OFFERING MEMORANDUM

BAYFIELD
MORTGAGE INVESTMENT CORP.

Date: **May 1, 2021**

The Issuer

Name:		**BAYFIELD MORTGAGE INVESTMENT CORP.**	
Head office:	Address:	**Unit 101, 19909 – 64th Avenue, Langley, British Columbia**	
	Phone:	**604-533-4478;** Toll Free: **1-888-918-3388**	Fax: **604-533-8909**
	E-mail:	**monique@bayfield.ca**	Website: **None**

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 Non-Voting, Participating (redeemable*) Shares** * See Item 5.1 "Terms of Securities – Redemption of Shares"
Price per security:	**$1.00 per share**
Minimum offering:	**There is no minimum. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.**
Maximum offering:	**$10,000,000 (10,000,000 Class A Shares)**
Minimum subscription amount:	**$500 – if you are already an investor in our Class A Shares.** **$5,000 – if you are a new investor.**
Payment terms:	**The subscription price for Shares being purchased is payable in full by the applicable closing date.** See Item 5.2 "Subscription Procedure".
Proposed closing date(s):	**June 1, 2021 and the first business day of each month thereafter (subject to change, at our option) until the earlier of April 30, 2022 and the issuance of our 2021 annual financial statements.** If we do not require the funds, we may not have one or more of these closings.
Income tax consequences:	**There are important tax consequences to these securities.** See Item 6 "Income Tax Consequences and Registered Plan Eligibility".
Selling agent:	**Bayfield Investment Services Ltd.** See Item 7 "Compensation Paid to Sellers and Finders".

Resale Restrictions

You will be restricted from selling your securities for an indefinite period. See Item 10 "Resale Restrictions".

Purchaser's Rights

You have two 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".

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Item 1 – USE OF AVAILABLE FUNDS

1.1 Funds

The funds that will be available to us from the offering, together with the funds estimated to be available from other sources, are set out in the following table.

	Description	Assuming Minimum Offering	Assuming Maximum Offering
A	Amount to be raised by this offering	$ 500	$ 10,000,000
B	Selling commissions and fees (1)	$ 91,500	$ 101,500
C	Estimated offering costs (e.g. legal, accounting, audit, etc.)	$ 40,000	$ 50,000
D	**Available funds: D = A - (B + C)**	**($ 131,000)**	**$ 9,848,500**
E	Additional sources of funding required (available) (2)	$ 26,918,700	$ 26,918,700
F	Working capital (or deficiency) (3)	0	0
G	**Total: G = (D + E) – F**	**$ 26,787,700**	**$ 36,767,200**

(1) We pay our selling agent, Bayfield Investment Services Ltd., a monthly fee for acting as our selling agent. We may also pay commissions or fees to other exempt market dealers or registered securities dealers in respect of subscriptions originated by them. See Item 7 "Compensation Paid to Sellers and Finders".

(2) Maximum possible balance available under our credit facility as at the end of the month preceding the date of this Offering Memorandum. The amount actually available depends on the amount of qualifying mortgage loans we hold, therefore, the full amount of the credit facility may not be available. See Item 2.2 "Description of Our Business – Credit Facility".

(3) We did not have, as at the end of the month preceding the date of this Offering Memorandum, and do not expect to have, significant working capital (as substantially all of our cash on hand is generally loaned to borrowers) or a working capital deficiency.

1.2 Use of Available Funds

We intend to use the funds available to us from the offering and from other sources, as estimated in Item 1.1 "Funds", as set out in the following table.

Description of Intended Use of Available Funds (1) (Listed in order of priority)	Assuming Minimum Offering	Assuming Maximum Offering
Investment in residential, commercial, development and bare land mortgages (2)	$ 26,787,700	$ 36,767,200
TOTALS	**$ 26,787,700**	**$ 36,767,200**

(1) Our revenue from operations has been, and we expect it to continue to be, sufficient to cover our operating costs.

(2) Full or partial repayment of our credit facility from the net proceeds of the offering will allow us to borrow additional funds under the facility and invest it in mortgages. See Item 2.2 "Description of Our Business – Credit Facility" and Item 4.2 "Current and Long Term Debt".

1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

Item 2 – OUR BUSINESS

2.1 Structure

We were formed on December 31, 2019 by the amalgamation under the *Business Corporations Act* (British Columbia) of Upton Capital Corp., a company incorporated on April 12, 1990 under the former *Company Act* (British Columbia) and Versatile Mortgage Corp., a company incorporated on September 24, 1996 under the *Company Act* (British Columbia). For accounting purposes, the amalgamation was treated as an acquisition of Versatile by Upton.

Our share capital consists of an unlimited number of Class A Non-Voting, Participating shares with a par value of $1.00 each ("**Class A Shares**") and Class B Voting, Non-Participating shares with a par value of $1.00 ("**Class B Shares**").

2.2 Description of Our Business

Overview

We are, as were our predecessors, Upton and Versatile, a "mortgage investment corporation" (a "**MIC**"). Our business involves making loans secured by mortgages on real estate in Canada. Our borrowers are located in British Columbia, Alberta and Manitoba.

As a MIC, we make a diversified range of real estate secured loans, principally residential loans supplemented by a small number of other real estate (commercial, development and bare land) loans, all secured by first and second mortgages, and a very small number of third mortgages. We earn most of our income from the interest paid pursuant to these mortgages along with renewal fees, pre-payment penalties, performance bonuses and other fees and charges related to such mortgages. Any additional income is earned from short term rental of properties we acquire from foreclosures under mortgages held by us and any capital gains when such properties are sold.

We provide mortgage financing to borrowers whose applications do not necessarily fall within the lending and investing guidelines of conventional lenders. As a result of the additional risk, due diligence and administration associated with these mortgages, we charge a rate of interest that is higher than conventional lenders. When borrowers default under their mortgage loans, we work through the foreclosure process with the goal of minimizing any significant losses.

We are registered (licenced) as a mortgage broker in British Columbia. The Office of the Registrar of Mortgage Brokers at the British Columbia Financial Services Authority (formerly, the Financial Institutions Commission) regulates the mortgage brokering and lending activities of MICs under the *Mortgage Brokers Act* (British Columbia). 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.

In Alberta and Manitoba, we are exempt from registration and licencing as a mortgage broker or carry on business through registered or licenced mortgage brokers. We may change the provinces in which we make loans depending on financial results from each province.

Businesses We are Permitted to Conduct as a MIC

To qualify as a MIC we are restricted by Canada's *Income Tax Act* (the "**Tax Act**") to carrying on the following activities:

(a) our business must be passive and of an investment nature (accordingly, we cannot manage or develop residential or commercial real estate properties other than incidental management thereof – such as management of properties acquired by foreclosure); and

(b) our only business can be the investing of funds.

Furthermore, such investments are subject to the following restrictions:

(a) at least 50% of the cost amount of all of our assets must consist of bank deposits or debts secured on Canadian homes or housing projects;

(b) no more than 25% of the cost amount of all of our assets can consist of ownership of, or lease interests in, real estate unless acquired through foreclosure;

(c) we cannot invest our funds in

  (i) real estate located outside Canada or in leasehold interests in such real estate,

  (ii) debts of persons not resident in Canada unless the debt is secured by a mortgage on real estate located within Canada, and

  (iii) shares of corporations not resident in Canada;

(d) our net leveraging (the ratio of the amount of our outstanding liabilities to the amount by which the cost of our assets exceeds our liabilities) cannot exceed a 3:1 ratio unless more than two-thirds of our investments are in residential mortgages and bank deposits, in which case it is entitled to be no more than a 5:1 ratio. (The terms of our credit facility, however, impose more stringent restriction on our leverage as described under “Credit Facility” below.)

Taxation of MICs

Under the Tax Act, a MIC is not taxed on its net income earned and net capital gains realized during a financial year if such net income and one-half of such net capital gains (being our taxable capital gains) are distributed to the MIC’s shareholders within 90 days of the MIC’s financial year end. Therefore, to qualify as a MIC and receive this favourable tax treatment, we annually distribute all of our net income and taxable capital gains to our Class A Shareholders. The annual distribution is paid, at the election of each Class A Shareholder, in cash or in further Class A Shares within 90 days of our financial year end. **These distributions are taxed as interest income in the hands of our Class A Shareholders and not as dividends** as described in Item 6 “Income Tax Consequences and Registered Plan Eligibility”.

Investment Policy

Our investment policy is intended to enable us to qualify for the special tax treatment afforded to MICs under the Tax Act. For this reason, we loan most of our funds as residential mortgage loans and the balance is held in bank deposits. We may also lend our funds as construction, commercial and bare land mortgage loans, however, we are restricted by our lending guidelines with respect to the amount of the loan compared to the value of the property (the “**loan to value**” or “**LTV**” ratio) of this type of lending. No funds will be loaned in respect of any property in which our directors or officers have a direct or indirect interest.

We believe the types of mortgage loans which we have made, and intend to make, are consistent with the criteria for a MIC under the Tax Act. While we meet these criteria we should be accorded the “flow through” tax treatment given to MICs. That treatment results in us not being taxed on any of our net income or taxable capital gains, all of which are distributed to our Class A Shareholders effective as of the end of each financial year. **Pursuant to the Tax Act, such distributions are taxed as interest income in the hands of our Class A Shareholders and not as dividends.**

Operating Policy

Our principal operating policy is that any loans made by us are limited to a maximum of 75% of the appraised value of the mortgaged property less the amount of any prior mortgages. We may occasionally exceed a 75% LTV ratio to secure the priority of our mortgage or otherwise effect a workout of the borrower’s indebtedness and, when we do, we usually obtain additional security from the borrower including security over non-real estate assets.

No single mortgage can be made that would exceed 5% of our capital and all commercial mortgages, in the aggregate, cannot exceed 10% of the value of our mortgage portfolio.

Any residential loans made by us must be secured by first or second mortgages although, in very few cases, we may accept third mortgages as security (for such third mortgage loans, both the first and second mortgages are usually held by the same financial institution and may be supplemented by security on non-real estate assets).

Commercial, development and bare land mortgages made by us must be secured by first or second mortgages only.

Appraisals by accredited appraisers are required for all mortgage loans and, in most cases, such appraisers must be independent. Commercial properties must be appraised by a member of the Accredited Appraiser Canadian Institute and accompanied by an environmental report. In very rare situations (for example, if the loan to value ratio of a residential property is very low), a provincial assessment notice or a current market analysis may be used in place of an appraisal. The loans are only made where such appraisals or valuations and all other relevant materials including, where appropriate, credit, financial and environmental reports are satisfactory to our Manager and, if required, three directors.

The maximum term of our loans can be up to three years but generally will be made for only a one year term. Our loans are renewable only on the following conditions:

(a) the mortgage is paid up and in good standing;

(b) the loan satisfies an annual review, usually made six to eight weeks prior to the expiry date of the mortgage term, of the borrower's payment history, the value of the home and property securing the loan and the amount of equity of the borrower;

(c) if the review is favourable, an offer of renewal is sent to the borrower, who has four to six weeks to elect whether to accept the renewal terms failing which, the borrower must obtain new financing and repay the loan. Should the borrower be unable to pay off the loan, the loan is usually renewed; and

(d) the interest rates, payment amounts and penalties for any renewal fluctuate in accordance with market conditions.

Our loans are generally made to borrowers in the Lower Mainland area of British Columbia. When we make loans secured by property outside the Lower Mainland we significantly increase the requirements potential borrowers must meet to ensure protection of our capital. On that basis we have made, and will make, loans in other parts of British Columbia and in Alberta and Manitoba.

The majority of the loans we make require principal and interest payments, although occasionally we make loans on an "interest only" payment basis. All mortgages, regardless of payment type, are monitored daily. As a result, we become aware of any collection problems well in advance of default or loan maturity.

Our Manager may approve loans up to $1,000,000 if secured by a first mortgage and up to $500,000 if secured by a second or third mortgage. Three directors, acting as a Credit Committee, must approve, in writing, all other loans.

Our policy on loan impairment and bad debts is as follows:

(a) any bad debt or write-off is recorded when it occurs. For example, if a foreclosure results a loss, the loss is recorded in our financial statements at that time; and

(b) impairment provision and allowances are anticipated, calculated and applied prior to our financial year end.

We require insurance to be in place for all mortgage loans. The type of insurance depends on the property securing the loan, as follows:

(a) residential properties (including strata titled condominiums) must have "all perils" homeowner insurance;

(b) commercial properties (other than strata titled condominiums) must have "all perils" commercial insurance;

(c) development properties must have builders risk (course of construction) insurance; and

(d) bare land must have liability insurance.

Title insurance is required on all mortgages exceeding $25,000 and all taxes, levies and assessments must be fully paid on all properties.

From time to time, one or more of our directors carry out random spot checks of our files to ensure that we follow our Operating Policy in making our loans.

Credit Facility

We have arranged a revolving credit facility with Canadian Western Bank ("**CWB**"). This credit facility allows us, if our outstanding mortgage loans satisfy the terms of the facility, to borrow additional funds. We then use those funds to make further mortgage loans. By this "leveraging" of our capital base, we can increase our income with minimal risk. Our policy is to borrow no more than 100% of the total value of our current assets and eligible mortgages.

The credit facility with CWB allows us to borrow up to the lesser of $40,000,000 and the aggregate of 75% of our eligible first residential mortgages, 75% of our eligible second residential mortgages in "major cities", 65% of our eligible second residential mortgages in all other "approved areas" and 65% (up to a maximum of $6,000,000 and 25% of our mortgage receivables) of our eligible commercial mortgages. Funds borrowed are repayable on demand with interest at CWB prime rate plus 1.00% per year.

Under the credit facility, "major cities" include Vancouver and the Greater Vancouver Regional District, Victoria, Calgary, Edmonton and Winnipeg and any location within 50 kilometres of a CWB branch and "approved areas" are the Greater Vancouver Regional District and various communities in the Fraser Valley, the Greater Victoria and central Vancouver Island areas, the Whistler, Squamish and Sunshine Coast areas, the Thompson-Okanagan area, the Greater Calgary and Greater Edmonton areas and Winnipeg and Brandon.

Mortgages not eligible under the credit facility consist of:

(a) mortgages more than 60 days in arrears of any payments;

(b) mortgages without an appraisal;

(c) mortgages not renewed within 30 days of maturity;

(c) any portion of a mortgage exceeding $1,500,000 or any mortgage borrower with more than $1,500,000 in mortgages held by us;

(d) mortgages ranking third or lower;

(e) mortgages securing loans with a loan to value ratio of more than 75%;

(f) mortgages on mobile homes, pubs, gas stations, properties exceeding five acres, raw land, project developments, hotels and motels and mobile home parks;

(g) mortgages with a term exceeding five years;

(h) mortgages securing construction loans; and

(i) mortgages on properties with structures not covered by earthquake insurance in the Greater Vancouver Regional District and the Fraser Valley and on Vancouver Island.

We sometimes make loans to parties that do not qualify as eligible mortgages.

We are required to provide CWB with audited financial statements within 120 days of our financial year end and unaudited monthly financial statements, a portfolio report and a certificate of compliance within 20 days of each month end.

While we are permitted by the Tax Act to leverage our capital (our debt to tangible net worth ratio) up to a 3:1 ratio (or in certain circumstances, a 5:1 ratio), CWB restricts our borrowing such that the leveraging is not more than a 0.75:1 ratio (tested monthly). CWB further requires us to maintain our minimum tangible net worth at not less than $40,000,000 (tested monthly), an interest coverage ratio (net income plus borrowing costs and amortization divided by debt payment obligations) of 3:1 (tested annually) and a current ratio (current assets divided by current liabilities) of not less than 2:1 (tested monthly).

The credit facility is secured by security agreements over all of our assets and assignments of our accounts receivable, mortgage monies due and insurance, all having first priority in favour of CWB.

Each quarter, a CWB representative audits not less than 10 of our mortgages, at least 20% of our mortgage portfolio or 100% of all new loans since the last audit, or all three.

We believe that we have complied, and are currently in compliance, with all of the requirements of our credit facility.

We pay CWB an administration fee for the facility of $3,000 per month, an annual renewal fee of $5,000 and, if our indebtedness under the credit line falls below $20,000,000, a stand-by fee of 0.25% per year in respect of the unused portion of the credit line below $20,000,000.

Competition

Our competitors are principally other MICs, but also include commercial lenders and financial institutions such as banks. Overall, the MIC lending business continues to increase in number of MICs and competitiveness of those MICs each year. There are already a significant number of MICs operating with varying levels of success and many of these MICs compete for the same borrowers. This has resulted, and could result in further, downward pressure on lending rates and the resulting rates of return to investors in MICs.

Credit Committee

When required, an *ad hoc* committee of three of our Board of Directors acts as a Credit Committee. While their backgrounds are varied, all of our directors have the necessary skills that enable them to carry out their duties, such as experience in banking, real estate and finance. Directors are not paid any fee for their services when acting as members of the Credit Committee.

Manager

We have retained Bayfield Mortgage Professionals Ltd. to manage our mortgage investments and administer our business. It is registered as a mortgage broker in British Columbia and licenced as a mortgage broker in Alberta and Manitoba, with over 60 mortgage agents in British Columbia, Alberta and Manitoba, and is owned by two of our directors, Inderjit S. Matharu and Gordon H. J. Wintrup.

Our Manager was retained pursuant to a Management Agreement which is effective as of January 1, 2020 and has a term of seven years, which automatically renews for successive seven year terms thereafter until terminated. The Agreement may be terminated on 24 months written notice by our Manager for any reason or by us if the Manager has been proven to have committed an act of fraud or of willful or criminal negligence.

Pursuant to the Management Agreement, our Manager provides mortgage investment and administration services to us, including:

(a) sourcing, processing and administering mortgage loans on our behalf within investment parameters set out in our Credit Guidelines;

(b) carrying out the day-to-day administration of our business;

(c) providing financial services, including monthly reports on our operations, to us;

(d) communicating with mortgage brokers carrying on business with us and answering their queries;

(e) preparing accounting information for, and co-ordinating with, our auditor in connection with the preparation of our annual financial statements;

(f) providing marketing and business development assistance and services to us;

(g) furnishing us with all necessary administrative services including providing office space, clerical staff and maintaining books and records, as required; and

(h) performing such assignments respecting our business as directed by our board of directors.

Our Manager is paid a monthly fee for its services equal to 0.125% (1.50% per year) of the aggregate outstanding principal amounts due under all mortgages held by us.

We are also required to reimburse our Manager for its reasonable and necessary out-of-pocket disbursements incurred in connection with administering our business. Such disbursements are only paid once approved by us.

We have agreed to indemnify our Manager from all claims incurred in respect of the origination, administration and servicing of our mortgage portfolio except those caused by our Manager's negligence, fraud or willful misconduct. Our Manager has agreed to indemnify us from all claims arising from its negligence, fraud or willful misconduct.

2.3 Development of Our Business

Since the inception of Upton's business in 1990 and Versatile's business in late 1996, their combined businesses have grown steadily as a result of prudent and conservative lending practices. We believe this growth has resulted in acceptable rates of return on Upton's and Versatile's invested capital, and will continue to result in acceptable rates of return on our invested capital, relative to alternative investment opportunities for our shareholders. When borrowers default under their mortgage loans, we will, as did Upton and Versatile, work through the foreclosure process with the goal of minimizing any significant losses. This has allowed Upton and Versatile, and should continue to allow us, to provide fairly consistent rates of return for our shareholders commensurate with market conditions.

During our last financial year and Upton's and Versatile's last financial year prior to their amalgamation there have not been any unusual events or conditions that have favourably, or adversely, influenced the development of their or our businesses.

As at April 30, 2021, we held 444 (2020 – 466) mortgages as security for loans totalling approximately $91.5 million (2020 – $96.5 million) with a weighted effective interest rate of 9.45% (2020 – 9.59%) per year (for comparative amounts as at December 31, 2020, see our financial statements at the end of this Offering Memorandum) as follows:

Mortgage Ranking	Number	Percentage (of Number)	Principal Amount	Percentage (of Principal)
First	165	37.16%	$ 59,117,650	64.58%
Second	275	61.94%	$ 32.281,448	35.27%
Third	4	0.90%	$ 135,327	0.15%
Totals	**444**	**100.00%**	**$ 91,534,425**	**100.00%**
Less allowance for loan impairment*			$ 736,217	
Totals			**$ 90,798,208**	
Average mortgage balance			$ 206,159	
Weighted average annual interest rate			**9.45%**	

* "Loan impairment" results when the interest and principal payments on a loan are at least 90 days in arrears and the underlying mortgage security is considered inadequate to recover all costs. The realizable amounts are the estimated fair market value of the security underlying the mortgages after deducting estimated costs of realization. The impairment is based on valuations by independent appraisers accredited by professional institutes with recent experience in the location of the property being valued and by direct sales comparisons where the fair value is based on comparisons to recent sales of properties of similar types, locations and quality.

Mortgage Type	First Mortgages	Second Mortgages	Third Mortgages	Totals
Residential	$ 52,985,843	$ 31,980,963	$ 135,327	**$ 85,102,133**
Residential land	$ 1,982,490	0	0	**$ 1,982,490**
Mixed Use *	$ 1,980,276	$ 300,485	0	**$ 2,280,761**
Commercial	$ 2,169,041	0	0	**$ 2,169,041**
Totals	**$ 59,117,650**	**$ 32,281,448**	**$ 135,327**	**$ 91,534,425**

* Combination of commercial and residential use.

Mortgage Location	First Mortgages			Second Mortgages			Third Mortgages		
	No.	Principal	%*	No.	Principal	%*	No.	Principal	%*
British Columbia	155	$ 54,400,301	92.02%	215	$ 28,149,689	87.20%	2	$ 103,389	76.40%
Alberta	29	$ 4,417,349	7.98%	60	$ 4,131,759	12.80%	2	$ 31,938	23.60%
Manitoba	0	0	0.00%	0	0	0.00%	0	0	0.00%
Totals	**184**	**$ 59,117,650**	**100.00%**	**275**	**$ 32,281,448**	**100.00%**	**4**	**$ 135,327**	**100.00%**

* Percentage of Principal

The properties are distributed between large metropolitan areas (Vancouver, Victoria, Calgary, Edmonton and Winnipeg and their surrounding communities) and mid-sized and larger communities (such as Kelowna and Abbotsford, British Columbia and Red Deer and Lethbridge, Alberta). All of the loans were secured by mortgages on residential properties, although we do, from time to time, make loans secured by mortgages on commercial, development and bare land properties.

The ratio of the value of each loan to the appraised value of the property varies, but rarely exceeds 75%.

As at April 30, 2021, there were:

- 10 (2020 – 19) mortgages in foreclosure (2.25% (2020 – 4.08%) of our mortgages at that time) with outstanding principal totalling $3,163,669 (2020 – $8,121,541) (3.46% (2020 – 8.41%) of our total outstanding principal); and
- six (2020 – 25) delinquent mortgage (1.35% (2020 – 5.36%) of our mortgages at that time) with outstanding principal totalling $1,610,950 (2020 – $5,219,937) (1.76% (2020 – 5.41%) of our total outstanding principal).

Mortgages classified as "delinquent" are mortgages for which interest and principal payments are at least 60 days in arrears.

The average rate of return which our shareholders receive on their investments will be determined annually by our auditor as at our December 31st financial year end. The effective annual yield on adjusted share capital achieved by us for our first financial year December 31, 2020 and by Upton for its four financial years ending October 31st preceding Versatile's amalgamation with Upton is set out in the following table.

MIC	2020	2019	2018	2017	2016
Bayfield	7.80%	N/A	N/A	N/A	N/A
Upton	N/A	8.22%[(1)]	8.56%	9.12%	7.65%

(1) 14 month period ended December 31, 2019.

All of our cash distributions for the five financial years shown were, and we expect future distributions to continue to be, funded from our operating activities and funds re-invested through our share re-investment plan, and none were funded from bank borrowings, share subscriptions from our investors or other sources.

The rates of return are averages for all of our shareholders and may not reflect the return received by any one investor. There is no guarantee that such rates of return will continue or that investors will receive similar returns in future years. The factors which affect the amount of such return is described in Item 8 "Risk Factors".

2.4 Long Term Objectives

We have two long term objectives.

Firstly, to continue the orderly and consistent development of our business and consistent growth of our earnings and assets and operations in accordance with prudent commercial lending practices while minimizing both risk to our capital base and the number of foreclosures which must be completed when borrowers default under their mortgage loans.

Secondly, to continue to achieve a return on capital on the order of 6% to 8% per year.

There cannot be any assurance, however, that we will meet either objective. See Item 8 "Risk Factors".

2.5 Short Term Objectives and How We Intend to Achieve Them

Our objectives for the next 12 months are the same as our long term objectives set out in Item 2.4 "Long Term Objectives". We intend to meet those objectives for the next 12 months as set out in the following table.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete	
		Minimum Offering	Maximum Offering
Carry out the offering as described in this Offering Memorandum.	Next 12 months	$ 40,000	$ 50,000
Use the offering proceeds and other available funding to provide mortgage loans with a reasonable and manageable level of risk in accordance with our existing lending practices	Next 12 months	$ 26,787,700	$ 36,767,200

2.6 Insufficient Funds

There is no assurance that (i) any of the offering will be sold, (ii) the proceeds of the offering, if any, will be sufficient to accomplish our proposed objectives, or (iii) alternative financing will be available. If none of the offering is sold, we will continue to use our existing capital and cash flows to carry on our current business.

2.7 Material Agreements

We are currently a party to the following contracts with related parties and material contracts:

(a) Credit Facility Agreement dated December 19, 2019 and various security and other agreements, each with CWB. See Item 2.2 "Description of Our Business – Credit Facility";

(b) Management Agreement dated January 1, 2020 with Bayfield Mortgage Professionals Ltd. See Item 2.2 "Description of Our Business – Manager"; and

(c) Exempt Market Dealer Agency Agreement dated January 1, 2020 with Bayfield Investment Services Ltd. See Item 7 "Compensation Paid to Sellers and Finders".

Item 3 – INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table discloses the compensation paid to, and securities held by, each of our directors, officers and promoters and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of our voting securities (a "**Principal Holder**").

Name & Municipality of Principal Residence	Positions Held & Date Appointed	Compensation Paid & Payable Last Year (Current Year)	Number, Type & Percentage of Our Securities held (1) after completion of the: Minimum Offering	Maximum Offering
BUTCHER, Garth Albert Bellingham, WA	President & Director December 31, 2019	0 (0)	1,291,984 Class A (1.62%) 1 Class B (0.09%)	1,291,984 Class A (1.44%) 1 Class B (0.09%)
CARPENTER, Daryl Peter Surrey, BC	Director December 31, 2019	0 (0)	254,755 Class A (0.32%) 1 Class B (0.09%)	254,755 Class A (0.28%) 1 Class B (0.09%)
HOOGE, Gary Anthony Langley, BC	Vice-President & Director December 31, 2019	0 (0)	1,026,761 Class A (1.29%) 1 Class B (0.09%)	1,026,761 Class A (1.15%) 1 Class B (0.09%)
MATHARU, Inderjit Singh Surrey, BC	Secretary/Treasurer & Director December 31, 2019	$90,000 (2) ($90,000 (2))	31,243 Class A (0.04%) 1 Class B (0.09%)	31,243 Class A (0.03%) 1 Class B (0.09%)
RISHEL, David James Surrey, BC	Director December 31, 2019	0 (0)	118,848 Class A (0.15%) 1 Class B (0.09%)	118,848 Class A (0.13%) 1 Class B (0.09%)
ROE, Lynn Ann Surrey, BC	Director December 31, 2019	0 (0)	408,780 Class A (0.51%) 1 Class B (0.09%)	408,780 Class A (0.46%) 1 Class B (0.09%)
WINTRUP, Gordon Howard James Langley, BC	Portfolio Manager & Director December 31, 2019	$90,000 (2) ($90,000 (2))	872,314 Class A (1.10%) 1 Class B (0.09%)	872,314 Class A (0.97%) 1 Class B (0.09%)

(1) Shares beneficially held, directly or indirectly, or over which control or direction is exercised, by each person and does not include shares held jointly with a spouse. Amounts are subject to variation depending on the share purchases and redemptions during the term of the offering.

(2) Mr. Matharu and Mr. Wintrup receive compensation from Bayfield Mortgage Professionals Ltd. in respect of services provided through such company for us. See Item 2.2 "Description of Our Business – Manager" for a description of how the remuneration paid by us to Bayfield Mortgage Professionals Ltd. is calculated. No compensation is paid by us directly to either Mr. Matharu or Mr. Wintrup.

3.2 Management Experience

The principal occupations of our directors and executive officers over the past five years and any relevant experience in a business similar to ours are set out in the following table.

Name & Position	Principal Occupation and Related Experience
BUTCHER, Garth Albert President & Director	President of Bayfield Mortgage Investment Corp. (since December 31, 2019). Real estate investor and private mortgage lender (since mid-1980s). Restaurateur with interests in several restaurants (since mid-1990s). Director of the Vancouver Canucks Alumni Association. Formerly, President, founder and a director of Versatile Mortgage Corp. (September 24, 1996 to December 31, 2019). Formerly, owner of Prudential Realty, a real estate company based in Langley.

Name & Position	Principal Occupation and Related Experience
CARPENTER, Daryl Peter Director	Property Manager (since 1994) and land developer (since 1997). President and owner of Metropolitan Property Management Inc., a commercial and industrial property management and leasing company (since January 2006). General Manager of Resland Development Corp., a land development company with projects in Western Canada and Arizona. Formerly, Vice-President (March 22, 2016 to December 31, 2019) and a director (March 4, 2008 to December 31, 2019) of Upton Capital Corp.
HOOGE, Gary Anthony Vice-President & Director	Vice-President of Bayfield Mortgage Investment Corp. (since December 31, 2019). Residential realtor with over 30 years of experience. Formerly, President (March 22, 2016 to December 31, 2019) and a director (March 4, 2008 to December 31, 2019) of Upton Capital Corp.
MATHARU, Inderjit Singh Secretary/Treasurer & Director	Mortgage Broker in British Columbia and Mortgage Agent in Alberta and Manitoba. Member of Mortgage Professionals Canada, Canadian Mortgage Brokers Association (British Columbia), Alberta Mortgage Brokers Association and MIC Managers Association of BC. Vice President (since 2007) and 50% owner (since June 26, 2019) of Bayfield Mortgage Professionals Ltd. Treasurer, Secretary, a director and 50% owner of Bayfield Investment Services Ltd. (since January 9, 2019). Formerly, Treasurer, Secretary and a director (March 28, 2013 to December 31, 2019) of Upton Capital Corp.
RISHEL, David James Director	Real Estate Agent and manager of RE/MAX Little Oak Realty, a real estate company with offices in Abbotsford, Mission and Surrey. Past President of Fraser Valley Real Estate Board. Formerly, a director of Versatile Mortgage Corp. (April 28, 2010 to December 31, 2019).
ROE, Lynn Ann Director	Retired Advertising Executive. Previously director of Versatile Mortgage Corp. (April 28, 2010 to December 31, 2019) and Baytree Capital Corp., a MIC.
WINTRUP, Gordon Howard James Director	Mortgage Broker in British Columbia and Mortgage Agent in Alberta and Manitoba Member of British Columbia MIC Managers Association, Mortgage Professionals Canada, Canadian Mortgage Brokers Association (British Columbia), Alberta Mortgage Brokers Association and MIC Managers Association of BC. President and owner of Bayfield Mortgage Professionals Ltd. (since 1972) President, a director and 50% owner of Bayfield Investment Services Ltd. (since July 18, 2008). Founded first MIC in 1984 and was the founder and a director of Upton Capital Corp. (February 26, 1991 to December 31, 2019) and Versatile Mortgage Corp. (September 24, 1996 to December 31, 2019) Formerly, Manager of Laurentide Financial Corporation and Credit Manager with the Bank of Montreal during the 1960s.

3.3 Penalties, Sanctions and Bankruptcy

None of our directors, executive officers or control persons or issuers of which they were a director, executive officer or control person at the time, has been any time during the last 10 years:

(a) subject to any penalty or sanction;

(b) subject to any cease trading order in effect for more than 30 consecutive days; or

(c) the subject of any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets.

3.4 Loans

We are not indebted to any of our directors, management, Principal Holders or promoters, nor are any of them indebted to us, for any loans.

Item 4 – CAPITAL STRUCTURE

4.1 Share Capital

Our share capital is set out in the following table.

Description of Security [1]	Number Authorized to be Issued	Price per Security	Number outstanding		
			as at the date of this Offering Memorandum	after the Minimum Offering	after the Maximum Offering
Class A Non-Voting, Participating Shares	unlimited	$1.00	79,475,625	79,475,625	89,475,625
Class B Voting, Non-Participating Shares	unlimited	$1.00	11	11	11

(1) There are not any options, warrants or other securities convertible into Class A Shares or Class B Shares.

4.2 Current and Long Term Debt

Our current and long term indebtedness is set out in the following table.

Description of Debt & Whether Secured [1]	Interest Rate (annual)	Repayment Terms	Amount Outstanding as at the end of the month preceding the date of this Offering Memorandum
Current			
Demand Loan	CWB Prime + 1.00%	Interest payable monthly & Principal repayable on demand	$ 13,086,515
Accounts Payable	–	–	$ 5,179
Long Term			
Term Loans	–	–	–

(1) All loans are secured as described in Item 2.2 “Description of Our Business – Credit Facility”.

4.3 Prior Sales

Within the past 12 months, we issued Class A Shares and Class B Shares (and no securities convertible into or exchangeable for Class A Shares or Class B Shares) as set out in the following table.

	Class A Shares			Class B Shares		
Date of Issuance	**Number of Securities Issued**	**Price per Security**	**Total Funds Received**	**Number of Securities Issued**	**Price per Security**	**Total Funds Received**
May 2020	0	$1.00	0	0	$1.00	0
June 2020 (1)	971,696	$1.00	$ 971,696	0	$1.00	0
August 2020	194,025	$1.00	$ 194,025	0	$1.00	0
September 2020	535,913	$1.00	$ 535,913	0	$1.00	0
September 2020 (1)	978,278	$1.00	$ 978,278	0	$1.00	0
October 2020	72,000	$1.00	$ 72,000	0	$1.00	0
November 2020	723,844	$1.00	$ 723,844	0	$1.00	0
December 2020	550,000	$1.00	$ 550,000	0	$1.00	0
December 2020 (1)	1,001,867	$1.00	$ 1,001,867	0	$1.00	0
January 2021	80,687	$1.00	$ 80,687	0	$1.00	0
January 2021 (2)	80,687	$1.00	$ 80,687	0	$1.00	0
February 2021	685,000	$1.00	$ 685,000	0	$1.00	0
March 2021	185,000	$1.00	$ 185,000	0	$1.00	0
March 2021 (1)	973,826	$1.00	$ 973,826	0	$1.00	0
April 2021	0	$1.00	0	0	$1.00	0
Totals	**7,032,823**	**$1.00**	**$ 7,032,823**	**0**	**$1.00**	**0**

(1) Quarterly Class A Shares issued in lieu of a cash distribution.

(2) Balance of annual Class A Shares issued in lieu of a cash distribution.

4.4 Redemption History

During 2019 Upton redeemed, and during 2020 and the subsequent period up to the date of this Offering Memorandum, we redeemed Class A Shares and Class B Shares as set out in the following table.

Financial Year	Redemptions							
	Outstanding at Calendar Year Start		Received during Calendar Year		Paid Out during Calendar Year		Outstanding at Calendar Year End	
	Number of Requests	Amount to be Redeemed	Number of Requests	Amount Redeemed	Number of Requests	Amount Redeemed	Number of Requests	Amount to be Redeemed
Class A Shares								
2019	0	0	93	$ 5,379,977	93	5,379,977	0	0
2020	0	0	100	$ 3,254,377	100	$ 3,254,377	0	0
2021(1)	0	0	36	$ 1,489,198	36	$ 1,489,198	0	0
Class B Shares								
2019	0	0	10	$10	10	$10	0	0
2020	0	0	0	0	0	0	0	0
2021(1)	0	0	0	0	0	0	0	0

(1) Financial period from January 1, 2021 to the date of this Offering Memorandum.

We and Upton paid (and we expect to continue to pay) all redemption requests in full using cash on hand and, if necessary, funds available from our credit facility. We expect redemptions to continue approximately as they have for the last two years and do not expect that such redemptions will cause any adverse effect on our operations or payment of income distributions.

Item 5 – SECURITIES OFFERED

By this Offering Memorandum, we are offering for sale our Class A Shares to qualified investors in British Columbia.

5.1 Terms of Securities

Voting

Our Class A Shares do not have any right to vote except in respect of any amendment to their special rights and privileges.

Each Class B Share has one vote at every meeting of shareholders.

Distribution of Profits

Within 60 days after the end of each financial year, we distribute, effective as of the financial year end, all of our net profits and taxable capital gains for that financial year to our Class A Shareholders. The distributions may be paid by the issuance of further Class A Shares or by way of cash, or a combination of both, as elected by the shareholder.

Our Class B Shares are not entitled to receive any distributions of our net profits or taxable capital gains.

Restrictions on Ownership

The Tax Act imposes significant penalties on investments by Registered Retirement Savings Plans (RRSP) and Tax Free Savings Accounts (TFSA) if the ownership through an RRSP and TFSA by an investor and parties related to the investor equals 10% or more of the shares of a MIC. A “related party” includes the investor and anyone related to the investor by blood, marriage, “common law” partnership or adoption. **These Tax Act rules are complex and investors should seek advice from an accountant, investment advisor or other qualified person if the investor and the investor’s related parties might jointly own 10% or more of our Class A Shares.**

Redemption of Shares

You can require us to redeem some or all of your Class A Shares by sending us a written notice of retraction at least 30 days before the start of our next financial quarter. Your shares will be redeemed for their net worth (generally $1.00 per share), plus any unpaid cash distributions, on the first day of the next financial quarter and payment for your shares will be made within 90 days as follows:

Retraction Notice must be received by us before	Redemption will be effective on the first day of the next Financial Quarter, being	Payment of Redemption Amount will be made before
March 1st	1st Quarter – April 1st	June 30th
May 30th	2nd Quarter – July 1st	September 29th
August 31st	3rd Quarter – October 1st	December 30th
December 1st	4th Quarter – January 1st	April 1st

Each redemption of our shares is subject to fees of $75, payable to us by the shareholder.

If a shareholder dies without a surviving spouse, all Class A Shares held by that shareholder will be redeemed within 90 days after the financial year in which the shareholder died.

We can redeem, in our sole discretion, any or all Class A Shares held by any shareholder without the consent of, or receiving a notice of retraction from, that shareholder.

If a planned redemption would result in us not meeting the requirements for a MIC under the Tax Act or the solvency requirements of the *Business Corporations Act* (British Columbia), we will only redeem such number of shares as may be necessary for us to continue to meet such requirements.

Transferability

Our Class A Shares are subject to restrictions on transfer:

(a) contained in our Articles (our corporate charter); and

(b) imposed by applicable securities legislation (see Item 10 “Resale Restrictions”).

Our Articles provide that a shareholder cannot transfer any of their Class A Shares without the consent of our Board of Directors. These restriction do not apply to a transfer of Class A Shares to the shareholder's Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), Deferred Profit Share Plan (DPSP), Registered Pension Plan (RPP), Registered Education Savings Plan (RESP), Tax Free Savings Account (TFSA), independent savings plan or other savings plan created by a province or the Canadian government (collectively, “**Registered Plans**”) or a Registered Plan owned by the shareholder's spouse.

The Tax Act requires MICs to have no fewer than 20 shareholders and no one shareholder (including the shareholder's spouse and children under 18, and companies controlled by any of them and the shareholder) to hold more than 25% of its issued shares. Accordingly, our Articles also prohibit any transfer of shares or any other action which would result in us not qualifying as a MIC under the Tax Act.

Each transfer of our shares is subject to fees of $75, payable by the shareholder.

Conversion

Neither our Class A Shares nor our Class B Shares are convertible into any other form of share or security.

Liquidation Entitlement

If we are liquidated, dissolved or wound-up, the remaining proceeds after payment of all expenses and outstanding indebtedness will be paid to our Class A Shareholders and Class B Shareholders in proportion to the number of our shares held. Since we pay out all of our net profits and taxable capital gains each year, it is possible that on liquidation, dissolution or winding-up our shareholders may not be paid the full amount paid for their shares.

Amendment of Terms

The terms of our Class A Shares may only be amended with the approval of not less than two-thirds of the votes cast by our Class A Shareholders, each Class A Shareholder having one vote for each Class A Share held.

The terms of our Class B Shares may only be amended with the approval of not less than two-thirds of the votes cast by our Class B Shareholders.

Assessment

All of our shares issued to date are, and those issued pursuant to this Offering Memorandum shall be, fully paid and non-assessable.

5.2 Subscription Procedure

If you wish to subscribe for our Class A Shares, please complete and sign a Subscription Agreement in the form accompanying this Offering Memorandum and **return the agreement to our selling agent** as follows:

Bayfield Investment Services Ltd.
Unit 101, 19909 – 64th Avenue
Langley, British Columbia V2Y 1G9

For share subscriptions through Registered Plans, funds are transferred from your trustee. For all other subscriptions, **also deliver to our selling agent a certified cheque, bank draft or money order payable to "Bayfield Mortgage Investment Corp.",** for the number of Class A Shares you wish to purchase.

All subscription funds will be held (as required by law) for at least two business days after receipt. Closing will occur effective on or about the date(s) set out on the cover of this Offering Memorandum. No share certificates will be issued unless you subscribe for your shares through a Registered Plan, in which case the original share certificates are sent to the financial institution administering your Registered Plan. If requested, we will provide you with a copy of your share certificate for your records.

There are no conditions that must be met by us before any closing occurs, however, we may, in our sole discretion, establish minimum and maximum subscription amounts by investors or accept or reject any subscription. Furthermore, if we do not require additional funds at any time, we may elect not to have a closing on one or more of the dates set out on the cover of this Offering Memorandum. If a subscription is not accepted, in whole or in part, we will return all or part of your subscription funds, without interest or deduction, as applicable.

Any "OM marketing materials" (as that term is defined in National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators and generally being a written communication other than a term sheet intended for prospective Subscribers under this Offering Memorandum that contains material facts relating to us, our Shares and the offering) related to each distribution under this Offering Memorandum and delivered or made reasonably available to a prospective Subscriber before the termination of the distribution is, and is deemed to be, incorporated by reference into this Offering Memorandum. Notwithstanding the foregoing, OM marketing materials incorporated by reference as described above are no longer incorporated by reference, and no longer form part of this Offering Memorandum, to the extent to which such materials have been superseded by a statement or statements contained in (i) an amendment to the Offering Memorandum, or an amended and restated Offering

Memorandum, or (ii) subsequent OM marketing materials delivered to or made reasonably available to a prospective Subscriber.

Item 6 – INCOME TAX CONSEQUENCES AND REGISTERED PLAN ELIGIBILITY

6.1 Caution

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

6.2 Description of Income Tax Consequences

Tax Payable by Us

In general, a MIC does not pay income tax as long as it distributes its net income and any taxable capital gains to its shareholders within 90 days after each financial year end. **When our net income and any taxable capital gains are distributed to you, tax on the net income component of that distribution is payable by you as if you had received interest income and the tax on the capital gain component is payable in accordance with the usual capital gains tax rules**.

Tax Payable by You

The distributions you receive on your Class A Shares, whether you take such distributions in cash or as new Class A Shares, may result in you having to pay tax. The result depends on how your Class A Shares are held.

Class A Shares held in a Registered Plan

Any distributions paid to a Registered Plan will be received on a tax-deferred basis so tax is not paid by you on such distribution until it is withdrawn from the Registered Plan. Furthermore, until withdrawn, any income earned on such distributions (for example, interest) within a Registered Plan is also earned on a tax-deferred basis.

Class A Shares held outside of Registered Plans

If you are an individual and hold your Class A Shares outside of a Registered Plan you must declare distributions paid to you by us as taxable interest and if the distribution includes a capital gain component, the tax payable on that component is subject to the usual capital gains tax. This is the case whether the distributions were paid to you in cash or through additional Class A Shares. The amount of the distribution you receive is based on the number of Class A Shares you own. The nature of the distribution (that is, whether it is taxed as interest or as a capital gain) depends on how we initially received the funds – as interest or a capital gain. After the end of each calendar year, we will issue a T5 reporting slip to you indicating how much of your distributions are income and how much are capital gains.

Redeeming Shares

If you redeem your Class A Shares you will generally receive $1.00 per share redeemed. If, however, we do not have sufficient funds to pay such amount you may receive less than $1.00 per share in which case you will realize a capital loss. Since we must annually distribute all of our net profits and taxable capital gains, it is unlikely you will receive more than $1.00 per Class A Share redeemed.

In general, the capital loss will be equal to the difference between the amount you receive on the redemption (less any costs of the redemption) and the adjusted cost base ("**ACB**") of the shares (which is calculated in accordance with the requirements set out in the Tax Act). Capital losses may be applied (depending on your circumstances) to capital gains to reduce your overall tax payable. We will provide you with details on the proceeds from your redemption of our shares. However, in order to calculate your capital loss, you need to know the ACB of your shares before the redemption.

6.3 Eligibility for RRSPs and Other Registered Plans

Our Class A Shares, if issued on the date hereof and the investor, together with the investor's related parties, owns less than 10% of our shares, would be qualified investments under the Tax Act and the regulations thereunder for Registered Plans. In addition, the Class A Shares, if issued on the date hereof, would not constitute "foreign property" for the purpose of the tax imposed under Part XI of the Tax Act on the Registered Plans, registered investments and certain other tax exempt entities, including most RPPs and registered pension funds. RRSPs, RESPs and TFSAs are not subject to the foreign property rules.

Item 7 – COMPENSATION PAID TO SELLERS AND FINDERS

Pursuant to an Agency Agreement dated January 1, 2020, we appointed Bayfield Investment Services Ltd., which is registered as an exempt market dealer in British Columbia, as our selling agent to sell our Class A Shares in British Columbia. The Agency Agreement has a term of seven years expiring on December 31, 2026 and will automatically renew for additional seven year terms until terminated by us or our selling agent. The Agency Agreement with our selling agent may be terminated by either of us on six months written notice.

Pursuant to the Agency Agreement, we pay a monthly fee to our selling agent for its services equal to $1/12^{th}$ of 0.1% of our gross mortgage loans calculated on the last business day of each month. Under the Agency Agreement, our selling agent may also charge us a fee of 1.5% of the purchase price of any Class A Shares sold to its clients, however, to date it has not done so.

Our selling agent's President, 50% shareholder, Ultimate Designated Person and one of its two directors is Gordon H. J. Wintrup (he is our Portfolio Manager and one of our directors) and its Treasurer, Secretary, Chief Compliance Officer, 50% shareholder and the second of its two directors is Inderjit S. Matharu (he is our Treasurer, Secretary and one of our directors).

We may also pay commissions and fees to other exempt market dealers and registered securities dealers in consideration of their sale to qualified investors of our Class A Shares through the offering. Such commissions and fees will be negotiated on a case-by-case basis and may involve up-front cash commissions, "trailing" fees (paid over time while the investor continues to hold our Class A Shares) and other fees, the amounts of which will not exceed commissions and fees normally paid in the securities industry. Such commissions and fees may be paid from our income or deducted, for fixed fees and commissions, from the subscription funds provided by an investor and, for trailing fees, from income distributions paid to such investor.

Item 8 – RISK FACTORS

Nature of a Mortgage Investment Corporation

When you invest in a MIC you do so by buying its shares. The MIC then invests the money raised from you and a group of investors with similar investment objectives in mortgages that are professionally managed by the MIC and its manager.

As a result, when you buy shares of a MIC you are indirectly buying these underlying mortgages. The value of your investment is determined by the performance of these underlying mortgages so you and the investors in the MIC share in any gains or losses generated by the MIC from these mortgages.

Generally, you can sell your shares back to the MIC (in other words, the MIC will redeem your shares) in order to take your money out of the MIC. When you sell you shares back to the MIC, the value of your original investment may have increased or decreased.

How risk is related to return

Generally, there is a strong relationship between the amount of risk associated with a particular investment, and that investment's long-term potential to increase in value.

Investments that have a lower risk also tend to have lower returns because factors that can affect the value of the investment, the risks, are well known or are well controlled and have already been worked into the price of the investment. On the other hand, investments that could have potentially higher returns if conditions for success are favourable also risk generating equally higher losses if conditions become unfavourable. This is because the factors affecting the value of such investments are unknown or difficult to control.

What are the risks of investing in MICs?

Like any investment, there are risks associated with investing in MICs. The specific risks that can apply to us are explained below.

Your Investment is Not Guaranteed

Unlike bank deposits and guaranteed investment certificates (GICs) or money you have deposited in a bank account, your investment in a MIC is not guaranteed by the Canada Deposit Insurance Corporation, by any other government insurer or by us.

The Security for Our Loans will Fluctuate in Value

The value of a MIC's investments (that is, the loans it has made) and the value of the security for those investments (that is, the properties against which the mortgages securing the loans are registered) will change from time to time due to events beyond our control. While we endeavour to minimize our exposure to such fluctuations (and the resulting risk to our investors) by restricting our loans to 75% (or less) of the value of the security for such loans, there is a risk that the value of such security can significantly decrease in a falling real estate market. If the value of such security decreases to less than the outstanding amount due under the corresponding loan, the value of the loan would be adversely affected or impaired, which could reduce the value of your shares upon a redemption or the amount of income distributed to you.

There are a myriad of factors that can affect the value of real estate and a MIC's loans, including:

- current economic conditions, in particular, the value of real estate;
- changes in interest rates;
- changes in governmental regulation;
- events in financial markets;
- world events such as the COVID-19 pandemic; and
- financial conditions of the borrowers to which the MIC has advanced funds.

Your Investment could Decrease in Value

As a result of the changing value of the loans and corresponding mortgages, the value of your investment in a MIC could decrease over time, and there is no guarantee that when we redeem your shares they will be worth the price you paid for them.

Your Investment is Subject to Changes in Interest Rates

MICs are subject to interest rate risk. Our mortgage investments earn a fixed rate of interest. When interest rates rise, existing investments in mortgages become less valuable because new mortgages will pay the new, higher rate of interest. Conversely, if interest rates fall, the value of an existing mortgage with a higher rate of interest will rise.

Our Borrowers are or could become a Bad Credit Risk

Our borrowers often have incomes that are seasonal or fluctuate or they may have been refused credit from banks and other traditional financial institutions. Accordingly, our borrowers may be considered to be higher risk and, as a result, there is a risk they may not be able to, or may refuse to, pay back their loans when due. We believe our lending policy is conservative and anticipate that minimal losses will be incurred. Furthermore, if a loss does occur, it will be spread over all of our capital. Nevertheless, such losses could amount to a reduction in anticipated return on your investment or, in the worst circumstances, result in you losing your entire investment.

We might be Unable to Redeem Your Shares

Under exceptional circumstances, we may suspend your right to redeem your Class A Shares for example, if the redemption would render us insolvent or if it would cause us not to meet the requirements for a MIC under the Tax Act.

COVID-19 Pandemic and Possible Similar Future Outbreaks

From time to time, different regions of the world have experienced outbreaks of various viruses, such as the Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H1N1 influenza virus (swine flu) and avian flu.

The 2019 coronavirus disease ("COVID-19") pandemic resulting from novel coronavirus (known as "SARS-CoV-2") infections has resulted in many countries imposing restrictions, such as quarantines, closures, cancellations and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

The COVID-19 pandemic (or any other local, regional, national or international outbreak of any contagious disease, including MERS, SARS, H1N1 influenza virus or avian flu) could result in a significant decline in economic activity in Canada, a reduction in home purchases and financings, a decrease in the willingness of homeowners to borrow and staff shortages for our Manager. The COVID-19 pandemic may affect our borrowers' businesses and income, and thereby their ability to meet their payment obligations to us. All of these occurrences may have a material adverse effect on our business, financial condition and results of operation.

To date, the COVID-19 pandemic has not had a material adverse impact on our operations, however, the future impact of the COVID-19 pandemic is highly uncertain and cannot be predicted. There is no assurance that the pandemic will not have an adverse impact on our future financial performance and the returns paid to you.

Class A Shareholders have Restricted Voting Rights

Shareholders who own only Class A Shares are not able to vote at annual general meetings of our shareholders in respect of the election of directors and the appointment of an auditor. Only Class B Shareholders are entitled to vote on such matters. However, matters specifically affecting the rights of Class A Shareholders are subject to approval by a vote of the Class A Shareholders.

The Loss of our Manager could Adversely Affect Our Business

We rely solely on our Manager to administer investments for us. The loss of our Manager would require us to retain another manager, possibly at a higher cost and on a less successful basis than our Manager. This would have a material adverse effect on the rate of return obtained on our capital and, therefore, on the value of your investment in our Class A Shares.

A Change in Tax Legislation could Adversely Affect Our Business

We have been created to comply with the MIC requirements of the Tax Act. Our Class A Shares are intended to appeal to individuals having Registered Plans such as RRSPs, RRIFs, TFSAs and RESPs. While it is not anticipated the provisions of the Tax Act respecting such Registered Plans will change, there is always the possibility that it could be altered so that our Class A Shares would no longer be eligible investments for Registered Plans. Such changes could have an adverse effect on your investment.

We intend our business to be operated so that it complies at all times with the requirements for MICs under the Tax Act. Failure to meet such requirements could have a material adverse effect on our financial performance.

The provisions of the Tax Act could be changed so that our net income and taxable capital gains could be taxable in our, rather than your, hands. This could affect the value of your investment, especially if you own our Class A Shares in a Registered Plan.

Risk of Dealing with Trustees

We will deal with the trustees of Registered Plans as necessary but we will not undertake any responsibility for the administration of any self-directed Registered Plans by such trustees. The trust company of your Registered Plan may impose conditions upon us with which we are unable or unwilling to comply. As a result, your trustee may refuse to allow our Class A Shares to be an eligible investment for your Registered Plan.

Our Shares are Subject to Restrictions on Resale

Our Class A Shares are not traded on any stock exchange and may not be resold to third parties, therefore, you cannot liquidate your investment through selling your Class A Shares. See Item 10 "Resale Restrictions".

Item 9 – REPORTING OBLIGATIONS

9.1 Continuous Disclosure

We are not required to send to you any documents on an annual or ongoing basis. We are not a "reporting issuer" under Canadian securities legislation, nor will we become a reporting issuer following the completion of the offering. Since we are not, and will not become, subject to the continuous disclosure requirements of Canadian securities legislation, we are not required to issue press releases or to send to you our interim and annual financial statements, management's discussion and analysis respecting such statements or annual reports.

The *Business Corporations Act* (British Columbia) requires us to hold a general meeting of our Class B Shareholders in each calendar year and, at the meeting, to provide them with audited financial statements for the previous financial year. Instead of providing our annual financial statements at the meeting, we mail them to our Class B Shareholders and also our Class A Shareholders together with the notice for our annual general meeting of Class B Shareholders held in the fall of each year. At the same time, we send a letter to all shareholders reporting on our previous year's business.

From time to time, we may send out on our own accord, or in response to a request from one or more shareholders, further information to all shareholders such as a reporting letter and interim financial statements.

9.2 Access to Corporate and Securities Information about Us

Since we are not a reporting issuer and our Class A Shares are not publicly traded, no corporate or securities information about us is available from a government, regulatory authority, stock exchange or quotation and trade reporting system unless, if we have investors resident in Alberta, we will file our audited annual financial statements with the Alberta Securities Commission within 120 days of our financial year end. Such financial statements and other information will be available on our website or from us at the phone and fax numbers and e-mail address set out on the front cover. Further, some securities information about this and previous offerings is available from the British Columbia Securities Commission at www.bcsc.bc.ca.

Item 10 – RESALE RESTRICTIONS

10.1 Overview

These securities 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 Description of Restricted Period

Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the date we become a reporting issuer in any province or territory of Canada.

We are not a reporting issuer in any Canadian province or territory, we will not become a reporting issuer upon completion of the offering and we do not anticipate becoming a reporting issuer. Accordingly, the resale restriction on the Class A Shares you acquire under this Offering Memorandum may never expire.

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.

11.1 Two Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the second business day after you sign the 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, you have a statutory right to sue:

(a) us to cancel your agreement to buy these securities; or

(b) for damages against us, our directors as at the date of this Offering Memorandum and every signatory to this Offering Memorandum.

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

If you sue for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that we prove does not represent the depreciation in value of the securities resulting from the misrepresentation.

11.3 Contractual Rights of Action in the Event of a Misrepresentation

If you are resident outside of Canada and the securities legislation where you are resident does not provide a comparable statutory right and there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue us:

(a) to cancel your agreement to buy these securities; or

(b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that we prove does not represent the depreciation in value of the securities resulting from the misrepresentation. We have a defence if we prove that 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 signed the agreement to purchase 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 signed the agreement to purchase the securities.

Item 12 – FINANCIAL STATEMENTS

Following are our audited financial statements for the last two completed financial years.

Financial Statements of

BAYFIELD MORTGAGE INVESTMENT CORP.

(formerly Upton Capital Corp.)

Year ended December 31, 2020

Contents

A.R.T. Tax and Audit Ltd.
#101-5830 176A St
Surrey, BC
V3S 4H5

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bayfield Mortgage Investment Corp. (formerly Upton Capital Corp.)

Opinion
I have audited the financial statements of Bayfield Mortgage Investment Corp, (formerly Upton Capital Corp.), (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income and comprehensive income, the statement of changes in shareholders' deficiency, and the statements of cash flows for the year ended December 31, 2020 and for the 14 month period ended December 31, 2019, and a summary of significant accounting policies and other explanatory information.

In my opinion, these financial statements, present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019 and its financial performance and its cash flows for the year ended December 31, 2020 and for the 14 month period ended December 31, 2019 in accordance with International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relates 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
My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but it 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 aggregate, they could reasonably be expected to influence the economic decision of users take on the basis of these financial statements.

A.R.T. Tax and Audit

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 controls.
- 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 of the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of managements 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonable be thought to bear on my independence, and where applicable, related safeguards.

A.R.T. Tax and Audit Ltd.
Chartered Professional Accountant

Surrey, British Columbia
May 28, 2021

Bayfield Mortgage Investment Corp. (formerly Upton Capital Corp.)
Statements of Financial Position

	December 31, 2020	December 31, 2019
ASSETS		
Cash	**$ 774,940**	$ 257,757
Mortgages receivable (Note 4)	**89,745,322**	49,141,565
Properties held for sale (Note 5)	**265,527**	-
Due from related party (Note 10)	**170,600**	-
Prepaid expenses	**16,133**	20,729
	$ 90,972,522	$ 49,420,051
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Credit facility (Note 6)	**$ 11,539,397**	$ 7,720,239
Accounts payable and accrued liabilities (Note 10)	**175,918**	78,622
Deferred revenue	**172,580**	-
Dividends payable (Note 8)	**2,659,060**	1,307,787
Share redemption proceeds payable	**-**	106,151
Deposits (Note 9)	**170,600**	-
Redeemable shares (Note 9)	**76,261,160**	40,594,330
	90,978,715	49,807,129
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	**11**	209
Deficit	**(6,204)**	(387,287)
	(6,193)	(387,078)
	$ 90,972,522	$ 49,420,051

On behalf of the board

/s/"Gary Hooge"	*/s/"Gordon Wintrup"*
Director	Director

Bayfield Mortgage Investment Corp. (formerly Upton Capital Corp.)
Statements of Income and Comprehensive Income

	Year ended, December 31, 2020	14 month period ended, December 31, 2019
REVENUE		
Interest income	$ **8,887,480**	$ 5,395,965
Fees and commission income	**505,931**	243,918
Gain on property held for sale	**-**	19,463
	9,393,411	5,659,346
EXPENSES		
Management fees (Note 10)	**1,636,443**	873,072
Bank charges and interest	**801,050**	468,762
Mortgage losses (Note 4)	**596,251**	990,924
Professional fees	**69,854**	55,428
Insurance	**67,311**	28,540
Credit facility charges (Note 6)	**65,812**	56,555
Office	**15,847**	7,081
Property maintenance	**8,506**	18,381
	3,261,074	2,498,743
Income from operations	**6,132,337**	3,160,603
Dividends on Class A shares (Note 8)	**(5,751,254)**	(3,160,603)
Net income and comprehensive income	**$ 381,083**	**$ -**

See accompanying notes to the financial statements.

Bayfield Mortgage Investment Corp. (formerly Upton Capital Corp.)
Statements of Changes in Shareholders' Deficiency

	Common shares $	Class B shares $	Deficit $	Total $
Balance as at October 31, 2018	197	-	(6,204)	(6,007)
Net income and comprehensive income	-	-	-	-
Opening retained earnings adjustment - IFRS 9 implementation	-	-	(381,083)	(381,083)
Proceeds from the issuance of shares	14	-	-	14
Redemption of shares	(2)	-	-	(2)
Balance as at December 31, 2019	**209**	**-**	**(387,287)**	**(387,078)**
Net income and comprehensive income	-	-	381,083	381,083
Class B shares issued (Notes 7 & 9)	-	11	-	11
Shares exchanged on amalgamation (Notes 7 & 9)	(209)	-	-	(209)
Balance as at December 31, 2020	**-**	**11**	**(6,204)**	**(6,193)**

Bayfield Mortgage Investment Corp. (formerly Upton Capital Corp.)
Statements of Cash Flows

	Year ended, December 31, 2020	14 month period ended, December 31, 2019
Cash flows from operating activities		
Net income and comprehensive income	$ **381,083**	$ -
Interest income	**(8,887,480)**	(5,395,965)
Reinvested dividends	**4,841,852**	2,316,995
	(3,664,545)	(3,078,970)
Changes in non-cash operating items		
Gross change in mortgages receivable	**966,162**	(2,074,080)
Change in provision for mortgage losses	**543,503**	238,793
Prepaid expenses	**22,285**	(10,426)
Deferred revenue	**172,580**	-
Accounts payable and accrued liabilities	**29,313**	14,910
	1,733,843	(1,830,803)
Cash flows related to interest		
Interest received	**8,119,690**	5,153,240
Dividends paid	**(516,460)**	(843,508)
	7,603,230	4,309,732
Net cash provided by (used in) operating activities	**5,672,528**	(600,041)
Cash flows from financing activities		
Common shares issued	**-**	14
Common shares redeemed	**-**	(2)
Preferred shares issued	**-**	3,797,322
Preferred shares redeemed	**-**	(2,556,054)
Class A shares issued	**2,088,025**	-
Class A shares redeemed	**(3,254,377)**	-
Class B shares issued	**11**	-
Net cash provided by (used in) financing activities	**(1,166,341)**	1,241,280
Cash flows from investing activities		
Repayment of credit facility	**(3,989,004)**	(746,265)
Proceeds on sale of property	**-**	258,238
Cash used in investing activities	**(3,989,004)**	(488,027)
Net increase in cash	**517,183**	153,212
Cash - Beginning of year	**257,757**	104,545
Cash - End of year	$ **774,940**	$ 257,757

1. Nature of operations

Bayfield Mortgage Investment Corp., (the "Company"), formerly Upton Capital Corp, is a mortgage investment corporation pursuant to Section 130.1 of the Income Tax Act. It was formed on December 31, 2019, by the Amalgamation (the "Amalgamation") under the provisions of Division 3 [Amalgamation] of Part 9 [Company Alterations] under the Business Corporations Act (British Columbia) of Upton Capital Corp., a company incorporated on April 12, 1990 under the Company Act (British Columbia) and Versatile Mortgage Corp., a company incorporated on September 24, 1996 under the Company Act (British Columbia), see Note 7. For purposes of financial reporting, Upton Capital Corp. was considered the acquirer, and as a result, these financial statements reflect the assets, liabilities, and results from operations of Upton Capital Corp, prior to January 1, 2020, the date of the Amalgamation.

The primary mandate of the Company is to invest its pooled funds into residential first, second and third mortgages and to provide a return to its shareholders (by way of dividends from Class A shares) that will exceed the prime lending rate by 2% - 4% per annum.

The address of the Company's head office is Suite 101, 19909 64 Avenue, Langley, BC V2Y 1G9.

<u>COVID-19</u>
The outbreak of the novel strain of coronavirus ("COVID-19") has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Company in future periods. Areas of the Company's business that could potentially be adversely impacted include, but are not limited to, mortgage interest rates, mortgage interest and fees revenue, allowance for mortgage losses, and valuation of property held for sale.

2. Basis of presentation

The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the Canadian Accounting Standards Board.

These annual financial statements were authorized for issuance by the Board of Directors on May 28, 2021. The Company is presenting a fourteen (14) month period ended comparatives in relation to the amalgamation referred to in Note 7 which took place on December 31, 2019.

Basis of measurement
The financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through profit or loss that have been measured at fair value.

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

...Continued (Note 2. Basis of presentation)

Use of estimates and judgments
The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. These estimates are reviewed periodically on a prospective basis, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Significant areas requiring the use of management estimates and judgments relate to the following:

- Determining whether the cash flows from mortgages receivable represent solely payments of principal and interest (SPPI);
- Assessments of the future expected credit losses on mortgage receivables. In particular, the measurement of credit risk to determine significant changes;
- 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;
- 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;
- Fair value estimates of assets acquired, liabilities assumed and purchase price allocation at the acquisition date of the business combination (Note 7)
- Valuation of properties held for sale

3. Significant accounting policies

Cash
Cash includes cash at Canadian banks.

Mortgages receivable
Mortgages receivable 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.

…Continued (Note 3. Significant accounting policies)

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.

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 receivable is credit impaired, an event must be identified that has a detrimental impact on the estimated future cash flows.

The Company considers evidence of impairment for mortgage 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.

...Continued (Note 3. Significant accounting policies)

Revenue recognition
Interest income on mortgages is recorded using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Fees and commission income and expense are recognized using the effective interest method. Fees and commission income and expense, including pre-payment fees and other miscellaneous fees are recognized as the performance obligations are satisfied.

Properties held for sale
Real estate acquired through foreclosure is classified as property held for sale when its carrying amount will be recovered principally through a sales transaction rather than through continuing use. The criteria for "held for sale" includes management's commitment to a plan to sell the asset and the expectation that such a sale will be completed within a twelve-month period. Events or circumstances beyond the Company's control may extend the period to complete the sale beyond one year. Such assets continue to be classified as "held for sale" as management remains committed to its plan to sell the assets.

Property held for sale is measured at the lower of its carrying amount and its fair value less cost to sell. All cost to hold the property prior to sale are included in the carrying amount. Impairment losses and subsequent reversals are recognized in net and comprehensive income in the period in which they occur. Property held for sale is not depreciated.

Income taxes
The Company is a MIC as defined in the Income Tax Act (Canada). As such, the Company is not taxable on income which flows through to shareholders in the form of dividends paid within 90 days of the Company's fiscal year end. It is the Company's policy to flow income earned out to shareholders in the form of dividends.

Business combinations
The Company applies the acquisition method in accounting for business combinations. The consideration transferred by the Company to obtain control is calculated as the sum, as at the acquisition date, of the fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement, if applicable. Transaction and restructuring costs are expensed as incurred. The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their fair values as at the acquisition date. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of A) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) fair value of any existing equity interest in the acquiree, over the fair value of identifiable net assets.

...Continued (Note 3. Significant accounting policies)

Financial instruments
Financial instruments are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities that will be measured subsequently at amortized cost are added to or deducted from the fair value of financial assets or financial liabilities on initial recognition.

Financial assets
Financial assets that meet the following conditions are subsequently measured at amortized cost:

The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Cash, and mortgages receivable are subsequently measured at amortized cost.

Impairment
The Company recognizes a loss allowance for the expected credit losses associated with its financial assets. 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.

...Continued (Note 3. Significant accounting policies)

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 12 for additional information about the Company's risk management process

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
After initial recognition, interest bearing financial liabilities are subsequently measured at amortized cost using the EIM. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs using the EIM. The amortization is included in the related line in the statements of income. Unamortized premiums and discounts are recognized in the statements of income upon extinguishment of the liability.

All financial liabilities which include accounts payable and accrued liabilities, dividends payable and redeemable preferred shares are subsequently measured at amortized cost

Class A Non-Voting, Participating 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 shares, which are redeemable, are presented as a liability of the Company. These Class A shares are redeemable at a price equal to their original issue amount plus the amount of dividends declared and unpaid. Incremental costs directly attributable to the issuance of redeemable Class A shares are recognized as a deduction from the liability.

Class B Voting, Non-Participating shares
Class B shares are classified as equity and presented at the value of the shares issued.

...Continued (Note 3. Significant accounting policies)

New Standards and interpretations issued but not yet adopted:
Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2021 or later periods and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

The IASB issued amendments to IAS 1, Presentation of Financial Statements providing a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments in classification of liabilities as current and non-current affect only the presentation of liabilities in the statement of financial position and not the amount of timing of the recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. The amendments to the standard become effective for annual periods beginning on or after January 1, 2022.

4. Mortgages receivable

The mortgages portfolio consists of the following:

	No.	**%**		**December 31, 2020**	No.	%		December 31, 2019
First mortgages	**156**	**57.41**	**$**	**51,943,981**	108	64.06	$	31,822,579
Second Mortgages	**286**	**42.06**		**38,055,331**	138	35.69		17,575,840
Third Mortgages	**5**	**0.53**		**482,227**	3	0.25		123,146
			$	**90,481,539**			$	49,521,565
Less allowance for loan impairment			**$**	**(736,217)**			$	(380,000)
			$	**89,745,322**			$	49,141,565

The average mortgage balance is $200,761 at December 31, 2020 (December 31, 2019: $196,225). The weighted average interest rate is 8.92% (December 31, 2019: 9.46%).

At December 31, 2020 there were twelve (12) mortgages in foreclosure totaling $3,677,862 (December 31, 2019 – five (5) mortgages in foreclosure totaling $2,002,699) and seventeen (17) delinquent mortgages totaling $5,078,703 (2019- ten (10) delinquent mortgages totaling $1,482,481).

The mortgages receivable portfolio can be broken down into interest rates as follows:

		December 31, 2020		December 31, 2019
Less than 6.00%	**$**	**1,819,949**	$	273,088
6.00% to 6.99%		**5,743,695**		-
7.00% to 7.99%		**16,744,026**		8,204,739
8.00% to 8.99%		**28,842,516**		20,604,391
9.00% to 9.99%		**14,476,735**		7,137,375
10.00% to 10.99%		**22,169,063**		12,799,498
11.00% to 11.99%		**685,555**		502,474
	$	**90,481,539**	$	49,521,565

...Continued (Note 4. Mortgages receivable)

Type of Mortgage	First mortgages	Second mortgages	Third mortgages	**December 31, 2020**	December 31, 2019
Residential	$ 45,014,432	$ 36,207,835	$ 390,948	**$ 81,613,215**	$ 45,858,258
Residential Land	1,482,433	-	-	**1,482,433**	975,678
Mixed Use	2,920,169	1,847,496	91,279	**4,858,944**	1,487,917
Commercial	2,526,947	-	-	**2,526,947**	1,199,712
	$ 51,943,981	$ 38,055,331	$ 482,227	**$ 90,481,539**	$ 49,521,565

Location Analysis	First mortgages	Second mortgages	Third mortgages	**2020**	2019
British Columbia	$ 47,632,879	$ 33,715,508	$ 105,576	**$ 81,453,963**	$ 44,796,420
Alberta	4,311,102	4,339,823	376,651	**9,027,576**	4,524,763
Manitoba	-	-	-	**-**	200,382
	$ 51,943,981	$ 38,055,331	$ 482,227	**$ 90,481,539**	$ 49,521,565

Delinquent Mortgages	First mortgages	Second mortgages	Third mortgages	**2020**	2019
Foreclosure	$ 3,677,862	$ -	$ -	**$ 3,677,862**	$ 2,002,699
90+ days arrears	5,078,703	-	-	**5,078,703**	1,482,481
	$ 8,756,565	$ -	$ -	**$ 8,756,565**	$ 3,485,180

Impairment Allowance	**Year ended, December 31, 2020**	14 months ended, December 31, 2019
Balance, beginning of the year	**$ 380,000**	$ 522,290
Current year impairment allowances	**566,217**	210,000
Allowances applied to losses	**(210,000)**	(352,290)
	$ 736,217	$ 380,000

...Continued (Note 4. Mortgages receivable)

The following table provides the segregated mortgages receivable by Stage 1, Stage 2, and Stage 3.

	Stage 1 Performing	Stage 2 (Under-Performing	Stage 3 (Non-Performing)	Total
2020	**$ 76,646,271**	**$ 5,078,703**	**$ 8,756,565**	**$ 90,481,539**
2019	$ 44,553,904	$ 1,482,481	$ 3,485,180	$ 49,521,565

The impairment allowance as at December 31, 2020 was determined as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance, December 31, 2019	$ 170,000	$ -	$ 210,000	$ 380,000
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(135,000)	-	345,000	210,000
Derecognition	(35,000)	-	(210,000)	(245,000)
Loan origination	391,217	-	-	391,217
Balance, December 31, 2020	**$ 391,217**	**$ -**	**$ 345,000**	**$ 736,217**

Mortgage losses

	Year ended, December 31, 2020	14 months ended, December 31, 2019
Increase in impairment allowance	**$ 114,405**	$ 210,000
Loss of foreclosure and other	**227,327**	527,230
Accrued interest on foreclosure	**269,431**	253,694
Recovery of prior year losses	**(14,912)**	-
	$ 596,251	$ 990,924

...Continued (Note 4. Mortgages receivable)

Principal payments based on contractual maturity dates are as follows:

	Year ended, December 31, 2020	14 months ended, December 31, 2019
Mortgage contracts expiring within 12 months	**$ 89,375,975**	$ 46,506,219
Mortgage contracts expiring after 12 months	**1,105,564**	3,015,346
	$ 90,481,539	$ 49,521,565

5. Properties held for sale

The properties held for sale were acquired through foreclosure and listed for sale as at year-end. Both properties are carried at the lower of the carrying amount and fair value less the estimated cost to sell. They are disclosed net of allowances for losses. During the current year, the Company wrote the Fort McMurray property down by $50,000 as it was deemed impaired.

	December 31, 2020	December 31, 2019
Calgary, Alberta	**$ 182,299**	$ -
Fort McMurray, Alberta	**83,228**	-
	$ 265,527	$ -

Subsequent to year end, the Company sold the property in Calgary, Alberta for fair value less costs to sell of $182,299.

On March 12, 2018, the Company took possession of a property in Cold Lake, Alberta that had been written down from $360,500 to $Nil in previous years. The Company is not realizing any revenue from this property and has a plan in place to dispose of this property in the future.

Allowance for losses

	Year ended, December 31, 2020	14 months ended, December 31, 2019
Balance, beginning of the year	**$ -**	$ 210,000
Fair value less costs to sell of foreclosed property acquired by way of amalgamation (Note 7)	**133,228**	-
Fair value of property acquired through foreclosure	**182,299**	-
Reduction in fair value of foreclosed properties	**(50,000)**	(210,000)
Balance, end of the year	**$ 265,527**	$ -

6. Credit facility

On December 19, 2019, the Company entered into a new credit facility agreement with a Canadian bank for a demand operating loan to a maximum of $40,000,000. Interest is charged at the bank's prime lending rate plus 1.00% per annum. The maximum amount of the loan shall not exceed the aggregate of 75% of eligible residential first mortgages and residential second mortgages in major cities, and 65% of other eligible mortgages. The credit facility is secured by a commercial security agreement covering all eligible mortgages in the portfolio.

The Company is to maintain key covenants and conditions associated with the credit facility (see Note 13)

At December 31, 2020, $11,539,398 had been drawn (December 31, 2019 - $7,720,239 was drawn).

Line of credit charges in the amount of $65,812 for the year ended, December 31, 2020 (14-month period ended, December 31, 2019: $56,555) include a monthly administration fee and a stand-by-fee of 0.25% per annum on any unused portion of the facility which falls below $20,000,000.

7. Amalgamation with Versatile Mortgage Corp.

On October 24, 2019, Upton Capital Corp. ("UCC") entered into an amalgamation agreement with Versatile Mortgage Corp. ("VMC"). The amalgamation was approved at a special meeting of the shareholders on November 13, 2019. January 1, 2020 was determined to be the acquisition date, as this is the date the Company commenced its new business, renegotiated a new credit line and began advancing mortgages under Bayfield Mortgage Investment Corp. UCC and VCC were legally amalgamated on December 31, 2019.

Pursuant to the acquisition, the Company issued 72,585,972 Class A shares to shareholders of UCC and VMC in exchange for 72,585,972 preferred shares at a value of $1 each. The breakdown is as follows:

• Class A shares issued to VMC shareholders in exchange for preferred shares	31,991,330
• Class A shares issued to VMC shareholders in exchange for common shares	103
• Class A shares issued to UCC shareholders in exchange for preferred shares	40,594,539
• Class A shares issued to UCC shareholders in exchange for common shares	209

For financial reporting purposes, the amalgamation was considered a business combination in accordance with IFRS 3 with UCC considered as the "acquirer" and VMC as the "acquiree." Accordingly, on the acquisition date, UCC is considered to have acquired all of the issued and outstanding common and preferred shares of VMC. The amalgamation resulted in each VMC shareholder received one share of the Company for each VMC share held and each UCC shareholder receiving one share of the Company for each UCC share held.

...Continued (Note 7. Acquisition of Versatile Mortgage Corp.)

The fair value of the acquired identifiable net assets are as follows:

Fair value of net assets acquired		
Cash	$	741,653
Mortgage investments		41,681,414
Other assets		133,228
Prepaid expenses		17,689
Accounts payable and accrued liabilities		(67,984)
Bank indebtedness		(8,855,805)
Dividends payable		(1,658,762)
Total net assets acquired	$	31,991,433
Consideration transferred		
31,991,330 preferred shares issued for Class A shares	$	31,991,330
103 common shares issued for Class A shares		103

In connection with the amalgamation:

Each of the UCC and VMC pre-existing credit facilities were settled, and a new credit facility was entered (Note 6).

UCC's management agreement with the manager (a related party) was terminated and a new management agreement with the same party was entered into as of the acquisition date (Note 10).

As part of the amalgamation, all mortgage investments held by VMC were acquired by UCC. As the UCC and VMC portfolios are not maintained separately and had various co-invested mortgage investments, it is impracticable for the Company to disclose the separate income and expenses of VMC and UCC since the acquisition date included in the statement of net income and comprehensive income.

Included in professional fees on the statement of income and comprehensive income are transaction costs related to the amalgamation in the amount of $14,863.

8. Dividends

The Company follows a dividend policy in accordance with the provisions of the Income Tax Act related to Mortgage Investment Corporations. Dividends are paid on a quarterly basis on Class A Shares (see Note 9).

The Company declared dividends as follows:

		Year ended, December 31, 2020		14 months ended, December 31, 2019
Declared dividends on Class A shares	**$**	**5,751,254**	$	3,160,603
Dividend per weighted average share	**$**	**0.078**	$	0.082

Distribution of dividends
Within ninety (90) days after the end of each financial year, the Company distributes all of the net profits and taxable capital gains for that financial year to Class A shareholders. The distribution may be paid by the issuance of further Class A Shares by way of cash, or a combination of both, as elected by the shareholder.

9. Share capital

Authorized

Unlimited Class A Non-Voting, Participating shares ("Class A Shares") with a par value of $1 each.

Unlimited Class B Voting, Non-Participating shares ("Class B Shares") with a par value of $1 each.

All Class A Shares are equally eligible to receive dividends and the repayment of capital.

The Company accounts for and presents the Class A Shares which are redeemable at the request of the shareholder as financial liabilities. The Class B shares are accounted for and presented as equity.

...Continued (Note 9. Share capital)

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

	Year ended, December 31, 2020	14 months ended, December 31, 2019
Opening preferred share liability	**40,594,330**	35,659,222
Preferred shares exchanged for Class A common shares	**(40,594,330)**	-
Issued by way of amalgamation (Note 7)	**72,585,660**	-
Subscriptions - cash	**2,088,025**	3,797,322
Subscriptions - dividend reinvestments	**4,841,852**	3,693,840
Redemptions	**(3,254,377)**	(2,556,054)
Ending preferred share liability	**-**	40,594,330
Ending Class A share liability	**76,261,160**	-

At December 31, 2020, an exempt market dealer (a related party) received $170,600 relating to share subscriptions to be transferred to the Company. These amounts were received subsequent to year end (see Note 10).

Redemption rights

The Company may redeem Class A and B Shares from shareholders as it may determine without the consent of any such shareholder and the Company shall pay within 90 days after the date of redemption, to each such shareholder all declared dividends payable on such shares.

A shareholder must give at least thirty (30) days' notice before the end of a financial quarter, written notice of retraction to the Company setting out the number of Class A Shares the shareholder wishes to have redeemed. The Company shall redeem some or all of such shares, including declared dividends payable on such shares. Such redemption shall be made by the Company within ninety (90) days after the written notice of retraction.

There are 11 Class B shares outstanding. These shares were issued on Dec 31, 2019.

Each Class B Share represents one vote at the shareholders' meeting.

All Class B Shares are not entitled to receive any distribution of net profits or capital gains.

10. Related party transactions

Concurrently with the amalgamation, the management agreements with Versatile Mortgage Corp. and Upton Capital Corp. were terminated and a new agreement was entered into on January 1, 2020.

The Company has contracted Bayfield Mortgage Professionals Ltd. to manage the mortgage portfolio for a fee which is calculated at 1/12 of 1.5% of the mortgage portfolio per month, paid monthly, plus GST. Bayfield Mortgage Professionals Ltd. is controlled by common directors and shareholders of the Company.

The new management agreement has a term of seven (7) years and is automatically renewed for a successive seven (7) year term unless the agreement is terminated by both parties on a mutual basis.

Management fees for the year total $1,534,165 (14-month period ended December 31, 2019 - $873,072) and an amount of $119,908 (December 31, 2019 - $64,996) was unpaid at December 31, 2020 and recorded in accounts payable and accrued liabilities.

On January 1, 2020, the Company signed an exempt market dealer ("EMD") agreement with Bayfield Investment Services Ltd., a company controlled by common directors and shareholders of the Company. The Company will pay a EMD fee of 1/10 of 1% of the mortgage portfolio per annum, paid monthly plus GST.

The EMD agreement has a term of seven (7) years and is automatically renewed for a successive seven (7) year term unless the agreement is terminated by both parties on a mutual basis. Either party may terminate the agreement with six (6) months written notice.

EMD fees for the year total $102,278 (14-month period ended December 31, 2019: $Nil), of which $7,852 (2019: $Nil) was unpaid at Dec 31, 2020 and recorded in accounts payable and accrued liabilities.

At December 31, 2020, Bayfield Investment Services Ltd. owed the Company $170,600 relating to share subscription deposits received, pending trade authorization.

Directors, officers and related family members who have investments in the Company received $556,437 in dividends on Class A shares for the year ending December 31, 2020.

At December 31, 2020, each director owned one Class B share, and an aggregate total of 5.23% of the Class A shares (See Note 9).

11. Fair value of financial instruments

The following provides an analysis of financial instruments that are measured, subsequent to initial recognition, at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - quoted prices in active markets for identical investments
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - inputs for the investments that are not based on observable market data

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of three levels.

...Continued (Note 11. Fair value of financial instruments)

As at December 31, 2020 and December 31, 2019, there are no financial instruments carried at fair value and consequently, no financial instruments categorized into Levels 1, 2 or 3 or transfers between Level 1 and 2 for the year then ended.

12. Risks rising from financial instruments

The Company's financial instruments consist of cash, mortgages receivable, bank indebtedness, accounts payable, dividends payable, and class A redeemable shares. The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of December 31, 2020.

<u>Credit risk</u>
Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk in that a mortgagor will fail to discharge the obligation causing the Company to incur a financial loss. In order to reduce its credit risk, the Company ensures 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. Credit risks policies include the following:

a. General mortgage policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity and loan administration;
b. Mortgage lending limits and criteria set by the Board of Directors;
c. Review of mortgages by the Board of Directors; and
d. Mortgage delinquency controls regarding procedures followed for loans in arrears.

An allowance for doubtful mortgages is established based upon factors surrounding the delinquency of specific accounts other information. The Company has a significant number of mortgages which minimizes concentration of credit risk.

Specific credit risk information on concentration of credit risk in various geographical locations, economic activities and delinquent mortgages is detailed in Note 4.

<u>Liquidity risk</u>
Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's management oversees the liquidity risk to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due.

The assessment of the Company's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective firm specific and market conditions.

The Company manages liquidity risk by:

a. Continuously monitoring actual daily cash flows and longer-term forecasted cashflows;
b. Maintaining adequate liquidity support facilities, such as lines of credit and bankers acceptances; and,
c. Monitoring the maturity profiles of financial assets.

The Company is exposed to this risk mainly in respect of its Class A share liabilities and its demand bank loan.

...Continued (Note 12. Risks arising from financial instruments)

An analysis of mortgage due dates is provided in Note 4; all other sources of funds have terms of less than 12 months.

<u>Market risk</u>
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises four types of risk: interest rate risk, fair value risk and other price risk. The Company is mainly exposed to interest rate risk and other price risk.

<u>Interest rate risk</u>
Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The mortgages receivable are advanced for mainly one year terms, with the rate of interest fixed for that term. Interest rates on mortgages receivable reflect credit risk and prime interest rates. Upon renewal of the mortgage, the Company has the option of adjusting the interest rate to respond to changes in credit risk or the prime interest rate. For a detailed breakdown of the mortgage interest rates see Note 4.

In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is also exposed to interest rate risk through its floating interest rate bank indebtedness and credit facilities.

If interest rates on debt had been one percent point higher (lower) during the year ended December 31, 2020, earnings would have been reduced (increased) by approximately $741.652 (14-month year ended December 31, 2019 -$214,804) during the period.

<u>Fair value risk</u>
The Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Company is exposed to fair value risk with is mortgages receivable. The Company aims to minimize fair value risk through maintaining sufficient loan to value ratios on the advance of mortgages.

13. Capital management

The Company's objective when managing capital is to continue operations as a going concern so that it can provide its shareholders with a safe, superior-yielding and liquid investment.

The Company defines capital as being the funds raised through bank indebtedness and the issuance of Class A shares of the Company. The overall objective of capital management is to ensure that the Company has sufficient capital to maintain its operations based on current activities and expected business developments in the future and to provide a return to the shareholders commensurate with the risk of the business and comparable to other similar companies.

The Company is required to comply with Section 130.1(6) of the Income Tax Act which defines the requirements for Mortgage Investment Corporations. These guidelines give specific externally imposed capital requirements. During the year, the Company complied with these requirements.

Under the Company's bank credit facilities, the Company is required to comply with certain financial covenants including a borrowing base condition and a quarterly debt to tangible net worth requirement. At December 31, 2020, the Company is in compliance with these financial covenants.

14. Comparative information

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

Item 13 – DATE AND CERTIFICATE

Dated: May 1, 2021

This Offering Memorandum does not contain a misrepresentation.

The Issuer

(signed) GARTH A. BUTCHER President (chief executive officer)	(signed) INDERJIT S. MATHARU Treasurer (chief financial officer)

On Behalf of the Directors

(signed) GORDON H. J. WINTRUP Director	(signed) GARY A. HOOGE Director