OFFERING MEMORANDUM

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

April 27, 2017 **Continuous Offering**

ARMADA MORTGAGE CORPORATION

11951 – 224th Street
Maple Ridge, British Columbia V2X 6B2
Email: sales@armadamortgage.com
Telephone: (604) 467-6449
Fax: (604) 467-6409

$1.00 per Class A Preferred, Non-Voting Share

Minimum Subscription: $2,500 (2,500 Class A Preferred Shares)

Armada Mortgage Corporation (the "**Company**") is a private mortgage investment corporation incorporated under the *Company Act* (British Columbia) on December 29, 1995. On January 28, 2005, the Company transitioned under the new *Business Corporations Act* (British Columbia).

The Company is offering on a private placement basis up to a maximum of $10,000,000 Class A Preferred Non-Voting Shares (the "**Preferred Shares**") in the capital of the Company at an initial price of $1.00 per Preferred Share (the "**Offering**"). Each Preferred Share represents a beneficial interest in the profits of the Company, which will principally be comprised of annual dividends paid in cash or in shares of the Company.

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

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

DISCLAIMERS

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

OFFERING MEMORANDUM
Dated April 27, 2017 for
ARMADA MORTGAGE CORPORATION

The Issuer

Name:	**ARMADA MORTGAGE CORPORATION** (the "**Company**")
Head Office Address:	11951 – 224th Street Maple Ridge, BC V2X 6B2
Telephone Number:	(604) 467-6449
Fax Number:	(604) 467-6409
Email Address:	sales@armadamortgage.com
Currently Listed/Quoted:	No. **These securities do not trade on any exchange or market.**
Reporting Issuer:	No.
SEDAR Filer :	No.

The Offering

Securities Offered:	Redeemable, retractable, non-voting Class "A" Preferred Shares with a par value of $1.00 each (the "**Preferred Shares**")
Price Per Security:	$1.00 per Preferred Share (the "**Subscription Price**").
Minimum/Maximum Offering:	There is no minimum. The maximum is $10,000,000. You may be the only purchaser. Funds available under the Offering may not be sufficient to accomplish the Company's proposed objectives.
Minimum Subscription Amount:	The minimum number of Preferred Shares that may be subscribed for by any one Subscriber is 2,500 Preferred Shares at a subscription price of $1.00 per Preferred Share for a total of $2,500. For subsequent investments by existing holders of Preferred Shares, the minimum number of Preferred Shares that may be subscribed for is 50. Preferred Shares at a subscription price of $1.00 per Preferred Share for a total of $50. The Company reserves the right to change the minimum amount at any time and from time to time.
Payment Terms:	The full Subscription Price is payable upon subscription, by certified cheque, electronic transfer or bank draft payable to "Armada Mortgage Corporation". See Item 5.2 - "*Subscription Procedure*".
Proposed Closing Date(s):	The closing of the sale of the Preferred Shares offered hereunder will take place at such times as are chosen by the Company (each, a "**Closing**"). The Company reserves the right to close the Offering at any time as subscriptions are received.
Income Tax Consequences:	There are important income tax consequences to these securities (see Item 6 - "*Income Tax Consequences and RRSP Eligibility*").
Selling Agent:	No specific agent has been retained by the Company in respect of the Offering. The Company may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, subject to negotiation (see Item 7 - "*Compensation Paid to Seller's and Finder's*").
Resale Restrictions	As there is no market for the Preferred Shares, it may be difficult or even impossible to sell them. Preferred Shares are subject to resale restrictions and you will be restricted from selling your Preferred Shares for an indefinite period (see Item 10 - "*Resale Restrictions*"). However, you may elect to redeem any or all of your Preferred Shares at certain times if you follow the procedures established (see Item 5 - "*Terms of Preferred Shares – Redemption Rights*").
Purchaser's Rights	You have 2 business days to cancel your agreement to subscribe for Preferred Shares. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 - "*Purchaser's Rights*".

No securities regulatory authority has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment (see Item 8 - "*Risk Factors*").

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GLOSSARY

The following terms appear throughout this Offering Memorandum. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.

"**affiliate**" or "**affiliates**" has the same meaning as in the B.C. Securities Act;

"**BCI 32-517**" means British Columbia Instrument 32-517 *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities*.

"**B.C. Securities Act**" means the *Securities Act* (British Columbia), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

"**Business Day**" means a day other than a Saturday, Sunday or any day on which the principal office of the Company's bankers located in Vancouver, British Columbia, is not open for business during normal banking hours;

"**Closing**" means a closing of the sale of Preferred Shares as the Company may determine from time to time;

"**Date of Closing**" means in respect of any Preferred Shares the date upon which the subscription for such Preferred Share is accepted by the Company;

"**Fiscal Year**" means each consecutive period of 12 months ending on December 31;

"**Loans**" means the portfolio of short to medium-term loans in which the Company will invest the net proceeds from the issuance of Preferred Shares pursuant to this Offering Memorandum;

"**MIC**" means a mortgage investment corporation as defined in subsection 130.1(6) of the Tax Act;

"**Mortgage**" or "**Mortgages**" means a mortgage, a mortgage of a mortgage or a mortgage of a leasehold interest (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), hypothecation, deed of trust, charge or other security interest of or in Real Property used to secure obligations to repay money by a charge upon the underlying Real Property;

"**Mortgage Broker**" means a party licensed under the Mortgage Brokers Act;

"**Mortgage Brokers Act**" means the *Mortgage Brokers Act* (British Columbia), with all amendments thereto in force from time to time and any statutes that may be passed which have the effect of supplementing or superseding such statute;

"**Net Subscription Proceeds**" means the gross proceeds to the Company from the sale of the Preferred Shares less the costs of this Offering and the Sales Fee;

"**Offering**" means this offering of up to 10,000,000 Preferred Shares;

"**Preferred Share**" means a Class A Preferred, Non-Voting Share in the capital of the Company;

"**Preferred Shareholder**" means those investors whose subscriptions to purchase Preferred Shares are accepted by the Company and thereafter at any particular time the persons entered in the central securities register of the Company as holders of Preferred Shares and the singular form means one such registered holder;

"**Real Property**" means land, rights or interest in land (including without limitation leaseholds, air rights and rights in condominiums, but excluding Mortgages) and any buildings, structures, improvements and fixtures located thereon;

"**Securities Authority**" means the British Columbia Securities Commission and any other applicable provincial securities commission;

"**Subscriber**" means a subscriber for Preferred Shares;

"**Subscription Form**" means the subscription form to subscribe for Preferred Shares;

"**Subscription Price**" means $1.00 per Preferred Share; and

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.) c.11, and the regulations promulgated thereunder, as amended from time to time.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Net Funds

The net proceeds of the Preferred Share Offering and the funds which will be available to the Company after the Preferred Share Offering are as follows:

	Description	**Assuming**	
		Minimum Offering(1)	**Maximum Offering(1)**
A	Amount to be raised by the Preferred Share Offering	$0	$10,000,000
B	Selling commissions and fees	0	$0
C	Estimated offering costs (e.g. legal, accounting, audit etc.)	$17,000	$17,000
D	Available funds: D = A – (B+C)	($17,000)	$9,983,000
E	Additional sources of funding required	$17,000(2)	$0
F	Working capital deficiency	N/A	$0
G	Total: G = (D + E) – F	$0	$9,983,000

(1) There is no minimum offering. The Company may raise only a portion of the maximum offering.
(2) If necessary, the Company will provide funds from existing working capital to cover the estimated offering costs, or the directors may lend and pay on behalf of the Company all costs incurred in connection with the preparation for and completion of the Offering, including legal and accounting and audit fees. All costs in connection with the Offering funded by the directors will be repaid, without interest from funds received by the Company from Subscribers or from income generated by the Company.

1.2 Use of Available Funds

The Company will use the available funds as follows:

Description of intended use of available funds listed in order of priority	**Assuming Minimum Offering**	**Assuming Maximum Offering**
Investment in mortgages, other permitted investments and related administrative expenses	$0	$9,983,000
ANY OTHER USE	$0	$0
Total:	$0	$9,983,000

1.3 Reallocation

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

ITEM 2 – BUSINESS OF OUR COPORATION

2.1 Structure

The Company was incorporated under the *Company Act* (British Columbia) on December 29, 1995. On January 28, 2005, the Company transitioned under the new *Business Corporations Act* (British Columbia). The Company is a mortgage investment corporation as defined in the Tax Act and intends to continue to qualify as such.

The head and principal office of the Company is located at 11951 – 224th Street, Maple Ridge, British Columbia, Canada V2X 6B2. The registered and records office of the Company is located at 6345 – 197th Street, Langley, British Columbia, Canada V2Y 1K8.

The Company does not have any subsidiaries. The Company's financial year-end is December 31.

The Company is registered to carry on business as a mortgage investment corporation (a "**MIC**") in the Provinces of British Columbia, Alberta, Manitoba and Ontario. The Company's investment policies require it to conduct its operations so as to qualify as a "*mortgage investment corporation*" as this term is defined under section 130.1 of the Tax Act. The Directors of the Company intend to refuse the registration of an allotment or transfer of the Company's shares which may result in the Company ceasing to meet such qualification.

2.2 The Company's Business

The Company

The Company is a MIC as that term is defined in section 130.1 of the Tax Act. The Company's purpose is to generate a stable stream of income for investors, primarily by making Loans secured by Mortgages, thereby providing investors with an opportunity to participate indirectly in a portfolio of Mortgages. It has developed its mortgage investment business steadily since 1996 and expects that demand for private mortgage financing will remain high as traditional institutional lenders keep their lending policies tight due to lingering caution following the global credit crisis.

The Tax Act provides that a MIC may invest its funds as it sees fit, provided that a MIC must not invest in mortgages on Real Property (land and buildings) situated outside of Canada or any leasehold interest in such property, debts owing by non-resident persons unless secured by Real Property situated in Canada or shares of corporations not resident in Canada. The Tax Act also provides that at least 50% of the cost amount of a MIC's property must consist of debts secured by mortgages or otherwise on "houses" or property included within a "housing project" (as those terms are defined by section 2 of the *National Housing Act* (Canada)) and money on deposit in a bank or credit union. No more than 25% of the cost amount of a MIC's property may be Real Property, including leasehold interests in Real Property (except for Real Property acquired by foreclosure or otherwise after default on a mortgage or other security).

The Company invests primarily in first and second mortgages each having a principal amount which, when added to the principal amount of prior mortgages, is generally not more than 75% of the appraised value of the Real Property against which they are secured. There may be instances in which the Company will invest in Loans with a higher loan-to-value ratio if such Loans are approved by the Board of Directors of the Company.

The Company is in the business of investing in Mortgages granted as security for Loans to a variety of borrowers, including builders, developers and owners of commercial, industrial and residential real estate located primarily in the Provinces of British Columbia, Alberta, Manitoba and Ontario. To the extent that the Company's funds are not invested in Mortgages from time to time, they are held in cash deposited with a Canadian chartered bank or credit union or are invested in short term deposits, savings accounts or government guaranteed income certificates so that the Company may maintain a level of working capital for its ongoing operations considered acceptable by the directors of the Company. Subject to limitations and restrictions applicable to MICs that are contained in the Tax Act, the Company may make other permitted investments over time, including the direct ownership of Real Property (including Real Property acquired by way of foreclosure under Mortgages).

The Company's mortgage investment portfolio is managed by Gordon Hone and Karin Schmidtke and all potential mortgage investments are also approved by Gordon Hone and Karin Schmidtke as long as the mortgage investments are within the investment policies and guidelines established by the Board of Directors of the Company.

As a MIC, the Company is allowed to deduct dividends that it pays from its income. The Company intends to pay out all of its net income and net realized capital gains as dividends within the time period specified in the Tax Act and as a result does not anticipate paying any income tax (see Item 6 - "*Income Tax Consequences*").

The Company may fund its investments through equity financings or, by law, the Company may employ leverage, as permitted by applicable legislation, by issuing debt obligations up to a maximum of five (5) times its equity if at least 2/3 of its equity is in Canadian residential property or on deposit with qualifying financial institutions and three (3) times its equity if less than 2/3 of its equity is in Canadian residential property or on deposit with qualifying financial institutions. The Company currently has revolving credit facility with TD Bank, with a credit limit capped at the lesser of $5,000,000 and 75% of qualified first and second position mortgages on residential properties (see Item 2.7(3) – "*Material Agreements*"). The Company intends to borrow to the extent that the Directors are satisfied that such borrowing and additional investments will increase the overall profitability of the Company.

Mortgage Brokerage

The Company is registered as a Mortgage Broker with the British Columbia Financial Institutions Commission in accordance with the Mortgage Brokers Act.

The Office of the Registrar of Mortgage Brokers at the British Columbia Financial Institutions Commission 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.

Administration and Services Provider

The Company does not have and does not expect to have any employees, and therefore, all mortgage administration and other ancillary services will be performed by Armada Capital Corporation (the "**Administrator**"), which will provide ongoing mortgage administration and other ancillary services relating to the Company's business pursuant to an Administrative and Services Agreement between the Company and the Administrator, dated June 1, 2015. The Administrator is responsible for processing and administering mortgage loans on behalf of the Company and handling the day to day administrative services for the Company's operations. The Administrator is a related party of the Company in that the Administrator is controlled by Mr. Gordon Hone, a Director, officer and shareholder of the Company.

Pursuant to the Administrative and Services Agreement, the Administrator will be paid an annual servicing and administration fee equal to 1.5% of the aggregate outstanding balance of the total assets of the Company (after deduction of provisions for losses), with such fee being calculated and payable monthly in arrears on the 15^{th} of each month.

The Administrator will provide mortgage administration and other ancillary services to the Company with such services to be rendered immediately and competently and with professional skill and acumen.

The Administrator is required to and shall:

(a) administer mortgage loans on behalf of the Company;
(b) undertake and be responsible for the day to day administration of the Company;
(c) provide financial services to the Company including administering general security agreements and other forms of security of the Company;
(d) provide quarterly reports on the operation of the Company to the Board of Directors of the Company;
(e) communicate regularly with mortgage brokers engaged in business with the Company and answer any such mortgage broker queries;
(f) prepare accounting information for the auditors of the Company;
(g) undertake any accounting task which shall reduce the accounting fees of the auditor;
(h) maintain the business premises of the Company for the conduct of its business; and
(i) perform other assignments related to the business and affairs of the Company as directed by its Board of Directors.

The Administrator shall furnish itself with all necessary administrative services including provision of office space, clerical staff and maintenance of books and records to the extent required to perform the duties and services set forth in the Administrative and Services Agreement.

In exercising its powers and discharging its duties under the Administrative and Services Agreement, the Administrator must carry out its duties fairly, honestly and in the best interests of the Company and must exercise the degree of care, diligence and skill that a reasonably prudent person experienced in the business of providing mortgage administration and ancillary services would exercise in comparable circumstances. The Administrator is not liable to the Company for any loss caused by the Administrator in carrying out its duties under the Administrative and Services Agreement unless the loss resulted from the gross negligence, willful misconduct or dishonesty of the Administrator, its officers, employees or agents in the performance of its duties. The Company has agreed, under the terms of the Administrative and Services Agreement, to indemnify and save the Administrator harmless in the event that the Administrator suffers a loss of any nature whatsoever in connection with the performance of its duties under the Administrative and Services Agreement, except where such loss resulted from the gross negligence, willful misconduct or dishonesty of the Administrator or its officers, employees or agents.

The Company will reimburse the Administrator for all reasonable and necessary out-of-pocket disbursements excluding wages, office space and maintenance of books and records incurred by the Administrator in connection with the administration of the business of the Company.

The appointment of the Administrator shall be for a five year period and shall renew automatically for consecutive five year periods unless the Administrative and Services Agreement is otherwise terminated.

In the event of termination of the Administrative and Services Agreement, the Administrative and Services Agreement and any agency created thereby shall terminate and be of no further force or effect and all rights or obligations of the Company and the Administrator shall cease. In addition, in the event of termination of the Administrative and Services Agreement, the Administrator shall return and deliver to the Company (or its authorized agent) all funds received by the Administrator in respect of all mortgages serviced thereunder and all documents, records, tax receipts, insurance policies, appraisals, correspondence, files and other documents in its possession pertaining to the mortgages serviced thereunder.

Investment in Loans

The Company will seek out and originate Loans for investment, which are consistent with the investment and operating policies and objectives of the Company.

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

The Mortgages are held by and registered in the name of the Company.

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

The Company will invest in Mortgages secured primarily by residential Real Property but may invest in Mortgages secured by various other types of Real Property, including single-family dwellings, duplexes, townhouses, condominium units and other multi-family residential properties, subdivisions and construction projects and commercial property, small strata retail, industrial and office units/buildings. The Company will invest in Mortgages secured by Real Property that is located within a 50 kilometre radius of a major urban center which has a minimum population of 35,000 in the Provinces of British Columbia, Alberta, Manitoba and Ontario, although smaller population centers may be approved by the board of directors of the Company as an exception on a case-by-case basis. Such Mortgages will comply with the investment policies of the Company and any Loans relating to property outside of the 50 kilometre radius of a major urban center may have the lending criteria altered in order to ensure protection of the capital.

The Mortgages in which the Company invests will often be short term (i.e. with terms of one year or less), but will attempt to stagger the maturity dates in order to produce an orderly turnover of assets and liabilities. The Mortgages may be second or, in exceptional cases, subsequent ranking Mortgages. As well, the Company may invest, either alone or in participation with other lenders, in mezzanine and subordinated Mortgage debt for investment properties, which Mortgages may carry longer terms.

Investment Policies

The Company's goal is to maximize shareholder returns by investing in Loans to parties recommended by the Company's management. The Company will comply with the following policies and guidelines in order to accomplish this goal. These policies and guidelines are consistent with the provisions of the Tax Act and real estate legislation which apply to mortgage investment corporations generally. In addition, the Company has a credit committee in place which reviews all proposed Mortgages including all funding recommendations which fall outside of the Company prescribed guidelines below. The credit committee is currently comprised of three board members, Gordon Hone, Andrew Danneffel and Ed Monteiro, which members of the credit committee may change from time to time throughout the year, however, the credit committee will always be comprised of board members of the Company, all of whom are not paid for their services as credit committee members. The following are the investment criteria to be applied when selecting Mortgages in which the Company will invest:

(a) No funds will be loaned in respect of any property in which a director or officer of the Company has a direct or indirect interest.

(b) The Company intends that the overall loan-to-value ratio of any Mortgage will not exceed 75% of the appraised value of the property (including prior ranking mortgages) which is mortgaged at the date of the advance unless approved by the Board of Directors as an exception on a case-by-case basis. The following maximum loan-to-value guidelines will apply to certain classes of Real Estate:
   (i) 50% for raw land
   (ii) 65% for construction on serviced land
   (ii) 65% for commercial or non-residential
   (iv) 75% for residential

(c) The Company requires a current appraisal with every mortgage application unless otherwise directed by the Directors of the Company. Each appraisal is required to be prepared by a member of the Accredited Appraisal Canadian Institute.

(d) The Company will primarily invest in first Mortgages on residential properties, with no greater than 35% of its portfolio in second Mortgages.

(e) All Mortgages will, prior to funding, be registered on title to the subject property in the name of the Company.

(f) No single Loan or related group of Loans involving one property or development, or involving several properties or developments owned by one borrower and its affiliates, will exceed 10% of the book value of the Mortgage portfolio of the Company at the time of funding.

(g) Construction, commercial or interim Mortgages, each as a separate group, are restricted to 5% of the Mortgage portfolio of the Company at the time of funding.

(h) Investment in Mortgages is restricted to within a 50 kilometre radius of a major urban center which has a minimum population of 35,000 in the Provinces of British Columbia, Alberta, Manitoba and Ontario, although smaller population centers may be approved by the non-management Directors of the Company as an exception on a case-by-case basis.

(i) The term of any Mortgage will be no more than 3 years, with a focus on Mortgages with a term of 1 year.

(j) The maximum Loan amount per first Mortgage is limited to $750,000 unless such Loan is approved by the credit committee and/or at least two or more non-management Directors of the Company.

(k) The maximum Loan amount per second Mortgage is limited to $150,000 unless such Loan is approved by the credit committee and/or at least two or more non-management Directors of the Company.

(l) The Mortgage portfolio of the Company will continue to be partially margined by the revolving credit facility in order to optimize earning through reasonable leverage.

(m) To the extent that, from time to time, the Company's funds are not invested in Loans, they will be held in cash deposited with a Canadian chartered bank or will be invested in short term deposits, savings accounts or government guaranteed income certificates or treasury bills so as to maintain a level of working capital for the Company's ongoing operations considered acceptable by the Directors of the Company.

(n) The Company will not make any Loan that would result in it failing to qualify as a MIC pursuant to the Tax Act.

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

Operating Policies

The Tax Act imposes certain restrictions on MICs and on investments made by MICs, which restrictions can be summarized as follows:

(a) The corporation must be a Canadian corporation.

(b) The corporation must have at least 20 shareholders.

(c) No shareholder can own more than 25% of the issued shares of any class of the corporation.

(d) Except in limited circumstances, the corporation cannot manage or develop Real Property.

(e) The corporation cannot own shares of non-resident corporations.

(f) The corporation cannot hold Real Property located outside of Canada.

(g) The corporation cannot loan funds where the security is property located outside of Canada.

(h) More than 50% of the cost of the corporation's property must be invested in mortgages over residential properties or deposits with a qualifying financial institution.

(i) No more than 25% of the cost of the corporation's property can be invested in Real Property, except property acquired by foreclosure.

(j) The corporation must not exceed certain debt-to-equity ratios, which vary depending on the percentage of the cost of property invested in residential mortgages or on deposit with qualifying financial institutions. If less than two-thirds of the cost of the corporation's property is invested in this manner, the debt-to equity ratio may not exceed three to one. If more than two-thirds of the cost of the corporation's property is invested in this manner, then the allowable debt-to-equity ratio is five to one.

2.3 Development of Business

The Company has increased its loan portfolio, since its inception, by securing additional capital from previous offerings of Preferred Shares and shareholders' reinvestment of dividends as well as from its line of credit. This Offering is intended to provide the Company with additional funds advance further Loans with emphasis on urban centers and growth areas in the Provinces of British Columbia, Alberta, Manitoba and Ontario.

The Company's target return to investors is 3.75% over the Bank of Canada 3-5 year bond rate, a target that has been reached each year since operations began in 2001.

Size and Composition of Portfolio

As of April 13, 2017, the Company's funds are invested in 122 Mortgages ranging in amounts from $24,068 to $818,162 for a total aggregate principal amount of approximately $23,036,725. The interest rates on these Mortgages range from 4.50% to 11.19%. Of the Company's 122 Mortgages, 6 are on properties located in Alberta, 9 are on properties located in Ontario and 107 are on properties located in British Columbia, of which one is a construction property, one is raw land and 105 are residential properties. In addition, of the 105 Mortgages, 50 are ranked as first mortgages, and the remaining 55 are ranked as second mortgages. The Mortgage portfolio composition as of April 13, 2017 was as follows:

Region	# of Mortgages	1st Mortgages	2nd mortgages	Total Mortgage Value	Average LTV(1)
Alberta	6	$533,564.00	$355,011.00	$888,575.00	56.83%
Capital(2)	2	$846,486.00		$846,486.00	55.19%
Central Vancouver Island	1	$217,500.00		$217,500.00	64.93%
Fraser Valley(3)	37	$5,965,365.00	$1,538,296.00	$7,503,660.00	58.56%
Kelowna	6	$1,185,340.00	$150,000.00	$1,335,341.00	62.24%
Nelson/Trail	1	$237,955.00		$237,955.00	45.18%
North Fraser(4)	12	$1,162,724.00	$684,127.00	$1,846,851.00	62.44%
North Shore	1		$100,000.00	$100,000.00	62.96%
Ontario	9	$884,290.00	$343,772.00	$1,228,064.00	59.15%
Penticton	1	$193,902.00		$193,902.00	49.19%
Richmond/ Delta	8	$1,036,074.00	$315,409.00	$1,351,483.00	53.29%
Surrey/ White Rock	28	$2,488,382.00	$1,706,928.00	$4,195,311.00	61.63%
Vancouver	9	$2,511,092.00	$317,428.00	$2,828,520.00	39.77%
Vernon	1	$263,077.00		$263,077.00	65.00%
Total	**122**	**$17,525,751.00**	**$5,510,971.00**	**$23,036,725.00**	**56.56%**

Notes:

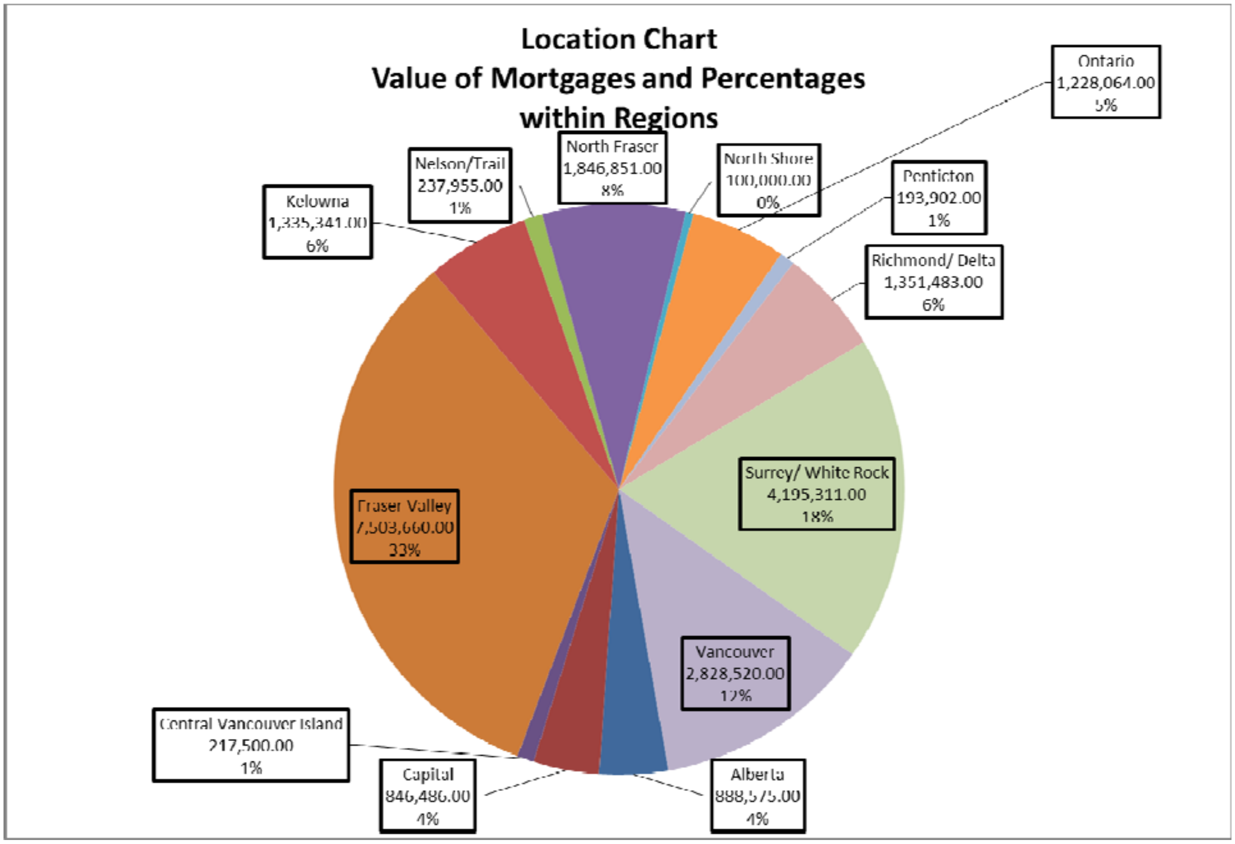
(1) LTV is the acronym for "Loan to Value". The LTV of any specific mortgage is equal to the sum of the Company's mortgage plus any prior mortgages divided by the value the property. The LTV calculations in the above table were completed at the time the mortgages were originally funded. Thus, the above calculations are not an exact indicator of the actual LTV(s) as of April 13, 2017 as the property prices and/or mortgage values may have changed since the time the mortgage was originally funded.

(2) Capital includes the following cities and municipalities: Victoria and Saanich.

(3) Fraser Valley includes the following cities and municipalities: Langley, Chilliwack, Kent, Langley-Township, Maple Ridge, Pitt Meadows, Abbotsford, Mission, Hope and Harrison Hot Springs.

(4) North Fraser includes the following cities and municipalities: New Westminster, Port Coquitlam, Port Moody, Burnaby, Coquitlam, Anmore and Belcarra.

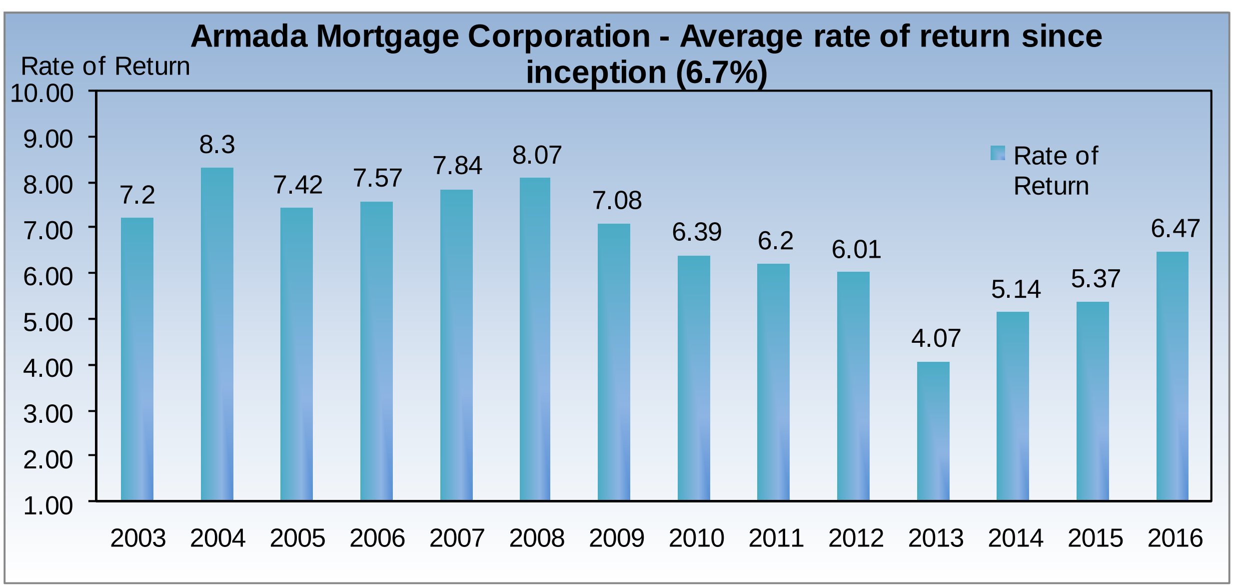
The following outlines the regions in British Columbia as well as in Alberta and Ontario where the Company's Mortgages are located:



The Company has allocated $82,000.00 for loss provisions with respect to potential defaults and foreclosures in progress with respect to its current Mortgage portfolio. The Company currently has one Mortgage in foreclosure for a total of $237,955.37 as at April 13, 2017 and nil Mortgages that are delinquent or behind three months or greater in arrears.

Yearly Rate of Return to Investors

The following table sets out the average rate of returns to the Company's investors on a yearly basis since 2003.



The Company's dividends are paid monthly and not guaranteed. The returns will fluctuate from year to year mainly due to the Company's ability to deploy its capital and avoid losses on its mortgage portfolio. The Company's ability to deploy its capital is influenced by the state of the Canadian private mortgage market. The Canadian private mortgage market is influenced by factors such as the price of real estate, interest rates, lending competition for private mortgages, employment conditions and general economic activity.

The Company's annualized rate of return of the dividends paid to the holders of Preferred Shares for 2016 was 6.47%, which resulted in a distribution of dividends of $1,161,318 of which $813,012 was paid in cash from operating activities and the remaining $348,306 was reinvested in Preferred Shares through the reinvestment option. The Company pays monthly dividends and the dividend rate is declared quarterly by the directors based on cash flows. If there are insufficient funds on hand to pay dividends, the Company will use the line of credit to satisfy any shortfall in the dividend.

The relationship between the Company's cash flows from operating activities and profit or loss, and its historical distributed cash can be summarized in further detail as follows:

	Cash Flow:	**For the three months ended Dec. 31, 2016**	**Accumulated for the year ended Dec. 31, 2016**	**Previously completed fiscal years**	
				(2015)	**(2014)**
A.	Cash flows from operating activities Add back changes in mortgages receivable	$ 197,050 <u>$123,990</u> $321,040	$ 687,615 <u>$2,545,500</u> $3,233,115	$ 365,083 <u>$2,738,569</u> $3,103,652	$ 234,197 <u>$2,056,876</u> $2,291,073
B.	Profit or loss	$383,210	$1,161,318	$835,564	$766,907
C.	Actual cash distributions paid or payable relating to the period**	$151,888	$761,332	$683,799	$597,156
D.	**Excess (shortfall) of cash flows from operating activities over cash distributions paid (A) – (C)**	**$169,152**	**$2,471,783**	**$2,419,853**	**$1,693,917**
E.	**Excess (shortfall) of profit or loss over cash distributions paid (B) – (C)**	**$231,322**	**$399,986**	**$151,765**	**$169,751**

2.4 Long Term Objectives

The Company's long term objectives are:

(i) to provide the holders of Preferred Shares with a monthly rate return that is superior to term deposits, GICs and money market funds, with due consideration to preservation of their capital;

(ii) to distribute income on an annual basis or on a shorter interval if determined by the Board of Directors;

(iii) to maintain profitability on a sustainable basis;

(iv) to maintain the Company's status as an MIC under the Tax Act;

(v) to carry on developing the geographic distribution of the MICs portfolio, with due consideration to the local real estate market, and property types;

(vi) to offer Loans to suitable borrowers who may need slightly more financing than larger institutional lenders may from time to time be willing to provide; and

(vii) to expand the assets of the Company to a value exceeding $30,000,000 while maintaining an intended annualized rate of return to investors based on the current Bank of Canada 3-5 year bond yields plus 3.75%, while maintaining a Mortgage portfolio weighted average loan to value ratio of less than 70%.

2.5 Short Term Objectives and How the Company Intends to Achieve Them

The Company's business objectives for the next 12 months are to complete the offering of up to 10,000,000 Preferred Shares pursuant to this Offering Memorandum and to invest the net subscription proceeds thereof in Loans secured by Mortgages. It is the intention of the Company that the net subscription proceeds of the Offering will be invested as quickly as is reasonably possible pursuant to the investment policies, to raise further equity capital and to optimize returns. The Company intends to meet the following objectives for the next 12 months as follows:

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
The Company intends to raise capital pursuant to the Preferred Share Offerings, to use the raised capital to fulfil its investment program as described in Items 2.2, 2.3 and 2.4 above, to expand its loan portfolio subject to market conditions, to maintain lending practices and to match up investor funds with suitable mortgages.	Since the Company has an ongoing investment program, there is no target completion date for its business plan. Investments will be made as the Company's available funds permit.	N/A

2.6 Insufficient Funds

The funds available as a result of the Preferred Share Offering may or may not be sufficient to accomplish all of the Company's proposed objectives and there is no assurance that alternative financing will be available.

2.7 Material Agreements

The Company has the following material agreements:

1. Administration Services Agreement between the Company and the Administrator (see Section 2.2 - "*The Company's Business – Administration and Services Provider*" above*)*.

2. On October 24, 2013, the Company and The Toronto-Dominion Bank ("**TD Bank**") entered into a Demand Operating Facility Agreement, which was amended on December 31, 2014 (the "**Credit Facility**"). The Credit Facility provides the Company with a revolving credit facility, with a credit limit capped at the lesser of $5,000,000 and the total of 75% of qualified first and second position mortgages on residential properties, secured by a general security agreement with TD Bank representing a first charge on all of the Company's present and after acquired personal property. Any borrowings by the Company under the Credit Facility will be payable on demand and bear interest at a floating rate of TD Bank's prime lending

rate, which at April 21, 2017 was 2.70% per annum, plus 0.50% per annum. Interest is calculated daily and payable monthly in arrears. Among other covenants and conditions, the Credit Facility requires the Company to comply with certain Mortgage requirements, debt to tangible net worth ratio and interest coverage ratio. In addition, the Company must also comply with certain reporting and financial statement requirements to the bank on a regular basis. The objective is to realize profits from such interest rate spread, and to use the leverage to increase returns to the Company's shareholders. However, the Company's operations will not normally rely upon the use of the credit facility or debt financing from a bank or any other source.

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table sets out information about each Director, officer and promoter of the Company and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Company (a "**principal holder**"):

Name & municipality of principal residence(1)	Positions held and the date of obtaining that position	Compensation paid by Company (i) in the most recent financial year; and (ii) anticipated to be paid in the current financial year	Number, type & percentage of securities of the Company held(2) after completion of Minimum Offering	Number, type & percentage of securities of the Company held(2) after completion of Maximum Offering
Gordon Arthur Hone(3) Maple Ridge, BC	President & Director (as of December 29, 1995)	Nil(4)	280,907 Class "A" Preferred Shares(5) (1.37%) 2 Common Shares(6) (2.15%)	280,907 Class "A" Preferred Shares(5) (0.92%) 2 Common Shares(6) (2.15%)
Andrew Danneffel Port Coquitlam, BC	Director (as of April 12, 2010)	(i) $1,470.00(7) (ii) $1,470.00	172,230 Class "A" Preferred Shares (0.84%) 2 Common Shares (2.15%)	172,230 Class "A" Preferred Shares (0.57%) 2 Common Shares (2.15%)
Thomas Dinsley Maple Ridge, BC	Director (as of April 12, 2010)	Nil(4)	164,338 Class "A" Preferred Shares (0.80%) 2 Common Shares (2.15%)	164,338 Class "A" Preferred Shares (0.54%) 2 Common Shares (2.15%)
Edward Monteiro Maple Ridge, BC	Director (as of October 10, 2011)	Nil(4)	222,432 Class "A" Preferred Shares(8) (1.09%) 2 Common Shares (2.15%)	222,432 Class "A" Preferred Shares(8) (0.73%) 2 Common Shares (2.15%)
Patricia Milewski Maple Ridge, BC	Director (as of April 22, 2014)	Nil(4)	1,023,778 Class "A" Preferred Shares(9) (5.00%) 3 Common Shares(10) (3.23%)	1,023,778 Class "A" Preferred Shares(9) (3.36%) 3 Common Shares(10) (3.23%)

Lance Felgnar Pitt Meadows, BC	Director (as of April 21, 2015)	Nil[(4)]	326,931 Class "A" Preferred Shares (1.60%) 3 Common Shares (3.23%)	326,931 Class "A" Preferred Shares (1.07%) 3 Common Shares (3.23%)
Edna J. Peacock Port Coquitlam, BC	Director (as of December 18, 2002)	Nil[(4)]	972,128 Class "A" Preferred Shares[(11)] (4.75%) 2 Common Shares (2.15%)	972,128 Class "A" Preferred Shares[(11)] (3.19%) 2 Common Shares (2.15%)
Don Pearce Maple Ridge, BC	Director (as of April 25, 2017)	Nil[(4)]	Nil	Nil
Karin Schmidtke[(3)] Maple Ridge, BC	Secretary (as of December 18, 2002)	Nil[(4)]	272,860 Class "A" Preferred Shares[(12)] (1.33%) 1 Common Share[(6)] (1.08%)	272,860 Class "A" Preferred Shares[(12)] (0.90%) 1 Common Share[(6)] (1.08%)

Notes:

(1) Information as to municipality of residence has been provided by the individual Directors and officers.

(2) Directly or indirectly.

(3) Gordon Hone and Karin Schmidtke are married.

(4) The Directors and officers do not receive compensation in their capacity as Directors and officers of the Company.

(5) This figure includes 108,196 Preferred Shares held directly by Gordon Hone, 93,132 Preferred Shares held jointly by Gordon Hone and Karin Schmidtke, and 30,000 Preferred Shares held jointly by Gordon Hone, Karin Schmidtke and Heinz Hone.

(6) This figure includes 1 common share held jointly by Gordon Hone and Karin Schmidtke.

(7) This amount is paid annually to Newsfile Corp., a company of which Mr. Danneffel is a director, for webhosting services provided to the Company.

(8) This figure includes 27,919 Preferred Shares held directly by Mr. Monteiro and 194,513 Preferred Shares held by Pacific Marine Services Ltd., over which Mr. Monteiro has control and direction.

(9) This figure includes 417,744 Preferred Shares held jointly by Patricia Milewski and her husband, Martin Milewski, and 606,034 Preferred Shares held by Milewski Enterprises Inc., over which Ms. Milewski has control and direction.

(10) Common Shares are held by Milewski Enterprises Inc. which is owned and controlled by Patricia Milewski and Martin Milewski.

(11) This figure includes 372,708 Preferred Shares held directly by Ms. Peacock, 200,000 Preferred Shares held jointly by Ms. Peacock and her husband, 122,700 Preferred Shares held jointly by Ms. Peacock and Miriah Peacock, 122,709 Preferred Shares held jointly by Ms. Peacock and Sheldon Peacock, and 154,013 Preferred Shares held jointly by Ms. Peacock and Murray Peacock.

(12) This figure includes 147,632 Preferred Shares held directly by Karin Schmidtke, 95,229 Preferred Shares held jointly by Gordon Hone and Karin Schmidtke, and 30,000 Preferred Shares held jointly by Gordon Hone, Karin Schmidtke and Heinz Hone.

As at the date of this Offering Memorandum, the Directors and officers of the Company, as a group, own (i) 17 Common Shares representing 18.28% of the issued and outstanding Common Shares of the Company; and (ii) 3,435,604 Class "A" Preferred Shares representing 16.77% of the issued and outstanding Preferred Shares of the Company.

3.2 Management Experience

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

Name	Principal occupation and related experience
Gordon Arthur Hone	Mr. Gordon Hone has been the President, Director and founder of the Company since inception in 1995. Mr. Hone was a licensed realtor from 1992 to 1994, has been a licensed mortgage broker since 1993 and was the previous owner of Westgate Homes, a residential home builder in Maple Ridge, British Columbia. Mr. Hone has been the owner and mortgage broker of Armada Capital Corporation since 1995. Mr. Hone attended Simon Fraser University and was accepted to the Faculty of Economics & Business Administration in 1989. Mr. Hone has obtained his certification for completing the Partners, Director & Officers Course as well as the Canadian Securities Course, and has received the designation as a Registered Deposit Broker. Mr. Gordon Hone is the husband of the Secretary of the Company, Karin Schmidtke.
Andrew Danneffel	Mr. Danneffel has been a Director of the Company since April 2010. Mr. Danneffel graduated from Simon Fraser University in 2002 with a Bachelor of Business Administration degree (concentrations in Information Technology and Marketing). He is currently a director of Newsfile Corp., a national corporation providing electronic filing and news dissemination services to public companies. Mr. Danneffel is a past President of the Port Moody Arts Centre Society (2010-2012), a non-profit registered society providing arts related programming and events to residents of the Tri-Cities.
Thomas Dinsley	Mr. Dinsley has been a Director of the Company since April 2010. Mr. Dinsley was a competitive diver between 1958-1965 during which time he won a silver medal in the British Empire and Commonwealth games, as well as a gold medal in the Pan American Games. Mr. Dinsley obtained his Law degree in 1969 from the University of British Columbia and has been practicing law in the field of personal injury for over 40 years. He currently works from his office in Port Coquitlam, BC.
Edward Monteiro	Captain Monteiro has been a Director of the Company since October 2011. Captain Monteiro commenced his seagoing career as a Cadet on the training ship Dufferin, and over the next 18 years was promoted to the rank of officer and subsequently a captain of deep sea ships for international voyages. Captain Monteiro was employed at Canadian Transport Company Ltd. (a subsidiary of MacMillan Bloedel) from 1974 to 1996. After leaving Canadian Transport Company Ltd., Captain Monteiro started his own shipping company, Pacific Marine Services Ltd. Captain Monteiro has served on the boards of the British Columbia Institute of Technology from 1994 to 2000 and the Pacific Marine Training Campus from 1992 to 1994.
Lance Felgnar	Mr. Felgnar has been a Director of the Company since April 2015. Mr. Felgnar has been involved in the Lower Mainland real estate and property business since 1972. During the last 35 years he has both owned and managed multi-family rental properties. Being a motivated realtor in Maple Ridge for 24 years he was also a founding shareholder of Royal LePage Brookside Realty. Mr. Felgnar is currently retired from real estate, was an active member of the community, has been a member of the Swan-e-set Golf Club since 1993 and has served on several membership committees.
Patricia Milewski	Ms. Milewski has been a Director of the Company since April 2014. Ms. Milewski's professional experience includes being a self- employed bookkeeper since 1992, a B.C. Registered Music Teacher from 1995 to 2011, as well as serving 3 terms as the executive secretary of the Coquitlam-Maple Ridge Branch of the B.C.R.M.T.A. Since retirement, she has followed an interest in finance by completing two certified courses offered by the Canadian Securities Institute. Ms. Milewski is currently studying full time at UBC towards a Master of Arts Degree in Germanic Studies.

Edna J. Peacock	Mrs. Peacock has been a Director of the Company since 2002. Mrs. Peacock has run her own income tax preparation company for over 25 years and was the owner of an apartment block complex, and various rental real estate properties for 20 years. Mrs. Peacock has also operated her family's blueberry farm since 1990. In addition, Mrs. Peacock was both a director and treasurer of the Maple Ridge Archery Club for over 10 years from 1981 to 1991. Mrs. Peacock has invested in mortgages with Company since 1996.
Don Pearce	Mr. Pearce is a recent Director for 2017. Mr. Pearce has been a resident of Maple Ridge for 29 years and is an active real estate agent with Royal LePage Brookside Realty since November 1991. Mr. Pearce was a Director of the Real Estate Board of Greater Vancouver for 7 years and was President from 2001-2002. Don also served as a director of the BC Real Estate Association 2002-2004. He has been ranked in the top 10% of Realtors since 1991 (Medallion Club). With 25 years as a Medallion Club qualifier Don is a 'Lifetime Member'. This designation is currently held by less than 200 agents out of 13,500 agents on the Real Estate Board of Greater Vancouver. Mr. Pearce was previously a service manager for Western Canada of a private telephone company responsible for management on budgets of buildings in three cities and a staff of approximately 50 people.
Karin Schmidtke	Mrs. Schmidtke has been the Controller of the Company since its inception in 1995 and has been the Secretary of the Company since 2002. In addition to being a licensed mortgage broker since 2010, she has been the Company's designated Registered Deposit Broker since 2010. Mrs. Schmidtke oversees the Company's accounting and administration. Mrs. Schmidtke owned and ran her own professional photography business from 1990 to 1997 in Vancouver, B.C. Mrs. Schmidtke has been investing in residential mortgages since 1994, and has experience in budgeting for residential construction when she was with Westgate Homes. Mrs. Schmidtke is the wife of the President of the Company, Gordon Hone.

3.3 Penalties, Sanctions and Bankruptcy

(a) There has been no penalty or sanction that has been in effect during the last 10 years, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the past 10 years, against:

(i) A Director, executive officer or control person of the Company; or

(ii) An issuer of which a person referred to in 3.3(a)(i) above was a Director, executive officer or control person at that time;

(b) There has been no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any:

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

(i) Issuer of which a person referred to in 3.3(b)(i) above was a Director, executive officer or control person at that time.

3.4 Loans

There are no debentures or loans due to or from the directors, management, or principal holders of the Company.

ITEM 4 – CAPITAL STRUCTURE

4.1 Share Capital

The authorized capital of the Company consists of an unlimited number of voting common shares without par value, an unlimited number of Class "A" redeemable, non-voting preferred shares with a par value of $1.00 each and an unlimited number of Class "B" non-voting preferred shares without par value.

Description of Security	Number of authorized to be issued	Price per Security	Number of outstanding as at April 25, 2017	Number outstanding after Minimum Offering	Number outstanding after Maximum Offering
Common Shares	Unlimited	$1.00	93	93	93
Class "A" Preferred Shares(1)	Unlimited	$1.00	20,480,623	20,480,623	30,480,623
Class "B" Preferred Shares	Unlimited	N/A	Nil	Nil	Nil

Notes:

(1) Complete details of the attributes and characteristics of the Class "A" Preferred Shares are set forth under the heading "*Terms of Preferred Shares*".

4.2 Long Term Debt

The Company has no long term debt.

4.3 Prior Sales

During the last 12 months, the Company has issued the following Preferred Shares:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
April 1, 2016	Preferred Shares	613,052	$1.00	$613,052.00
May 1, 2016	Preferred Shares	237,498	$1.00	$237,498.00
May 15, 2016	Preferred Shares	81,500	$1.00	$81,500.00
June 1, 2016	Preferred Shares	25,000	$1.00	$25,000.00
June 15, 2016	Preferred Shares	193,800	$1.00	$193,800.00
June 30, 2016	Preferred Shares	90,000	$1.00	$90,000.00
July 29, 2016	Preferred Shares	273,371	$1.00	$273,371.00
September 1, 2016	Preferred Shares	169,469	$1.00	$169,469.00
November 15, 2016	Preferred Shares	61,750	$1.00	$61,750.00
December 1, 2016	Preferred Shares	83,000	$1.00	$83,000.00
December 15, 2016	Preferred Shares	307,000	$1.00	$307,000.00
December 23, 2016	Preferred Shares	106,985	$1.00	$106,985.00
January 3, 2017	Preferred Shares	106,985	$1.00	$106,985.00
February 1, 2017	Preferred Shares	299,980	$1.00	$299,980.00
February 15, 2017	Preferred Shares	188,500	$1.00	$188,500.00
March 15, 2017	Preferred Shares	94,690	$1.00	$94,690.00
April 13, 2017	Preferred Shares	181,929	$1.00	$181,929.00
April 25, 2017	Preferred Shares	245,000	$1.00	$245,000.00
Total	**Preferred Shares**	**3,359,509**		**$3,359,509.00**

Within the last two fiscal years, the Company has redeemed the following Preferred Shares:

Date of redemption	Type of security redeemed	Number of securities redeemed	Price per security	Total funds paid
March 31, 2015	Preferred Shares	100,000	$1.00	$100,000
June 30, 2015	Preferred Shares	188,865	$1.00	$188,865
September 30, 2015	Preferred Shares	92,606	$1.00	$92,606
December 31, 2015	Preferred Shares	184,459	$1.00	$184,459
January 4, 2016	Preferred Shares	20,000	$1.00	$20,000
January 31, 2016	Preferred Shares	24,971	$1.00	$24,971
March 31, 2016	Preferred Shares	25,000	$1.00	$25,000
May 2, 2016	Preferred Shares	634	$1.00	$634.00
June 30, 2016	Preferred Shares	6,500	$1.00	$6,500.00
September 30, 2016	Preferred Shares	12,300	$1.00	$12,300.00
December 31, 2016	Preferred Shares	201,222	$1.00	$201,222.00
March 31, 2017	Preferred Shares	30,000	$1.00	$30,000.00
Total	**Preferred Shares**	**886,557**		**$886,557.00**

During its most recently completed financial year ended December 31, 2016, the Company received requests to redeem 409,127 Preferred Shares. In addition, subsequent to the fiscal year ended December 31, 2016, the Company received requests to redeem 30,000 Preferred Shares. The Company honored all of these redemptions and redeemed an aggregate of 439,127 Preferred Shares. The Company used funds available from current operations and from the operating line of credit to honor these redemptions.

During the financial year ended December 31, 2015, the Company received requests to redeem 565,930 Preferred Shares, which was honored and the Company redeemed the 565,930 Preferred Shares. The Company used funds available from current operations and from the operating line of credit to honor these redemptions.

ITEM 5 – SECURITIES OFFERED

5.1 Terms of Preferred Shares

The Company is offering up to 10,000,000 Preferred Shares at $1.00 per Preferred Share, which Preferred Shares have a par value of $1.00. The Preferred Shares have the following material terms:

The Company is offering up to 10,000,000 Preferred Shares at a $1.00 per Preferred Share. Subscribers must subscribe for an initial minimum of 2,500 Preferred Shares, and thereafter, the Company will permit subscriptions in increments of less than 2,500 Preferred Shares, including single Preferred Shares. The Preferred Shares may be sold by the Company pursuant to the dealer registration exemption contained in BCI 32-517 or similar order of the securities regulatory authority in the applicable jurisdiction. Therefore, both the Company, as dealer, and its representatives may not be registered with a securities regulatory authority in accordance with NI 31-103 and are prohibited from providing suitability advice about the purchase of the Preferred Shares by the Subscriber. If the Preferred Shares are sold by an unregistered dealer, the Subscriber has provided its acknowledgement of this by executing and delivering to the Company a Risk Acknowledgement Form in the form attached as Schedule “B” to this Offering Memorandum. The Preferred Shares have a par value of $1.00 and have the following material terms:

(a) Dividend Entitlement

Part 27.2 of the Company’s Articles stipulates that the holders of the Preferred Shares rank in priority to the holders of the Common Shares of the Company with respect to dividend entitlement. Each year, at the discretion of the Directors, the holders of Preferred Shares will be entitled, out of any or all profits or surpluses available for dividends, to non-cumulative dividends up to the amount that pursuant to clause 130.1(1)(a)(i) of the Tax Act is deductible in computing the Company’s income for the year and up to twice the amount that pursuant to clause 130.1(1)(a)(ii) of the Tax Act is deductible in computing the Company’s income for the year. Any distributions made by way of dividends declared on the issued and outstanding Preferred Shares will be subject to the provisions of the *Business Corporations Act* (British Columbia).

Such dividends, if any, will be declared and paid within 90 days of the end of such fiscal year. Preferred Shareholders may elect to receive such dividends as cash or reinvested as additional shares. Dividends reinvested as additional shares will qualify for dividend entitlement paid pro rata based on the quarter in which the shares were purchased. Dividends taken as cash will not be eligible for further dividend or interest consideration.

The Company intends to distribute all of the net income and net realized capital gains, if any, of the Company to Preferred Shareholders by way of dividends, so that the Company will not be liable to pay income tax pursuant to the Tax Act during any year.

(b) Redemption by the Company

The Company may, pursuant to and in accordance with the requirements of Part 27.3 of its Articles, redeem upon providing at least 30 days notice at any time or from time to time in whole or in part any of the Preferred Shares in such proportions as the Directors may specify on payment of a redemption price per Preferred Share which will be equal to the paid up capital of the Preferred Share plus the aggregate of all dividends declared but unpaid on the Preferred Share plus the Preferred Share's *pro rata share* of any undistributed net income and net capital gains. The Company cannot offer to redeem or purchase any Preferred Shares if the Company is insolvent at the time of redemption or if the redemption would render it insolvent, or if such redemption would result in the Company losing its status as a MIC. Any Preferred Shares so redeemed by the Company will be cancelled upon redemption.

(c) Priority on Liquidation, Dissolution or Winding Up

In the event of the liquidation, dissolution or winding up of the Company or other distribution of its property or assets among shareholders, distributions of the property or assets will be made:

(i) first, to the holders of the Preferred Shares and the Class "B" Preferred Shares, such amount as is equal to all dividends declared and unpaid thereon; and

(ii) the balance, to the registered holders of the Preferred Shares, the Class "B" Preferred Shares and the Common Shares, who shall be entitled to participate equally with each other, *pro rata* in accordance with the number of Preferred Shares, Class "B" Preferred Shares or Common Shares held, respectively.

(d) Retraction by Preferred Shareholder

For the purposes of the following paragraphs, "**Class "A" Retraction Date**" means the date that is one year from the last day of the fiscal quarter in which the Preferred Share was subscribed for by an investor. Where Preferred Shares were acquired by way of re-invested dividends on an originally subscribed for Preferred Share, the Class "A" Retraction Date for such Preferred Shares will be the same Class "A" Retraction Date as the original Preferred Shares.

If a Class "A" Retraction Date for a Preferred Share expires, the new Class "A" Retraction Date for such Preferred Shares will be one year from the expired Class "A" Retraction Date.

Part 27.4 of the Company's Articles provides the holders of Preferred Shares with the right to require the Company to redeem all or any portion of their fully paid Preferred Shares upon providing the Company with written notice 90 days prior to the Class "A" Retraction Date for such Preferred Shares. The aggregate value of all payments to be made by the Company with respect to all redemptions under Part 27.4 of the Company's Articles, in any given calendar year, will be limited to 10% of the aggregate value of the Company's equity earnings for the previous year. In addition, the obligation of the Company to redeem Preferred Shares is subject to the qualification that the Company is not permitted to redeem Preferred Shares if the Company is insolvent at the time of the redemption or if the redemption would render the Company insolvent or cause the Company to cease being qualified as a MIC pursuant to the provisions of the Tax Act.

Where, on completion of a redemption by the Company pursuant to a request by a holder of Preferred Shares the value of the remaining Preferred Shares held by such holder would be less than $5,000, then the Company shall have the right, at its sole discretion, to redeem all such remaining Preferred Shares held by such holder by making payment in respect thereof, in priority to any other requests received from other holder of Preferred Shares.

(e) Constraints on Transferability

Part 30 of the Company's Articles provides that no Preferred Shares may be sold, transferred or otherwise disposed of without the consent of the Directors, and the Directors are not required to give any reason for refusing the consent to any such sale, transfer or other disposition. In addition, Directors are mandated to use their best efforts to ensure that the Company at all relevant times qualifies as a MIC pursuant to the Tax Act and, accordingly, the Directors may, in their sole discretion, reject any applications for share dividends or share subscriptions, transfers, redemptions or retractions where in the view of the Directors such would not be in the Company's best interests as a MIC under the Tax Act.

Accordingly, the Directors of the Company intend to refuse registration of an allotment or any transfer of shares which would result in the Company ceasing to meet the qualifications of a MIC. See also Item 10 "*Resale Restrictions*" for further restrictions on the transferability of the Company's Preferred Shares.

(f) Voting Rights

The Preferred Shares of the Company are non-voting, and do not have any right to vote except in respect of any amendment to their special rights and privileges. The holders of the Preferred Shares are not entitled to receive notice of or vote at meetings of the shareholders of the Company, unless otherwise permitted under the *Business Corporations Act* (British Columbia).

5.2 Subscription Procedure

The Preferred Shares are being offered for sale in the Province of British Columbia pursuant to applicable securities legislation. The Preferred Shares are conditionally offered if, as and when subscriptions are accepted by the Company and subject to prior sale. Subscriptions for Preferred Shares will be received by the Company subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Company may terminate the Preferred Share Offering at any time without notice and in such case, the Company will not be required to accept later subscriptions. Closings may occur from time to time as determined by the Company.

The minimum initial investment in the Company is $2,500. The minimum subsequent investment in the Company for existing Preferred shareholders is $50. The Company reserves the right to change the minimum amount at any time and from time to time.

Subscriptions may be sent to the Company at its principal office or such other address as specified by the Company by courier or telecommunication facilities.

Subscribers wishing to purchase Preferred Shares must submit to the Company at its head office address shown at the beginning of page one:

1. A completed and signed Subscription Agreement in the form provided by the Company, specifying the number of Preferred Shares being subscribed;

2. Two completed and signed Form 45-106F4 - Risk Acknowledgements in the form attached to this Offering Memorandum as Schedule "A";

3. Two completed and signed copies of the Risk Acknowledgement under BCI 32-517 in the form attached to this Offering Memorandum as Schedule "B";

4. A certified cheque, bank draft, wire transfer or other payment acceptable to the Company in the amount of your total investment made payable to the Company; and

5. Any other forms, declarations and documents as may be required by the Company to complete the subscription.

The Company will hold your subscription funds in trust until midnight on the second business day after the day on which your signed Subscription Agreement is received. The Company will return all consideration to you if you exercise the right to cancel the Subscription Agreement within the prescribed time.

Upon acceptance, the Subscription Price for the Preferred Shares will be deposited in a designated bank account. Upon the Preferred Shares having been issued, the Subscription Price will be made available to the Company for use in its business, as set out in this Offering Memorandum.

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 after it has determined not to accept the funds, without interest.

Notwithstanding the above, subscription agreements from Trustees for RRSPs or RRIFs under the Tax Act will be accepted by the Company without the accompanying payment, to accommodate their administrative procedures. In such case, the share certificates for the Preferred Shares will be delivered by the Company in exchange for payment of the Subscription Price.

The Preferred Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended, and subject to certain exceptions, may not be offered or sold in the United States.

ITEM 6 - INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

6.1 Purchasers' Independent Tax Advice

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

6.2 MIC Status; Income Tax Consequences

The Tax Act stipulates that for a corporation to qualify as a MIC, among other requirements, the corporation must have a minimum of 20 shareholders and no shareholder, including related individuals, can own in excess of 25% of the total issued and outstanding shares of any class of the capital of the corporation. A minimum of 50% of the cost of the corporation's assets must be invested in residential mortgages as defined in the Tax Act, including mortgages on multiple unit residential developments and deposits with Canada Deposit Insurance Corporation-insured institutions.

The Company intends to maintain its qualification as a mortgage investment corporation under the terms of the Tax Act. As a mortgage investment corporation, dividends paid during the year or within 90 days thereafter can be deducted from income for tax purposes. The dividends received are not subject to usual dividend treatment in the hands of shareholders. If shares are held within a non-registered account, they will be taxable in the hands of shareholders who are subject to tax as if they had received an interest or capital gains payment. If shares are held within a registered plan, the dividends will be received on a tax-deferred basis so tax is not paid by the shareholder until it is withdrawn from the registered plan.

Accordingly, it is anticipated that for each taxation year of the Company throughout which it qualifies as a MIC under the Tax Act, the Company will receive "flow through" treatment and will not be required to pay income taxes on the net earnings from which dividends are paid in each year. Income in excess of allowable deductible reserves under the Tax Act which is not distributed to shareholders within 90 days of each of the Company's year-ends will be subject to ordinary corporate tax under the Tax Act.

RRSP, RRIF, RESP and TFSA Eligibility

The Company confirms, upon the advice of their auditors, that as long as the Company remains a MIC and continues to meet all of the MIC requirements prescribed under the Tax Act, then the Preferred Shares will, subject to the conditions in the next paragraph, constitute a “qualified investment” for RRSP, RRIF, RESP and TFSA purposes pursuant to the Tax Act.

Recent changes in the Tax Act have led to restrictions on the ability of RRSPs, RRIFs and RESPs to invest in shares of MICs and have extended to RRSPs, RRIFs and RESPs the same criteria as is applied to TFSAs. For these four types of plans, a “prohibited investment” is one in which the holder of the TFSA or the annuitant of the RRSP, RRIF or RESP has a close connection. Included in this definition is a share of, an interest in, or a debt of a corporation in which the annuitant (or a non-arm’s length person) has a significant interest (generally 10% or more of any class of the shares of the corporation). If an investment in Preferred Shares becomes a prohibited investment after acquisition, it must be disposed of.

Prior to recent changes to the Income Tax Act, an investor could invest in a MIC through an RRSP, RRIF or RESP as long as the investor, their spouse and minor children (i.e. under 18) together held 25% or less of any class of shares of the MIC. The rules for investing in a MIC through a TFSA were much stricter and the recent changes mean that the stricter rules now apply to investments in MICs through RRSPs, RRIFs and RESPs. Now, an investment in a MIC through an RRSP, RRIF, RESP or TFSA (a "Plan") will be a "prohibited investment" if the Plan, the RRSP/RRIF annuitant or TFSA holder, and non-arms length persons, own 10% or more of any class of shares of the MIC. The ownership threshold has been reduced significantly and in addition, there is potentially larger group of persons whose interest in the MIC can cause an investment to be a prohibited investment. The group of non-arms length persons would include adult children, siblings and parents (and even unrelated persons can be deemed to be not at arm's-length). As such, it will be important for investors to check with other members of their family as to their ownership prior to making an investment in the MIC through an RRSP, RRIF or TFSA. Please note that this does not affect investments in the MIC held outside of one of these types of plans.

Management may not be aware of the identity of persons with whom investors do not deal at arm’s length for the purpose of determining whether a non-arm's length group meets the 10% ownership threshold. If management does become aware of the identity of such persons, management cannot advise investors of this situation due to privacy legislation. Investors will be responsible for ensuring that they, along with non-arm’s length persons, remain below the 10% ownership threshold if investments are to be made through a TFSA, RRSP, RRIF or RESP. Management cannot be liable for taxes or penalties that may apply if these ownership thresholds are exceeded.

The Company is making the income tax disclosure contained in this section 6.2, but it makes no other warranties or representations, implied or otherwise, with respect to taxation issues. If the Company were not to qualify as a MIC, the income tax consequences would be materially different from those described in this section 6.2.

Purchasers should consult with their own tax advisor regarding the income tax consequences of acquiring, holding and disposing of the Preferred Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

The Company and their respective directors and officers will sell the Preferred Shares.

Where lawfully permitted, the Company may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, subject to negotiation. The Company has not engaged any such party at this time.

ITEM 8 - RISK FACTORS

In addition to the factors set forth elsewhere in this Offering Memorandum, potential subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Preferred Shares.

The following is a summary only of the risk factors involved in an investment of the Preferred Shares. Purchasers should consult with their own professional advisors to assess the income tax, legal and other aspects of an investment in the Preferred Shares.

Speculative Investment

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

Risks Associated With Mortgage Loans

Real estate investment contains elements of risk and is subject to uncertainties such as costs of operation and financing and fluctuating demand for developed real estate. In addition, prospective investors should take note of the following:

(i) Credit Risk: As with most mortgage investment corporations, the Company provides financings to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the risk that the mortgagor will fail to discharge the obligation causing the Company to incur a financial loss. The Company minimizes its credit risk primarily by ensuring that the collateral value of the security fully protects both first and second mortgage advances, that there is a viable exit strategy for each loan, and that loans are made to experienced developers and owners. In addition, the Company limits concentration of risk by diversifying its mortgage portfolio by way of location, property type, maximum loan amount on anyone property and maximum loan amount to any one borrower or connection.

(ii) Liquidity Risk: Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to hedge this liquidity risk by maintaining a line of credit (refer to Item 2 above) and managing Preferred Shares (refer to Item 5 above). Successful utilization of leverage, as contemplated by any bank line of credit or other financing depends on the Company's ability to borrow funds from outside sources and to use those funds to make loans and other investments at rates of return in excess of the cost to the Company of the borrowed funds. Leverage increases exposure to loss. The Company controls liquidity risks through cash flow projections used to forecast funding requirements on mortgage proposals and includes anticipated redemption of Preferred Shares. The Company commits to mortgage investments only on an assured cash availability basis.

(iii) Mortgage Insurance: The Company's Mortgage Loans will not usually be insured by CMHC or any other mortgage insurer in whole or in part.

(iv) Property Insurance: The insurance coverage on the property may be inadequate, expire or be cancelled and may expose the investor to potential loss of investment.

(v) Decline in Property Value: The Company's Mortgage Loans will be secured by real estate. All real estate investments are subject to elements of risk. Real property value is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants, competition from other available properties and other factors. While independent appraisals are 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.

(vi) Default: In case of default on a mortgage, it may be necessary for the Company, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing.

(vii) Impaired Loans: The Company may from time to time have one or more impaired loans in its portfolio, particulars of which can be obtained by contacting the Company. The Company defines loans as being impaired where full recovery is considered in doubt based on a current evaluation of the security held and for which write-downs have been taken or specific loss provisions established. As at the date of this Offering Memorandum, there is one (1) Loan considered to be impaired, for an aggregate of $237,955.37 representing 1.02% of the Company's Loan portfolio.

(viii) Priority: Financial charges funded by first mortgage lenders may in some cases rank in priority to the mortgages registered in favour of the Company. In the event of default by the mortgagor under any prior financial charge, the Company may be required to arrange a new first mortgage or pay out same, in order to avoid adverse financial implications.

In recognition of the risks which may be involved in the Company's investments, the Company will establish reserves against potential losses in such amounts as are anticipated to be deductible for income tax purposes under the Tax Act as determined in consultation with the Company's auditors.

Competition

The ability of the Company to make investments in mortgages in accordance with its investment policies will depend upon the availability of suitable investments and the amount of mortgages available. The Company will be competing for investments with individuals, corporations and institutions (both Canadian and foreign) which are seeking or may seek 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 or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in such investments may increase competition for those investments, thereby increasing purchase prices and reducing the yield on the investments.

Prospectus Exemption

The Preferred Share Offering is being made pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation (the "Exemptions"). As a consequence of acquiring the Preferred Shares offered hereby pursuant to such Exemptions and the fact that no prospectus has or is required to be filed with respect to any of the Preferred Shares offered hereby under applicable securities legislation in Canada: (i) you will be restricted from using certain of the civil remedies available under applicable securities legislation; (ii) certain protections, rights and remedies provided in such legislation will not be available to you; (iii) you may not receive information that might otherwise be required to be provided to you under such legislation; and (iv) the Company is relieved from certain obligations that would otherwise apply under such legislation.

Marketability

There is no market for resale of the Preferred Shares as they are not traded on any stock exchange, consequently it may be difficult or even impossible for investors to sell them. In addition, the Preferred Shares may not be readily acceptable as collateral for loans.

There are restrictions on resale of the Preferred Shares by investors. Such restrictions on resale may never expire and investors should consult with their professional advisors in respect of resale of the Preferred Shares. See Item 10 - "*Resale Restrictions*" in this regard.

The Company does not presently intend to qualify its securities for sale to the public by way of prospectus.

Reliance on BC Instrument 32-517

The Preferred Shares may be sold by the Company pursuant to the dealer registration exemption contained in BCI 32-517 which provides limited relief from the requirements to register as an Exempt Market Dealer for trades in a security in connection with a prospectus-exempt distribution provided that the Company, as dealer, meets the requirements of BCI 32-517. The Company's ability to sell the Preferred Shares as an unregistered dealer without registering is dependent upon the Company's continued ability to rely on BCI 32-517. Should the Canadian

Securities Administrators or the British Columbia Securities Commission order that an unregistered dealer and/or its representatives cannot rely on BCI 32-517, the Company and its representatives may be required to be registered to sell the Preferred Shares and may be prohibited from continuing any sales of Preferred Shares until registered.

The Preferred Shares are not Insured

The Company is not a member institution of the Canada Deposit Insurance Corporation and the Preferred Shares offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation. The Preferred Shares are redeemable at the option of the holder, but only under certain circumstances and due to the illiquid nature of mortgage lending, the Company may not be in a position to redeem the shares when requested by a Preferred Shareholder.

Absence of Voting Rights

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

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

Dilution

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

Less than Full Offering

There can be no assurance that more than the minimum Offering will be sold. In that case, less than the maximum proceeds will be available to the Company and, consequently, its business development plans and prospects could be adversely affected, since fewer Mortgage Loans will be granted by the Company.

Reliance on Management

To the extent that the Company invests in real estate properties, Preferred Shareholders will be relying on the good faith and expertise of the Company and its principals in selecting such investments and negotiating the pricing and other terms of the agreements leading to the acquisition of such investments.

Nature of Mortgage Backed Investments

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

Renewal of Mortgages

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

Composition of the Mortgage Portfolio

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

Changes in Legislation

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.

Tax Matters

The return on the Preferred Shareholder's investment in the Preferred Shares is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to Preferred Shareholders acquiring, holding or disposing of Preferred Shares.

If, for any reason, the Company fails to maintain its qualification as a mortgage investment corporation under the Tax Act, dividends paid by the Company on the Preferred Shares will cease to be deductible from the Company's income and the Preferred Shares may cease to be qualified investments for Deferred Plans. See Item 6 "*Income Tax Considerations and RRSP / TFSA Eligibility*".

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

Conflict of Interest

The Administrator and the Company are related entities and negotiations between them have not been and will not be, conducted at arm's length. Therefore, the Company will be subject to various conflicts of interest arising from its relationship with the Administrator, affiliates of the Administrator, and the officers and directors thereof. In addition, there may be situations where the interests of the Company or its shareholders conflict with the interests of the officers and directors of the Administrator. The risk exists that such conflicts will not be resolved in the best interests of the Company and its shareholders. However, in accordance with the Administrative and Services Agreement the Administrator is bound by its duty to deal honestly and in good faith.

The Directors of the Company and the Administrator may be employed by or act in other capacities for other companies involved in mortgage and lending activities.

Potential Liability under Environmental Protection Legislation

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, as the owner of real estate properties the Company could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of the properties. The failure to remove or remediate such substances, if any, may adversely affect the Company's ability to sell such a property or to borrow using a property as collateral.

ITEM 9 - REPORTING OBLIGATIONS

9.1 Documents Provided to Shareholders Annually

The Company is not a "reporting issuer" as such term is defined in applicable securities legislation and accordingly is not subject to most of the continuous disclosure reporting obligations imposed on reporting issuers by securities legislation in British Columbia. In accordance with requirements of the *Business Corporations Act* (British Columbia), the Company is required to place audited financial statements before its shareholders at each annual general meeting and to deposit copies for inspection in its corporate records maintained at its records office which are available for inspection by any shareholders during normal business hours.

9.2 Sources of Information About the Company

Information about the Company's incorporation, amendments to its documents, Directors, officers, annual corporate filings and other corporate information can be obtained from the British Columbia Registrar of Companies, 2nd Floor – 940 Blanshard Street, (PO Box 9431 Stn. Pvo. Govt.) Victoria, British Columbia V3W 9V3 (Telephone: 250.356.8658; Facsimile: 250.356.9422.)

ITEM 10 - RESALE RESTRICTIONS

10.1 General

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

10.2 Restricted Period

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

After such period, the Preferred Shares may be transferable, subject to restrictions on transfer required in order to comply with certain provisions of the Tax Act. Section 130.1(6)(d) of the Tax Act stipulates that a mortgage investment corporation may not have fewer than 20 shareholders and no one shareholder may hold more than 25% of the issued and outstanding shares of any class of the Company's capital. Accordingly, the Articles of the Company provide that the Directors of the Company may prohibit the transfer of shares in any case where as a result of the transfer the Company would no longer meet the requirements of a MIC.

ITEM 11 - PURCHASER'S RIGHTS

Securities legislation in certain of the Provinces of Canada requires you as a purchaser of securities to be provided with a remedy for rescission or damages, or both, in addition to any other right that a Purchaser may have at law, where this Offering Memorandum and any amendments to it contains a misrepresentation. These remedies must be exercised by a Purchaser within the time limits prescribed by the applicable securities legislation. Purchasers should refer to the applicable provisions of the securities legislation for the complete text of these rights.

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

(a) Two-Day Cancellation Right

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

(b) Statutory Rights of Action in the Event of a Misrepresentation

Rights for Purchasers in British Columbia

Securities legislation in British Columbia provides that if you purchase securities pursuant to this Offering Memorandum, you shall have, in addition to any other rights you may have at law, a right of action for damages or rescission against the Company, every Director of the Company and every person who signs the Offering Memorandum or any amendment thereto in the event that the Offering Memorandum or any amendment thereto contains a misrepresentation. However, such rights must be exercised within prescribed time limits. You should refer to the applicable provisions of the British Columbia securities legislation for particulars of those rights or consult with a lawyer. For these purposes, a "*misrepresentation*" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated, or necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. A "*material fact*" means any fact that significantly affects or could reasonably be expected to significantly affect the market price or the value of the Preferred Shares.

The Company will not be liable if it proves that you had knowledge of the misrepresentation. In the case of an action for damages, the Company will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon, and in no case will the amount recoverable in any action exceed the price at which the Preferred Shares were sold to you.

In British Columbia, no action shall be commenced to enforce a statutory right of action unless the right is exercised:

(a) in the case of rescission, on notice to the Company not later than 180 days from the day of the transaction that gave rise to the cause of action, or

(b) in the case of damages, on notice given to the Company not later than:

  (i) 180 days from the day you first had knowledge of the facts giving rise to the cause of action; or

  (ii) three years from the day of the transaction that gave rise to the cause of action.

The rights of action for rescission or damages are in addition to and without derogation from any other right you may have at law.

Reference is made to the *Securities Act* (British Columbia) for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the *Securities Act* (British Columbia). You should refer to the applicable provisions of the British Columbia securities legislation, as applicable, for particulars of your rights or consult with a lawyer.

ITEM 12 - FINANCIAL STATEMENTS

Audited annual financial statements as at December 31, 2016 are attached.

Grant Thornton

Financial Statements

Armada Mortgage Corporation

December 31, 2016

Contents

Management Responsibility Statement

The management of Armada Mortgage Corporation is responsible for preparing the financial statements, the notes to the financial statements and other financial information contained in this annual report.

Management prepares the financial statements in accordance with International Financial Reporting Standards. The financial statements are considered by management to present fairly the management's financial position and results of operations.

The company, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the financial statements.

The financial statements have been reported on by Grant Thornton LLP, Chartered Professional Accountants, the shareholders' auditors. Their report outlines the scope of their examination and their opinion on the financial statements.

Mr. Gordon Hone, President
April 11, 2017

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Independent Auditor's Report

To the Shareholders of
Armada Mortgage Corporation

We have audited the accompanying financial statements of Armada Mortgage Corporation, which comprise the statement of financial position as at December 31, 2016, and the statements of income and 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.

Auditor's 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 auditor's 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 company'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 company'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.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Armada Mortgage Corporation as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Vancouver, Canada
April 11, 2017

Chartered Professional Accountants

Armada Mortgage Corporation
Statement of Financial Position

December 31	2016	2015
Assets		
Cash	**$ 1,825**	$ 1,850
Accounts receivable	**-**	20,000
Interest receivable	**107,548**	81,630
Mortgages receivable (Note 4)	**21,832,374**	19,436,078
Prepaid expenses	**30,464**	18,334
Total assets	**$ 21,972,211**	$ 19,557,892
Liabilities		
Bank indebtedness (Note 5)	**$ 2,316,802**	$ 3,025,517
Accounts payable	**81,404**	49,531
Dividends payable (Note 6)	**580,645**	179,592
Preferred shares (Note 7)	**18,993,267**	16,303,158
Total liabilities	**21,972,118**	19,557,798
Shareholders' equity		
Common shares (Note 7)	**93**	94
Total liabilities and shareholders' equity	**$ 21,972,211**	$ 19,557,892

Subsequent events (Note 13)

On behalf of the board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

Armada Mortgage Corporation
Statement of Income and Comprehensive Income

Year ended December 31	2016	2015
Revenue		
Mortgage interest	**$ 1,504,803**	$ 1,136,178
Lender fees	**173,376**	122,801
Other fees	**72,415**	66,015
Total revenue	**1,750,594**	1,324,994
Expenses		
Management fees (Note 8)	**350,892**	266,054
Mortgage losses (Note 4)	**82,000**	77,695
Interest and bank charges	**79,170**	72,522
Professional fees	**34,365**	38,658
Advertising and promotion	**16,515**	17,980
Consulting fees	**12,019**	12,750
Insurance	**9,118**	795
Office	**5,197**	2,976
Total expenses	**589,276**	489,430
Income before other item	**1,161,318**	835,564
Other item		
Dividend expense (Note 6)	**1,161,318**	835,564
Net and comprehensive income	**$ -**	$ -

Related party transactions (Note 8)

Rate of return (Note 12)

Armada Mortgage Corporation
Statement of Changes in Equity
Year ended December 31

	Common Shares	Retained Earnings	Total
Balance, December 31, 2015	$ 94	$ -	**$ 94**
Net and comprehensive income	-	-	**-**
Proceeds from issuance of shares	2	-	**2**
Redemption of shares	(3)	-	**(3)**
Balance, December 31, 2016	**93**	**-**	**93**
Balance, December 31, 2014, as previously stated	98	127,643	**127,741**
Prior period adjustment	-	(127,643)	**(127,643)**
Balance, December 31, 2014, as restated	98	-	**98**
Net and comprehensive loss	-	-	**-**
Redemption of shares	(4)	-	**(4)**
Balance, December 31, 2015	$ 94	$ -	**$ 94**

Armada Mortgage Corporation
Statement of Cash Flows

Year ended December 31	**2016**	2015
Increase (decrease) in cash and cash equivalents		
Operating		
Net and comprehensive income	**$ -**	$ -
Items not affecting cash		
Interest income	**(1,504,803)**	(1,136,178)
Dividends	**1,161,318**	835,564
Mortgage losses	**82,000**	77,695
Interest expense	**79,170**	72,522
	(182,315)	(150,397)
Change in non-cash operating working capital		
Accounts receivable	**20,000**	(20,000)
Prepaid expenses	**(12,130)**	(8,924)
Funds held in trust	**-**	143,900
Accounts payable	**31,874**	8,541
Unearned lender fees	**67,204**	18,912
	106,948	142,429
Cash flows relating to interest and dividends		
Interest received	**1,478,885**	1,147,583
Interest paid	**(79,170)**	(72,522)
Dividends paid	**(636,733)**	(702,011)
	762,982	373,050
	687,615	365,082
Financing		
Common shares issued	**2**	-
Common shares redeemed	**(3)**	(4)
Preferred shares issued	**2,975,704**	1,728,256
Preferred shares redeemed	**(409,127)**	(565,930)
Proceeds from bank loan	**14,150,000**	10,400,000
Repayment of bank loan	**(14,858,716)**	(9,188,935)
	1,857,860	2,373,387
Investing		
New mortgages funded	**(20,826,877)**	(10,772,478)
Mortgages repaid	**18,281,377**	8,033,909
	(2,545,500)	(2,738,569)
Decrease in cash	**(25)**	(100)
Cash		
Beginning of year	**1,850**	1,950
End of year	**$ 1,825**	$ 1,850

1. Nature of operations

Armada Mortgage Corporation (the "company") is a mortgage investment corporation pursuant to Section 130.1 of the Income Tax Act. It was incorporated under the British Columbia Companies Act on December 29, 1995 and is also registered in Alberta, Manitoba and Ontario. The primary mandate of the company is to invest its pooled funds into residential first, second and third mortgages and to provide a return to its shareholders that will exceed the bank's prime lending rate by 2% - 4% per annum.

The address of the company's registered office is 11951 224 Street, Maple Ridge, BC V2X 6B2.

2. Basis of presentation

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

These annual financial statements were authorized for issuance by the Board of Directors on April 11, 2017.

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

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

Use of estimates and judgments
The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the valuation of mortgages and provision for impaired loans.

Management believes that its estimates are appropriate, however, actual results could differ from the amounts estimated. Estimates and underlying assumptions are reviewed annually and revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

3. Summary of significant accounting policies

Mortgages receivable

Mortgages receivable are classified as loans and receivables and are recorded at amortized cost, less allowances for loan impairment. Mortgages are issued typically with terms between one to two years and are subject to approval based on lending criteria.

Specific allowances are established for individual mortgages identified as impaired, whereby the company reduces the carrying value of these mortgages to their estimated net realizable value. Mortgages classified as impaired include mortgages for which interest and principal payments are 90 days in arrears and the underlying security is considered inadequate to recover all costs. Estimated realizable amounts are determined by the estimated net fair market value of the security underlying the mortgages after deducting costs of realization.

The company capitalizes all maintenance and foreclosure costs with the intention of recovering these costs upon subsequent payout of the mortgage providing that sufficient equity is estimated to exist in the underlying security.

Revenue recognition

Interest income on mortgages is recorded using the accrual method. The majority of the mortgages receivable are for a one year term and, therefore, loan fees and expenses are recognized in the year received or incurred. Any discounts on mortgages purchased below face value are amortized to income over the mortgage term.

Interest income on impaired loans ceases to accrue at the start of the legal action. Any interest income after that point is only recognized when received at the successful completion of the foreclosure action.

Interest penalties received as a result of loan prepayments are recognized as income in the year in which the prepayment is made.

In foreclosure situations, the company ceases to accrue interest at the start of legal action. The company will carefully review the situation with these mortgages an recognize any impairment when it arises.

Income taxes

No provision for income taxes has been made in these financial statements, as the company is a Mortgage Investment Corporation in accordance with Section 130.1 of the Income Tax Act. No tax is payable providing all income earned is paid out as dividends within 90 days of the fiscal year end.

Dividends

Dividends on new shares and redemptions are calculated on a pro-rated monthly basis.

3. Summary of significant accounting policies (continued)

Financial instruments

All financial instruments are initially recognized on the statement of financial position at fair value at acquisition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. During the year, there has been no reclassification of financial instruments.

The financial instruments classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized in net income. The company does not have any financial instruments classified as fair value through profit or loss.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The company does not have any financial assets classified as available-for-sale.

The financial assets classified as loans and receivables are initially measured at fair value, then subsequently carried at amortized cost. The company's financial assets classified as loans and receivables include cash, accounts receivable, interest receivable and mortgages receivable.

The financial assets classified as held-to-maturity are initially measured at fair value, then subsequently carried at amortized cost. The company does not have any held-to-maturity financial assets.

Financial instruments classified as other financial liabilities are initially measured at fair value, then subsequently carried at amortized cost. Other financial liabilities include bank indebtedness accounts payable, dividends payable and preferred shares.

3. Summary of significant accounting policies (continued)

Accounting standards not yet adopted

Certain pronouncements have been issued by the International Accounting Standards Board and will be effective for future accounting periods. Many of these are not applicable to the company and so are not listed below. Adopting this new pronouncement will not have a material impact on the company's financial statements. The following is a brief summary of the new standards:

IFRS 9 - Financial instruments: Classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial instruments: Recognition and measurement. The effective date has been deferred pending completion of the remaining sections of the standards. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding the instrument to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is recorded at fair value through profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The company is in the process of evaluating the impact of the new standard.

IFRS 15 - Revenue from Contracts with Customers will replace IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations on revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual periods beginning on or after January 1, 2018, with early application permitted. The company is evaluating any potential impact of this standard.

Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

4. Mortgages receivable

The portfolio consists of the following:

	No.	%	**2016**	No.	%	2015
First mortgages	57	77.21	**$ 17,071,635**	55	86.17	$ 16,859,925
Second mortgages	57	22.11	**4,888,746**	29	13.83	2,705,544
Third mortgages	2	0.68	**150,588**		-	-
			22,110,969			19,565,469
Less allowance for loan impairment			**132,000**			50,000
Less unearned lender fee			**146,595**			79,391
			$ 21,832,374			$ 19,436,078

	2016	2015
The average mortgage balance is	**$ 190,612**	$ 232,922
The weighted average interest rate is	**6.83 %**	6.56 %
The weighted average return on mortgages is	**8.02 %**	7.76 %

4. Mortgages receivable (continued)

At December 31, 2016 there was one mortgage in foreclosure totaling $364,002 (2015 - one mortgage totaling $389,320) and no delinquent mortgages (2015 - two delinquent mortgage totaling $801,084).

Management anticipates some losses will occur, therefore a loan impairment provision for $82,000 has been recorded for the current year (2015 - $50,000).

The impairment is based on valuations by independent appraisers accredited by professional institutes with recent experience in the location of the property being valued and by direct sales comparisons where the fair value is based on comparisons to recent sales of properties of similar types, locations and quality.

The majority of the mortgages are residential mortgages registered against properties in the major urban centres of British Columbia, Alberta and Ontario.

As at December 31, 2016 there were no significant mortgage amounts within the mortgage portfolio (2015 - one significant mortgage that represents 4.62%). All other mortgages have a value below 4.00% of the portfolio.

The mortgages bear interest at fixed rates, which are within the company's guidelines and are consistent with the equity based lending market.

The following is an analysis of the mortgages receivable showing the diversification of the mortgages by the type of property the mortgage has been advanced upon and the location of the mortgage. Also included is an analysis of the delinquent mortgages, allowance for loan impairment and losses expended during the year.

Type of mortgage

	First mortgages	Second mortgages	Third mortgages	**2016**	2015
Residential	$ 16,668,459	$ 4,888,746	$ 150,588	**$ 21,707,793**	$ 17,520,934
Commercial	403,176	-	-	**403,176**	1,144,535
Construction	-	-	-	**-**	900,000
	$ 17,071,635	$ 4,888,746	$ 150,588	**$ 22,110,969**	$ 19,565,469

Location analysis

	First mortgages	Second mortgages	Third mortgages	**2016**	2015
British Columbia	$ 15,657,399	$ 4,190,126	$ 150,588	**$ 19,998,113**	$ 11,223,015
Alberta	529,907	354,290	-	**884,197**	8,157,414
Ontario	884,329	344,330	-	**1,228,659**	185,040
	$ 17,071,635	$ 4,888,746	$ 150,588	**$ 22,110,969**	$ 19,565,469

4. Mortgages receivable (continued)

Delinquent mortgages

	2016	2015
Foreclosure	**$ 364,002**	$ 389,320
90+ days arrears	**-**	801,084
	$ 364,002	$ 1,190,404

Impairment allowance

	2016	2015
Balance, beginning of the year	**$ 50,000**	$ 80,000
Current year impairment allowance	**82,000**	50,000
Allowance applied to losses	**-**	(80,000)
	$ 132,000	$ 50,000

Mortgage losses

	2016	2015
Increase in impairment allowance	**$ 82,000**	$ 50,000
Loss of foreclosure	**-**	107,695
Application of allowance from prior years	**-**	(80,000)
	$ 82,000	$ 77,695

Principal repayments based on contractual maturity dates are as follows:

	2016	2015
Mortgage contracts expiring within 12 months	**$ 21,026,283**	$ 19,341,644
Mortgage contracts expiring over 12 months	**1,084,686**	220,825
	$ 22,110,969	$ 19,562,469

5. Bank indebtedness

The company has a credit facility with TD Canada Trust for a demand operating loan to a maximum of $5,000,000. Interest is charged at the bank's prime lending rate plus 0.50% per annum. The maximum amount of the loan shall not exceed the aggregate of 75% of the eligible residential properties principal balance and appraised value; 65% of the interest only eligible residential mortgages principal balance and 50% on eligible commercial and industrial properties. The credit facility is secured by a commercial security agreement covering all eligible mortgages in the portfolio.

At December 31, 2016, the company was in compliance with all bank covenants and had drawn $2,316,802 (2015 - $3,025,517 was drawn). This number consists of monies drawn from the line of credit totaling $2,100,000 (2015 - $2,840,000) and bank overdraft of $216,802 (2015 - $185,517).
The bank overdraft is included under the credit facility with TD Canada Trust following the same terms.

6. Dividends payable

The company follows a dividend policy in accordance with the provisions of the Income Tax Act related to Mortgage Investment Corporations. Dividends are paid on a monthly basis at $0.045 per share and an annual dividend after the year end which has been calculated that it will be paid at $0.0323 (2015 - $0.0087) per share.

Dividends previously declared on the preferred shares of the company were distributed as follows:

	2016	2015
Dividends payable, beginning of year	**$ 179,592**	$ 192,382
Dividends paid in cash	**(636,733)**	(702,011)
Dividends paid in shares	**(123,532)**	(146,343)
Dividends declared during the year	**1,161,318**	835,564
	$ 580,645	$ 179,592

7. Share capital

Authorized

Unlimited Common voting shares without par value.
Unlimited Class A non-voting preferred shares with a par value of $1.00 each.
Unlimited Class B non-voting preferred shares without par value.

	2016		2015	
	Shares	**Amount**	Shares	Amount
Shares outstanding, beginning of year	**94**	**$ 94**	98	$ 98
Issued	**2**	**2**	-	-
Redeemed	**(3)**	**(3)**	(4)	(4)
Shares outstanding, end of year	**93**	**$ 93**	94	$ 94

	2016		2015	
	Shares	**Amount**	Shares	Amount
Shares outstanding, beginning of year	**16,303,158**	**$ 16,303,158**	14,994,489	$ 14,994,489
Issued	**2,975,704**	**2,975,704**	1,728,256	1,728,256
Redeemed	**(409,127)**	**(409,127)**	(565,930)	(565,930)
Dividends issued as shares	**123,532**	**123,532**	146,343	146,343
Shares outstanding, end of year	**18,993,267**	**$ 18,993,267**	16,303,158	$ 16,303,158

All preferred shares are equally eligible to receive dividends and the repayment of capital. Each common share represents one vote at the shareholders' meeting.

The company follows the IFRS recommendations for accounting for financial instruments, therefore issued share capital which is redeemable at the request of the shareholder and has the attributes of a financial liability is presented as such.

8. Related party transactions

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

The company contracted Armada Capital Corp. to manage the mortgage portfolio for a fee which is calculated at one twelfth of 1.50% of the mortgage portfolio per month plus GST. Armada Capital Corp. is owned by Gordon Hone, a shareholder and director of the company.

Management fees for the fiscal year total $350,892 (2015 - $266,054) and an amount of $42,088 (2015 - 28,370) was unpaid at the year end. Unpaid amounts are in the normal course of business, non-interest bearing and were paid within 30 days of the year end.

During the 2016 fiscal year, the management company performed a detailed review of

8. Related party transactions (continued)

management fees payable since 2009. In accordance with subsection 123(1) of the Excise Tax Act, the management company should have but did not charge GST on the management fees paid. The management company has charged for GST on management fees from the 2014 and 2015 fiscal years totaling $25,578. At this time they will not pursue GST owing from periods prior to 2014.

The company uses an internally generated mortgage program, Loan Pro, created by Armada Capital Corp. During the year, the company paid $12,019 (2015 - $12,750) on behalf of Armada Capital Corp. for system maintenance; which is considered to be the service fees for the use of the program.

Directors, officers and related family members who have investments in the company received $257,641 (2015 - $211,393) in dividend income. In all cases, the dividends received were based on the same criteria as all other investors holding the same class of shares in the company.

At December 31, 2016 each director owned one voting common share and an aggregate total of 17.47% (2015 - 20.17%) of non-voting preferred shares, either directly or indirectly.

9. Fair value of financial instruments

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

Level 1 - quoted prices in active markets for identical investments

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - inputs for the investments that are not based on observable market data

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

As at December 31, 2016 and 2015 there are no financial instruments carried at fair value and consequently, no financial instruments categorized into Levels 1, 2 or 3 or transfers between Level 1 and 2 for the years then ended.

10. Financial instruments

The company's financial instruments consist of cash, accounts receivable, interest receivable, mortgages receivable, bank indebtedness, accounts payable, dividends payable, and preferred shares. The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of December 31, 2016.

10. Financial instruments (continued)

Credit risk
Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk in that the mortgagor will fail to discharge the obligation causing the company to incur a financial loss. In order to reduce its credit risk, the company ensures that the collateral value of the security fully protects first, second and subsequent mortgage advances and that there is a viable exit strategy for each loan. Credit risks policies include the following:

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

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

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

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

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

The company manages liquidity risk by:
- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Maintaining adequate liquidity support facilities, such as lines of credit; and
- Monitoring the maturity profiles of financial assets.

The company is exposed to this risk mainly in respect of its receipt of funds from its mortgages and other related sources share purchases and redemptions, and accounts payable.

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

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

10. Financial instruments (continued)

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. The mortgages receivable are advanced for mainly one year terms, with the rate of interest fixed for that term. Interest rates on mortgages receivable reflect credit risk and prime interest rates. Upon renewal of the mortgage, the company has the option of adjusting the interest rate to respond to changes in credit risk or the prime interest rate.

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

If interest rates on mortgage receivable had been one percent point higher (lower) during the year ended December 31, 2016, earnings would have been reduced (increased) by approximately $207,430 during the year, assuming that no changes had been made to the interest rates at which new mortgage loans were entered into. Similarly, if interest rates on debt had been one percent point higher (lower) during the year ended December 31, 2016, earnings would have been reduced (increased) by approximately $26,722 during the year.

Fair value risk
Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The company does not hedge its fair value risk.

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company does not hold financial instruments traded in the active market.

Included in other price risk is the real estate property that provides the underlying security for mortgages receivable. The company aims to minimize other price risk through maintaining sufficient loan to value ratios on the advance of mortgages.

11. Capital management

The company's objective when managing capital is to continue operations as a going concern so that it can provide its shareholders with a safe, superior-yielding and liquid investment that also qualifies as an eligible investment for Registered Retirement Savings Plan, Registered Retirement Income Funds and Tax-Free Savings Accounts.

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

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

The company's investment restrictions and asset allocation models incorporate various restrictions and investments parameters to manage the risk profile of the mortgage investments. The investment restrictions also permit the company to maintain constant leverage. The aggregate amount of borrowing may not exceed 75% of the principal balance of reducing and non-reducing mortgages on eligible properties, up to a maximum of 75% of appraised property value. As at December 31, 2016, the company was in compliance with its investment restrictions.

Pursuant to the terms of the credit facility, the company is required to meet certain financial requirements, including a maximum debt to tangible net worth ratio and a minimum interest coverage ratio. At December 31, 2016, the company is in compliance with all financial covenants.

12. Rate of return

The effective annual yield on adjusted share capital for the 2016 fiscal year is 6.47% (2015 - 5.37%).

The weighted average share capital for the 2016 fiscal year was 17,961,664 (2015 - 15,557,076).

13. Subsequent events

Subsequent to year end, there were 106,985 issuances and no preferred share redemptions during the first 30 days of the 2017 fiscal year end.

Previous claims regarding a loss on a mortgage were settled subsequent to year-end. The company will see a total payout of $110,000 from the judgment. The appraiser on the original mortgage balance will pay $70,000 (covered by the insurance company) in 2017. The remaining $40,000 will come from the broker in 24 equal payments of $1,000; including a balloon payment of $16,000 on maturity dating January 30, 2019.

Certificate of the Company

Dated this 27th day of April, 2017.

This Offering Memorandum does not contain a misrepresentation.

Per:
"Gordon Hone"
GORDON HONE, President & Director

Per:
"Karin Schmidtke"
KARIN SCHMIDTKE, Secretary

ON BEHALF OF THE BOARD OF DIRECTORS

Per:
"Gordon Hone"
GORDON HONE, President & Director

Per:
"Edward Monteiro"
EDWARD MONTEIRO, Director

Per:
"Don Pearce"
DON PEARCE, Director

Per:
"Andrew Danneffel"
ANDREW DANNEFFEL, Director

Per:
"E. Joan Peacock"
E. JOAN PEACOCK, Director

Per:
"Thomas Dinsley"
THOMAS DINSLEY, Director

Per:
"Lance Felgnar"
LANCE FELGNAR, Director

Per:
"Patricia Milewski"
PATRICIA MILEWSKI, Director

Schedule "A" to
Offering Memorandum of
ARMADA MORTGAGE CORPORATION
Dated April 27, 2017

RISK ACKNOWLEDGEMENT
Form 45-106F4

Risk Acknowledgement

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- The person selling me these securities is not registered with a securities regulatory authority or regulator and has no duty to tell me whether this investment is suitable for me.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- These securities are redeemable, but I may only be able to redeem them in limited circumstances.
- I could lose all the money I invest.

I am investing $________________________ [total consideration] in total; this includes any amount I am obliged to pay in future.

ARMADA MORTGAGE CORPORATION will pay $_____________ of this to __________________ as a fee or commission.

I acknowledge that this is a risky investment and that I could lose all the money I invest.

______________________________ ______________________________
Date Signature of Purchaser

____
Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

WARNING

You have 2 business days to cancel your purchase

To do so, send a notice to **Armada Mortgage Corporation** stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to **Armada Mortgage Corporation** at its business address. Keep a copy of the notice for your records.

ARMADA MORTGAGE CORPORATION'S ADDRESS:
11951 – 224th Street
Maple Ridge, BC V2X 6B2
Email: sales@armadamortgage.com
Telephone: (604) 467-6449
Fax: (604) 467-6409

You are buying Exempt Market Securities

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and

- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

You will receive an offering memorandum. Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

You will not receive advice. You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or registered dealer. In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Québec, Saskatchewan and Yukon to qualify as an eligible investor, you may be required to obtain that advice.

The securities you are buying are not listed. The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

The issuer of your securities is a non-reporting issuer. A *non-reporting issuer* does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer.

For more information on the exempt market, call your local securities regulatory authority or regulator as follows:

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Telephone: (604) 899-6500
Toll free in British Columbia and Alberta 1-800-373-6393
Facsimile: (604) 899-6506

Alberta Securities Commission
4th Floor, 300 – 5th Avenue SW
Calgary, Alberta T2P 3C4
Telephone: (403) 297-6454
Facsimile: (403) 297-6156

Saskatchewan Financial Services Commission
Suite 601, 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: (306) 787-5879
Facsimile: (306) 787-5899

The Manitoba Securities Commission
500 – 400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Telephone: (204) 945-2548
Toll Free in Manitoba: (800) 655-5244
Facsimile: (204) 945-0330

Ontario Securities Commission
Suite 1903, Box 5520 Queen Street West
Toronto, Ontario M5H 3S8
Telephone: (416) 593-8314
Toll Free in Canada: (877) 785-1555
Facsimile: (416) 593-8122
Public official contact regarding indirect collection of information:
Administrative Support Clerk
Telephone (416) 593-3684

Autorité des marchés financiers
800, Square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
Telephone: (514) 395-0337
Or 1 877 525-0337
Facsimile: (514) 864-6381 (For privacy requests only)
Facsimile: (514) 873-6155 (For filing purposes only)

New Brunswick Securities Commission
85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2B5
Telephone: (506) 658-3060
Toll Free in New Brunswick: (866) 933-2222
Facsimile: (506) 658-3059

Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
Halifax, Nova Scotia B3J 3J9
Telephone: (902) 424-7768
Facsimile: (902) 424-4625

Prince Edward Island Securities Office
95 Rochford Street, 4th Floor Shaw Building
P.O. Box 2000
Charlottetown, Prince Edward Island C1A 7N8
Telephone: (902) 368-4569
Facsimile: (902) 368-5283

Government of Newfoundland and Labrador
Financial Services Regulation Divsion
P.O. Box 8700, Confederation Building
2nd Floor, West Block
Prince Philip Drive
St. John's, Newfoundland and Labrador A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189 Facsimile: (709) 729-6187

Government of Yukon
Department of Community Services
Law Centre, 3rd Floor
21230 Second Avenue
Whitehorse, Yukon Territory Y1A 5H6
Telephone: (867) 667-5314
Facsimile: (867) 393-6251

Government of the Northwest Territories
Office of the Superintendent of Securities
P.O. Box 1320
Yellowknife, Northwest territories X1A 2L9
Attention: Deputy Superintendent, Legal & Enforcement
Telephone: (867) 920-8984
Facsimile: (867) 873-0243

Government of Nunavut
Department of Justice
Legal Registries Division
P.O. Box 1000, Station 570
1st Floor, Brown Building
Iqaluit, Nunavut X0A 0H0
Telephone: (867) 975-6590
Facsimile: (867) 975-6594

Instruction: The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.

Schedule "B" to
Offering Memorandum of
ARMADA MORTGAGE CORPORATION
Dated April 27, 2017

RISK ACKNOWLEDGEMENT
Under BCI 32-517

Risk Acknowledgement

- **I acknowledge that:**
- The person selling me these securities is not registered with a securities regulatory authority and is prohibited from telling me that this investment is suitable for me.
- The person selling me these securities does not act for me.
- This is a risky investment and I could lose all of my money.
- I am investing entirely at my own risk.

____________________ Date	____________________ Signature of Purchaser
	____________________ Print name of Purchaser
	____________________ Name of salesperson acting on behalf of the seller

Sign 2 copies of this document. Keep one copy for your records.

WARNING

ARMADA MORTGAGE CORPORATION'S ADDRESS:
11951 – 224th Street
Maple Ridge, BC V2X 6B2
Email: sales@armadamortgage.com
Telephone: (604) 467-6449
Fax: (604) 467-6409