

Giavest Mortgage Investment Corporation
Financial Statements
December 31, 2017

Giavest Mortgage Investment Corporation

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For the period ended December 31, 2017

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Independent Auditors' Report

To the Shareholders of Giavest Mortgage Investment Corporation:

We have audited the accompanying financial statements of Giavest Mortgage Investment Corporation, which comprise the statement of financial position as at December 31, 2017, and the statements of comprehensive income, changes in equity, and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Giavest Mortgage Investment Corporation as at December 31, 2017 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Vancouver, British Columbia

April 27, 2018

MNP LLP

Chartered Professional Accountants

Giavest Mortgage Investment Corporation
Statement of Financial Position

As at December 31, 2017

	2017
	\$
<hr/>	
Assets	
Current	
Cash and cash equivalents	56,931
Mortgages receivable <i>(Note 4)</i>	825,000
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Total assets	881,931
<hr/>	
Liabilities	
Current	
Dividends payable	3,115
<hr/>	
Non-current	
Class A redeemable shares <i>(Note 5)</i>	878,716
<hr/>	
Total Liabilities	881,831
<hr/>	
Equity	
Common shares <i>(Note 5)</i>	100
<hr/>	
	881,931

Approved on behalf of the Board



Harjeevan Khunkun, Director



Clinton Wark, Director

Giavest Mortgage Investment Corporation

Statement of Comprehensive Income

From May 12, 2017 to December 31, 2017

	2017
	\$
Interest revenue	4,831
Expenses	
Interest and bank charges	7
Operating income	4,824
Dividends on Class A redeemable shares (Note 5), (Note 7)	4,824
Comprehensive income for the period	-

The accompanying notes are an integral part of these financial statements

Giavest Mortgage Investment Corporation
Statement of Changes in Equity
From May 12, 2017 to December 31, 2017

	Share Capital	Retained Earnings	Total Equity \$
Balance May 12, 2017	-	-	-
Issuance of voting shares	100	-	100
Comprehensive income for the period	-	-	-
Balance December 31, 2017	100	-	100

The accompanying notes are an integral part of these financial statements

Giavest Mortgage Investment Corporation

Statement of Cash Flows

From May 12, 2017 to December 31, 2017

	2017
	\$
<hr/>	
Cash provided by (used for) the following activities	
Operating activities	
Changes in working capital accounts	
Dividends payable	3,115
<hr/>	
Financing activities	
Issuance of Class A redeemable shares	878,716
Issuance of common shares	100
<hr/>	
	878,816
<hr/>	
Investing activities	
Advances of mortgages receivable	(825,000)
<hr/>	
Increase in cash	56,931
Cash, beginning of period	-
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Cash, end of period	56,931

The accompanying notes are an integral part of these financial statements

Giavest Mortgage Investment Corporation

Notes to the Financial Statements

For the period ended December 31, 2017

1. Corporate information

Giavest Mortgage Investment Corporation (the "Company") was incorporated under the Canada Business Corporations Act on May 12, 2017 and registered as an extra-provincial corporation in British Columbia on May 16, 2017. The Company is domiciled in Canada with its registered principal business office located at Suite 710 - 1055 West Georgia Street, Vancouver, BC. The Company was incorporated for the purpose of carrying on business as a Mortgage Investment Corporation ("MIC") as defined in Section 130.1 (6) of the Income Tax Act of Canada ("ITA").

The Company is managed by CareVest Mortgages Inc. ("Mortgage Broker/Administrator").

2. Basis of presentation

a. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements for the period ended December 31, 2017 were authorized for issuance by the Board of Directors of the Company ("Board") on April 27, 2018.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of estimates and judgements

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

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

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and uncertainty of predictions concerning future events. Liquid credit markets and volatile equity markets have combined to increase the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

The Company is required to make an assessment of the impairment of mortgages receivable. The mortgages receivable are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset.

Giavest Mortgage Investment Corporation
Notes to the Financial Statements
For the period ended December 31, 2017

3. Summary of significant accounting policies

a. Cash and cash equivalents

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents.

b. Mortgages receivable

The mortgages receivable are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgages receivable are measured at amortized cost using the effective interest method, less any impairment losses. A mortgage is classified as impaired and a provision for loss is established when, in management's opinion, there has been deterioration in credit quality to the extent that there is no reasonable assurance as to the timely collection of the full amount of principal and interest.

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

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

The Company currently does not require a collective provision for mortgages receivable as specific provisions are determined to be adequate.

Impairment is assessed at each reporting date, on a mortgage-by-mortgage basis, and specific allowances are recorded if management determines that the mortgage is impaired. In such cases, a specific provision is established to write-down the loan to the estimated future cash flows from the loan discounted at the loan's original effective interest rate. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. In cases where it is impractical to estimate the future cash flows, the carrying amount of the loan is reduced to its fair value calculated based on an observable market price. Losses are recognized in profit and loss, and reflected in an allowance account against the mortgages receivable. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss in the period the new information becomes available.

c. Class A redeemable shares

Non-voting redeemable shares, which include a right for the holder to request of the Company to redeem the shares, are recorded as liabilities and are presented at their redemption value.

d. Revenue recognition

Interest on mortgages receivable is recognized as revenue on an accrual basis in the statement of comprehensive income using the effective interest method only to the extent it is probable that the Company will collect the interest revenue. Other fees are recognized as revenue when earned.

e. Income taxes

The Company is a Mortgage Investment Corporation ("MIC") as defined in Section 130.1 (6) of the Canadian Income Tax Act and, as such, is not taxable on income which flows through to the shareholders in the form of dividends paid during the year or within 90 days of the end of the year. It is the Company's policy to flow such dividends out to the shareholders and as such have no taxable income for the year. Accordingly, no provision for corporate income taxes has been made in the accounts.

3. Summary of significant accounting policies (continued)

f. Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company determines the classification of its financial instruments at initial recognition. Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, financial instruments are measured as described below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and, subsequently, carried at amortized cost using the effective interest method. In applying the effective interest method, the Company amortizes any transaction costs, fees, premiums or discounts included in the calculation of the effective interest rate over the life of the instrument.

The Company has classified mortgages receivable as loans and receivables.

Other Financial Liabilities

Other financial liabilities include liabilities that have not been classified at fair value through profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, calculated using the effective interest method, is recognized in comprehensive income.

The Company has classified dividends payable and Class A redeemable shares as other financial liabilities.

g. Recent accounting pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2017 reporting period. Those which may be relevant to the Company are set out below. Management has decided against early adoption of these standards.

IFRS 9 Financial instruments: classification and measurement

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

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers, and SIC 31 Revenue – barter transactions involving advertising services. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. IFRS 15 does not have a significant impact on the Company's financial statements.

Giavest Mortgage Investment Corporation
Notes to the Financial Statements
For the period ended December 31, 2017

4. Mortgages receivable

The mortgages receivable balance is comprised of 2 mortgages, bearing interest at 8.50% and 9.00% per annum, accrued on a monthly basis. All mortgages have the underlying property as collateral and are for periods of two years or less. The mortgages are secured by first charges on real property and are invested 100% in residential properties.

There are no, or nominal, principal repayments required during the terms of the mortgages. The mortgages receivable contain a prepayment option, subject to minimum interest payments as expressed in each mortgage commitment letter, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

As at December 31, 2017, management has reviewed the mortgages receivable and determined that no provision for impairment is required.

5. Common and redeemable shares

The Company has created six classes of shares being Common (Voting), Class A, Class B, Class C, Class F, and Class I Shares.

a. Authorized Share Capital

The authorized share capital of the Company consists of unlimited shares for each of these classes.

The Common shares are entitled to vote, are not entitled to receive dividends, are redeemable by the Company and, on liquidation or wind-up, subject to any senior rights, are entitled to share pro rata in the class net asset value for the Common shares.

The Class A, Class B, Class C, Class F, and Class I Shares are not entitled to vote (except for meetings at which certain matters described in the Company's articles of incorporation are to be voted upon), are entitled to receive dividends, are redeemable by the Company, are retractable by the Shareholder, and, on liquidation or wind-up, are entitled to share pro rata in the class net asset value per share attributable to such class of shares.

b. Issued Share Capital

The issued Common (Voting) shares, with no par value, consist of the following:

	<i>Number</i>	<i>Amount</i> \$
Total Common Shares	100	100

The issued Class A redeemable shares are as follows:

	<i>Number</i>	<i>Amount</i> \$
Opening balance	-	-
Issued – cash consideration	87,700	877,000
Issued – dividend reinvestment plan	172	1,716
Closing balance	87,872	878,716

Giavest Mortgage Investment Corporation
Notes to the Financial Statements
For the period ended December 31, 2017

5. Common and redeemable shares (continued):

b. Issued Share Capital (continued):

The Class A redeemable shares, which are the only class of shares entitled to receive dividends as and when declared at the discretion of the Board, shall be redeemable at the option of either the Company or the holder of Class A redeemable shares in accordance with the Special Rights and Restrictions of the Company's Articles and Notice of Articles.

The Company will not, except upon resolution of the Board in favour of such redemption, redeem more than 3% of all Class A redeemable shares which are issued and outstanding on the first day of the fiscal quarter in which the retraction notice is given to the Company or redeem more than 12% of all Class A redeemable shares which are issued and outstanding on January 1 in any calendar year in which the retraction notice is given to the company. Such retraction notices shall be processed on a "first-come, first serve basis".

The Company follows the practice of paying a dividend subsequent to the end of the fiscal year in an amount at least sufficient to remain non-taxable under the provisions of the Canadian Income Tax Act related to Mortgage Investment Corporations.

Dividends on Class A redeemable shares are recorded as an expense on the statement of comprehensive income. As a Mortgage Investment Corporation, the Company is permitted to deduct dividends paid to its shareholders from its taxable income. It is the Company's mandate to distribute all of its taxable income to the shareholders. Taxable income often differs from accounting income due to the timing of certain tax deductions. Consequently, dividends paid and payable may exceed income reported for accounting purposes and result in a net loss and shareholder deficit.

The Company has not issued any Class B, Class C, Class F, and Class I Shares or any securities convertible or exchangeable into these classes of shares.

6. Financial services fees

The Mortgage Broker/Administrator is responsible for the day-to-day operations, including administration of the Company's mortgage investments. Pursuant to the Mortgage Servicing and Administrator Agreement ("Management Contract") dated May 12, 2017, the Company shall pay to the Mortgage Broker/Administrator, an annual financial services fee ("Financial Services Fee") equal to 1.5% per annum of the gross assets of the Corporation attributable to the Class A redeemable shares, calculated daily, aggregated and paid monthly and prorated for any partial month under the Management Contract. Any amounts due and owing to the Mortgage Broker/Administrator will bear interest at prime as established by The Bank of Nova Scotia plus 2%. The Mortgage Broker/Administrator has agreed to waive the Financial Services Fee for the fiscal period ended December 31, 2017.

The Mortgage Broker/Administrator pays all of its internal direct costs and overhead relating to the provision of the services under the Management Contract, including office expenses, rent, employee salaries and management financial services fees, with the exception of the costs for the independent advisory board, which are paid by the Company.

All other costs with respect to the business of the Company are paid by the Company including, without limitation, legal, audit, referral fees, fundraising, as well as travel, marketing, advertising, shareholder meetings and communication costs that relate specifically to the Company and its shareholders. The Company is also responsible for the costs of independent advisory board members as well as director and officer fees for attending meetings of the Directors, conference calls and meetings of the committees of the Company. The Company is responsible for paying the costs, including legal fees and disbursements, of collecting or attempting to collect any amounts owing or in arrears on its mortgage investments, including foreclosure or other court proceedings.

The Management Contract is for an indefinite term and may be terminated upon occurrence of certain specified events and by the mutual consent of the parties.

The compensation of the senior management of the Mortgage Broker/Administrator is paid through the financial services fees paid to the Mortgage Broker/Administrator.

Giavest Mortgage Investment Corporation

Notes to the Financial Statements

For the period ended December 31, 2017

7. Related party transactions and balances

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- a. CareVest Mortgages Inc. holds the funds for interest reserve on mortgage investments, and idle funds available for investment. Any amounts receivable or payable at period-end are held by CareVest Mortgages Inc. The total amount held at period end is \$52,469.
- b. During the period, dividends, including dividends reinvested in shares, to the shareholders/directors totaled \$193.

8. Supplementary cash flow information

Non-cash transactions

The Company issued 171.6 Class A redeemable shares at a value of \$10 per share for a total of \$1,716 as dividend reinvestment.

9. Risk management

In common with other mortgage investment corporations, the Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results.

Developing policies and procedures to identify risks and implementation of appropriate risk management policies and procedures is the responsibility of management. Management reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company's most prominent risks is as follows:

a. Credit risk

Credit risk is the possibility that the mortgagor may fail to discharge the obligation causing the Company to incur a financial loss. Management is committed to several processes to ensure that this risk is appropriately mitigated, which include:

- The investigation of the creditworthiness of all borrowers;
- The engagement of qualified independent consultants such as lawyers and real estate appraisers dedicated to protecting the Company's interests; and
- The prompt initiation of recovery procedures on overdue mortgages.

The Company has recourse under these investments in the event of default by the borrower, in which case the Company would claim against the underlying collateral and any other assets owned by the borrower. Among other tools, the Company uses a total encumbrance to the appraised value of the underlying real property ratio to manage its portfolio risk.

The maximum exposure to credit risk at December 31, 2017 is the carrying values of its mortgage investments, which total \$825,000. The Company has recourse under these investments in the event of default by the borrower; in which case, the Company would claim against the underlying collateral.

Concentration of credit risk analysis

At December 31, 2017, the Company had two significant mortgage investments which represents 100% of total mortgage investments. The average mortgage amount for the balance of the mortgage investments was \$412,500. As the Company is in the early stages of its operations, it is expected that the portfolio of mortgages invested in will be increased and diversified to minimize this risk.

9. Risk management (continued):

b. Liquidity risk

Liquidity risk arises as a result of changes in conditions which cause the Company to encounter difficulties in meeting obligations associated with financial liabilities. The redeemable preferred shares provide the holders of the preferred shares the right to require the Company to redeem all or a portion of their shares. To ensure that the Company has sufficient funds to operate, there is a restriction on redemptions as the Board of Directors has the right to delay any redemptions if the Company does not have sufficient cash reserves.

c. Market risk

Market risk arises as a result of changes in conditions which affect real estate values. The Company is exposed to geographical concentration risk as the Company's mortgages are secured by properties in British Columbia. These market changes may be regional or national in nature or may revolve around a specific product type. To manage these risks, management ensures that the mortgage originators are aware of the market conditions that affect each mortgage application. Management monitors changes in the real estate market on an ongoing basis and adjusts the Company's lending practices and policies when necessary to reduce the impact of the above risks.

d. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rates on the mortgages receivable are fixed until maturity and therefore the interest rate risk associated with mortgages receivable at year-end is not considered significant. The interest rate risk on cash is not considered significant. There is no significant concentration of interest rate risk.

10. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that financial asset or financial liability. Due to the use of subjective judgements and uncertainties in the determination of these fair values, they should not be interpreted as being realizable in an immediate settlement of the financial instruments.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The fair value of mortgages receivable not determined to be impaired approximate their carrying values as the majority of the mortgages are repayable in full at any time without penalty after the fixed term. The mortgage investments lack an available trading market and are not typically exchanged, and have been valued assuming they are not available for sale. The fair values are not necessarily representative of the amounts realizable in immediate settlements of instruments. The fair value of mortgages receivable are determined using Level 3 inputs.

Giavest Mortgage Investment Corporation

Notes to the Financial Statements

For the period ended December 31, 2017

11. Capital management

The Company defines its capital structure to include Class A redeemable shares and Common (Voting) shares. The overall objective of capital management is to ensure that the Company has sufficient capital to maintain its operations based on current activities and expected business developments in the future and to provide a return to the shareholders commensurate with the risk of the business and comparable to other similar companies.

The Company reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital and anticipated changes in general economic conditions.

The Company's investment guidelines are subject to externally imposed capital requirements to maintain the Company's eligibility as a Mortgage Investment Corporation as defined in Section 130.1(6) of the Canadian Income Tax Act. These guidelines state that (i) at least 50% of the Company assets must be residential mortgages and/or cash and insured deposits at Canada Deposit Insurance Corporation member financial institutions, (ii) no more than 25% of its assets must be in real estate, and (iii) that all investments must be within Canada. The Company complied with these requirements during the period.

12. Subsequent events

Offering Memorandum for non-qualifying issuers

On April 27, 2018, the Company and the Board signed an Offering Memorandum offering to sell shares, as follows:

Class A Shares will be offered at a price of \$10 per Class A Share to qualified investors until the date that the Company has raised \$20,000,000 in subscription proceeds from Class A Shares. At such time, the Company will cease offering Class A Shares under the Offering Memorandum dated April 27, 2018.

The Company reserves the right to commence or cease offering Class A Shares at times and in amounts which are different than as set out above.