OFFERING MEMORANDUM

PREMIERE CANADIAN MORTGAGE CORPORATION

Date: December 1, 2018

The Issuer

Name:		**Premiere Canadian Mortgage Corporation** (the “”Company”)
Head Office:	Address:	**200 – 586 Leon Avenue, Kelowna, British Columbia V1Y 6J6**
	Phone:	**250-861-1526** (Toll free: **1-800-663-4150**)
	E-mail:	**info@premierecanadian.ca**
	Fax:	**250-861-3362** (Toll free: **1-877-600-3362**)
	Website:	**www.premierecanadian.ca**

Currently listed or quoted?	**No. These securities do not trade on any exchange or market.**
Reporting issuer?	**No**
SEDAR filer?	**No**

The Offering

Securities offered:	**Class “B” (redeemable, non-voting) Shares without par value** (First time investors must also purchase one Class "A" (voting) Share for $1.00.)
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 the Company’s proposed objectives.**
Maximum offering:	**$15,000,000 (15,000,000 Class “B” Shares)** Plus proceeds from the sale of any Class “A” Shares.
Minimum subscription amount:	**$3,000**
Payment terms:	The subscription price for the Shares being purchased must be received before the applicable closing of the offering. See Item 5.2, *Subscription Procedure*.
Proposed closing date(s):	One or more closings will be completed in 2019 with the first to occur no later than February 14, 2019. All subscriptions received are subject to rejection or full or partial acceptance. The Company may terminate or extend the offering at any time without notice.
Income Tax Consequences:	There are important tax consequences to these securities. See Item 6, *Income Tax Consequences and RRSP Eligibility*.
Selling agent?	No

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 this agreement. See Item 11, *Purchasers’ Rights*.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8, *Risk Factors*.

Table of Contents

Item 1. USE OF AVAILABLE FUNDS

1.1 Funds

The funds that will be available to the Company from this offering, together with 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 [(1)]	$ 3,000	$ 15,000,000
B	Selling commissions and fees [(2)]	0	0
C	Estimated offering costs (including legal, accounting, audit, etc.)	35,000	35,000
D	**Available funds: D = A - (B + C)**	**- 32,000**	**14,965,000**
E	Additional sources of funding required (available) [(3)]	$ 24,000,000	$ 24,000,000
F	Working capital / Working capital deficiency [(4)]	0	0
G	**Total: G = (D + E) - F**	**$ 23,968,000**	**$ 38,965,000**

(1) Excluding proceeds from the sale of Class "A" Shares.

(2) It is not intended to pay commissions for the sale of Shares until after February 14, 2019 when the Company will be required to use an exempt market dealer to sell its securities due to a change in applicable laws. See Item 7 "Compensation Paid to Sellers And Finders".

(3) Maximum possible balance available under the Company's credit facility as at the date of this Offering Memorandum. The amount actually available depends on the amount of qualifying mortgage loans the Company holds, therefore, the full amount of the credit facility may not be available. See Item 2.2.4, *Equity and Debt Financing of the Company*.

(4) As at the date of this Offering Memorandum, the Company does not have and does not expect to have in the foreseeable future significant working capital (as all cash on hand is generally loaned to borrowers) or a working capital deficiency.

1.2 Use of Available Funds

The Company intends to use the funds available to it from this offering, together with funds available from other sources as set out in Item 1.1 "Net Proceeds", as follows:

Description of Intended Use of Available Funds [(1)] (Listed in order of priority)	Assuming Minimum Offering	Assuming Maximum Offering
Investment in residential, commercial, construction, industrial and other mortgage loans on real property in British Columbia, Alberta, Manitoba and Ontario and, from time to time, in financial institutions deposit instruments and real property	$ 23,968,000	$ 38,965,000
Totals	**$ 23,968,000**	**$ 38,965,000**

(1) The Company's revenue from operations has been, and the Company expects it to continue in the next year to be, sufficient to cover its operating costs.

(2) Full or partial repayment of the Company's credit facility from the net proceeds of the offering will allow it to borrow additional funds under the facility and invest it in mortgages. See Item 2.2.4, *Equity and Debt Financing of the Company* and Item 4.2, *Current and Long Term Debt*.

1.3 Reallocation

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

Item 2. BUSINESS OF PREMIERE CANADIAN MORTGAGE CORP.

2.1 Structure

The Company was incorporated under the *Company Act* of British Columbia on August 13, 1996 and transitioned under the successor corporate statute, the British Columbia *Business Corporations Act* (the “Corporations Act”), on June 2, 2004. The Company is also registered to carry on business in Alberta, Manitoba, Saskatchewan and Ontario.

2.2 Our Business

2.2.1 Overview

The Company carries on business as a mortgage investment corporation (“MIC”) in the provinces of British Columbia, Alberta, Manitoba and Ontario in accordance with the *Income Tax Act* (Canada) (the "Tax Act"). The Company may expand its business into other provinces of Canada if conditions justify it.

The Company invests its funds in a portfolio of residential, commercial, construction, industrial and other mortgage loans in order to obtain a stable source of income and to manage risk. To the extent that funds are not invested in mortgage loans from time to time, investments will be held in the form of cash deposited with Canadian financial institutions in savings accounts, short-term deposits, or guaranteed income certificates. The Company’s income consists primarily of interest, fees, bonus interest and penalties earned on the mortgage loans in the portfolio from time to time.

The Company is registered (licensed) as a mortgage broker in British Columbia under the *Mortgage Brokers Act* (British Columbia). The Office of the Registrar of Mortgage Brokers at the Financial Institutions Commission [of British Columbia] regulates the mortgage brokering and lending activities of MICs under the *Mortgage Brokers Act*. The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MICs which are subject to securities legislation and regulation.

In Alberta, Manitoba and Ontario, the Company is exempt from registration and licencing or carries on business through registered or licensed mortgage brokers.

2.2.2 *Manager*

The Company’s investment opportunities are sourced primarily through Premiere Home Mortgage Ltd. (the “Manager”), a registered (licensed) British Columbia mortgage brokerage company that has been in the business of brokering mortgages and other loans since 1985. The Manager is also licensed or registered, where required, as a mortgage broker in Alberta, Manitoba and Ontario.

Pursuant to a management agreement (the “Management Agreement”) dated August 15, 1996, as amended, the Manager is also responsible for administering the Company's mortgage portfolio and business, at the Manager’s expense. Accordingly, the Company does not have, and does not expect to have, any employees. The Manager’s duties include overseeing the overall operations of the Company including advertising and marketing, mortgage administration, pay-outs, discharges and renewals, preparation of this Offering Memorandum, annual general meeting of the Company’s shareholders (“Shareholders”), fire insurance, mail, banking and supplying secretarial and office space. The Manager must also arrange for the preparation by independent accountants and distribution of audited annual financial statements to Shareholders at the Company’s expense and preparation and distribution of monthly financial information and mortgage statements at the Manager’s expense.

The Manager is wholly-owned by Mercuri Holdings Ltd., a corporation controlled by the Company’s President, John Mercuri and the sole shareholders of which are John Mercuri and his wife (and the Company’s Controller and Corporate Secretary), E. Franca Mercuri. Mercuri Holdings Ltd. also owns another mortgage brokerage company, Can Terra Financial Inc., which manages another MIC, Classic Mortgage Corporation.

Since September 1, 2014, the Manager’s remuneration has been a performance based fee structure equal to 21% of total profits per year, plus any applicable taxes the Company is required to remit. Total profit is the Company’s total revenue less all operating expenses, excluding the Manager’s fee and taxes. Any recoveries from existing loan loss reserves of $780,000 as of September 1, 2014 (reduced to $650,000 as of December 1, 2018) are excluded from the calculation of total profits used to calculate the fee. The Manager’s fee (before taxes) is subject to a minimum annual payment equal to 1.4% of the outstanding mortgage balances and a maximum annual payment equal to 2% of outstanding mortgage balances. The annual fee was previously equal to 2% of outstanding mortgage balances. Like the previous fee, the Manager's fee is calculated and paid monthly.

In addition to its fee received from the Company, the Manager may charge mortgage broker fees to the borrowers on their mortgages, which fees are paid by the borrower and not the Company.

The Manager has agreed that the Management Agreement may only be amended by a resolution in writing signed by Shareholders holding at least 66⅔% of the voting (Class A) shares of the Company or by 66⅔% of the votes cast at a meeting of the voting (Class A) Shareholders in favour of the amendment.

The Company may terminate the Management Agreement without notice if the Manager:

(a) makes an assignment or proposal under or a petition is filed against it under the *Bankruptcy and Insolvency Act* (Canada);

(b) becomes insolvent, is declared a bankrupt or commits an act of bankruptcy or takes an action in furtherance of bankruptcy or insolvency;

(c) refuses to comply with the policies of the Company;

(d) commits fraud, dishonesty or other serious misconduct in performance of its duties;

(e) fails to carry out its duties under the Management Agreement; or

(f) is guilty of conduct materially detrimental to the business of the Company.

2.2.3 *Credit Committee*

The Company has a Credit Committee consisting of the two directors of the Company, John Mercuri and John Ugyan, and three senior Shareholders, all of whom have extensive lending or real estate experience or both.

The role of the Credit Committee is to review and approve all mortgage proposals recommended for funding, but which fall outside of the Company's typical, residential mortgage business. All agricultural, commercial, industrial, development and construction mortgages require Credit Committee approval, as well as any residential mortgages where the Company's total exposure exceeds $500,000. The Manager has authorization to approve all residential mortgages up to $500,000.

2.2.4 *Equity and Debt Financing of the Company*

The Company funds its investments through equity financings and borrowings from a $40,000,000 line of credit with a major Canadian chartered bank (the "Bank"). This line of credit is paid down whenever investment funds or revenues are available in excess of operating requirements.

The credit line provides the Company with liquidity and flexibility in its cash management and avoids the need to carry out additional equity financings which would negatively impact profitability. In addition, the Company may, by borrowing against the line of credit, employ leverage (the ratio of the amount of its outstanding liabilities to the amount by which the cost of its assets exceeds its liabilities), as permitted by the Tax Act and other applicable legislation, and thereby increase its profitability despite the costs of using the credit facility. The Company utilizes the leverage provided by the line of credit on an on-going basis throughout the financial year with the goal of pursuing all lending opportunities and maximizing returns to the Shareholders.

The Company may also employ leverage by issuing debt obligations although it has no current plans to do so.

For any leveraging, the Company is restricted to a maximum of five times the net book value of its assets if more than two-thirds of its investments are in residential mortgages and bank deposits. Otherwise, its leveraging is restricted to three times the net book value of its assets. .

The credit line has a feature which allows the Company to convert its borrowings into short term (usually a 30 to 90 day term) Banker's Acceptance Notes. By locking part of its borrowings into these short-term notes, the Company is able to secure a slightly lower cost of borrowing.

The line of credit provides for an annual interest rate of prime plus 0.80%. The Banker's Acceptance Notes have an implied annual interest rate of 2.15% plus a "stamping fee" of 2.4% (effectively prime plus 0.60% as of the date of this Offering Memorandum). Both are secured by a general security agreement providing a first floating charge over all the assets of the Company. The line of credit is subject to regular reviews by the Bank and repayable on demand.

2.2.5 *Taxation of MICs*

As a MIC under the Tax Act, the Company is allowed deductions from income in respect of distributions paid to its Shareholders within 90 days after its financial year end. The Company intends (and, as a MIC under the Tax Act, is required) to annually pay out all of its net income and one-half of its net realized capital gains to Shareholders. This should result in the Company not paying any income tax. Such distributions are subject to income tax payable by the recipient. See Item 6, *Income Tax Consequences and RRSP Eligibility*.

2.2.6 *Investment Policies and Guidelines*

The Company's investment activities will be conducted in accordance with the following policies and guidelines (the "Investment Policies"):

(a) First and second mortgages only, unless the ratio of the amount of the loan to the appraised value of the premises is under 60%.

(b) Loan to value (or "LTV") ratios to be limited to:
- 50% of value of raw land in a rural area;
- 55% of value of serviced land in a rural area;
- 60% of value of raw land in an urban area;
- 65% of value of serviced land in an urban area;
- 65% of value of developed rural real-estate;
- 65% of value on commercial real-estate; and
- 75% of value of developed urban real-estate.

(c) Maximum term of mortgages is five years (it is anticipated that most will be for one year).

(d) Most mortgages to have a three month penalty for pre-payment.

(e) The Company goal is to finance mortgages with a yield of prime plus 2% to prime plus 8% per year. Prepayment penalties and applicable fees will increase this yield.

(f) All mortgages to be supported, as appropriate, by one or more of:
- personal guarantee(s) or covenants;
- assignment of fire insurance;
- assignment of rents, if rental property;
- post-dated cheques for term of mortgage or pre-authorized debits;
- written Credit Bureau reports(s);
- current valuation of property carried out by independent appraisers unless the loan to value ratio for the loan is very low, in which case the Company may instead carry out a site inspection and review of tax assessments to confirm the approximate value of the property;
- financial and personal statements; and
- title insurance.

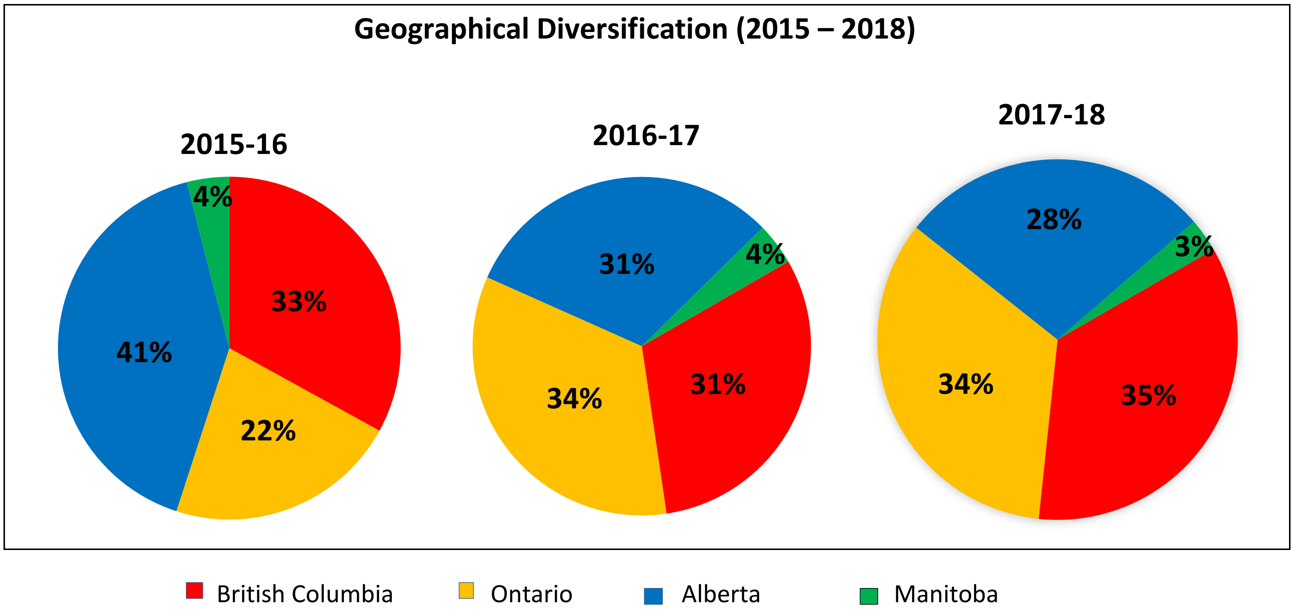
(g) Mortgage portfolio may be partially margined to secure the Company's line of credit.

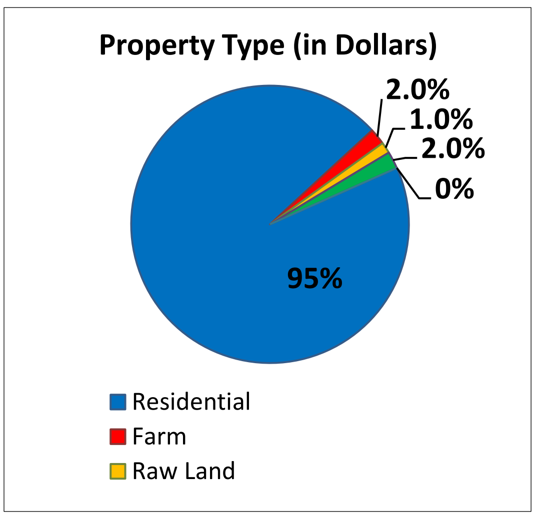
In addition to the Investment Policies, capital withdrawals by Shareholders of their funds (through share redemptions) is permitted from time to time at the discretion of the board of directors and is subject to availability of funds, but no more frequently than twice per year.

2.2.7 *Portfolio Composition Overview*

The information contained in this section is as at the Company's last financial year end on August 31, 2018.

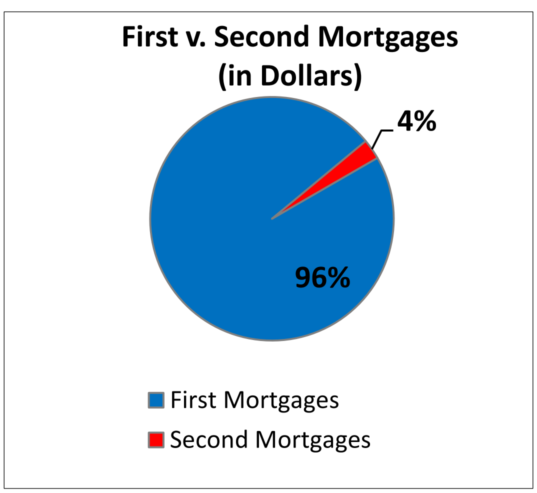
Since mid-2014, a key goal has been to lessen the Company's reliance on the Alberta market and to better diversify its portfolio geographically. As illustrated below, the Company has, for the last two years, maintained relative parity in its portfolio with approximately a third of its investments in British Columbia, a third in Ontario, and the remaining third in Alberta and Manitoba. The Company expects that a majority of its business opportunities will continue to come from British Columbia and Ontario as these provinces provide a more diverse marketplace for private mortgage investments. Nevertheless, the Company will continue to pursue all viable mortgage opportunities in Alberta and Manitoba.





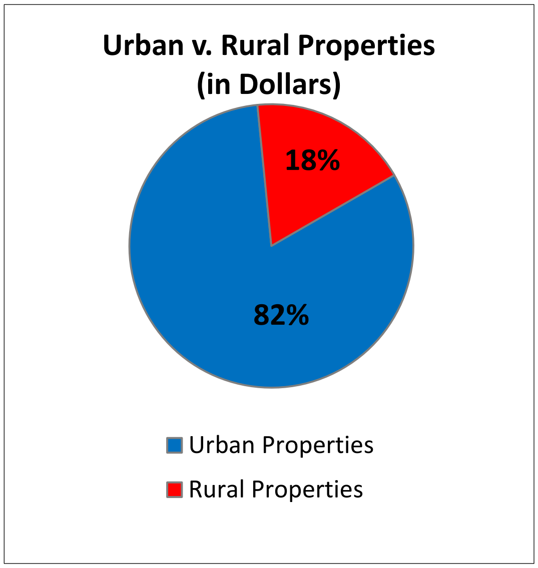
The Company's portfolio remains mostly comprised of mortgages secured by typical, owner occupied, residential properties (namely, single family houses, duplexes, townhouses, and condos):

- Residential - $91.8 million – 483 mortgages.
- Farm - $1.8 million – 7 mortgages.
- Commercial - $1.9 million – 2 mortgages.
- Raw Land - $1.3 million – 11 mortgages.
- Construction & Development – no mortgages.



First Mortgages: $93 million in 452 mortgages. First mortgages provide for better security as there are no priority charges (as is the case with second mortgages) which could erode equity and increase the potential for loss in the event of a foreclosure.

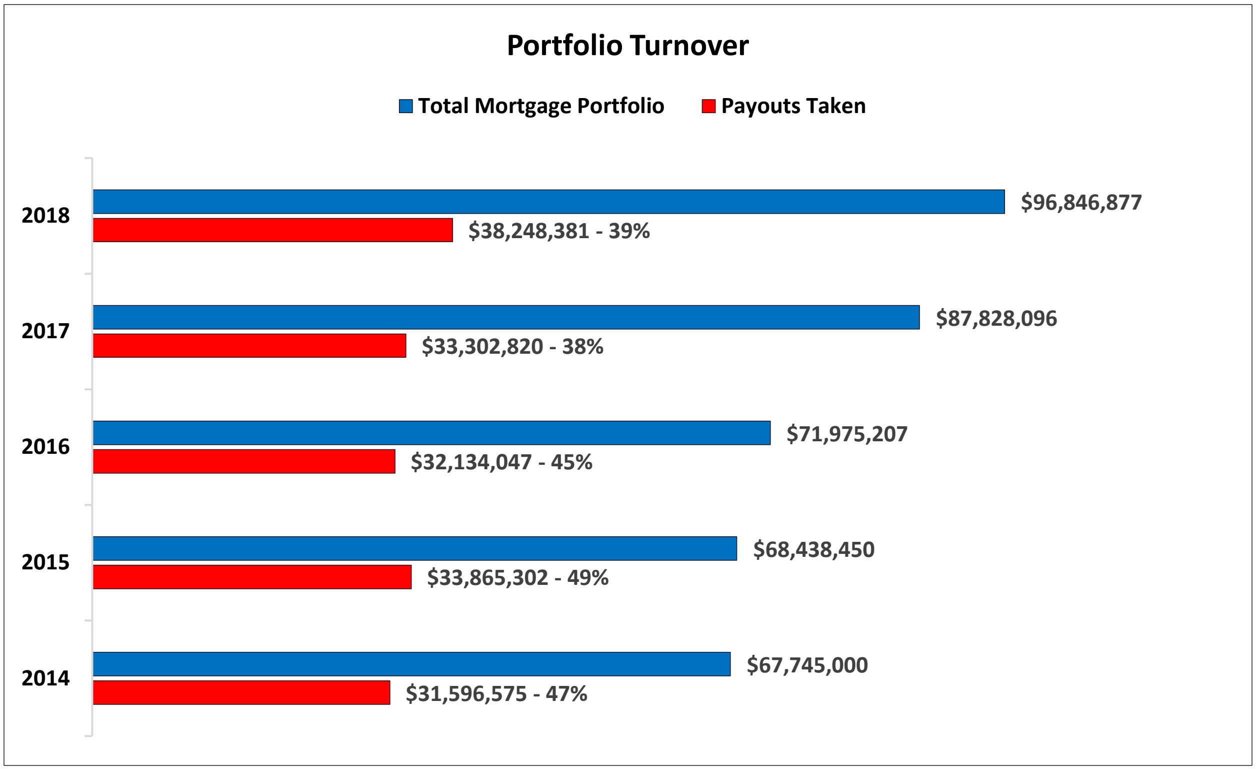
Second Mortgages: $3.8 million in 51 mortgages. The Company continues to pursue second mortgage applications in all markets, although its loan to value guidelines are reduced in most markets to address the added risk with these investments.



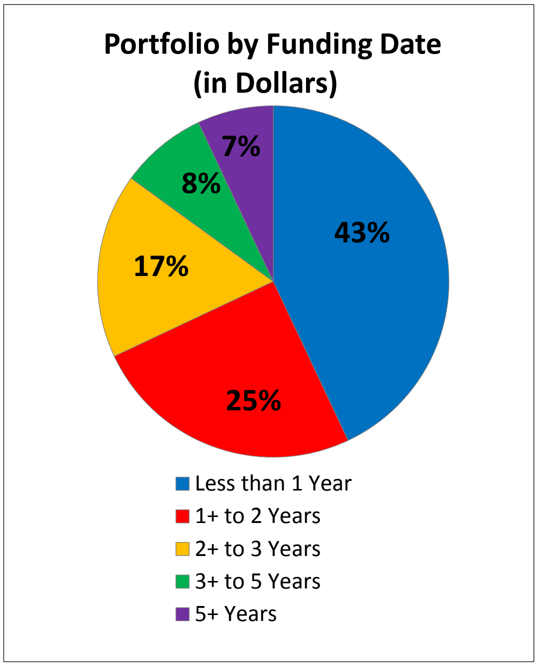
Urban Properties: $79.4 million in 407 mortgages. Urban properties are those located in or within commuting distance to larger urban centres.

Rural Properties: $17.4 million in 96 mortgages. Rural properties are those located in smaller communities or rural locations, including acreages and farms.

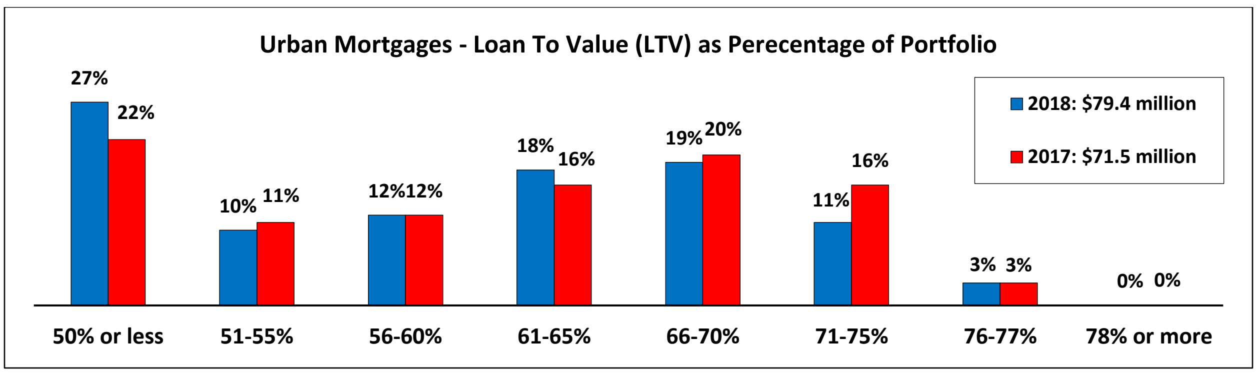
The Company has maintained a roughly 80% urban and 20% small town and rural mix in its portfolio for the past five or more fiscal years. In Ontario, the urbanization of real estate extends substantially outside of metropolitan Toronto and other larger communities in the province. This is due to the significantly higher population density in the province and longer commutes to urban centres being the accepted norm.

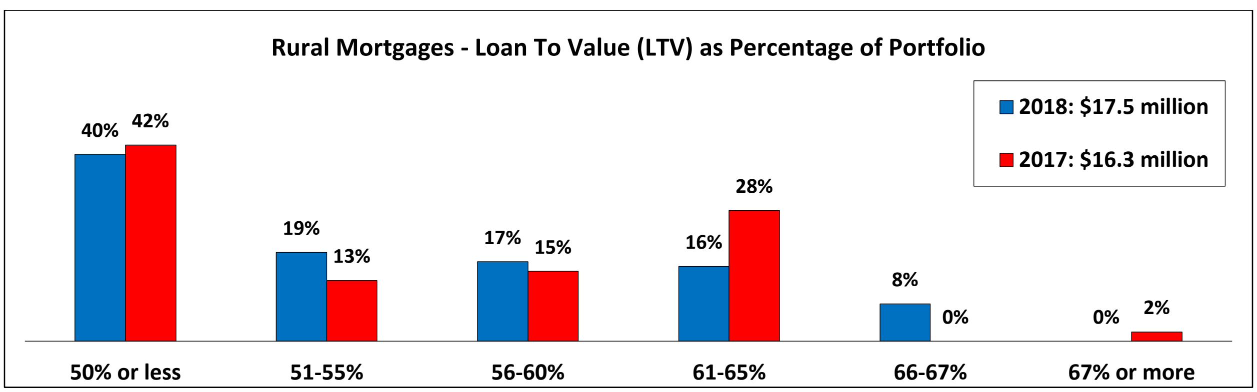


As illustrated above, the Company's portfolio remains very liquid; with an average of 39% of the portfolio paying out in 2018. Over the past five fiscal years, the Company has averaged of 43% of the portfolio being paid out each year. Payouts over 2018 totalled $38.2 million, an increase of 15% compared to payouts of $33.3 million in 2017.



Due to this turnover, the Company's mortgage portfolio is relatively new with 43% of its mortgages (in dollars) funded within its 2018 financial year, and 85% of its portfolio funded within the last three financial years. This has been advantageous as the Company's property appraisals and site inspections were more recent and, in most cases, provided for a more accurate reflection of property condition and equity position in the event of a default.





Based on the Company's most recent appraisals and market valuations, its portfolio breaks down as follows:

- Urban Mortgages - 86% of capital is invested at 70% LTV or less (2017 – 80%, 2016 – 73%).
- Rural Mortgages - 76% of capital is invested at 60% LTV or less (2017 – 70%, 2016 – 72%).

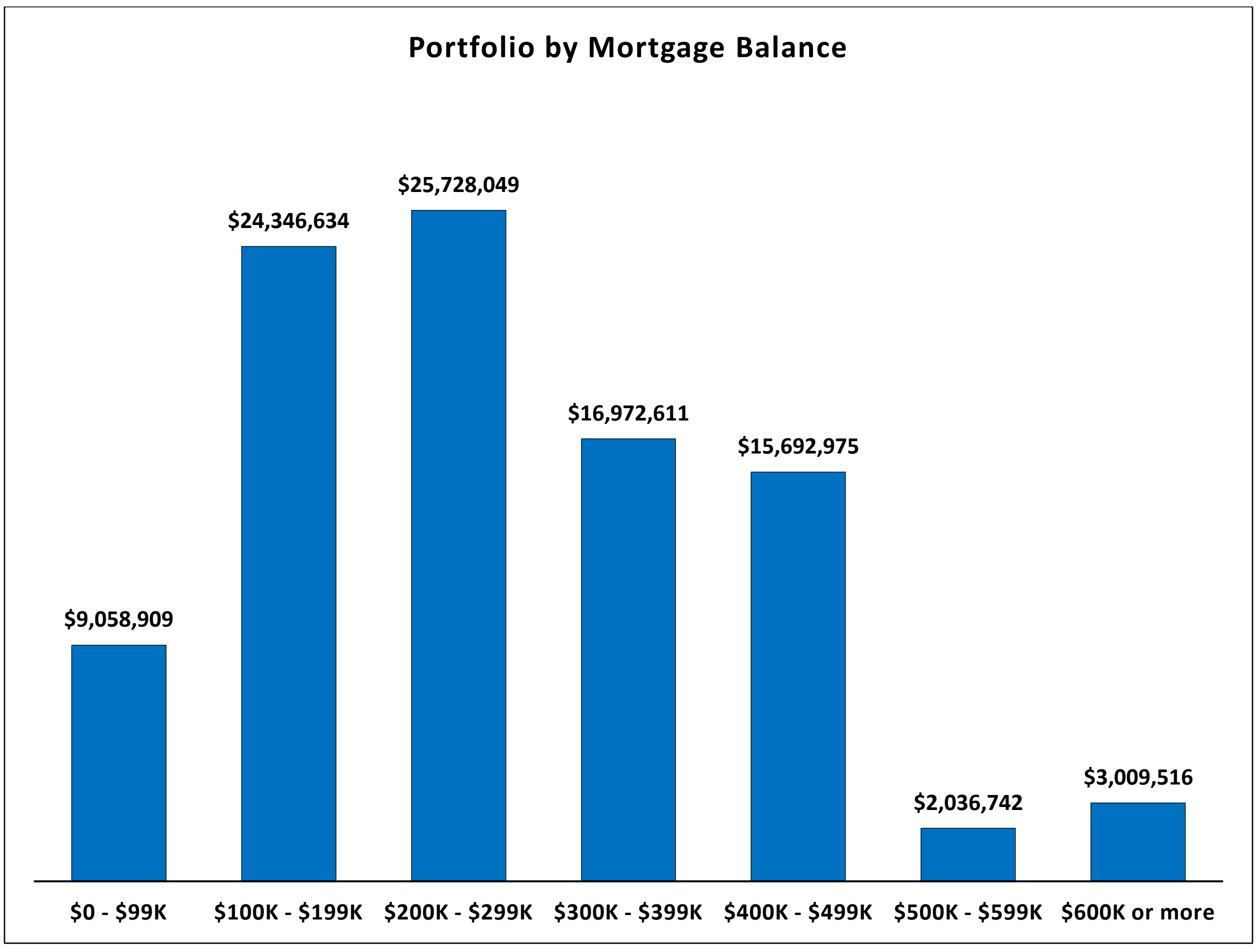
While the Company's total portfolio increased by approximately 10% over its 2017 financial year, the Company's total mortgages (in dollars) funded at higher loan to value ratios (over 70% for urban and 60% for rural properties) has declined as a percentage of the Company's total portfolio. This result reflects more selective lending over the course of the past financial year to mitigate any potential dampening of market values it may encounter over the 2019 financial year.

The small number of mortgages where the loan to value ratio exceeds the Company's usual maximums of 75% on urban and 65% on rural properties fall into one of two categories:

- The first relates to foreclosure mortgages where property valuations have been updated on a "forced sale" basis, resulting in a lower market value and an increased loan to value ratio. At August 31, 2018, the Company had one foreclosure totalling $296,400 that fell into this category.

- The second relates to mortgage renewals and the Company's on-going practice of capitalizing any renewal fees on a mortgage at maturity, rather than requiring the borrower to pay these costs up front (in cash). Once renewal fees are capitalized, if the revised loan to value ratios exceed its maximums of 75% (urban) and 65% (rural) by more than 2%, these mortgages are reviewed to determine if an updated property valuation or renewal decision is appropriate.

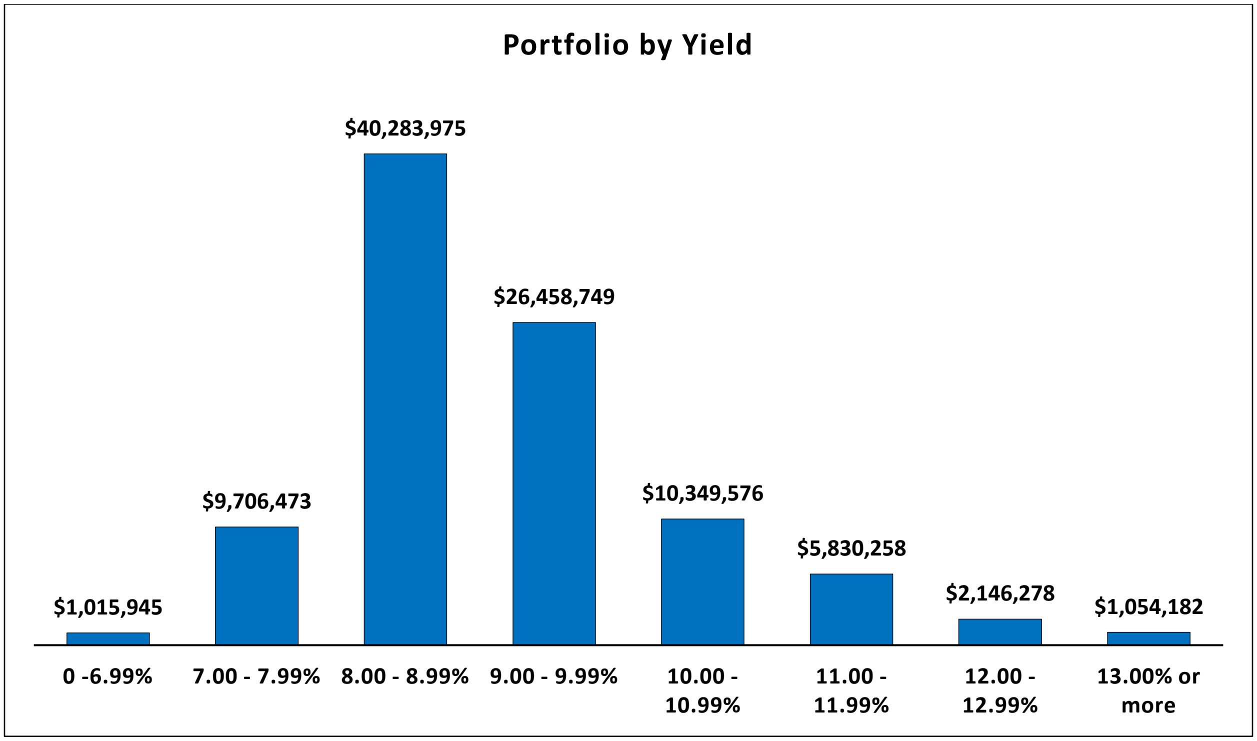
In its 2018 financial year, the Company generated approximately $610,000 in lender fees on mortgage renewals, up from $450,000 in the 2017 financial year and $376,000 in the 2016 financial year. Furthermore, none of its mortgage investments (excluding foreclosures) exceeded its 2% over maximum loan to value limitation at August 31,2018.



As illustrated above, the Company's portfolio is comprised of mostly smaller mortgages, with approximately $76 million (79% of total principal) invested in mortgages under $400,000.

Of its 503 mortgages as at August 31, 2018, the Company had only 43 mortgages with a balance in excess of $400,000, including four over $500,000, and another four over $600,000. The Company did not have any mortgages in excess of $1 million in its portfolio.

The Company continue to focus on mostly smaller mortgage investments relative to the size of its total portfolio with 82% of its mortgages (411 mortgages) being for $300,000 or less. The Company believes this approach will allow for a more diversified investment and reduces the risk of any proportionately larger mortgages going into default, which can have a significant, detrimental impact on profitability and security of funds.



As of August 31, 2018, total funds invested generated rates of return as follows:

- 89% of the Company's portfolio generated a yield of 8% or greater (2017 – 80%, 2016 - 82%).
- 48% of the Company's portfolio generated a yield of 9% or greater (2017 – 36%, 2016 – 43%).
- the Company's second mortgage portfolio ($3.8 million) generated an average yield of 12.23%.

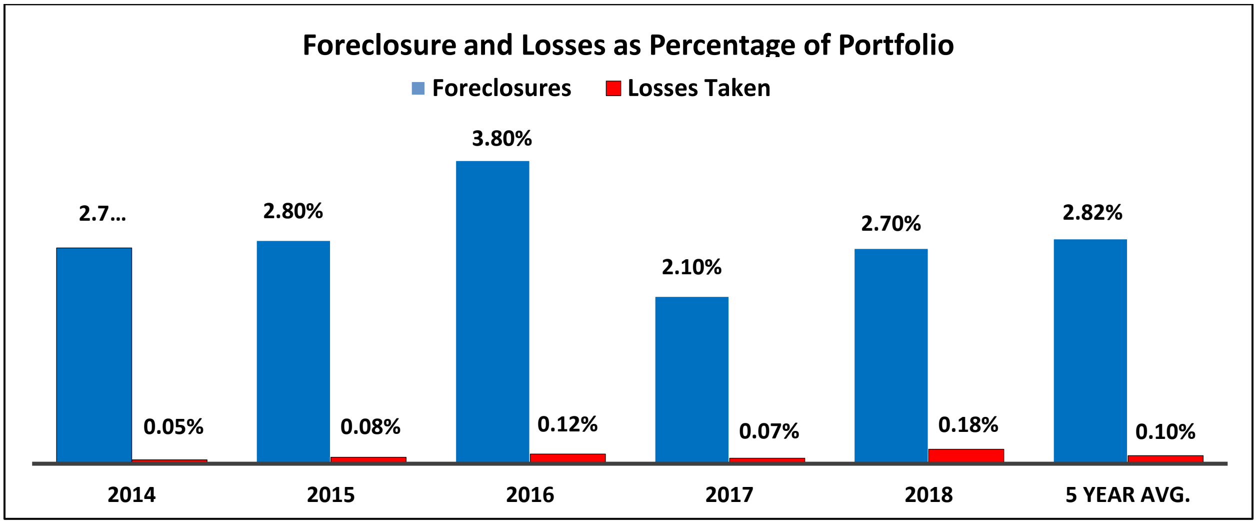
During its 2018 financial year, the Company secured a minimum yield of 7.50% to 8.0% new mortgages funded. This change was reflective of the increases to the bank prime rate over the past year, and the Company's goal of generating a minimum yield of approximately prime + 4.5% on most new business. At present, urban first mortgages will generally yield between 8 – 10%, with small town and rural first mortgages yielding in the 9 – 11% range.

In addition, the Company reduced the number of existing mortgages in its portfolio generating less than 8% by roughly 40%, from $16.5 million at the end of the 2017 fiscal year down to $9.7 million as of August 31, 2018. As the balance of these accounts mature, they will be re-priced accordingly upon renewal in order to secure the minimum yield of 8.0% as noted above. It is important to note that virtually all mortgages in the Company's portfolio yielding less than 8.0% (excluding foreclosures) would represent very low risk, urban first mortgages at 50% LTV or less.

The 0 – 6.99% category represents four foreclosure mortgages where the Company expected to incur a loss upon sale. Although the actual interest rate on these mortgages is much higher, once the Company determines that a mortgage is in a probable loss position, it discontinues taking interest into income on these mortgages. Once the property is sold, if there are sufficient sale proceeds to collect any interest not taken into income previously, this interest is collected at the time of payout.

2.2.8 *Foreclosures*

The Company’s pricing for new business continues to be based on property type, location, purpose of funds, loan to value, as well as competitive influences in the marketplace. These parameters are considered with all applications to ensure the Company is best positioned to pursue better quality business in all markets, while still maintaining its standards relative to yield, risk and security of funds.



As the above chart illustrates, the Company’s historical default and loss levels have been very low. Based on its average mortgage portfolio of $78 million over the past five years, the Company’s foreclosures have accounted for less than 3% of its total portfolio, with actual losses being much lower at just over 0.10%.

As of August 31, 2018, the Company had 13 foreclosures in progress (2.7% of its total portfolio). The breakdown of these mortgages is shown in the following table.

FORECLOSURES				
Province	**Number of Mortgages**	**Balance Owing**	**Security Value**	**Average LTV Ratio**
British Columbia	1	$220,217	$335,000	66%
Alberta	10	$1,780,785	$2,958,000	63%
Ontario	2	$608,506	$1,100,000	57%
Manitoba	0	N/A	N/A	N/A
Totals:	**13**	**$2,609,508**	**$4,393,000**	**59%**

Most of these foreclosures are in Alberta, which has been a consistent trend since 2015 when declining oil prices adversely impacted economic and real estate market conditions in the province. While larger Alberta markets, such as Edmonton and Calgary have since recovered, some smaller towns and rural areas have not been as robust. Foreclosure activity in all other provinces was minimal in the past two financial years.

2.2.9 *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 each year, both in the number of MICs and the competitiveness of those MICs. There are already a significant number of MICs operating with varying levels of success and many of these MICs compete for the same borrowers. In addition to completion from lower rates, some MICs now offer mortgage loans that do not have a pre-payment penalty.

All of this has resulted, and could result in further, downward pressure on lending rates and rates of return to investors in MICs. Nevertheless, the Company does not believe that either the lowest pricing or the most aggressive terms are the sole criteria for securing market share in the private mortgage marketplace and that service and a comprehensive marketing strategy are equally as important should provide a better return to investors. Accordingly, the Company will endeavour to provide exceptional service and carry out a comprehensive marketing strategy.

2.3 Development and History of the Business

During the past two financial years (ending on August 31, 2017 and 2018) and subsequent period up to the date of this Offering Memorandum, there have not been any unusual events or conditions that have favourably, or adversely, influenced the development of the Company's business except as described below.

2017 Financial Year

In terms of revenue in the Company's 2017 financial year, there was an improvement in all income streams as detailed below:

- Interest income increased substantially by over $673,000 to $5.8 million (2016 - $5.13 million), generated on an average total mortgage portfolio of just under $80 million, up 16% from the Company's average portfolio balance of roughly $69 million in 2016.

- Lender fees generated on new mortgage business and renewals increased to just under $1.13 million, up from approximately $833,000 in 2016. This 36% increase reflected the Company's substantially higher funding volumes in its 2017 financial year.

- Combined income from prepayment penalties and miscellaneous collection fees increased nominally by approximately $17,000 as compared to the previous financial year.

With respect to costs, the relevant factors are as follows:

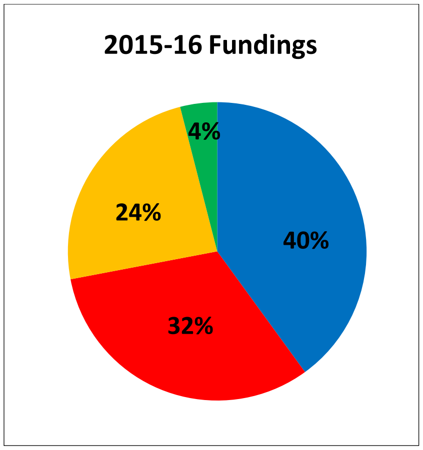
- The expanded use of the Company's line of credit increased banking costs (interest and fees) substantially to just over $570,000, an increase of over $260,000 compared to the 2016 financial year costs. Notwithstanding the costs associated with the Company's credit line, this credit facility continues to benefit shareholders through improved cash flow management and profitability as a result of this access to lower cost, leveraged lending capital.

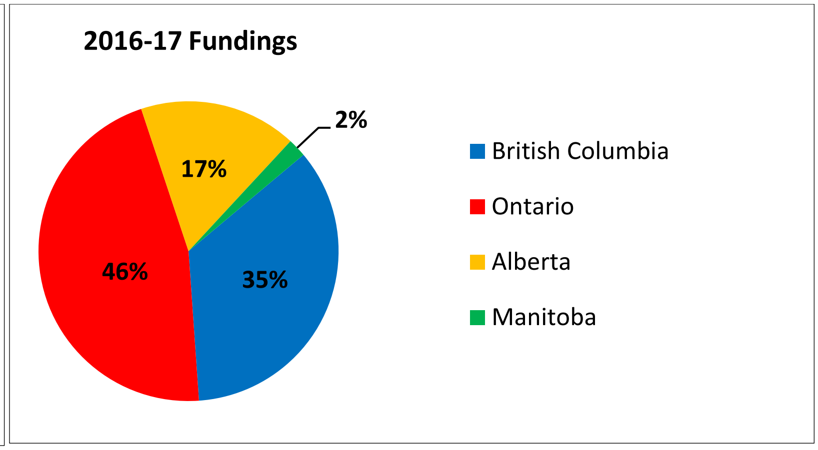
- Total write offs were modest at just over $66,400 in the Company's 2017 financial year (2016 - $87,027). A portion of these losses ($24,000) were recovered from the Company's accumulated loan loss reserves of $740,000.

- Professional fees for legal and accounting services increased moderately to $75,400. These costs apply to the Company's annual audit, share transactions, legal fees and accounting services required in the normal course of business activities for the Company.

- Administration fees increased by approximately 13% over the 2016 financial year, reflecting the Company's overall improvement in profitability and net return to shareholders.

New business volumes during the 2017 financial year were positive, with 245 new mortgages funded totalling 49.2 million in volume (2016 – 201 mortgages and $35.2 million funded). A breakdown of new business funded is as follows:





As illustrated above, most of the Company's new business in its 2017 financial year came from Ontario and British Columbia, funding $22.5 million and $17.4 million respectively. This greater influx of business can be attributed to strong market conditions in both British Columbia and Ontario, as well as growing presence in the Ontario market. Funding levels in Alberta remained consistent with the previous year at $8.4 million, and just under $1 million was funded in Manitoba. Overall, the Company generated a net gain in its portfolio of approximately $15.8 million and 58 mortgages at year end.

2018 Financial Year

In terms of revenue in the Company's 2018 financial year, the relevant factors were as follows:

- Interest income increased by 17% in the 2018 financial year compared to 2017, totalling $6.8 million (2017 – $5.8 million). It was generated on an average total mortgage portfolio of roughly $94 million, up 18% from the Company's average portfolio balance of approximately $80 million in 2017.

- Lender fees generated on new mortgage business and renewals improved to just under $1.3 million, up from approximately $1.1 million in 2017. Although the Company's new business funding volumes and corresponding lender fees were slightly lower than the previous year, fees generated on mortgage renewals (due to the Company's growing mortgage portfolio) accounted for the majority of the increase in 2018 (up 18% from 2017).

- Prepayment penalties collected declined in the 2018 fiscal year by approximately $37,500 as fewer mortgages paid out before their maturity date.

- Miscellaneous (collection) fees increased modestly by approximately $13,000 as compared to the 2017 fiscal year.

With respect to costs, the breakdown is as follows:

- The expanded use of the Company's credit line this past year increased banking costs (interest and fees) to just over $880,000, up from $571,000 in 2017. Notwithstanding the costs associated with its credit line, the Company's use of leverage in this manner continues to improve profitability.

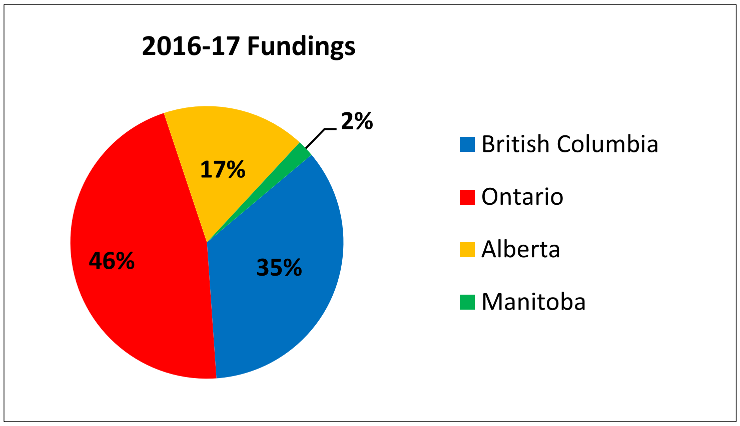
- Losses taken in the 2018 fiscal year increased to approximately $173,000, up from $66,400 in 2017. A portion of these losses ($66,000) were recovered from the Company's accumulated loan loss reserves of $716,000.

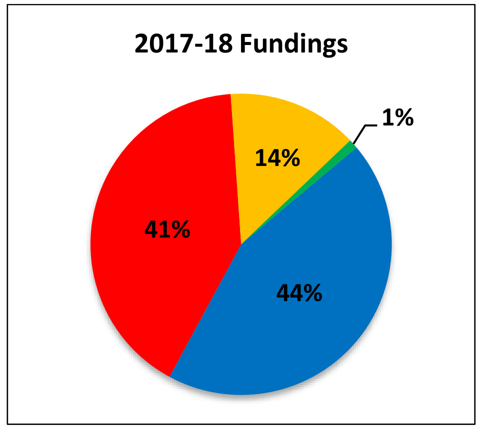
- Professional fees for legal and accounting services were reduced by roughly 22% to approximately $58,500. These costs include the annual audit, share transactions, securities matters, as well as other legal and accounting work required in the normal course of business activities for the Company.

- Administration fees rose by approximately 11% from the 2017 fiscal year, reflecting the Company's increased total net profit as compared to 2017.

New Business Volumes

Over the course of the 2018 fiscal year, the Company funded just under $47 million in new mortgage business (214 mortgage), down slightly from $49.2 million (245 mortgages) during 2016-17. This slight reduction in volume (of 5%) can be partly attributed to the Company's more conservative lending at higher loan to value ratios. The Company reduced its funding levels on higher loan to value mortgages (greater than 70% LTV) from 8.5 million (17% of total) in 2017, down to $3 million in the 2018 fiscal year (6% of total). the Company took this stance in anticipation of slowing market conditions that were becoming evident in some markets over the past year.





As was the case in fiscal 2017, the bulk of the Company's new business came from British Columbia and Ontario, funding approximately $21 million and $19 million respectively. This was an annual increase of 20% in new business in British Columbia and a 15% reduction in Ontario (due to more conservative lending as noted above). Alberta and Manitoba business volumes were relatively flat compared to 2017. Overall, the Company generated a net annual gain in its portfolio in its 2018 fiscal year of just over $9 million and 29 mortgage accounts.

2018 Compared to 2017

The results of the Company's operations for the last two financial years are summarized in the following table:

Item	Financial Year Ended August 31			
	2017		2018	
Gross Revenue	$7,187,869		$8,321,567	+16%
Net Profit	$5,071,614		$5,685,940	+12%
Gross Mortgage Receivables*	$87,829,299		$96,846,877	+10%
Number of Mortgages	474		503	+6%
B.C. Mortgages	$27,585,709	31% of total	$33,896,407	35% of total
Ontario Mortgages	$29,149,669	34% of total	$32,927,938	34% of total
Alberta Mortgages	$27,554,186	31% of total	$27,117,126	28% of total
Manitoba Mortgages	$3,539,735	4% of total	$2,905,406	3% of total
Average Mortgage Size	$185,294		$192,539	+4%
Number of First Mortgages	429	91% of total	452	90% of total
Dollar Amount of First Mortgages	$84,973,853	97% of total	$92,992,812	96% of total

Item	Financial Year Ended August 31			
	2017		2018	
Average Loan to Value Ratio	52%		51%	-1%
Total Shareholder Capital	$64,319,263		$72,187,114	+12%
Number of Shareholders	289		315	+26
Net Yield on Investment	**8.25%**		**8.10%**	**-0.15%**

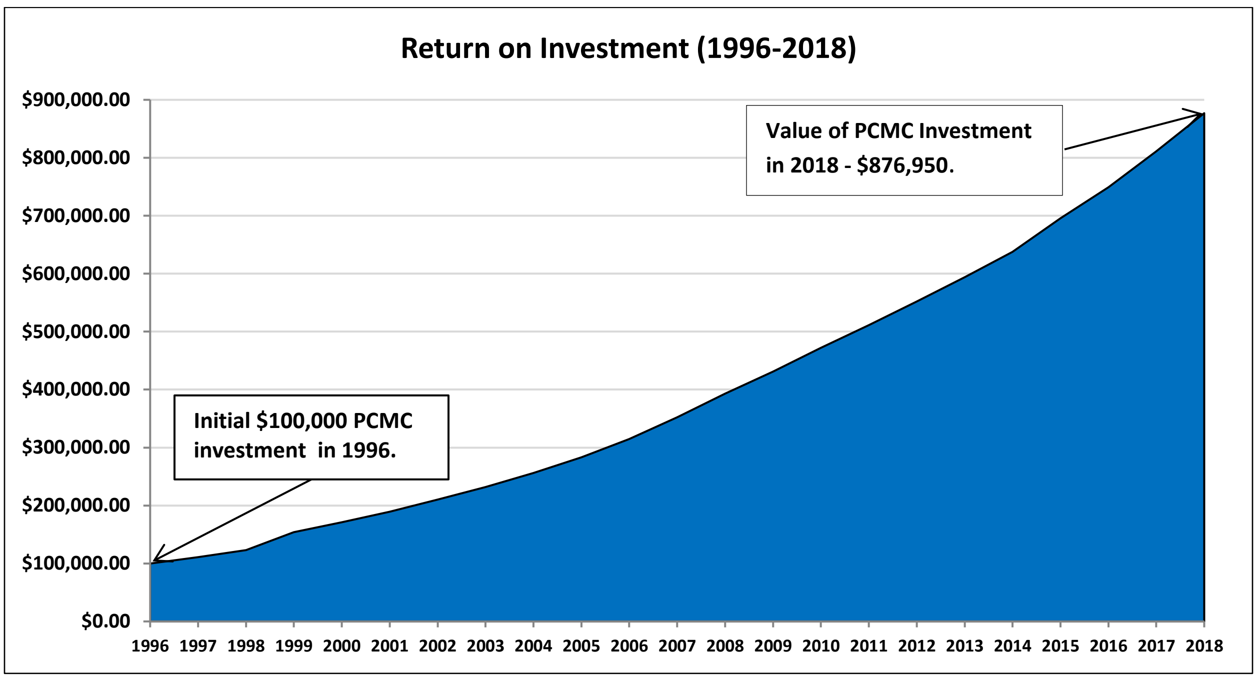
*Summary data is based on gross mortgage receivables. See Note 6 of the financial statements for details of the net receivables (gross less accumulated reserves).

Rates of Return

The average rate of return which the Shareholders receive on their investments is determined annually by the Company's auditor as at the Company's August 31st financial year end. The effective annual yield on adjusted share capital for the Shareholders for the past five financial years is set out in the following table.

Rate of Return in				
2014	**2015**	**2016**	**2017**	**2018**
7.36 %	7.54%	7.70%	8.25%	8.10%

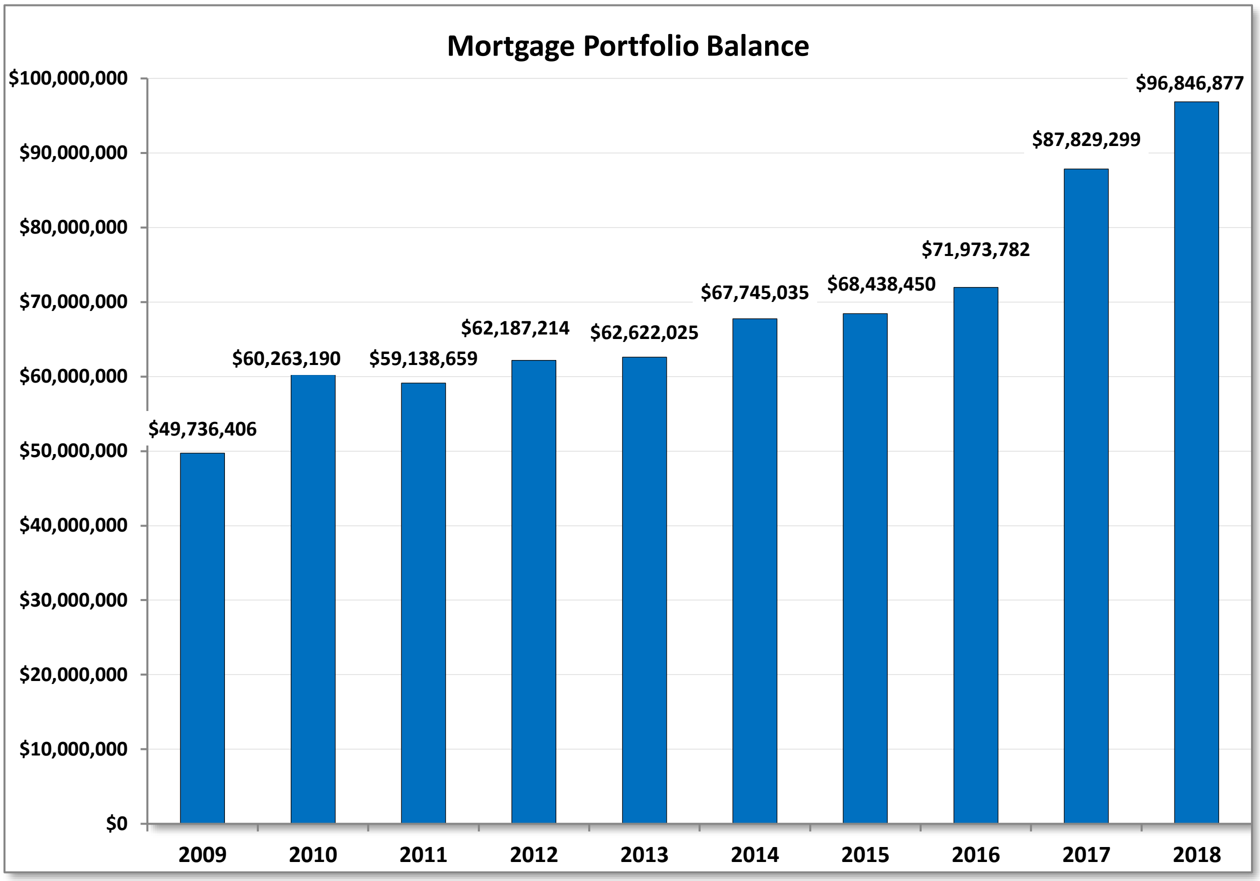
The following graph illustrates performance of a $100,000 investment in the Company from the inception of its business on September 1, 1996 to August 31, 2018, assuming all distributions were reinvested in shares:



The rates of return are averages for all of the Company's Shareholders and may not reflect the return received by any one Shareholder. There is no guarantee that such rates of return will continue or that Shareholders will receive similar returns in future years. This illustration does not take into consideration any applicable taxation costs or factors for any one Shareholder. The factors which affect the rate of return are described in Item 8 *Risk Factors*.

Mortgage Portfolio Growth

The following chart shows the growth in the Company's mortgage portfolio over the last 10 years.



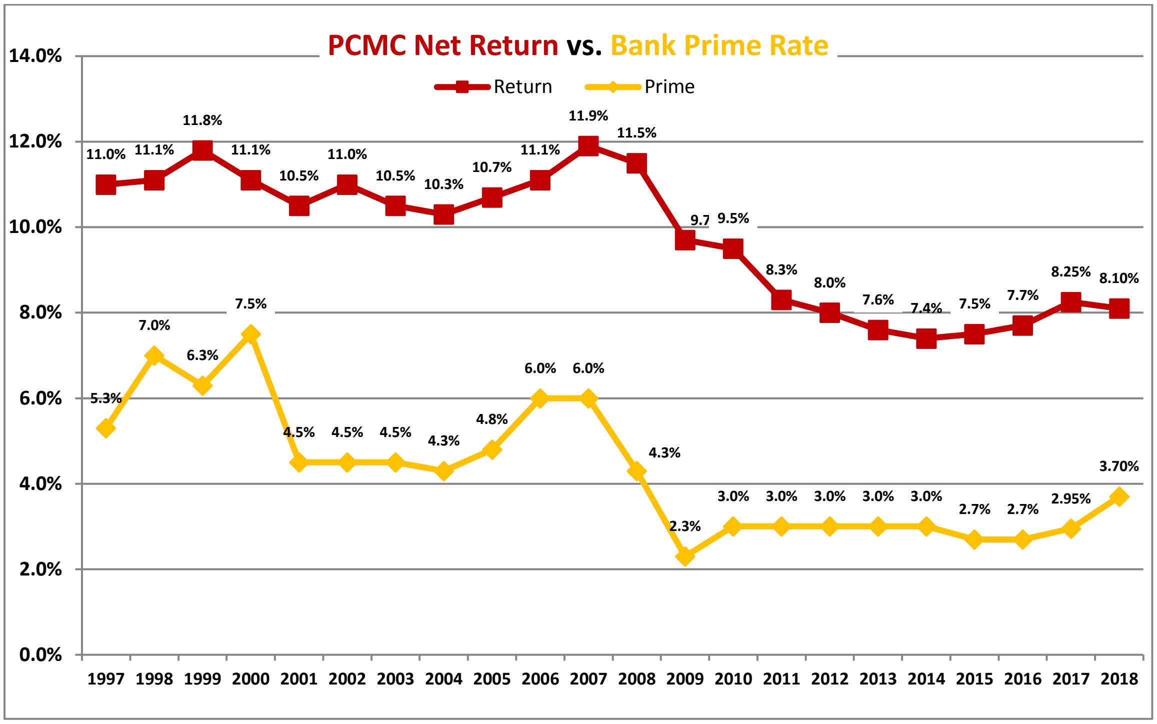
Interest Rate Trends

In light of continued improvement in overall economic conditions, the Bank of Canada increased its prime lending rate from 2.70% in July 2017 to 3.70% at the end of the 2018 fiscal year. In late October 2018, a further increase of 0.25% was announced by the Bank of Canada, prompting the major banks to increase their prime rate to 3.95%. It is widely expected that further increases to the bank prime rate will be announced over the coming year.

These increases in the Bank of Canada's prime rate have impacted both short and long term lending rates for conventional mortgages, as well as for private mortgages. Accordingly, the Company has incrementally increased its pricing over the 2018 fiscal year (by 0.50% on average), and will continue to make adjustments upwards should prime increase further.

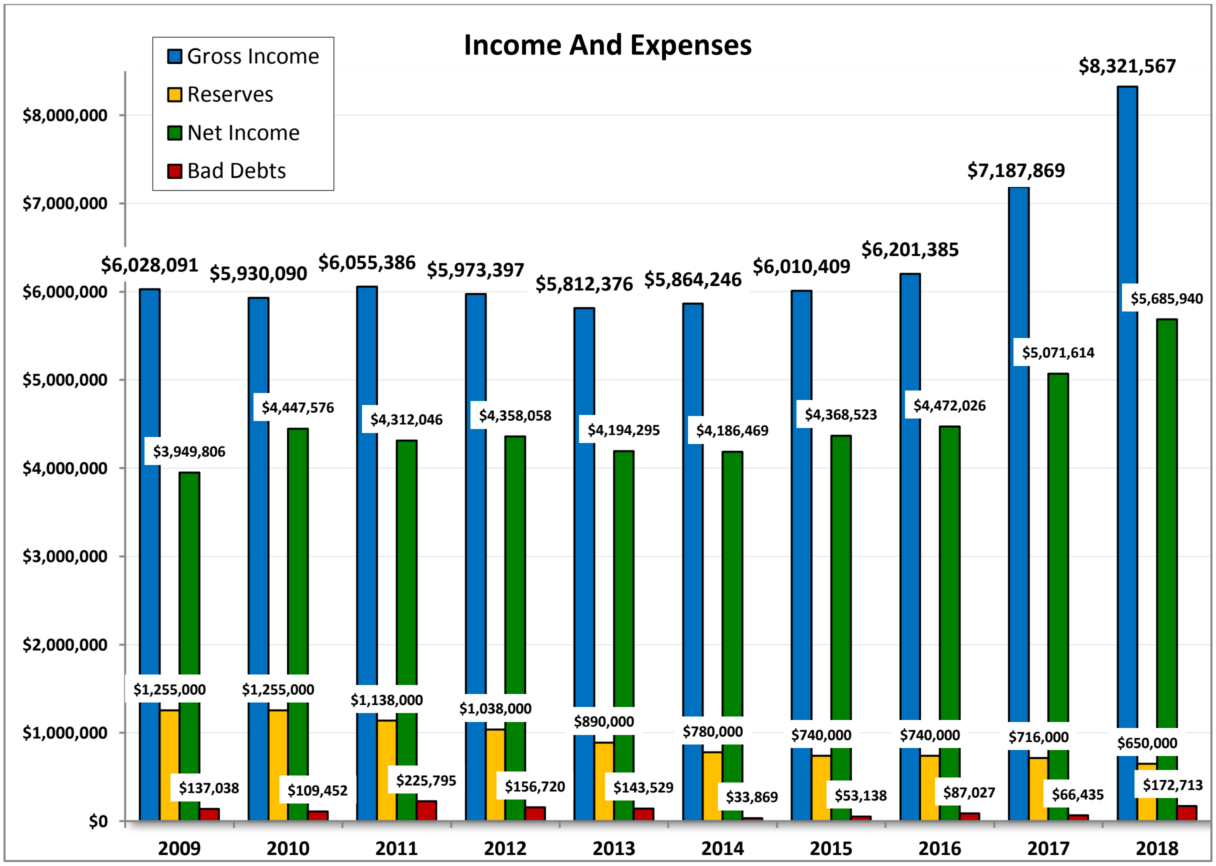
While the Company can adjust its mortgage loan pricing on new business fairly quickly if rates go up, there will be an unavoidable lag between activities to reprice its existing mortgages and the pace at which interest rates have, and may continue to increase. This is due to the fact that pricing on the Company's existing mortgages can only be adjusted at the time of renewal. As most of the Company's mortgages are renewal annually, it could take up to a full year before a mortgage can be repriced. In addition, more conservative lending with higher loan to value mortgages will also influence this transition to a certain degree. Lower loan to value mortgages are preferable as they present less risk for loss if market values decline over time, however, they generally produce a lower yield. Also, increasing interest rates on mortgage renewals will result in higher monthly payments for borrowers, so the Company's efforts in this regard will have to be measured in order to avoid creating, or at a minimum, limiting additional delinquency within our portfolio.

The following chart shows the Company's rate of return compared to the prime rate of the major Canadian banks since the inception of its business on September 1, 1996.



Income and Expenses

The following chart shows the changes in the Company's revenue (gross income), income and bad debts over the last 10 years.



2.4 Long Term Objectives

The Company's long term objectives are to provide holders of its shares with sustainable income and an average annual rate of return on investment ranging from prime plus 2% to prime plus 8% annually while preserving capital and liquidity. This will be achieved by investing in mortgage loans meeting the Company's Investment Policies and then paying out cash or stock distributions to the Shareholders on an annual basis. There cannot be any assurance, however, that the Company will meet this objective. See Item 8, *Risk Factors*.

2.5 Short Term Objectives and How We Intend to Achieve Them

The Company's business objectives for the next 12 months are to maximize this offering so as to match the capital raised with mortgage loans as described in Item 2.2.6 *Investment Policies and Guidelines*. The Company intends to do the following to meet its objectives for the next 12 months:

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
The distribution of this Offering Memorandum to British Columbia investors and raising of funds thereunder	December 31, 2018	Up to $35,000
Oversee the Manager as it advertises, networks and otherwise seeks and places mortgage loans meeting the Company's Investment Policies	On-going	Annual fee equal to 21% of total profits, paid monthly*
Use the offering proceeds to provide mortgage loans with a reasonable and manageable level of risk in accordance with the Company's existing lending practices.	On-going	Up to $38,965,000

* See Item 2.2.2, *Manager*.

2.6 Insufficient Proceeds

The proceeds of this offering together with the Company's on-going cash flows, and access to its line of credit will be sufficient to accomplish all of the Company's business objectives for the next 12 months. It is not anticipated there will be insufficient proceeds.

2.7 Material Agreements

The following summarizes the material agreements to which the Company is currently a party, including material agreements with related parties:

(a) Management Agreement with the Manager dated August 15, 1996 (as amended by agreements dated May 10, 2004, January 4, 2005, February 21, 2005 and June 2, 2015). See Item 2.2.2, *Manager*.

(b) Shareholders' Agreement (as amended) among the Shareholder's from time to time of the Company, a copy of which, together with this Offering Memorandum, is given to each Subscriber in connection with the Subscriber's purchase of a Class A share. See Item 5, *Securities Offered.*

(c) The mortgage agreements comprising the Company's mortgage portfolio.

(d) The loan agreements dated March 30, 2006, as amended, respecting the Company's credit facility. See Item 2.2.4, *Equity and Debt Financing of the Company*.

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 the Company's directors, officers and promoters and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of the Company's voting securities (a "Principal Holder").

Name and Municipality of Principal Residence	Positions held and the date of obtaining that position	Compensation paid and payable[(1)]	Number, type and percentage of securities of the Company held prior to completion of	
			minimum offering	maximum offering
Giovanni (John) Mercuri Kelowna, B.C.	President (since Dec. 23, 2011) Director (since Feb. 28, 2007)	$127,000 ($130,000)	3 Class A – 0.9% 1,862,143 Class B – 2.4%	3 Class A – 0.9% 1,862,143 Class B – 2.0%
E. Franca Mercuri Kelowna, B.C.	Controller & Secretary (since May 2, 2011)	$127,000 ($130,000)	3 Class A – 0.9% 674,191 Class B - 0.9%	3 Class A – 0.9% 674,191 Class B – 0.7%
John L. Ugyan Kelowna, B.C.	Director (since Aug. 13, 1996)	$26,300 [(2)] ($26,300) [(2)]	4 Class A – 1.3% 2,527,190 Class B – 3.3%	4 Class A – 1.3% 2,527,190 Class B – 2.8%

(1) Compensation is the base salary paid by the Manager in the last financial year and the base salary anticipated to be paid in the current financial year (shown in brackets). All of the directors and officers are remunerated only by the Manager and none receive any remuneration from the Company.

(2) John Ugyan is not compensated in his role as a director of the Company. The compensation shown is paid for his advisory services provided to the Manager.

3,2 Management Experience

The following discloses the principal occupations of the directors and executive officers of the Manager over the past five years.

Name	Principal occupations and related experience
Giovanni (John) Mercuri	John Mercuri has served as the Company's President since December 23, 2011, and previously as its Vice-President from February 28, 2005. He is also President and controlling shareholder of the Manager, and as such directs all business activities for both the Company and the Manager. He began his involvement with the Company in 2000 as a licensed mortgage broker with the Manager, and progressed to the position of President and majority owner of the Manager in December 2011. In May 2013, John became the controlling shareholder of the Manager. With over 27 years of lending experience, John has been actively involved in the mortgage industry, most recently serving a one year term as a Director of the British Columbia MIC Managers Association. Prior to joining the Company, John spent eight years with Beneficial Canada Inc., a major consumer finance company specializing in secondary mortgage financing, holding several management positions throughout British Columbia. Since October 2012, John has also been President and controlling shareholder of another mortgage brokerage, Can Terra Financial Inc., which manages another MIC, Classic Mortgage Corporation, of which he has been a director since October 2012 and President since March 2013.
E. Franca Mercuri	Franca Mercuri is Controller and Corporate Secretary of the Company. In addition to being a licensed mortgage broker with the Manager since 2005, Franca oversees all administrative and banking/bookkeeping functions for the Company, as well as for the Manager. Franca also acts in the same capacities for Can Terra Financial Inc. and Classic Mortgage Corp. Prior to joining the Manager in 2003, Franca spent 15 years with Bank of Montreal holding various administrative, personal lending and investment advisory positions in multiple locations throughout British Columbia.

Name	Principal occupations and related experience
John L. Ugyan	John Ugyan is a Director and former (incorporation to December 23, 2011) President of the Company, as well as founder and former owner of the Manager. In retirement, John continues to provide input as an advisor to both companies, and sits as a Credit Committee member for the Company. Prior to founding the Manager in 1985, John spent many years with the Toronto Dominion Bank and Bank of British Columbia, holding lending and management positions with both institutions.

3.3 Penalties or Sanctions and Bankruptcy

There have been no penalties, sanctions or cease trade orders imposed upon the Company or the Manager or their respective directors, executive officers or control persons during the last 10 years. The Company, and its directors, executive officers and control persons, have not been subject to any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, during the last 10 years.

3.4 Loans

The Company is not indebted to any of its directors, management, Shareholders of more than 10% of either class of its Shares or promoters, nor are any of them indebted to the Company, for any loans.

Item 4. CAPITAL STRUCTURE

4.1 Share Capital

The Company's share capital is set out in the following table.

Description of Security	Number authorized to be issued	Price per security	Number outstanding		
			as at the date of this Offering Memorandum	after Minimum Offering	after Maximum Offering*
Class "A" Shares	Unlimited	$1.00	320	320	320
Class "B" Shares	Unlimited	$1.00	76,421,890	76,424,890	91,421,890

* Assuming a maximum of 15,000,000 Class "B" Shares and no Class "A" Shares are sold. The final amount of, and allocation between, Class "B" Shares and Class "A" Shares issued will depend on the number of new and existing investors and amount of subscriptions received.

4.2 Current and Long Term Debt

The Company has no long term debt. The following table summarizes information about outstanding short term debt of the Company.

Description & Whether Secured	Interest Rate (annual)	Repayment terms	Amount outstanding at the date of this Offering Memorandum
Line of Credit Secured *	Bank Prime plus 0.80%	Interest payable monthly & Principal repayable on demand	$ 5,730,343
Banker's Acceptance Notes Secured *	Bank Prime plus 0.60%	Interest & Principal repayable on December 12, 2018	$ 12,000,000

* The line of credit and banker's acceptance notes are secured as described in Item 2.2.4, *Equity and Debt Financing of the Company*.

4.3 Prior Sales

During the last 12 months the Shares issued by the Company are as set out in the following table:

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security	Total Funds Received
December 2017	Class A Shares Class B Shares	0 0	$1.00 $1.00	0 0
January 2018	Class A Shares Class B Shares	00	$1.00 $1.00	00
February 2018	Class A Shares Class B Shares	4 1,460,842	$1.00 $1.00	$ 4 $ 1,460,842
March 2018	Class A Shares Class B Shares	3 1,513,502	$1.00 $1.00	$ 3 $ 1,513,502
April 2018	Class A Shares Class B Shares	7 2,217,866	$1.00 $1.00	$ 7 $2,217,866
May 2018	Class A Shares Class B Shares	3 1,033,207	$1.00 $1.00	$ 0 $ 1,033,207
June 2018	Class A Shares Class B Shares	6 529,500	$1.00 $1.00	$ 6 $ 529,500
July 2018	Class A Shares Class B Shares	0 0	$1.00 $1.00	0 0
August 2018	Class A Shares Class B Shares	0 55,489	$1.00 $1.00	$ 0 $ 55,489
August 31, 2018 Annual Dividend	Class B Shares	4,205,203	$1.00	$ 4,205,203
September 2018	Class A Shares Class B Shares	3 533,922	$1.00 $1.00	$ 3 $ 533,922
October 2018	Class A Shares Class B Shares	2 207,557	$1.00 $1.00	$ 2 $207,557
November 2018	Class A Shares Class B Shares	0 0	$1.00 $1.00	00
Totals	Class A Shares Class B Shares	28 11,757,088	$1.00 $1.00	**$ 28** **$11,757,088**

4.4 Redemption History

During the Company's last two financial years and subsequent period to the date of this Offering Memorandum, the Company has redeemed the following Class A Shares and Class B Shares:

Financial Year	Redemption Requests							
	Opening Outstanding Requests		Received during Financial Year		Paid during Financial Year		Ending Outstanding Requests	
Class A Shares								
2017	0	$ 0	5	$ 5	5	$ 5	0	$ 0
2018	0	$ 0	5	$ 5	5	$ 5	0	$ 0
2019 (1)	0	$ 0	1	$ 1	1	$ 1	0	$ 0

Financial Year	Redemption Requests							
	Opening Outstanding Requests		Received during Financial Year		Paid during Financial Year		Ending Outstanding Requests	
Class B Shares								
2017	0	$ 0	41	$ 3,505,520	41	$ 3,505,520	0	$ 0
2018	0	$ 0	35	$ 3,958,690	35	$ 3,958,690	0	$ 0
2019 (1)	0	$ 0	17	$ 711,907	17	$ 711,907	0	$ 0

(1) Financial period from September 1, 2018 to the date of this Offering Memorandum.

The Company paid all redemption requests in full using its cash on hand and, if necessary, funds available from its credit facility. The Company expects redemptions to continue approximately as they have for the last two financial periods and does not expect that such redemptions will cause any adverse effect on its operations or payment of income distributions.

Item 5. SECURITIES OFFERED

The Company hereby offers to residents of British Columbia, on a private placement basis, up to 15,000,000 Class “B” Shares at a price of $1.00 per Class “B” Share. One Class “A” Share is required to be purchased and held by each new Shareholder along with a minimum of 3,000 Class “B” Shares.

The Offering is made on a best efforts basis by the Company, the Manager and registered securities and exempt market dealers (if any) commencing on the date of this Offering Memorandum and ending on the earlier of December 31, 2019 and the date of issuance of the Company’s annual financial statements for the financial year ended August 31, 2019 (the "Offering Period"). The Offering is subject to termination or extension by the Company. One or more Closings will occur during the Offering Period as described on the cover page of this Offering Memorandum.

No Shareholder may own more than 25% of the outstanding Class “B” Shares and each Shareholder must own one Class “A” share. If shares are held through an RRSP or TFSA (as those terms are defined in Item 6, *Income Tax Consequences and RRSP Eligibility*), there are significant adverse consequences of ownership of 10% or more of the outstanding shares – see Item 6.3, *Income Tax Consequences and RRSP Eligibility* for particulars. No Shareholder is permitted to sell their last share of the Company if the effect would reduce the number of Shareholders to less than 20.

The Shares will be subject to a Shareholders’ Agreement which sets out certain sale and repurchase provisions should a Shareholder wish to sell their shares. Those provisions provide that the Shareholder must first offer to sell shares to the Company and secondly to other existing Shareholders. The Company will redeem shares subject to certain restrictions including that the Company has sufficient available excess funds to make the redemption as determined by the Directors.

5.1 Terms of Securities

The Company’s Articles provide for the following special rights and restrictions on its shares:

Class "A" Shares: confer on the holders and are subject to the following special rights and restrictions:

(a) Entitled to receive notice of and to attend any meeting of the Shareholders and to one vote at such meetings for each of the Class "A" Shares held.

(b) Not entitled to any payment of dividends (distributions).

(c) May be redeemed (repurchased) by the Company at any time pursuant to a resolution of the Company’s directors provided the Company is not insolvent and such redemption would not make the Company insolvent.

(d) May not be transferred without the prior approval of the Company’s directors.

(e) In the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of the assets of the Company among its Shareholders for the purpose of winding-up its affairs or upon reduction or return of capital, the holders of the Class

"A" Shares shall be entitled to participate equally with the Class "B" shares in the distribution of all the assets of the Company.

Class "B" Shares: confer on the holders and are subject to the following special rights and restrictions:

(a) Not entitled to attend any meeting of the Shareholders or to vote at any meeting of the Shareholders.

(b) Entitled to receive dividends (distributions) as and when declared by the Directors out of the monies of the Company properly applicable to the payment of dividends (distributions) on such shares.

(c) May be redeemed (repurchased) by the Company at any time pursuant to a resolution of the Company's directors provided the Company is not insolvent and such redemption would not make the Company insolvent.

(d) May not be transferred without the prior approval of the Company's directors.

(e) In the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of the assets of the Company among its Shareholders for the purpose of winding-up its affairs or upon a reduction or return of capital, the holders of the Class "B" Shares shall be entitled to participate equally with the Class "A" Shares in the distribution of all the assets of the Company,

5.2 Subscription Procedure

Investors may subscribe for Securities by returning to the Company:

(a) a completed subscription agreement;

(b) a completed Shareholders' Agreement; and

(c) a certified cheque or bank draft in the amount of the investment payable to the Company's solicitors, "Thomas Butler LLP In Trust".

The Company will instruct its solicitors to hold Subscribers' funds in trust until midnight on the second business day after the day on which the Company received your signed subscription agreement.

The Company reserves the right to accept or reject subscriptions in whole or in part at its discretion and to close the subscription books at any time without notice. Any subscription funds for subscriptions that the Company does not accept will be returned promptly, without interest or deductions.

The Company may close the offering on an earlier or later date as it may determine.

At the closing of the offering the Company will deliver to Subscribers within a reasonable time photocopies of certificates representing the Shares purchased, provided the subscription price has been paid in full.

ALL SUBSCRIPTION DOCUMENTS SHOULD BE REVIEWED BY PROSPECTIVE SUBSCRIBERS AND THEIR PROFESSIONAL ADVISORS PRIOR TO SUBSCRIBING FOR SECURITIES.

Item 6. INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

6.1 *Caution*

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

6.2 Income Tax Consequences

In the opinion of the Company's management, the following fairly summarizes the principal income tax consequences under the Tax Act (together with all regulations made thereunder), applicable to the acquisition and holding of Class "A" Shares or Class "B" Shares pursuant to this Offering by a subscriber ("Subscriber") who, for the purposes of the Tax Act, is resident in Canada, holds all such Class "A" Shares and Class "B" Shares as capital property and deals and will deal with the Company at arm's length at all relevant times. Subscribers to whom the Class "A" Shares or Class "B" Shares might not constitute capital property may elect, in certain circumstances, to have such property treated as capital property by making the irrevocable election permitted by section 39(4) of the Tax Act.

This summary is not applicable to a holder of Class “A” Shares or Class “B” Shares that is a “financial institution” or to an interest in which is a “tax shelter investment” (both as defined in Tax Act).

The summary is based upon the current provisions of the Tax Act and the regulations thereunder in force as of the date hereof, all proposals to amend the Tax Act publicly announced by the Government of Canada to the date hereof, and on the Company's understanding of the current administrative and assessing practices of Canada Revenue Agency. It is assumed that all such proposed amendments will be enacted substantially as currently proposed, and that there will be no other material change to any relevant law or practice, although no assurances can be given in these respects. This summary is not exhaustive of all possible applicable income tax consequences, nor does it take into account any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from those discussed.

It is further assumed for the purposes of this summary that the Company is now and was and will at all material times continue to be a "mortgage investment corporation" as defined for the purposes of the Tax Act. It is assumed that no change in the circumstances or investments of the Company, or in the composition or activities of its Shareholders, will occur that would cause the Company to cease to qualify as a MIC, although no assurances can be given in these respects. It is also assumed that the Company and the Manager will take whatever steps are necessary to ensure that the Company will continue to meet the requirements of a MIC in the Tax Act.

THIS SUMMARY IS NOT, AND IS NOT TO BE CONSTRUED AS, LEGAL OR TAX ADVICE TO ANY PARTICULAR SUBSCRIBER. ACCORDINGLY, EACH SUBSCRIBER IS URGED TO CONSULT THE SUBSCRIBER'S OWN ADVISORS WITH RESPECT TO THE TAX AND LEGAL CONSEQUENCES ASSOCIATED WITH PARTICIPATION IN THIS OFFERING.

6.3 Eligibility for RRSPs and Other Registered Plans

The Class “A” Shares and Class "B" Shares of the Company may qualify for investment by most trusts governed by a registered retirement savings plan (“RRSP”), tax free savings account (“TFSA”), registered education savings plan (“RESP”), registered retired income fund (“RRIF”), deferred profit sharing plan (“DPSP”) and Registered Disability Savings Plan (“RDSP”) (each, generically, a “Deferred Income Plan”) provided the Company qualifies as a mortgage investment corporation under the Tax Act and does not hold as part of its property, at any time in a calendar year that includes the particular time, any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer or a subscriber under the governing plan of the Deferred Income Plan trust, or of any other person who does not deal at arm’s length with that person.

If the Company fails to qualify as a MIC at any time throughout a taxation year, shares of the Company may cease to be a qualified investment for a Deferred Income Plan. And, when a Deferred Income Plan holds a non-qualified investment, the trust governed by the Deferred Income Plan will be subject to a tax of 50% of the fair market value of the investment at the time it was acquired. If an RRSP, TFSA, RRIF, DPSP or RDSP holds a non-qualified investment at any time during a taxation year, the RRSP, TFSA, RRIF, DPSP or RDSP will be subject to tax under Part I of the Income Tax Act on income attributable to the non-qualified investments. RESPs that hold non-qualified investments can have their registration revoked by Canada Revenue Agency.

Subscribers should consult their own professional advisers to obtain advice on the RRSP, TFSA, RESP, RRIF, DPSP and RDSP eligibility of these securities.

The Tax Act imposes significant penalties on investments by Deferred Income Plans if the ownership through Deferred Income Plans 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. **<u>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 own an aggregate of 10% or more of the Company’s Class “B” Shares.</u>**

6.4 The Company is deemed to be a “public corporation” for income tax purposes and will be subject to the rules of income taxation generally applicable to a "public corporation" for the purposes of the Tax Act, except that the Company will, in computing its income for a taxation year, be entitled to deduct

(d) all taxable dividends (other than capital gains dividends) paid by it during the year or within 90 days after the end of the year and that were not deductible by the Company in a previous year, and

(e) half of all "capital gains dividends" paid by it during the period that begins on the 91st day of the year and ends on the 90th day of the following year.

6.5 Subscribers

Subscribers will be required to include any taxable dividend (other than a capital gains dividend) received on Class “B” Shares in a taxation year in income in the year as interest income. **Since the dividends (distributions) received are taxed as interest, the normal gross up and dividend tax credit rules will not apply to dividends (distributions) paid by the Company to an individual or trusts on a Class “B” share and Shareholders that are corporations will not be entitled to deduct the amount of dividends (distributions) paid by the Company from their taxable income.**

Subscribers who receive a capital gains dividend on a Class “B” Share in a taxation year may not treat such dividend as income from a share. Instead, the dividend is deemed to be a capital gain of the Subscriber from the disposition of capital property in the year and, consequently, the Subscriber will be required to include one-half of the dividend in income for the year as a taxable capital gain. Characterization of a dividend as a capital gains dividend depends upon payment of the dividend and an appropriate election being made by the Company within prescribed time periods and on the capital gains realized by the Company and other factors.

On a purchase of a Subscriber's Class “B” Shares by the Company, the Subscriber will be deemed to receive a dividend to the extent, if any, that the payment by the Company for the Class “B” Shares exceeds the paid-up capital of Class “B” Shares, and the balance of the payment by the Company will be received by the Subscriber as proceeds of disposition of the Class “B” Shares. To the extent, if any, that such proceeds of disposition exceed (or are exceeded by) the Subscriber's adjusted cost base of the shares for purposes of the Tax Act, the Subscriber will realize a capital gain (or capital loss, respectively) that will be subject to the usual rules of the Tax Act applicable to capital gains or losses (as described below).

A Subscriber who disposes of a Class “B” Share to another individual in a taxation year will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition therefor exceed (or are exceeded by, respectively) the adjusted cost base to the Subscriber of the Class “B” Share. One-half of any such capital gain (the taxable capital gain) must be included in the Subscriber's income to be taxed at normal rates. The Subscriber may, subject to certain limits, deduct one-half of any such capital loss (allowable capital loss) from taxable capital gains realized in the year (including taxable capital gains resulting from the receipt of capital gains dividends on Class “B” Shares as discussed above) and, to the extent not so deductible, from taxable capital gains realized in any of the three preceding or any following taxation year.

Item 7. COMPENSATION PAID TO SELLERS AND FINDERS

It is not intended to pay commissions for the sale of Shares until after February 14, 2019 when the Company will be required to use an exempt market dealer to sell its securities due to a change in applicable laws. Thereafter, if a Subscriber purchases Shares with the assistance of an exempt market dealer, the Company may pay a commission of up to $0.05 per Class "A" and Class “B” Share sold. The Company may also pay service fees to exempt market dealers of up to 1% per year of the average value of the Shares beneficially owned by clients of such dealers.

The Company understands that the Manager has incorporated a new corporation, Fairmont Asset Management Inc., which intends to apply to become licensed as an exempt market dealer in order to sell the Shares in British Columbia and in the rest of Canada. There is no assurance that Fairmont will become licensed as an exempt market dealer in which case the Company would need to rely on a third party exempt market dealer to sell the Shares.

Item 8. RISK FACTORS

8.1 Investment Risks

8.1.1 *Shares May Fail to Be Qualified Investments* – While the Shares should be qualified investments for any trust governed by a Plan at any particular time, that will not be the case if the Company holds at any time in a calendar year that includes that particular time, any indebtedness of a person who is an annuitant, beneficiary or employer or a subscriber under the governing indenture of the Plan or of any other person who does not deal at arm's length with that person. In other words, the Company should not advance any mortgage loan to any such person. The Manager will take all reasonable precautions to avoid such advance of loan funds.

8.1.2 *Gross Up and Dividend Tax Credit Rules Do Not Apply* – The normal gross-up and dividend tax credit rules do not apply to dividends (distributions) paid on the Company's Class "B" Shares.

8.1.3 *Shares may not be Redeemed or Repurchased* – The Shares may only be redeemed or repurchased by the Company in the discretion of the board of directors and subject to the restrictions in the Corporations Act and the Shareholders' Agreement. There is no assurance the Shares will be redeemed or repurchased if required by an investor.

8.1.4 *No Market for the* Shares – There is no market through which the Shares may be sold and the Company does not expect that any market will develop pursuant to this Offering or in the future. Accordingly, an investment in the Shares should only be considered by Subscribers who do not require liquidity. The Shares are subject to onerous resale restrictions under applicable securities legislation, consequently, holders of Shares will not be able to resell their Shares. See Item 10, *Resale Restrictions*, regarding resale restrictions applicable to the Shares.

Subscribers may never be able to sell their Shares and recover any part of their investment, unless the Company is able to complete a subsequent public offering or the Company is able to sell the Company for cash or merge with a public corporation or Shareholders are able to rely on an exemption from the prospectus requirement of the *Securities Act* (British Columbia). See Item 10, *Resale Restrictions*.

8.1.5 *Determination of Subscription* Price – The Subscription Price was determined arbitrarily by the directors of the Company based on the price at which Shares have been sold in the past.

8.2 Issuer / Company Risk

8.2.1 *Profitability of the Company's Mortgage Portfolio* – Although the Company will endeavour to maintain a diversified mortgage investment portfolio to minimize risk as disclosed under Item 2.2.6, *Investment Policies and Guidelines*, the composition of the Company's investment portfolio may become concentrated by type or location of security or interest rate, resulting in the Company's portfolio being less diversified than anticipated and possibly resulting in a lower return to investors.

8.2.2 *Financing Loans* – The Company will be entitled to, and may incur indebtedness secured by the Company's assets to, purchase mortgage investments. There can be no assurance that such a strategy will enhance returns, and in fact, such strategy may reduce returns. The security which the Company is required to furnish when incurring indebtedness may include an assignment of its loans to a third party lender. If the Company is unable to service its debt to such lender, a loss could result if the lender exercises its rights of foreclosure or sale.

8.2.3 *Dependence on the Manager* – The Company and its Shareholders are dependent almost entirely upon the experience, knowledge, expertise and good faith of the Manager for investment, advisory and portfolio management services under the Management Agreement. There is no certainty that the persons who are currently officers and directors of the Manager will continue to be officers and directors of the Manager for an indefinite period of time.

8.2.4 *Conflicts of Interest* – There are potential conflicts of interest in connection with the operations of the Company to which the directors and officers of the Company may be or become subject. These conflicts would arise primarily out of (i) the contractual relationship between the Company and the Manager, which is obligated to properly manage the Company, (ii) the management of another MIC, Classic Mortgage Corporation, being the same as the Company's management, and (iii) Classic being managed by a corporation, Can Terra Financials Inc., also owned by Mercuri Holdings Ltd, controlled by the Company's President and Controller.

8.2.5 *Failure to Qualify as a MIC under the Tax Act* – Under the Management Agreement, the Manager has agreed to ensure that the Company's operations are conducted so as to retain its qualification as a mortgage investment corporation under the Tax Act. If for any reason, the Company fails to maintain its qualification as a MIC under the Tax Act the dividends (distributions) paid by the Company on the Class "B" Shares offered will cease to be deductible from the income of the Company, thereby reducing the Company's net income available for distribution to its shareholders and such distributions would be taxable in the hands of their holders as dividends. Also see Item 6, *Income Tax Consequences and RRSP Eligibility*.

8.2.6 *Future Investments* – The Company may commit to making future mortgage investments in anticipation of repayment of principal outstanding under existing mortgage investments. If such repayments of principal are not made in contravention of the borrowers' obligations, the Company may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances

8.3 **Industry Risk**

8.3.1 *The Company's Performance may be affected by Environmental and Other Regulatory Matters* – Although the Company usually obtains an evaluation of commercial properties to be subject to the mortgage, in the form of a Phase I or Phase II Environmental Audit, environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, a borrower and possibly the Company could become liable for the cost of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to affect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

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

8.3.3 *Illegal Use* – There are various risks relating to use of property for illegal purposes, such as growing marijuana, that may affect the value of the Company's investments. The value of a building or property used for such purposes may decline substantially or totally. No insurance is available for these situations.

8.3.3 *Fraud* – While the Company utilizes title insurance, there is still a risk that losses could occur due to fraud.

8.3.4 *Cancellation of Insurance* – Fire insurance on the mortgaged properties may be inadequate to cover the mortgage amount or may be cancelled and unavailable in the event of a claim being made.

8.3.5 *Lower Rate of Return on Investment Funds* – Investment funds, any or all, not advanced and will earn lower rates of return, (or no return) than mortgage loans.

8.3.6 *Higher Risk Borrowers* – The value of real property may also depend on the credit worthiness and financial stability of the borrowers. The Company's business is to provide loans to borrowers most of whom may not qualify for financing from conventional lenders. Accordingly, the risk of default in repayment of these loans higher than the risk to conventional lenders. The Company's income and funds available for distribution to Shareholders would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Company. On default by a borrower, the Company may experience delays in enforcing its rights as lender and may incur substantial costs in protecting its investment.

8.3.7 *Competition* – The Company will be competing for mortgage loans with individuals, corporations and institutions (both Canadian and foreign) which are seeking or may seek mortgage loan investments similar to those desired by the Company. Many of these investors will have greater financial resources than those of the Company, or operate without the investment or operating restrictions of the Company. An increase in the availability of investment funds, and an increase in interest in mortgage investments, may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on investments.

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

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

Certain significant expenditures, (where and when permitted by legislation relating to the regulation of MICs) including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges may be made through the period of ownership of real property regardless of whether the property is producing income. The Company may be required to incur such expenditures to protect its investments, even if the borrower is not making debt service required of it under the mortgage.

Real property mortgage investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and for the perceived desirability of the investment. Such illiquidity may tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Company were required to liquidate its real property mortgage investments, the proceeds to the Company might be significantly less than the total value of its investment on a going concern basis. The Company will be subject to the risks associated with debt financing, including the risk that mortgage indebtedness secured by the properties of the Company will not be able to be refinanced or that the terms of re-financing will not be as favorable as the terms of existing indebtedness.

8.3.10 *General Risks in Mortgage Lending* – There are certain risks inherent in mortgage lending over which neither the Company nor the Manager has any control. The profitability of the Company will be dependent on both general and local economic conditions and will be affected by fluctuations in the rate of economic growth and the rate of expansion of the real estate market in the target areas, general interest rates and the rates of interest offered by competitors and the amount and frequency of prepayment penalties and balances.

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

Item 9 REPORTING OBLIGATIONS

9.1 Continuous Disclosure

The Company is not a reporting issuer" under applicable securities legislation, nor will it become a reporting issuer following the completion of the offering. **Consequently, the Company is not required to send any documents to Shareholders on an annual or ongoing basis**. Since the Company is not, and will not become, subject to the continuous disclosure requirements of such securities legislation, it is not required to issue press releases or to send to Shareholders its interim and annual financial statements, management's discussion and analysis respecting such statements or annual reports.

However, the Corporations Act requires the Company to hold a general meeting of its Shareholders in each calendar year and, at the meeting, to provide its shareholders with audited financial statements for the previous financial year. Instead of providing the Company's annual financial statements at the meeting, it mails them to its Class A Shareholders (each of whom is also a Class B Shareholder) together with the notice for the annual general meeting of Class A Shareholders held in the fall of each year. At the same time, the Company sends a letter to Shareholders reporting on its previous year's business.

From time to time, the Company may send out on its 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 the Company

Since the Company is not a reporting issuer and its Class B Shares are not publicly traded, no corporate or securities information about it is available from a government, regulatory authority, stock exchange or quotation and trade reporting system. Some securities information about this and previous offerings is available from the British Columbia Securities Commission at www.bcsc.bc.ca. Further information about the Company is available on the Company's website www.premierecanadian.ca or from the Company at the phone and fax numbers and e-mail address set out on the front cover.

Item 10. RESALE RESTRICTIONS

10.1 General Statement

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

10.2 Restricted Period

Unless permitted under securities legislation, you cannot trade the securities [Shares] before the date that is 4 months and a day after the date the Company becomes a reporting issuer in any province or territory in Canada.

As it is not anticipated the Company will become a reporting issuer, the hold period may never expire and you will not be able to trade or re-sell your securities [Shares] unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

The Shareholders' Agreement provides that Shareholders wishing to sell their Shares must first offer them to the Company, then to the current Shareholders and are subject to two such sales per year at the discretion of the Company, of a minimum of 3,000 Class "B" shares per sale. The Corporations Act provides that the Company may, by resolution of the directors, redeem or purchase any of its Shares at the price and upon the terms specified in such resolution, but no such redemption or purchase shall be made if the Company is insolvent at the time of the proposed redeem or purchase or the proposed purchase would render the Company insolvent. The practice of the Company is to redeem or repurchase Shares for $1.00 each.

Item 11. PURCHASERS RIGHTS

If you purchase these securities [Shares] 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 [Shares]. To do so, you must send a notice to us by midnight on the 2nd 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 and you are a resident of British Columbia, you have a statutory right to sue:

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

(b) for damages against the Company, every person who was a director or officer of the Company as at the date of this Offering Memorandum and every other person who signed 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 [Shares].

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

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

You may have other rights in addition to those described above. For information about your rights, you should consult a lawyer.

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

The Company's audited financial statements for its last financial year follow.

Premiere Canadian Mortgage Corp.
Financial Statements
August 31, 2018

Page

Management's Responsibility

To the Shareholders of Premiere Canadian Mortgage Corp.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

October 2, 2018

President

Independent Auditors' Report

To the Shareholders of Premiere Canadian Mortgage Corp.:

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Kelowna, British Columbia

MNP LLP

October 2, 2018

Chartered Professional Accountants

Premiere Canadian Mortgage Corp.
Statement of Financial Position
As at August 31, 2018

	2018	*2017*
Assets		
Accounts receivable	**19,576**	12,453
Accrued interest receivable	**595,539**	530,236
Deferred income taxes *(Note 5)*	**23,668**	22,113
Mortgages receivable *(Note 6)*	**96,196,877**	87,113,299
	96,835,660	87,678,101
Liabilities		
Bank line of credit *(Note 7)*	**7,005,726**	8,318,359
Accounts payable and accruals	**21,254**	21,505
Dividends payable	**5,675,891**	5,084,614
Banker's acceptance note *(Note 8)*	**12,000,000**	10,000,000
	24,702,871	23,424,478
Commitments *(Note 9)*		
Shareholders' Equity		
Share capital *(Note 11)*	**72,187,114**	64,319,552
Deficit	**(54,325)**	(65,929)
	72,132,789	64,253,623
	96,835,660	87,678,101

Approved on behalf of the Board

Director

The accompanying notes are an integral part of these financial statements

Premiere Canadian Mortgage Corp.
Statement of Comprehensive Income
For the year ended August 31, 2018

	2018	*2017*
Revenue		
Interest	**6,797,238**	5,802,016
Lender fees	**1,291,784**	1,129,205
Prepayment penalties	**138,869**	176,498
Miscellaneous	**93,676**	80,150
	8,321,567	7,187,869
Expenses		
Administration fees *(Note 9)*	**1,589,733**	1,427,837
Interest and bank charges	**880,605**	570,582
Professional fees	**58,576**	75,401
Bad debts	**172,713**	66,435
Recovery of provision for loan impairment	**(66,000)**	(24,000)
	2,635,627	2,116,255
Net income from operations, before taxes	**5,685,940**	5,071,614
Income taxes *(Note 5)*		
Deferred tax	**(1,555)**	457
Comprehensive income	**5,687,495**	5,071,157

The accompanying notes are an integral part of these financial statements

Premiere Canadian Mortgage Corp.
Statement of Changes in Equity
For the year ended August 31, 2018

	Share capital	***Deficit***	***Total equity***
Balance August 31, 2016	**56,891,922**	**(52,472)**	**56,839,450**
Comprehensive income for the year	**-**	**5,071,157**	**5,071,157**
Issuance of share capital	**10,933,150**	**-**	**10,933,150**
Redemption of share capital	**(3,505,520)**	**-**	**(3,505,520)**
Dividends	**-**	**(5,084,614)**	**(5,084,614)**
Balance August 31, 2017	**64,319,552**	**(65,929)**	**64,253,623**
Comprehensive income for the year	**-**	**5,687,495**	**5,687,495**
Issuance of share capital	**11,826,250**	**-**	**11,826,250**
Redemption of share capital	**(3,958,688)**	**-**	**(3,958,688)**
Dividends	**-**	**(5,675,891)**	**(5,675,891)**
Balance August 31, 2018	**72,187,114**	**(54,325)**	**72,132,789**

The accompanying notes are an integral part of these financial statements

Premiere Canadian Mortgage Corp.
Statement of Cash Flows
For the year ended August 31, 2018

	2018	*2017*
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers (non-interest revenues)	**1,350,944**	1,321,108
Cash paid to suppliers and employees	**(1,648,560)**	(1,503,243)
Interest received	**6,725,484**	5,755,446
Interest paid	**(880,605)**	(570,582)
	5,547,263	5,002,729
Financing activities		
Repayments of bank line of credit	**(1,312,633)**	(2,102,867)
Proceeds from issuance of common shares	**7,988,767**	7,139,643
Payments for redemption of common shares	**(3,958,688)**	(3,217,531)
Advances of banker's acceptance notes	**12,000,000**	10,000,000
Repayments of banker's acceptance notes	**(10,000,000)**	-
Dividends	**(1,247,131)**	(966,457)
	3,470,315	10,852,788
Investing activities		
Repayments of mortgage receivables, net of advances	**(9,017,578)**	(15,855,517)
Increase in cash resources and cash equivalents	**-**	-
Cash resources, beginning of year	**-**	-
Cash resources, end of year	**-**	-

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Premiere Canadian Mortgage Corp. (the “Company”) was incorporated under the Province of British Columbia on August 13, 1996 and extra provincially in the Province of Alberta, the Province of Manitoba and the Province of Ontario. The Company operates as a Mortgage Investment Corporation as defined for Federal income tax purposes.

The address of the Company’s registered office is #200 - 586 Leon Avenue, Kelowna, British Columbia.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

3. Basis of preparation

Basis of measurement

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

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 6 – Mortgages receivable

Allowance for impaired loans

The Company reviews its individually significant loans at each reporting date to assess whether an impairment loss should be recognized. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Company makes judgements about the borrower’s financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Mortgages receivable that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective provision assessment takes account of data from the loan portfolio such as credit quality, delinquency, historical performance and industry economic outlook. The impairment loss on mortgages receivable is disclosed in more detail in Note 6.

4. Summary of significant accounting policies

The following principle accounting policies have been adopted in the preparation of these financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and demand deposits. Other investments (term deposits and certificates of deposit) purchased with maturities of three months or less are also reported as cash.

Accounts receivable

Accounts receivable are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

Mortgages receivable

Mortgages receivable are recognized at their amortized cost. Amortized cost is calculated as the loans' principal amount less any allowance for anticipated losses.

Impairment of financial assets

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed asset, it includes a financial asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assesesed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows, excluding future expected impaired financial assets that have not yet been incurred. The carrying amount of the financial asset is reduced through the use of the provision for impaired finanicial asssets and the amount of the impairment loss is recognized in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The calculation of the present value of estimated future cash flows reflects the projected cash flows including provisions for impaired financial assets, prepayment losses, and costs to securitize and service financial assets.

Accounts payable

Accounts payable are stated at amortized cost which approximates the fair value due to the short-term nature of these liabilities.

Revenue recognition

Interest revenue is recorded on the accrual basis using the effective interest method. Lender fees are amortized over the term of the loan using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the mortgages to the carrying amount.

Prepayment penalties received as a result of loan prepayments are recognized as income in the year in which the prepayment is made, unless only minor modifications (based on a present value of future cash flows test) were made to the loan, in which case, they are deferred and amortized using the effective interest method.

Fees related to the origination or renewal of a loan are considered an integral part of the yield earned on a loan and are included in interest using the effective interest method over the estimated repayment term of the related loan.

Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled. The calculation of deferred tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Financial instruments

Financial assets at fair value through profit or loss:

The Company has classified the following financial assets at fair value through profit or loss: bank line of credit and banker's acceptance notes.

The Company has designated bank line of credit and banker's acceptance notes on initial recognition at fair value through profit or loss. The Company’s financial assets at fair value through profit or loss are initially recognized at their fair value. Fair value is approximated by the instrument’s initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date and transaction costs are immediately recognized in profit (loss).

Financial assets at fair value through profit or loss are subsequently measured at their fair value. Net gains and losses arising from changes in fair value are recognized immediately in profit (loss).

Loans and receivables:

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

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

Financial liabilities measured at amortized cost:

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

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

Standards issued but not yet effective

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

IFRS 9 Financial instruments

The final version of IFRS 9 (2014) was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace IAS 39 *Financial instruments: recognition and measurement*. IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018. The Company is currently assessing the impact of the standard on its financial statements.

IFRS 9 Financial instruments - amendments

Amendments to IFRS 9, issued in October 2017, address the classification of certain prepayable financial assets.The amendments clarify that a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation may be eligible to be measured at either amortized cost or fair value through other comprehensive income. This classification is subject to the assessment of the business model in which the particular financial asset is held as well as consideration of whether certain eligibility conditions are met.

The amendments are effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of these amendments on its financial statements.

IFRS 15 Revenue from contracts with customers

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

Amendments to IFRS 15, issued in April 2016, clarify some requirements and provide additional transition relief for when an entity first applies IFRS 15.

IFRS 15, and the amendments, are effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on its financial statements.

5. Income taxes

The total provision for income taxes on the statement of comprehensive income is at a rate different from the combined federal and provincial statutory income tax rates for the following reasons:

	Amount	***2018 % of pre-tax income***	*Amount*	*2017 % of pre-tax income*
Combined federal and provincial income tax rates	**1,478,748**	**26.0 %**	1,318,501	**26.0 %**
Mortgage Investment Corporation dividend deduction	**(1,478,748)**	**(26.0)%**	(1,318,501)	**(26.0)%**
Non-deductible and other items	**(1,555)**	**(0.1)%**	457	**0.1 %**
	(1,555)	**(0.1)%**	457	**0.1 %**

The tax effects of temporary differences which give rise to the deferred tax asset reported in on the statement of financial position is from differences between accounts deducted for accounting and income tax purposes.

Net deferred income tax assets are comprised of the following:

	2018	*2017*
Deferred tax assets		
Provision for loan impairment	**23,668**	22,113
Deferred tax liability	**-**	-
Net balance	**23,668**	22,113

6. Mortgages receivable

Principal and allowance by loan type

	Principal performing	***Principal impaired***	***Allowance specific***	***Allowance collective***	***2018 Net carrying value***
Residential	92,979,515	2,609,508	650,000	-	**94,939,023**
Commercial	1,257,854	-	-	-	**1,257,854**
	94,237,369	2,609,508	650,000	-	**96,196,877**

	Principal performing	***Principal impaired***	***Allowance specific***	***Allowance collective***	***2017 Net carrying value***
Residential	85,171,491	1,384,293	716,000	-	**85,839,784**
Commercial	1,273,515	-	-	-	**1,273,515**
	86,445,006	1,384,293	716,000	-	**87,113,299**

Loan allowance details

	2018	*2017*
Balance, beginning of year	**716,000**	740,000
Recovery of provision for impaired loans	**(66,000)**	(24,000)
Balance, end of year	**650,000**	716,000

Loans past due but not impaired

A loan is considered past due when a counterparty has not made a full payment by the contractual due date. The table that follows presents the carrying value of loans at year-end that are past due but not classified as impaired because they are either i) less than 90 days past due, or ii) fully secured and collection efforts are reasonably expected to result in repayment.

	1-29 days	*30-59 days*	*60-89 days*	*90 days and greater*	*2018*
Residential	1,179,373	-	-	-	**1,179,373**
Other	-	-	-	-	**-**
	1,179,373	-	-	-	**1,179,373**

	1-29 days	*30-59 days*	*60-89 days*	*90 days and greater*	*2017*
Residential	1,604,254	1,219,346	-	-	**2,823,600**
Other	-	-	-	-	**-**
	1,604,254	1,219,346	-	-	**2,823,600**

The Other category in the tables above is comprised of commercial, agricultural and raw land loans.

7. Bank line of credit

The bank line of credit is with a major Chartered Bank with a limit of $40,000,000 that is available to fund eligible mortgages. The line of credit is limited to 75% of qualified residential first and second mortgages, and qualified multi-unit residential first and second mortgages, plus 65% of the principal balance of qualified residential first and second interest only mortgages. Interest is calculated at the Chartered Bank prime rate plus 0.80% per annum and the loan is secured by a general security agreement providing a first floating charge over all assets of the Company.

The line of credit is subject to financial covenants with respect to a maximum total debt to tangible net worth ratio of 0.5:1.0. As at August 31, 2018, the Company is in compliance with this covenant. It is management's opinion that the Company is likely to remain in compliance with all such requirements throughout the next 12 months.

8. Banker's acceptance note

	2018	*2017*
Banker's acceptance note, due September 12, 2018 with an implicit interest rate of 1.87% plus a stamping fee of 2.40%, secured by a general security agreement	**12,000,000**	10,000,000

9. Related party transactions and commitments

The balance represents administration fees paid to a related party. The Company has a service contract with Premiere Home Mortgage Ltd., a company that is controlled by the President of Premiere Canadian Mortgage Corp. through a holding company, for the procurement of administration and management services. Premiere Home Mortgage Ltd. incurs all expenses for the Company outside of legal, accounting, bank and interest charges, write-offs, and securities costs. The contract stipulates a management fee equal to 21% of total profits per annum, plus any applicable taxes the Company is required to remit, to be calculated and paid monthly, with the fee to be no less than 1.4% of outstanding mortgage balances and no more than 2% of the outstanding mortgage balance, per annum. The contract provides for an indefinite term and the terms may be modified with 66.67% approval of shareholders present (in person or by proxy) at a meeting of shareholders.

Amounts paid to Premiere Home Mortgage Ltd. occurred in the normal course of business and at fair market value.

10. Financial instrument risk management

The Company, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, market risk and liquidity risk.

The Company has established avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Company follows a risk management policy approved by its Board of Directors.

The Company's risk management policies and procedures include the following:
- Ensure all activities are consistent with the mission, vision and values of the Company;
- Balance risk and return;
    - Manage credit, market and liquidity risk through preventative and detective controls;
    - Ensure credit quality is maintained;
    - Ensure credit, market, and liquidity risk is maintained at acceptable levels
    - Diversify risk in transactions and loan portfolios;
    - Price according to risk taken; and
    - Using consistent credit risk exposure tools.

The risk policies, procedures and objectives have not changed significantly from the prior year.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Company. Credit risk primarily arises from mortgages receivable. Management and the Board of Directors review and update the credit risk policy annually. The Company's maximum credit risk exposure before taking into account any collateral held is the carrying amount of loans as disclosed on the statement of financial position. See Note 6 for further information.

Credit risk management

The Company uses a risk management process for its credit portfolio. The risk management process starts at the time of a loan application and continues until the loan is fully repaid. Management of credit risk is established in policies and procedures by the Board of Directors.

The primary credit risk management policies and procedures include the following:
- First and second mortgages only, unless loan to value is under 60%;
- Loan to value ratios to be limited to:
    - o 50% of value of raw land in a rural area;
    - o 55% of value of services land in a rural area;
    - o 75% of value of developed urban real estate;
    - o 65% of value of developed rural real estate;
    - o 65% of value on commercial real estate;
    - o 60% of value of raw land in an urban area; and
    - o 65% of value of serviced land in an urban area;
- Maximum term of mortgages 1 – 5 years;
- Most mortgages to have a 3 to 4 month penalty for pre-payment;
- Mortgage portfolio may be partially margined for line of credit;
- Capital withdrawals of shareholders’ funds permitted two times per year and subject to availability of funds, as determined by the Manager;
- Premiere Home Mortgage Ltd.’s professional underwriters initiate, select, negotiate, and service mortgages on behalf of the Company. Premiere Home Mortgage Ltd.’s responsibilities include handling mortgage files, payouts, discharges, fire insurance, renewals, mail, banking and supplying secretarial and office space. Premiere Home Mortgage Ltd. may charge the borrower (but not Premiere Canadian Mortgage Corporation) a fee for those services.
- Quarterly financial statements to be produced by a bookkeeper and accountant prepared audited financial statements for year-end; available to all shareholders, upon request;
- The Company has a goal of writing mortgages at a fixed rate of prime plus 2% to prime plus 8% per annum, as well as a nominal (flexible) application fee. Prepayment penalties will increase this yield; and
- All mortgages to be supported by:

- Personal guarantee(s) or covenants, as appropriate
- Assignment of fire insurance;
- Assignment of rents, if rental property;
- Postdated cheques for term of mortgage;
- Written Credit Bureau report(s);
- Current valuation of property;
- Financial and/or personal statements; and
- Title insurance

The principal collateral held as security for loans include mortgages over lots and properties.

Credit commitments

The Company has commitments to extend credit representing unused portions of loan authorizations. The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

The Company had the following outstanding financial instruments subject to credit risk:

	2018	*2017*
Commitments to extend credit	**1,958,705**	2,802,967

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Company's exposure changes depending on market conditions. Market risks that have a significant impact to the Company include fair value and interest rate risk.

Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Company incurs fair value risk on its mortgages receivable. The Company does not hedge its fair value risk. See Note 12 for further information on fair value of financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Company incurs interest rate risk on its mortgages receivable, bank line of credit and banker's acceptance notes.

Contractual re-pricing and maturity

The following schedule identifies interest rate risk as prescribed by *IFRS 7 Financial Instruments: Disclosures*. All financial instruments are reported based on the earlier of their contractual re-pricing date or maturity date.

The schedule does not identify management's expectations of future events where re-pricing and maturity dates differ from contractual dates.

Interest rate re-price

	Within 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Not interest sensitive	2018 Total	2017 Total
Assets							
Mortgages receivable	52,921,141	41,002,544	2,273,192	-	-	**96,196,877**	87,113,299
effective interest rate %	*8.97 %*	*9.45 %*	*9.79 %*	-	-	***9.19 %***	*8.95 %*
Other assets	-	-	-	-	615,115	**615,115**	542,689
	52,921,141	41,002,544	2,273,192	-	615,115	**96,811,992**	87,655,988
Liabilities							
Bank line of credit	7,005,726	-	-	-	-	**7,005,726**	8,318,359
effective interest rate %	*4.50 %*	-	-	-	-	**4.50 %**	3.80 %
Banker's acceptance note	12,000,000	-	-	-	-	**12,000,000**	10,000,000
effective interest rate %	*4.27 %*	-	-	-	-	**4.27 %**	3.68 %
Other liabilities	-	-	-	-	5,697,145	**5,697,145**	5,106,119
	19,005,726	-	-	-	-	**24,702,871**	23,424,478

Based on the current financial instruments, it is estimated that a 1.0% increase in the prime interest rate would decrease financial margin by $70,057 (2017 - $83,184). A 1.0% decrease in the prime interest rate would increase financial margin by $70,057 (2017 - $83,184).

Liquidity risk

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 Company's liquidity risk to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due.

11. Share Capital

Common shares authorized:

Unlimited Class A voting shares without par value
Unlimited Class B non-voting shares without par value

Common shares issued:

	2018	*2017*
315 Class A shares (2017 - 289)	**315**	289
72,186,799 Class B shares (2017 - 64,319,263)	**72,186,799**	64,319,263
	72,187,114	64,319,552

Common shares may be redeemed at the request of the shareholders for the issue price, subject to certain restrictions outlined in the offering memorandum and the shareholders' agreement including management approval.

During the year ended August 31, 2018, 37 Class A shares and 11,826,213 Class B shares were issued via cash and reinvested dividends of $11,826,213. In addition, 11 Class A and 3,958,677 Class B shares were redeemed for cash proceeds of $11 and $3,958,677 respectively.

During the year ended August 31, 2017, 34 Class A shares and 10,933,150 Class B shares were issued via cash and reinvested dividends of $10,933,150. In addition, 5 Class A and 3,505,520 Class B shares were redeemed for cash proceeds of $5 and $3,505,520 respectively.

12. Fair value measurements

Recurring fair value measurements

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

	2018 Fair Value	***Level 1***	***Level 2***	***Level 3***
Assets				
Liabilities				
Financial liabilities at fair value through profit or loss				
Bank line of credit	**7,005,726**	**7,005,726**	**-**	**-**
Banker's acceptance note	**12,000,000**	**12,000,000**	**-**	**-**
Total recurring fair value measurements	**(19,005,726)**	**(19,005,726)**	**-**	**-**

	2017 Fair Value	*Level 1*	*Level 2*	*Level 3*
Assets				
Liabilities				
Financial liabilities at fair value through profit or loss				
Bank line of credit	8,318,359	8,318,359	-	-
Banker's acceptance note	10,000,000	10,000,000	-	-
Total recurring fair value measurements	(18,318,359)	(18,318,359)	-	-

Transfers between levels of the fair value hierarchy

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

Asset and liabilities for which fair value is only disclosed

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

	2018 Fair Value	***Level 1***	***Level 2***	***Level 3***
Assets				
Accounts receivable	**19,576**	**-**	**19,576**	**-**
Accrued interest receivable	**595,539**	**-**	**595,539**	**-**
Mortgages receivable	**96,196,877**	**-**	**96,196,877**	**-**
Total assets	**96,811,992**	**-**	**96,811,992**	**-**
Liabilities				
Accounts payable and accruals	**21,254**	**-**	**21,254**	**-**

	2017 Fair Value	*Level 1*	*Level 2*	*Level 3*
Assets				
Accounts receivable	12,453	-	12,453	-
Accrued interest receivable	530,236	-	530,236	-
Mortgages receivable	87,134,915	-	87,134,915	-
Total assets	87,677,604	-	87,677,604	-
Liabilities				
Accounts payable and accruals	21,505	-	21,505	-

Fair value hierarchy

Financial instruments which are accounted for at fair value on the Company's statement of financial position are categorized in levels depending on the extent to which the instruments are measured at fair value using quoted market prices or observable or unobservable inputs to valuation models.

Level 1 financial instruments represent instruments measured at fair value using unadjusted market prices for identical assets or liabilities.

Level 2 reflects instances where observable market inputs other than quoted market prices are used to price instruments.

Level 3 reflects financial instruments that are measured at fair value with significant inputs based upon an entity's own internally generated assumptions in the valuation model.

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

As at August 31, 2018 and August 31, 2017 all financial instruments measured at fair value on the statement of financial position have been classified to Level 1; measured at fair value using unadjusted market prices for identical assets or liabilities.

13. Capital management

The Company's objective when managing capital is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which supports its mortgage investments and working capital needs. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base.

Capital of the Company is comprised of shareholders' equity of $72,132,789 (2017 – $64,253,623), bank line of credit of $7,005,726 (2017 - $8,318,359) and banker's acceptance note of $12,000,000 (2017 - $10,000,000). The Company's capital is primarily utilized in its ongoing business operations through reinvestment in mortgages. There were no changes in the Company's approach to capital management during the year.

Item 13. DATE AND CERTIFICATE

Dated: December 1, 2018

This Offering Memorandum does not contain a misrepresentation.

PREMIERE CANADIAN MORTGAGE CORP.

(signed) **GIOVANNI (JOHN) MERCURI**
President (chief executive officer)

(signed) **E. FRANCA MERCURI**
Controller (chief financial officer)

On behalf of the board of directors of
PREMIERE CANADIAN MORTGAGE CORP.

(signed) JOHN L. UGYAN
Director