
	41,306,467	32,904,345

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Guards Capital Corp.
Statement of Comprehensive Income
For the year ended July 31, 2018

	2018	*2017*
Revenue		
Interest income	**3,615,674**	2,391,083
Financing and other income	**402,351**	144,677
Total revenue	**4,018,025**	2,535,760
Operating costs		
Interest and bank charges	**36,819**	20,275
Management fees *(Note 11)*	**362,850**	279,000
Office	**14,307**	10,907
Professional fees	**65,791**	40,238
	479,767	350,420
Other income (expense)		
Preferred shares dividends	**(3,538,258)**	(3,303,831)
Gain arising from reversal of impairment on mortgage receivables	**-**	1,098,991
	(3,538,258)	(2,204,840)
Net income and comprehensive income	**-**	(19,500)

The accompanying notes are an integral part of these financial statements

Guards Capital Corp.
Statement of Changes in Equity
For the year ended July 31, 2018

	Share capital	*Retained earnings*	*Total equity*
Balance August 1, 2016	**57**	**19,500**	**19,500**
Net income and comprehensive income	-	**(19,500)**	**(19,500)**
Redemption of share capital	**(6)**	-	-
Balance August 1, 2017	**51**	-	-
Balance July 31, 2018	**51**	-	-

The accompanying notes are an integral part of these financial statements

Guards Capital Corp.
Statement of Cash Flows
For the year ended July 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Net income and comprehensive income	-	(19,500)
Reversal of impairment on mortgage receivables	-	(1,098,991)
	-	(1,118,491)
Changes in non-cash working capital accounts		
Interest receivable	**20,433**	(1,056,470)
Trade and other payables	**(11,790)**	12,227
Dividends payable	**234,427**	1,168,046
Deferred revenue	**209,668**	(129,390)
	452,738	(1,124,078)
Financing activities		
Payments for redemption of common shares	-	(6)
Proceeds from issuance of preferred share liability	**4,865,124**	7,324,192
Redemption of preferred shares	**(514,175)**	(2,660,635)
Reinvested dividends on preferred shares	**3,303,833**	2,135,785
	7,654,782	6,799,336
Investing activities		
Advances of mortgages receivables	**(15,637,978)**	(9,776,505)
Repayments of mortgages receivables	**5,902,798**	6,161,500
Redemption of letter of credit	-	18,680
	(9,735,180)	(3,596,325)
Increase (decrease) in cash resources	**(1,627,660)**	2,078,933
Cash resources (deficiency), beginning of year	**1,313,419**	(765,514)
Cash resources (deficiency), end of year	**(314,241)**	1,313,419
Cash resources are composed of:		
Cash	**794**	1,313,419
Bank indebtedness	**(315,035)**	-
	(314,241)	1,313,419

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Guards Capital Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia on August 1, 1997. The Company is domiciled in Canada and its registered office is 701-17665 66A Avenue, Surrey, British Columbia, V3S 2A7.

The Company makes investments and operates its business at all times in such a manner as to qualify as a mortgage investment corporation ("MIC") under the provisions of the Canadian Income Tax Act. The Company derives its earnings from the receipt of mortgage interest and fees associated with the setup, renewal and discharge of mortgages.

2. Statement of compliance

The financial statements, along with comparative results for the year ended July 31, 2017, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

These annual financial statements for the year ended July 31, 2018 were authorized for issuance by the directors of the Company on December 10, 2018.

3. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out in Note 4.

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The 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 revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Mortgages receivable

The Company is required to make an assessment of the impairment of mortgages receivable. The mortgages receivable are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. The estimation of future cash flows include assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors.

These assumptions 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. Accordingly, by their nature, 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.

4. Summary of significant accounting policies

The principle accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

Mortgages receivable

The mortgages receivable are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgages receivable are measured at amortized cost using the effective interest method, less any impairment losses. The mortgages receivable are assessed on each reporting date to determine whether there is objective evidence of impairment. A financial asset is considered to be impaired only if objective evidence indicates that events have occurred after initial recognition that have a negative effect on the estimated future cash flows of the asset.

The Company considers evidence of impairment for mortgages receivable at both a specific asset and collective level. All individually significant mortgages receivable are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identifiable at an individual mortgage level. Mortgages receivable that are not individually significant are collectively assessed for impairment by grouping together mortgages receivable with similar risk characteristics.

In assessing collective impairment, the Company reviews historical trends of the probability of default, the timing of recoveries and the amount of the loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of specific mortgages receivable is calculated as the difference between its carrying amount including accrued interest and the present value of the estimated cash flows discounted at the receivable's original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against the mortgages receivable. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss in the period the new information becomes available.

Revenue recognition

Interest income on mortgage investments is recognized on an accrual basis by the effective interest method, using an effective interest rate which exactly discounts estimated future cash receipts to the net carrying amount of the financial asset over the asset's expected life. Accrued but uncollected interest is reversed whenever a loan is considered to have become impaired. A loan is classified as impaired generally when management is of the opinion that there is a doubt as to the collectability of the principal.

The Company charges upfront commitment fees, such as lender, broker and renewal fees, based on the gross mortgage values for all mortgages funded. These fees are deferred as unearned income and amortized over the term of the mortgage.

Revenue from administration fees relating to the mortgage investments are deferred as unearned income and amortized over the term of the mortgage.

Financial instruments

Loans and receivables:

The Company has classified the following financial assets as loans and receivables: mortgages receivable and interest receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition or impairment.

4. Summary of significant accounting policies *(Continued from previous page)*

Financial liabilities measured at amortized cost:

The Company has classified the following financial liabilities as financial liabilities measured at amortized cost: bank indebtedness, trade and other payables, dividends payable and preferred shares. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition.

Financial asset impairment

The Company assesses impairment of all its financial assets, except those classified at fair value through profit (loss). Management considers historical trends of the probability of default, timing of recoveries and the value of the underlying security used as collateral against the mortgage receivable, adjusted for management's judgment as to total proceeds expected in case of a foreclosure in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year profit (loss).

The Company reverses impairment losses on debt instruments classified as available-for-sale when an increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. In addition, the Company reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was recognized.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of: (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive profit (loss) is recognized in net profit (loss).

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.

Preferred share liability

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. As such, Class A preferred shares, which are redeemable, are presented as a liability of the Company. The preferred shares are redeemable at a price equal to their original issue amounts plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings at the time the redemption is paid out. Incremental costs directly attributable to the issue of preferred shares are recognized as a deduction from the liability. The corresponding dividends, relating to a financial instrument or component that is classified as a financial liability is recorded as expense through profit and loss.

Share capital

Common shares are classified as equity and presented at the value of the shares issued. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

4. Summary of significant accounting policies *(Continued from previous page)*

Provisions

A provision is recognized, if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

There are no provisions recorded at July 31, 2018.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at July 31, 2018 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 9 Financial instruments

The final version of IFRS 9 (2014) was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace IAS 39 *Financial instruments: recognition and measurement.* IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018. The Company does not expect the standard to have a material impact on its financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers,* and SIC 31 *Revenue – barter transactions involving advertising services.*

IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

5. Mortgages receivable

The Company's portfolio consists of 36 mortgages (2017 - 27 mortgages) bearing interest at fixed rates that range from 8% to 18% (2017 - 8% to 16%). All mortgages are secured by real property to which they relate and by additional security in certain circumstances.

Total mortgages receivable are carried at the unpaid principal amount. On a periodic basis, management reviews the mortgage portfolio and the overall general real estate market to determine whether it is necessary to record an allowance for mortgage losses. Management may consider an allowance for potential future mortgage losses as deemed necessary, based on any payment arrears, known risks, historical mortgage loss and current economic conditions and trends. As at July 31, 2018, management has reviewed mortgages receivable and determined that no provision for impairment is required.

As at July 31, 2018, management has classified two mortgages in the amount of $3,613,059 (2017 - $NIL) to be non-performing. Management does not believe further interest will be collected on the balance therefore interest will no longer be recorded on these non-performing loans. Management is reasonably assured that the principal portion of non-performing balance is collectible and no provision is necessary.

5. Mortgages receivable *(Continued from previous page)*

	Principal performing	Principal non-performing	**2018** Net carrying value	2017 Net carrying value
Mortgages	37,191,655	3,613,059	**40,804,714**	31,069,534
Current portion			**(23,018,234)**	(5,027,327)
Total			**17,786,480**	26,042,207

6. Bank indebtedness

Bank indebtedness is comprised of an operating line of credit authorized to a maximum of $1,000,000 (2017 - $1,000,000), bearing interest at the financial institution's prime rate plus 1.5% (2017 - 1.5%). The credit facility is secured by a general security agreement, representing a charge over the present and after acquired personal property of the Company, first assignment of receivables, joint and several personal indemnity of certain shareholders.

7. Dividends payable

The Company has declared dividends to the holders of Class A non-voting, participating, redeemable preferred shares, in accordance with the provisions for mortgage investment corporations in the Income Tax Act, where dividends paid within 90 days from the end of the fiscal period are deductible from the income of the Company. For the preferred shareholders, however, these dividends are taxed as interest income.

The Company declared dividends of $3,538,258 (2017 - $3,303,831); $0.099 (2017 - $0.102) per preferred share based on an average number of shares issued and outstanding.

8. Liability component of redeemable preferred shares

The Company has authorized 50,000,000 Class A, non-voting, redeemable,non-transferrable preferred shares, with a par value of $1.00. At year-end the issued and outstanding shares were 37,179,186 (2017 - 29,524,404). Directors shall not consent to allow any shareholder to hold more than 25% of the issued preferred shares. No preferred shares shall be transferred without the previous consent of the Board of Directors expressed by a resolution.

The Class A preferred shares are redeemable at $1 per share, their original issue amount, plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings at the time notice of redemption is received.

During the year, the following share transactions occurred:

	2018	2017
Opening preferred shares liability	**29,524,404**	22,725,062
Subscriptions - Cash	**4,865,124**	7,324,192
Subscriptions - Dividend reinvestments	**3,303,833**	2,135,785
Redemptions	**(514,175)**	(2,660,635)
	37,179,186	29,524,404

9. Events after the reporting period

Subsequent to year-end, the Company committed to issue mortgages totaling $6,200,000 at rates varying from 10.00% to 18.00% per annum, for terms of 12 months and repayable with the proceeds from the sales of the underlying properties. The mortgages are secured by first and second charges on the underlying properties.

10. Share capital

The Company's share capital consists of the following:

	2018	2017
51 Common shares, with a par value of $1.00 (2017 - 51)	**51**	51

11. Related party transactions

The following 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.

- During the year, the Company paid management fees of $362,850 (2017 - $279,000) to a company controlled by management. The Company pays 1.0% per annum (2017 - 1.0%) of the aggregate outstanding balance of the Company's total assets, after deduction of provisions for loss, for day-to-day operations, including administration of the Company's mortgage investments.
- As at July 31, 2018, the Company has a mortgage receivable from a company with shareholders in common, in the amount of $6,752,600 (2017 - $7,130,000).
- As at July 31, 2018, the Company has a mortgage receivable from a company with shareholders in common, in the amount of $3,858,880 (2017 - $2,744,000).
- During the year, the Company earned interest income of $1,527,285 (2017 - $656,743) from companies in which the shareholders hold controlling interests. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

There are no commitments or guarantees attributed to the Company from the related parties at July 31, 2018.

12. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Fair value of all financial assets and liabilities approximate carrying amounts

The carrying amount of cash and cash equivalents, interest receivable, mortgages receivable, trade and other payables, directors' fees payable and accrued liabilities and dividends payable is approximated by their fair value due to their short term nature.

Risk management policy

The Company is exposed to various risks of holding financial instruments. These risks have been categorized as interest rate risk, credit risk and liquidity risk. The following analysis enables users to evaluate the nature and extent of the risks at July 31, 2018:

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through lending policies that set minimum interest rates for its mortgages.

The Company is exposed to interest rate risk with respect to mortgages receivable and bank indebtedness, all of which are expected to be realized within one year, and which are subject to fixed interest rates. Based on current financial instruments, it is estimated that a 1.0% shift in the prime interest rate would not effect the financial margin.

12. Financial instruments *(Continued from previous page)*

Management does not expect the maturity dates of the financial instruments noted above to be significantly different than the contractual dates.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The maximum exposure to credit risk at July 31, 2018 is the carrying value of its mortgage investments, including accrued interest receivable, which total $41,305,673 (2017 - $31,590,926). The Company has recourse under these investments in the event of default by the borrower; in which case, the Company would claim against the underlying collateral.

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. 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 any one borrower.

The Company holds the title of the underlying properties as security over mortgages receivable. The collateral held mitigates credit risk.

A credit concentration exists relating to mortgages and interest receivable as the Company's revenue are concentrated in the Province of British Columbia.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company is committed to pay dividends to shareholders for which repayment is required at specific dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

The Company manages the liquidity risk resulting from bank indebtedness, trade accounts payable, dividends payable, and the liability component of preferred shares by maintaining a line of credit. Successful utilization of leverage, as contemplated by any bank line of credit or other financing depends on the Company's ability to borrow funds from outside sources and to use those funds to make loans and other investments at rates of return in excess to the Company of the borrowed funds. Leverage increases exposure to loss.

13. Fair value measurements

Transfers between levels of the fair value hierarchy

The Company's policy for when transfers between the levels of the fair value hierarchy are deemed to have occurred, is at the date of the event or change in circumstances that caused the transfer. No such transfers occurred during the year.

13. **Fair value measurements** *(Continued from previous page)*

Asset and liabilities for which fair value is only disclosed

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at July 31, 2018 but for which fair value is disclosed:

The Company's assets and liabilities not measured at fair value but for which fair value is disclosed, have been categorized into the fair value hierarchy as follows:

	2018 Fair Value	***Level 1***	***Level 2***
Assets			
Cash	**794**	**794**	**-**
Interest receivable	**500,959**	**-**	**500,959**
Mortgages receivable	**40,804,714**	**-**	**40,804,714**
Total assets	**41,306,467**	**794**	**41,305,673**
Liabilities			
Bank indebtedness	**315,035**	**315,035**	**-**
Trade and other payables	**32,311**	**-**	**32,311**
Dividends payable	**3,538,258**	**-**	**3,538,258**
Deferred revenue	**241,626**	**-**	**241,626**
Total liabilities	**4,127,230**	**315,035**	**3,812,195**

	2017 Fair Value	*Level 1*	*Level 2*
Assets			
Cash	1,313,419	1,313,419	-
Interest receivable	521,392	-	521,392
Mortgages receivable	31,069,534	-	31,069,534
Total assets	32,904,345	1,313,419	31,590,926
Liabilities			
Trade and other payables	44,101	-	44,101
Dividends payable	3,303,831	-	3,303,831
Deferred revenue	31,958	-	31,958
Total liabilities	3,379,890	-	3,379,890

The Company classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value 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; and

Level 3: Unobservable inputs in which there is little or no market data, 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 significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

14. Capital management

The Company's objective when managing capital is to maintain financial flexibility in order to preserve its ability to meet its financial commitments, including possible obligations; maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations and its debt capacity; optimize the use of its capital to provide an appropriate return on investment to its shareholders and to maintain sufficient liquidity in the company to distribute dividends to shareholders within 90 days thereafter to reduce its taxable income to a negligible amount.

The Company defines capital as the sum of its assets, net of its liabilities, which approximates shareholders' equity.

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 shall be real property; and
(iii) that all investments must be within Canada.

During the year the Company complied with these requirements.

The Company's financial strategy is developed and adapted on the basis of market conditions to maintain a flexible capital structure consistent with the objectives stated above and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may refinance an existing debt, take out new borrowings, repurchase preferred shares for cancellation pursuant to normal course issuer bids or issue new preferred shares.

The Company's financial strategy and objectives are reviewed annually. The Company believes that its' current ratios are satisfactory, given its size, capital management objectives and growth strategy.

15. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.

Guards Capital Corp.
Financial Statements
For the year ended July 31, 2019

Contents

For the year ended July 31, 2019

Independent Auditor's Report

To the Shareholders of Guards Capital Corp.:

Opinion

We have audited the financial statements of Guards Capital Corp. (the "Company"), which comprise the statements of financial position as at July 31, 2019 and July 31, 2018, and the statements of earnings, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our 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 for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditor's report is Evert Helms, CPA, CA, MPAcc.

Surrey, British Columbia

MNP LLP

October 30, 2019

Chartered Professional Accountants

	2019	*2018*
Assets		
Cash	**2,730,731**	794
Interest receivable *(Note 6)*	**624,841**	500,959
Mortgages receivable *(Note 7)*	**45,067,385**	40,804,714
Total assets	**48,422,957**	41,306,467
Liabilities		
Bank indebtedness *(Note 8)*	**-**	315,035
Trade and other payables	**44,469**	32,311
Dividends payable *(Note 9)*	**4,202,205**	3,538,258
Deferred revenue	**648,250**	241,626
Redeemable preferred shares *(Note 10)*	**43,527,982**	37,179,186
Total liabilities	**48,422,906**	41,306,416

Events after the reporting period *(Note 18)*

Equity		
Share capital *(Note 11)*	**51**	51
	48,422,957	41,306,467

Approved on behalf of the Board

Director

Director

Guards Capital Corp.
Statement of Comprehensive Income
For the year ended July 31, 2019

	2019	*2018*
Revenue		
Interest income *(Note 12)*	**4,865,006**	3,615,674
Financing and other income	**357,038**	402,351
Total revenue	**5,222,044**	4,018,025
Operating costs		
Interest and bank charges	**9,621**	36,819
Management fees *(Note 12)*	**463,011**	362,850
Office	**21,905**	14,307
Professional fees	**68,041**	65,791
	562,578	479,767
Operating profit	**4,659,466**	3,538,258
Other expense		
Preferred shares dividends	**(4,202,205)**	(3,538,258)
Provision for loss	**(457,261)**	-
	(4,659,466)	(3,538,258)
Profit (loss) for the year	**-**	-

The accompanying notes are an integral part of these financial statements

	For the year ended July 31, 2019	
	Share capital	***Total equity***
Balance August 1, 2017	**51**	**-**
Balance August 1, 2018	**51**	**-**
Balance July 31, 2019	**51**	**-**

Guards Capital Corp.
Statement of Cash Flows
For the year ended July 31, 2019

	2019	*2018*
Cash provided by (used for) the following activities		
Operating activities		
Provision for credit losses	**457,261**	-
Dividends declared on preferred shares	**4,304,608**	3,538,260
	4,761,869	3,538,260
Changes in non-cash working capital accounts		
Interest receivable	**(224,891)**	20,433
Trade and other payables	**10,759**	(11,790)
Deferred revenue	**406,624**	209,668
	4,954,361	3,756,571
Financing activities		
Proceeds from issuance of redeemable preferred shares	**3,336,959**	4,865,124
Payments for redemption of redeemable preferred shares	**(526,421)**	(514,175)
	2,810,538	4,350,949
Investing activities		
Advances of mortgages receivable	**(24,220,143)**	(15,637,978)
Repayments of mortgages receivable	**19,500,216**	5,902,798
	(4,719,927)	(9,735,180)
Increase (decrease) in cash resources	**3,044,972**	(1,627,660)
Cash resources (deficiency), beginning of year	**(314,241)**	1,313,419
Cash resources (deficiency), end of year	**2,730,731**	(314,241)
Cash resources (deficiency) are composed of:		
Cash	**2,730,731**	794
Bank indebtedness	**-**	(315,035)
	2,730,731	(314,241)

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Guards Capital Corp. (the "Company") was incorporated under the Canada Business Corporations Act of British Columbia on August 1, 1997. The Company is domiciled in Canada and its registered office is 701-17665 66A Avenue, Surrey, British Columbia, V3S 2A7.

The Company makes investments and operates its business at all times in such a manner as to qualify as a mortgage investment corporation ("MIC") under the provisions of the Canadian Income Tax Act. The Company derives its earnings from the receipt of mortgage interest and fees associated with the setup, renewal and discharge of mortgages.

2. Statement of compliance

The financial statements, along with 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 July 31, 2019 were authorized for issuance by the Board of Directors of the Company ("Board") on October 30, 2019.

3. Basis of preparation

Basis of measurement

The financial statements have been prepared in the historical basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out in Note 5.

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Company may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Mortgages receivable

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 receivables. 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.

4. Change in accounting policies

Standards and Interpretations effective in the current period

The Company adopted amendments to the following standards, effective August 1, 2018. Adoption of these amendments had no effect on the Company's financial statements.

- *IFRS 9 Financial instruments*

IFRS 9 Financial instruments

Effective August 1, 2018 (hereafter referred to as the "initial date of application"), the Company adopted IFRS 9 as issued in July 2014. The requirements of IFRS 9 are substantially different from those of IAS 39 *Financial instruments: recognition and measurement*. The new standard fundamentally alters the classification and measurement of financial assets subsequent to initial recognition, including impairment and incorporates a new hedge accounting model.

The key changes to the Company's accounting policies resulting from adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities

IFRS 9 requires financial assets be classified into one of three subsequent measurement categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss. Classification is based on the business model under which a financial asset is managed and the nature of its contractual cash flows. IFRS 9 eliminates the following IAS 39 classification categories: available-for-sale, held-to-maturity, and loans and receivables.

Derivatives embedded within host contracts that are financial assets in the scope of IFRS 9 are no longer separated from the host contract. Instead, the whole hybrid contract is assessed for classification in accordance with the above requirements.

The classification and measurement of financial liabilities is largely retained from IAS 39. However, under IAS 39, all fair value changes of liabilities designated under the fair value option were recognized in profit or loss. Under IFRS 9, the amount of change in fair value attributable to the Company's own credit risk is generally required to be presented in other comprehensive income.

Impairment of financial assets

IFRS 9 replaces the methodology under IAS 39 and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* of recognizing impairment losses when incurred with a forward-looking expected credit loss model which requires a more timely recognition of losses expected to occur over the contractual life of the financial asset. IFRS 9 uses a single model for recognizing impairment losses on financial assets. This model also applies to certain loan commitments, financial guarantee contracts, trade receivables and contract assets. Application of the IFRS 9 model results in earlier recognition of impairment losses than under IAS 39. Equity investments are no longer assessed for impairment as all equity investments are measured at fair value.

Transition

In accordance with the transitional provisions provided in IFRS 9, the Company has applied the changes in accounting policies resulting from the adoption of IFRS 9 retrospectively but has elected not to restate comparative figures. All comparative information presented and disclosed for the prior year reflects the requirements of IAS 39. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized directly in retained earnings and reserves as at August 1, 2018. Additional transitional provisions applied are described below.

Classification and measurement

For the purposes of determining the classification of financial assets, the business model test has been applied on the basis of facts and circumstances existing at the date of initial application with the resulting classification applied retrospectively.

Impairment

The credit risk at the date that a financial asset was initially recognized has been determined on the basis of reasonable and supportable information available without undue cost or effort. This has been compared to the credit risk at the date of initial application for the purpose of determining whether there has been a significant increase in credit risk.

4. Change in accounting policies *(Continued from previous page)*

For the purposes of this assessment, the Company has assumed that for low credit risk financial assets, credit risk has not increased significantly since initial recognition.

Initial application of IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following tables present the measurement categories and carrying amounts under IAS 39 as at August 1, 2018 and the new measurement categories and carrying amounts under IFRS 9 for the Company's financial assets and financial liabilities as at August 1, 2018.

	IAS 39 classification	IFRS 9 classification	IAS 39 carrying amount	IFRS 9 carrying amount
Financial assets				
Cash	FVTPL (designated)	FVTPL (designated)	**794**	**794**
Interest receivable	Loans and receivables	Amortized cost	**500,959**	**500,959**
Mortgages receivable	Loans and receivables	Amortized cost	**40,804,714**	**40,804,714**
Total financial assets			**41,306,467**	**41,306,467**
Financial liabilities				
Trade and other payables	Amortized cost	Amortized cost	**315,035**	**315,035**
Bank indebtedness	Amortized cost	Amortized cost	**32,311**	**32,311**
Dividends payable	Amortized cost	Amortized cost	**3,538,258**	**3,538,258**
Liability component of redeemable preferred shares	Amortized cost	Amortized cost	**37,179,186**	**37,179,186**
Total financial liabilities			**41,064,790**	**41,064,790**

The impairment allowance, as measured under the impairment requirements of IAS 39, attributable to financial assets previously categorized as loans and receivables and now measured at amortized cost as at July 31, 2018 was $NIL. This loss allowance increased to $356,252 upon transition to the impairment requirements of IFRS 9 on the date of initial application.

5. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into to known amounts of cash and which are subject to an insignificant risk of changes in value.

5. Summary of significant accounting policies *(Continued from previous page)*

Mortgages receivable

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 receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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 mortgages receivable 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 judgment. Management reviews the mortgage receivables and considers the credit risk to have increased 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 receivables 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 receivables (lifetime expected credit losses) that are considered to have experienced a significant increase in credit risk (Stage 2) and for mortgage receivables 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 receivables weighted by the likelihood of a loss. At each reporting date, credit impaired mortgage receivables will be transferred to Stage 3 when there is objective information that the mortgage receivables are credit impaired.

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

5. Summary of significant accounting policies *(Continued from previous page)*

Mortgages receivable (continued)

The Company considers evidence of impairment for mortgage receivables in Stage 3 at a specific level on a mortgage-by-mortgage basis, and specific allowances are recorded if management determines that the mortgage receivables 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.

Liability component of redeemable preferred shares

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. As such, Class A preferred shares, which are redeemable, are presented as a liability of the Company. The preferred shares are redeemable at a price equal to their original issue amounts plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings at the time the redemption is paid out. Incremental costs directly attributable to the issue of preferred shares are recognized as a deduction from the liability.

Share capital

Common shares are classified as equity and presented at the value of the shares issued. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Dividends are recognized in equity in the period 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.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognized on an accrual basis by the effective interest method, using an effective interest rate which exactly discounts estimated future cash receipts to the net carrying amount of the financial asset over the asset's expected life.

Revenue from administration fees relating to the mortgage investments are deferred as unearned income and amortized over the term of the mortgage.

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.

Fair value measurements

The Company classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value 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; and
- Level 3: Unobservable inputs in which there is little or no market data, 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 significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

5. Summary of significant accounting policies *(Continued from previous page)*

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 are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, 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

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are 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. Financial assets measured at amortized cost are comprised of mortgages receivable and interest receivable.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets mandatorily measured at fair value through profit or loss.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets designated to be measured at fair value through profit or loss are comprised of cash and cash equivalents.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. The entity does not hold any equity investments.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management.

5. Summary of significant accounting policies *(Continued from previous page)*

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

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.

For mortgages receivable, 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.

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 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 losses.

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

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

Refer to Note 14 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.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. 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. Transaction costs of equity transactions are treated as a deduction from equity.

5. Summary of significant accounting policies *(Continued from previous page)*

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 or a component classified as 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.

6. Interest receivable

	2019	*2018*
Current	**229,505**	164,628
Past due but not impaired:		
Past due less than 90 days	**46,385**	24,880
Past due more than 90 days	**348,951**	311,451
	624,841	500,959

As at year end, the Company had capitalized a total of $870,000 (2018 - $1,604,000) of interest receivable to mortgages receivable.

7. Mortgages receivable

The Company's portfolio consists of 35 mortgages (2018 - 36 mortgages) bearing interest at fixed rates that range from 8% to 18% (2018 - 8% to 18%), with an average rate of 11% (2018 - 11%). All mortgages are secured by real property to which they relate and by additional security in certain circumstances.

Total mortgages receivable are carried at the unpaid principal amount. On a periodic basis, management reviews the mortgage portfolio and the overall general real estate market to determine whether it is necessary to record an allowance for mortgage losses. Management may consider an allowance for potential future mortgage losses as deemed necessary, based on any payment arrears, known risks, historical mortgage loss and current economic conditions and trends. As at July 31, 2019, management has reviewed mortgages receivable and determined that expected credit losses total $356,252.

7. Mortgages receivable *(Continued from previous page)*

As at July 31, 2019, management has classified one mortgage in the amount of $1,738,738 (2018 - $3,613,059) to be non-performing. Management does not believe further interest will be collected on the balance therefore interest will no longer be recorded on these non-performing loans. Management is reasonably assured that the principal portion of non-performing balance is collectible and no provision is necessary.

			2019	*2018*
	Principal performing	**Principal non-performing**	**Net carrying value**	Net carrying value
Mortgages	43,328,647	1,738,738	**45,067,385**	40,804,714

Included in the the principal performing and principal non-performing is $356,252 (2018 - $NIL) of expected credit losses.

	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Residential land development properties in British Columbia	33,294,901	-	-	**33,294,901**	24,821,606
Commercial land development properties in British Columbia	644,708	-	-	**644,708**	1,000,000
Residential land development properties in Alberta	2,653,206	-	1,500,000	**4,153,206**	4,371,628
Related party construction loans	6,974,570	-	-	**6,974,570**	10,611,480
Total	43,567,385	-	1,500,000	**45,067,385**	40,804,714

During the year, $1,500,000 of mortgages outstanding were transferred from Stage 1 to Stage 3.

	2019	*2018*
Transfer from Stage 1 to Stage 2	**-**	-
Transfer from Stage 1 to Stage 3	**1,500,000**	-
Transfer from Stage 2 to Stage 3	**-**	-
	1,500,000	-

7. Mortgages receivable *(Continued from previous page)*

The changes in allowance for impairment losses for both mortgages and interest receivable are summarized as follows:

				2019	*2018*
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Residential land development properties in British Columbia	33,558	-	-	**33,558**	-
Commercial land development properties in British Columbia	5,292	-	-	**5,292**	-
Residential land development properties in Alberta	4,354	-	238,738	**243,092**	-
Related part construction loans	74,310	-	-	**74,310**	-
Total	117,514	-	238,738	**356,252**	-

As at July 31, 2019, the allowance for impairment losses is $356,252. The allowance represents $238,738 of management's estimate of the ECL on the mortgages receivable that have experienced a significant increase in credit risk since initial recognition (Stage 3). Management estimates the ECL for mortgages in Stage 1 to be $117,524. Management considered the collateral held, payment patterns, and historical results when determining this amount. $1,738,738 mortgage receivables were transferred to Stage 2 or Stage 3 during the year.

During the transition to IFRS 9 on August 1, 2018, management determined there has been no transition adjustment.

As at July 31, 2019, there are no mortgage receivables in foreclosure (2018 - no mortgages).

The following table represents the mortgages receivable by the mortgage type:

	2019	**%**	2018	%
Interest in first mortgages	**35,436,019**	**78%**	31,282,775	77%
Interest in second mortgages	**9,787,618**	**21%**	9,521,939	23%
Interest in third mortgages	**200,000**	**1%**	**-**	-
	45,423,637	**100**	40,804,714	100
Allowance for impairment losses	**(356,252)**	-	**-**	-
Total	**45,067,385**	**100**	40,804,714	100

As at July 31, 2019, principal repayments based on contractual maturity dates are as follows::

2020	$28,174,756
2021	$16,892,629

7. Mortgages receivable *(Continued from previous page)*

The following table presents the gross carrying amount of the mortgages receivable stated at amortized cost subject to IFRS 9 impairment requirements by internal risk ratings used by the Company for credit risk purposes.

The internal risk ratings present in the table below are defined as follows:

Category	Loan to Value	Borrower Quality	Certainty of Repayment	Location
Low	Low	Strong	High	Strong
Low to Medium	Low/Medium	Medium/Strong	High/Moderate	Medium/Strong
Medium	Medium	Medium	Moderate	Medium
Medium to High	Medium/High	Weak/Medium	Low/Moderate	Weak/Medium
High	High	Weak	Low	Weak

	Residential land development properties in British Columbia	Commercial land development properties in British Columbia	Residential land development properties in Alberta	Related party construction loans	2019 Total
Stage 1					
Low	18,900,903	-	-	-	**18,900,903**
Low to Medium	10,539,568	-	-	2,982,714	**13,522,282**
Medium	3,854,430	644,708	2,303,947	3,991,856	**10,794,941**
Medium to High	-	-	-	-	**-**
High	-	-	349,259	-	**349,259**
Stage 2					
Low	-	-	-	-	**-**
Low to Medium	-	-	-	-	**-**
Medium	-	-	-	-	**-**
Medium to High	-	-	-	-	**-**
High	-	-	-	-	**-**
Stage 3					
Low	-	-	-	-	**-**
Low to Medium	-	-	-	-	**-**
Medium	-	-	-	-	**-**
Medium to High	-	-	-	-	**-**
High	-	-	1,500,000	-	**1,500,000**
	33,294,901	644,708	4,153,206	6,974,570	**45,067,385**

As at July 31, 2019, two mortgages totaling $2,354,173 were past due. Management has estimated expected credit losses on these mortgages of $240,550.

8. Bank indebtedness

Bank indebtedness is comprised of an operating line of credit authorized to a maximum of $1,000,000 (2018 - $1,000,000), bearing interest at the financial institution's prime rate plus 1.5% (2018 - 1.5%). The credit facility is secured by a general security agreement, representing a charge over the present and after acquired personal property of the Company, first assignment of receivables, joint and several personal indemnity of certain shareholders.

9. Dividends payable

The Company has declared dividends to the holders of Class A non-voting, participating, redeemable preferred shares, in accordance with the provisions for mortgage investment corporations in the Income Tax Act, where dividends paid within 90 days from the end of the fiscal period are deductible from the income of the Company. For the preferred shareholders, however, these dividends are taxed as interest income.

The Company declared dividends of $4,202,205 (2018 - $3,538,258); $0.099 (2018 - $0.099) per preferred share based on an average number of shares issued and outstanding.

10. Redeemable preferred shares

The Company has authorized 50,000,000 Class A, non-voting, participating, redeemable, non-transferable preferred shares, with a par value of $1.00. At year-end the issued and outstanding shares were 43,527,986 (2018 - 37,179,186). Directors shall not consent to allow any shareholder to hold more than 25% of the issued preferred shares. No preferred shares shall be transferred without the previous consent of the Board of Directors expressed by a resolution.

The Class A preferred shares are redeemable at $1 per share, their original issue amount, plus the amount of dividends declared and unpaid and a pro-rata share of retained earnings at the time notice of redemption is received.

During the year, the following share transactions occurred at $1 per share:

	2019	*2018*
Opening preferred shares liability	**37,179,186**	29,524,404
Subscriptions - Cash	**3,336,959**	4,865,124
Subscriptions - Dividend reinvestments	**3,538,258**	3,303,833
Redemptions	**(526,421)**	(514,175)
	43,527,982	37,179,186

11. Common Shares

	2019	*2018*
51 Class B, non-participating, voting shares, with a par value of $1.00 (2018 - 51)	**51**	51

12. Related party transactions

The following 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.

- During the year, the Company paid management fees of $463,011 (2018 - $362,850) to a company controlled by management. The Company pays 1.0% per annum (2018 - 1.0%) of the aggregate outstanding balance of the Company's total assets, after deduction of provisions for loss, for day-to-day operations, including administration of the Company's mortgage investments.

- As at July 31, 2019, the Company has a mortgage receivable from a company with shareholders in common, in the amount of $3,000,000 (2018 - $6,752,600).

- As at July 31, 2019, the Company has a mortgage receivable from a company with shareholders in common, in the amount of $4,048,880 (2018 - $3,858,880).

- During the year, the Company earned interest income of $1,733,277 (2018 - $1,527,285) from companies in which the shareholders hold controlling interests. As at the year end date, $750,000 (2018 - $1,544,000) of related party interest had been capitalized against the principal. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

There are no commitments or guarantees attributed to the Company from the related parties at July 31, 2019.

13. Income tax

As of July 31, 2019, the Company has non-capital losses carried forward for income tax purposes of $NIL (2018 - $NIL). In computing the current year's income for tax purposes, the company deducted $4,202,205 (2018 - $3,538,258) of dividends within 90 days of the year end.

14. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk is the risk of financial loss to the Company because a counterparty to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from interest and mortgages receivable.

Risk management process

The Company manages its credit risk by providing allowances for potentially uncollectible mortgages receivable, considering loan-to-value ratios.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Company considers mortgage receivables to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower. This definition is consistent with the definitions used for the Company’s internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Company’s past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Company.

14. Financial instruments *(Continued from previous page)*

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Company takes into account all reasonable and supportable information available without undue cost or effort. The Company considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 90 days past due, or other information becomes available to management. When a financial instrument is considered to have low credit risk, it is assumed that there has not been a significant increase in credit risk since initial recognition. Financial instruments are considered to have low credit risk when balances are less than 90 days overdue.

The Company identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Credit-impaired financial assets are typically placed on the Company's watch list based on its internal credit risk policies. In making this assessment, the Company considers past due information of its balances and information about the borrower available through regular commercial dealings.

Measurement of expected credit losses

When measuring 12-month and lifetime expected credit losses, the Company prepares an analysis based on information available at the time of the credit losses. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Company assesses that there is no reasonable expectation of recovery when the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Company will receive funds, such amounts are recognized at their fair value.

Exposure to credit risk

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.

14. Financial instruments *(Continued from previous page)*

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

	2019 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Mortgages receivable			
Stage One	**43,684,899**	**-**	**43,684,899**
Stage Two	**-**	**-**	**-**
Stage Three	**-**	**1,738,738**	**1,738,738**
Total gross carrying amount	**43,684,899**	**1,738,738**	**45,423,637**
Less: loss allowance	**117,514**	**238,738**	**356,252**
Total carrying amount	**43,567,385**	**1,500,000**	**45,067,385**

	2018 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Mortgages receivable			
Stage one	40,804,714	-	40,804,714
Total gross carrying amount	40,804,714	-	40,804,714
Less: loss allowance	-	-	-
Total carrying amount	40,804,714	-	40,804,714

As at July 31, 2019, the maximum exposure to credit risk with respect to mortgages receivable without taking into account collateral held or other credit enhancements is $45,423,636 (2018 – $40,804,714). The Company holds first, second and third-ranking general security claims and property backed personal financial guarantees with respect to mortgages receivable. The collateral held mitigates credit risk.

Concentrations of credit risk

A credit concentration exists relating to mortgages receivable. Balances due from British Columbia represents 90% of total outstanding as at July 31, 2019 (2018 – 89%). The remainder of the balance is distributed among customers from Alberta.

14. Financial instruments *(Continued from previous page)*

Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

	Lifetime ECL (not credit impaired)	*Lifetime ECL (credit impaired)*	*Total*
Mortgages receivable			
Balance at August 1, 2017	-	-	-
Transfer to 12-month ECL	-	-	-
Balance at July 31, 2018	-	-	-
Balance at August 1, 2018	-	-	-
Changes in measurement model or assumptions	117,514	238,738	356,252
Balance at July 31, 2019	117,514	238,738	356,252

During the period, the Company recorded an impairment loss based on adoption of the expected credit loss method, as prescribed by IFRS 9 - Financial Instruments.

Changes in the gross carrying amount of financial instruments

There have been no significant changes in the gross carrying amount of financial instruments during the year. As such, there have been no changes to the gross carrying amount of the financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through lending policies that set minimum interest rates for its mortgages.

The Company is exposed to interest rate risk with respect to mortgages receivable, which are expected to be realized within one year, and which are subject to fixed interest rates. Based on current financial instruments, it is estimated that a 1.0% shift in the prime interest rate would not effect the financial margin.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company is committed to pay dividends to shareholders for which repayment is required at specific dates. Liquidity risk is measured by reviewing the Company’s future net cash flows for the possibility of negative net cash flow.

The Company manages the liquidity risk resulting from bank indebtedness, trade accounts payable, dividends payable, and the liability component of preferred shares by maintaining a line of credit. Successful utilization of leverage, as contemplated by any bank line of credit or other financing depends on the Company's ability to borrow funds from outside sources and to use those funds to make loans and other investments at rates of return in excess to the Company of the borrowed funds. Leverage increases exposure to loss.

14. Financial instruments *(Continued from previous page)*

Fair value of all financial assets and liabilities approximate carrying amounts

The carrying amount of cash and cash equivalents, interest receivable, mortgages receivable, trade and other payables, and accrued liabilities, deferred revenue, and dividends payable is approximated by their fair value due to their short term nature.

15. Fair value measurements

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 Company considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the beginning of the reporting period. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

In determining fair value measurements, the Company uses valuation techniques including comparison with quoted or observable prices for similar instruments.

Assets and liabilities measured at fair value

The Company's assets and liabilities measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

	Fair Value	***2019 Level 1***
Financial assets held at fair value through profit and loss		
Assets		
Cash	**2,730,731**	**2,730,731**

	Fair Value	*2018 Level 1*
Financial assets held at fair value through profit and loss		
Assets		
Cash	794	794

16. Capital management

The Company’s objective when managing capital is to maintain financial flexibility in order to preserve its ability to meet its financial commitments, including possible obligations; maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations and its debt capacity; optimize the use of its capital to provide an appropriate return on investment to its shareholders and to maintain sufficient liquidity in the company to distribute dividends to shareholders within 90 days thereafter to reduce its taxable income to a negligible amount.

The Company defines capital as the sum of its assets, net of its liabilities, which approximates shareholders' equity.

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 shall be real property; and
(iii) that all investments must be within Canada.

During the year, the Company complied with these requirements.

The Company's financial strategy is developed and adapted on the basis of market conditions to maintain a flexible capital structure consistent with the objectives stated above and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may refinance an existing debt, take out new borrowings, repurchase preferred shares for cancellation pursuant to normal course issuer bids or issue new preferred shares.

The Company's financial strategy and objectives are reviewed annually. The Company believes that its current ratios are satisfactory, given its size, capital management objectives and growth strategy.

17. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.

18. Events after the reporting period

Subsequent to year-end, the Company committed to issue mortgages totaling $6,175,000 at rates varying from 10.00% to 18.00% per annum, for terms of 12 months and repayable with the proceeds from the sales of the underlying properties. The mortgages are secured by first and second charges on the underlying properties.

Subsequent to year-end, $5,600,000 worth of mortgages were settled and repaid in full.

The Company issued 218,766 preferred shares subsequent to the period, for a total of $218,766 and a shareholder redeemed 20,000 preferred shares worth $20,000.

ITEM 13
DATE AND CERTIFICATE

Dated this 20th day of February, 2020.

This Amended Offering Memorandum does not contain a misrepresentation.

GUARDS CAPITAL CORP.

Per: *"Chander Khosla"*	*"Kewal Athwal"*
CHANDER KHOSLA	KEWAL ATHWAL
President & Director	Treasurer & Director

ON BEHALF OF THE BOARD OF DIRECTORS:

Per: *"Shainaz Bains"*	*"Jaswinder Sahota"*
SHAINAZ BAINS	JASWINDER SAHOTA
Secretary & Director	Director

Per: *"Jitender Bhagirath"*
JITENDER BHAGIRATH
Director