Amur Capital Income Fund Inc.
(Formerly Ryan Mortgage Income Fund Inc.)
Financial Statements
December 31, 2023

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For the year ended December 31, 2023

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To the Shareholders of Amur Capital Income Fund Inc. (formerly Ryan Mortgage Income Fund Inc.):

Opinion

We have audited the financial statements of Amur Capital Income Fund Inc. (formerly Ryan Mortgage Income Fund Inc.) (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Vancouver, British Columbia

MNP LLP

March 20, 2024

Chartered Professional Accountants

	December 31, 2023	December 31, 2022
Assets		
Current		
Funds held in trust	**771,724**	1,334,551
Loans receivable, current portion (Note 4)	**2,559,272**	3,403,445
Prepaid expenses	**144,746**	466,234
Mortgage investments, current portion (Note 5)	**705,786,208**	542,569,646
Total current assets	**709,261,950**	547,773,876
Non-current		
Loans receivable, net of current portion (Note 4)	**-**	947,688
Mortgage investments, net of current portion (Note 5)	**67,905,027**	93,549,880
Total non-current assets	**67,905,027**	94,497,568
Total assets	**777,166,977**	642,271,444
Liabilities		
Current		
Bank indebtedness (Note 6)	**814,454**	7,196,189
Credit facility (Note 6)	**207,000,000**	139,000,000
Accounts payable and accrued liabilities (Note 7)	**2,735,937**	1,765,875
Dividends payable	**7,068,774**	2,327,205
Unearned revenue	**1,236,598**	677,573
Total liabilities	**218,855,763**	150,966,842
Shareholders' Equity		
Share capital (Note 8)	**558,311,214**	491,304,602
Total liabilities and shareholders' equity	**777,166,977**	642,271,444

Contingencies (Note 16)

Approved on behalf of the Board

Kurt Wipp (Mar 19, 2024 15:57 PDT)

Director **Director**

Amur Capital Income Fund Inc.
Statements of Income and Comprehensive Income

	December 31, 2023	*December 31, 2022*
Revenue		
Interest (Note 5)	**78,287,418**	54,964,696
Other fees	**6,195,429**	4,529,342
	84,482,847	59,494,038
Expenses		
Accounting and audit	**70,858**	54,469
Bank charges and loan fees	**389,527**	298,958
Directors' fees (Notes 7 and 10)	**84,000**	84,000
Financial services and exempt market dealer fees (Notes 7, 10 and 11)	**14,245,306**	11,845,765
Impairment losses on mortgage investments (Note 5)	**2,568,722**	1,116,951
Insurance	**69,737**	55,276
Interest	**12,804,824**	5,594,576
Legal	**108,153**	71,743
Office and miscellaneous	**126,342**	55,980
Rent (Note 7)	**36,000**	36,000
	30,503,469	19,213,718
Net and comprehensive income	**53,979,378**	40,280,320
Earnings per share		
Basic and diluted net earnings per share (Note 12)	**0.1073**	0.0887

	Share capital	Retained earnings	Total equity
Balance as at January 1, 2022	438,010,596	-	438,010,596
Net and comprehensive income	-	40,280,320	40,280,320
Dividends	-	(40,280,320)	(40,280,320)
Issued - dividends reinvestment (Note 9)	32,408,979	-	32,408,979
Issued - cash consideration	32,552,779	-	32,552,779
Redemption of shares for cash	(11,667,752)	-	(11,667,752)
Balance as at December 31, 2022	491,304,602	-	491,304,602
Balance as at January 1, 2023	**491,304,602**	-	**491,304,602**
Net and comprehensive income	**-**	**53,979,378**	**53,979,378**
Dividends	**-**	**(53,979,378)**	**(53,979,378)**
Issued - dividends reinvestment (Note 9)	**39,495,607**	**-**	**39,495,607**
Issued - cash consideration	**70,666,393**	**-**	**70,666,393**
Redemption of shares for cash	**(43,155,388)**	**-**	**(43,155,388)**
Balance as at December 31, 2023	**558,311,214**	**-**	**558,311,214**

	December 31, 2023	*December 31, 2022*
Cash provided by (used for) the following activities		
Operating activities		
Net and comprehensive income	**53,979,378**	40,280,320
Impairment losses on mortgage investments	**2,568,722**	1,116,951
	56,548,100	**41,397,271**
Changes in working capital accounts		
Prepaid expenses	**321,488**	(343,603)
Accounts payable and accrued liabilities	**970,824**	530,639
Dividends payable	**4,741,569**	144,185
Unearned revenue	**559,025**	119,549
Accrued interest	**(1,351,645)**	(916,797)
	61,789,361	40,931,244
Financing activities		
Proceeds from credit facility	**68,000,000**	139,000,000
Repayment of credit facility	**-**	(83,500,000)
Proceeds from issuance of preferred shares	**70,666,393**	32,552,779
Payments for redemption of preferred shares	**(43,155,388)**	(11,667,752)
Dividends	**(14,483,771)**	(7,871,341)
	81,027,234	68,513,686
Investing activities		
Funding of mortgage investments	**(460,102,195)**	(400,511,681)
Repayments on mortgage investments	**321,312,647**	278,996,125
Payments received on loans receivable	**1,791,861**	1,652,214
	(136,997,687)	(119,863,342)
Decrease in cash and cash equivalents	**5,818,908**	**(10,418,413)**
Cash and cash equivalents (bank indebtedness), beginning of period	**(5,861,638)**	**4,556,775**
Bank indebtedness, end of period	**(42,730)**	(5,861,638)
Bank indebtedness, represented by:		
Cash and cash equivalents	**-**	-
Bank indebtedness	**(814,454)**	(7,196,189)
Funds held in trust	**771,724**	1,334,551
	(42,730)	**(5,861,638)**
Cash flows from operating activities include:		
Interest received	**77,494,798**	54,167,447
Interest paid on credit facility	**(12,426,304)**	(5,277,571)
Supplementary cash flow information		
Issuance of shares under the dividend reinvestment plan (Note 13)		

The accompanying notes are an integral part of these financial statements

1. Incorporation and operation

Amur Capital Income Fund Inc., formerly known as Ryan Mortgage Income Fund Inc., (the “Company”) was incorporated on September 24, 1984 under the laws of British Columbia. On October 31, 2023, the Company’s name was changed from Ryan Mortgage Income Fund Inc. to Amur Capital Income Fund Inc. The Company is domiciled in Canada with its registered principal business office located at Suite 310 – 10524 King George Boulevard, Surrey, British Columbia. The Company is in the business of investing in financial instruments, principally mortgages, and carries on business as a Mortgage Investment Corporation as defined in Section 130.1 (6) of the Income Tax Act of Canada.

2. Basis of presentation

a. Statement of compliance

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

These financial statements for the year ended December 31, 2023, were authorized for issuance by the Board of Directors of the Company on March 20, 2024.

b. New and amended standards and interpretations

Effective January 1, 2023, the company adopted the narrow-scope amendments to IAS 1, Presentation of Financial Statements, IFRS Practice Statement 2, Making Materiality Judgements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies, and clarify how to distinguish changes in accounting policies from changes in accounting estimates. These amendments had no material impact on the consolidated financial statements.

c. 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.

d. Functional and presentation currency

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

e. Significant accounting judgements, estimates and assumptions

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 period.

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

2. Basis of presentation (continued)

Mortgage investments and impairment of financial assets

The Company determines that the cash flows from mortgage investments represent solely payments of principal and interest (SPPI). The Company is also required to make assessments of the future expected losses on mortgage receivables, and in particular, the measurement of credit risk to determine significant changes. The estimation of future cash flows and expected losses includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. The assumptions used in the assessment of impairment are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Liquid credit markets and volatile equity markets have increased the uncertainty inherent in such estimates and assumptions.

These estimates of impairment are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

f. Significant accounting judgements, estimates and assumptions

Significant judgements, estimates and assumptions are required when calculating the expected credit losses of financial assets and determining whether there has been a significant increase in credit risk since initial recognition in accordance with IFRS 9 Financial Instruments. For more information, refer to Note 3.

Foreclosed properties held for sale

The Company uses management's best estimate to determine the fair market value of real estate assets in making an assessment of the impairment of the foreclosed properties held for sale. This may involve inspections, engaging realtors to assess market conditions based on previous property transactions or retaining professional appraisers to provide independent valuations. The estimates of realizable value of real estate assets are made at a specific point in time, given current relevant market information. These estimates are subjective and involve uncertainties and judgement. Should the underlying assumptions change, the estimated allowance for impairment losses could vary by a material amount.

3. Summary of material 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. Funds held in lawyer's trust, which are unrestricted in its use for current purposes, are included in cash and cash equivalents.

b. Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets consist of cash and cash equivalents, funds held in trust, loans receivable and mortgage investments. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, cash and cash equivalents, funds held in trust, loans receivable and mortgage investments are classified and measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment and derecognition are recognized in profit or loss.

3. Summary of material accounting policies (continued)

b. Financial instruments (continued)

Financial assets (continued)

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Company commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the Company's accounting policies for impairment of financial assets.

For mortgage investments, the Company records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Company assessed that a significant increase in credit risk has occurred, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

For mortgage investments assessed by the Company as having a significant increase in credit risk since initial recognition, the Company recognizes a loss allowance equal to the cumulative changes in lifetime expected credit losses since initial recognition.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants or requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit loss.

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

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets.

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

Refer to Note 15b for additional information about the Company's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Company either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Company retains the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Reclassifications

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

3. Summary of material accounting policies (continued)

b. Financial instruments (continued)

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. Financial liabilities consist of credit facility, accounts payable and accrued liabilities, dividends payable and loan payable. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expired.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The ‘gross carrying amount’ of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses. Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated as credit-impaired financial assets, a credit-adjusted effective interest rate is calculated which incorporated expected credit losses. Interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. Calculation of interest does not revert to another basis if credit risk of the asset subsequently improves.

c. Offsetting financial instruments

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Company has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

3. Summary of material accounting policies (continued)

d. Foreclosed properties held for sale

Real estate acquired through loan default is classified as foreclosed properties held for sale (“FPHFS”) when their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for “held for sale” includes management’s intention to a plan to sell the assets and the expectation that such sale will be completed within a twelve-month period. Events or circumstances beyond the Company’s control may extend the period to complete the sale beyond one year. Such assets continue to be classified as “held for sale” as management remains committed to its plan to sell the assets. FPHFS are not depreciated.

Contractual interest on the mortgage investment is discontinued from the date of transfer from mortgage investments to FPHFS. Any difference between the carrying value of the asset before foreclosure and the initially estimated realizable amount of the asset is recorded in the impairment losses on mortgage investments.

The Company capitalizes all foreclosures, maintenance, pre-development costs and property taxes with the intention of recovering the costs upon subsequent sale of the property.

FPHFS are carried at the lower of carrying amount and fair market value less costs to sell.

e. Unearned revenue

Unearned revenue comprises of unearned discount on mortgages purchased, which are amortized to income using the effective interest method over the contractual terms of the mortgages.

f. Revenue recognition

Interest on mortgage investments is recognized as revenue using the effective interest method. Refer to Note 3b for additional information on how interest on financial assets is calculated. Other fees, including returned cheques and early payout penalty fees, are recognized as revenue upon completion of services.

g. Share capital

Preferred shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity. The Company did not incur any share issuance costs during the year ended December 31, 2023 and December 31, 2022.

Dividends are recognized in equity in the period in which they are declared. Dividends on new preferred shares issued during the period and dividends on preferred shares redeemed during the period are calculated on the number of full days the shares were held by the shareholders divided by the number of days in the fiscal year.

h. Basic and diluted net earnings per share

The Company presents basic and diluted net earnings per share data for its preferred shares. Basic per share amounts are calculated by dividing the net income attributable to preferred shareholders of the Company by the weighted average number of preferred shares outstanding during the period. As the Company has no dilutive financial instruments that could be converted to preferred shares, basic and diluted net earnings per share are identical.

i. Income taxes

The Company is a Mortgage Investment Corporation as defined in Section 130.1 (6) of the Income Tax Act of Canada and, as such, is not taxable on income which flows through to the shareholders in the form of dividends paid during the period or within 90 days of the end of the period. 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 material accounting policies (continued)

j. Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2023 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1, issued in January 2020, provide clarification on the requirements for classifying liabilities as either current or non-current.

Amendments to IAS 1, issued in October 2022, added new disclosure requirements for situations where a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months after the reporting date. The disclosure should enable users of financial statements to understand the risk that the liability classified as non-current could become repayable within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024.

The Company will adopt the amendments in its financial statements for the annual period beginning on January 1, 2024. The Company does not expect the amendments to have a material impact on the financial statements.

4. Loans receivable

Effective January 31, 2020, the Company entered into a Back-to-Back agreement with Alpine Credits (Quebec) Ltd ("AQL"), a related party (Note 7). As part of this agreement, the funds loaned by AQL to the borrowers/mortgagors originate from money borrowed from the Company. In order to secure the repayment of all the Back-to-Back Credits granted by the Company, AQL hypothecated the debt conferred by the Back-to-Back Credit. Each of the Back-to-Back Credits is secured by a promissory note and a deed of contract of loan and hypothecs (the "Contract") signed by AQL in accordance with the terms and conditions approved beforehand by the Company, which is registered at the Land Register of Quebec. Each of the Back-to-Back Credits shall have the same terms and conditions of the applicable mortgage loan, including but not limited to, security, interest rate, blended monthly payments and maturity date. The Company charges AQL interest pursuant to each back-to-back credit. As at December 31, 2023, the balance of the loans receivable from AQL totaled $2,559,272 (2022 - $4,351,133) and the interest earned for the year ended December 31, 2023 totaled $nil (2022 - $479,677).

Principal repayments, based on the contractual maturity dates of the Back-to-Back Credits, are as follows:

	2023	*2022*
2023	**-**	3,403,445
2024	**2,559,272**	947,688
	2,559,272	4,351,133
Current	**(2,559,272)**	(3,403,445)
Non-current	**-**	947,688

5. Mortgage investments

Mortgages written by the Company are for terms ranging from one to five years. Most mortgages written by the Company for a one-year term earn interest at a fixed stated annual interest rate in the range of 6.99% to 19.74% (2022 - 5.50% to 18.25%). Mortgages written by the Company for greater than a one-year term typically earn interest at a fixed rate for the first year and resets at a rate equal to the Bank of Canada Prime Business Rate plus interest in the range of 7.75% to 18.49% (2022 – 6.00% to 15.99%) per annum.

The mortgages, including accrued interest receivable, net of allowance for impairment losses, are secured by first, second or third charges on the real property.

Property Locations	**No.**	***2023***	**%**	No.	*2022*	%
Urban properties in British Columbia	**1,312**	**207,638,964**	**26.57**	1,331	182,819,086	28.42
Rural properties in British Columbia	**450**	**90,130,991**	**11.53**	302	44,607,267	6.94
Urban properties in Alberta	**610**	**49,602,408**	**6.35**	564	39,052,082	6.07
Rural properties in Alberta	**270**	**32,164,866**	**4.11**	168	17,815,912	2.77
Urban properties in Ontario	**2,230**	**299,375,074**	**38.30**	2,310	293,524,794	45.63
Rural properties in Ontario	**656**	**101,809,050**	**13.02**	430	64,138,668	9.97
Urban properties in Quebec	**6**	**869,299**	**0.11**	8	1,257,668	0.20
Rural properties in Quebec	**1**	**100,167**	**0.01**			
		781,690,819	**100.0**		643,215,477	100.0
Accrued interest receivable		**4,940,543**			3,588,898	
Allowance for impairment losses		**(12,940,127)**			(10,684,849)	
		773,691,235			636,119,526	
Non-current portion		**(67,905,027)**			(93,549,880)	
		705,786,208			542,569,646	

The Mortgages are invested as follows:

	2023	*2022*
Residential	**779,510,797**	642,281,556
Allowance for impairment losses – residential	**(12,822,556)**	(10,618,902)
	766,688,241	631,662,654

	2023	*2022*
Commercial	**7,120,565**	4,522,819
Allowance for impairment losses – commercial	**(117,571)**	(65,947)
	7,002,994	4,456,872
	773,691,235	636,119,526

5. Mortgage investments (continued)

Principal repayments, based on the contractual maturity dates, are as follows:

	2023	*2022*
2023	**-**	542,569,646
2024	**705,786,208**	91,283,609
2025	**64,440,507**	2,220,996
2026	**3,330,111**	45,275
2027	**80,987**	-
2028	**53,422**	-
	773,691,235	636,119,526
Current	**(705,786,208)**	(542,569,646)
Non-current	**67,905,027**	93,549,880

The Company has invested in 992 non-current mortgages receivable (2022 - 1,246), which mature from January 1, 2025 to November 15, 2028 (2022 - January 1, 2024 to November 1, 2026).

The changes in allowance for impairment losses are summarized as follows:

	2023	*2022*
Balance at beginning of period	**10,684,849**	9,651,509
Increase in provision	**2,568,722**	1,116,951
Net write-offs on mortgage investments settled during the period	**(313,444)**	(83,611)
Balance at end of period	**12,940,127**	10,684,849

Refer to Note 15b for credit quality of financial assets assessed for impairment under IFRS 9 Financial Instruments.

6. Credit facility

	2023	*2022*
Swingline Credit Facility	**814,454**	7,196,189
Revolver Credit Facility	**207,000,000**	139,000,000
	207,814,454	146,196,189

The Company has a syndicated credit facility with six chartered banks and financial institutions for the lesser of $250,000,000 (2022 - $250,000,000) and a percentage of total eligible mortgages. Eligible mortgages and their percentages are determined by criteria set by the bank. The syndicated credit facility is secured by a general security agreement covering first-ranking security of all tangible and intangible assets.

The loan consists of up to $235,000,000 (2022 - $235,000,000) in revolving credit facilities in the form of Canadian Dollar Offered Rate ("CDOR") and/or Prime Rate Loans, of which the Company utilized $207,000,000 as at December 31, 2023 (2022 - $139,000,000). A swingline facility is also included at an amount of $15,000,000 (2022 - $15,000,000), of which the Company had utilized $814,454 of available funds at December 31, 2023 (2022 - $7,196,189). The swingline facility bears interest at 0.5% plus the bank's prime lending rate.

6. Credit facility (continued)

Interest on the Revolver Credit Facility borrowed by way of Prime Rate Loans is charged at the bank's prime lending rate plus 0.5% per annum. The CDOR loans bear interest at the applicable CDOR rate. As at the year ended December 31, 2023, interest expense of $12,804,824 (2022 - $4,824,353) at a blended interest rate of 7.4% (2022 – 6.6%) was recorded on the syndicated credit facility.

The Company is required to manage its capital structure to maintain its debt obligation subject to various financial and non-financial covenants. The financial covenants require the company to maintain a Maximum Total Debt to Tangible Net Worth Ratio of 1.00x and a Minimum EBITDA/Interest Coverage ratio of 3.25x.

As at December 31, 2023, the Company was in compliance with all financial covenants.

7. Related party transactions

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. Transactions and balances with companies having common senior management group, directors and/or shareholders at the exchange amounts for the year ended December 31, 2023 and year ended December 31, 2022 were as follows:

(i) The Company acquired mortgage investments with a face value totaling $36,280,226 (2022 - $18,603,312) arranged by Alpine Credits Limited (BC) with a total discount received of $169,393 (2022 - $53,456). Included in accounts payable and accrued liabilities are $66,590 (2022 - $57,580).

(ii) The Company acquired mortgage investments with a face value totaling $83,511,373 (2022 - $88,417,277) arranged by Alpine Credits Limited (AB) with a total discount received of $314,729 (2022 - $230,688). Included in accounts payable and accrued liabilities are $19,438 (2022 - $25,028).

(iii) The Company acquired mortgage investments with a face value totaling $146,547,235 (2022 - $164,829,165) arranged by Alpine Credits Ontario Limited with a total discount received of $594,091 (2022 - $497,971). Included in accounts payable and accrued liabilities are $113,430 (2022 - $100,412).

(iv) The Company acquired mortgage investments with a face value totaling $193,763,362 (2022 - $124,256,023) arranged by Sequence Capital Inc. with a total discount received of $1,182,555 (2022 - $527,250). Included in accounts payable and accrued liabilities are $54,338 (2022 - $33,388).

(v) The Company earned interest revenue of $343,291 (2022 - $479,677) from the Back-to-Back Credits arrangement with Alpine Credits (Quebec) Ltd. (Note 4).

(vi) The Company incurred financial services fees of $13,121,089 (2022 - $10,909,805) to Amur Financial Group Inc. (Note 10). Included in accounts payable and accrued liabilities are $1,213,190 (2022 - $1,001,684).

(vii) The Company incurred exempt market dealer fees of $1,124,217 (2022 - $935,959) to Amur Capital Management Corporation (Note 11). Included in accounts payable and accrued liabilities are $102,933 (2022 - $84,993).

(viii) The Company incurred rent and telephone expenses to Alpine Credits Limited (BC) in the amount of $36,000 (2022 - $36,000) and $1,200 (2022 - $1,200), respectively.

b. During the year ended December 31, 2023, dividends, including dividends reinvested in preferred shares, to related parties/directors/officers, total $4,028,597 (2022 - $3,035,439); Preferred shares issued for cash consideration to related parties/directors/officers total $1,514,248 (2022 - $911,678); and redemption of Preferred shares by related parties/directors/officers total $1,858,972 (2022 - $559,612). As at December 31, 2023 preferred shares held by related parties/directors/officers totaled $48,359,389 (2022 - $43,842,900).

c. During the year ended December 31, 2023, the Company paid directors' fees totaling $84,000 (2022 - $84,000).

8. Share Capital

The authorized share capital of the Company consists of unlimited Common voting shares with a par value of $1 per share and unlimited preferred voting shares with a par value of $1 per share, redeemable at $1 per share.

The Company's issued share capital consists of the following:

NUMBER OF SHARES	***2023***	*2022*
Preferred shares		
Opening balance	**491,304,602**	438,010,596
Issued - dividends reinvestment	**39,495,607**	32,408,979
Issued - cash consideration	**70,666,393**	32,552,779
Redemption of shares for cash	**(43,155,388)**	(11,667,752)
Closing balance	**558,311,214**	491,304,602

AMOUNT	***2023***	*2022*
Preferred shares		
Opening balance	**491,304,602**	438,010,596
Issued - dividends reinvestment	**39,495,607**	32,408,979
Issued - cash consideration	**70,666,393**	32,552,779
Redemption of shares for cash	**(43,155,388)**	(11,667,752)
Closing balance	**558,311,214**	491,304,602

(a) During the year ended December 31, 2023, the Company prepared and approved an Offering Memorandum for a maximum amount of $100,000,000 (2022 - $100,000,000) of redeemable, retractable, voting, preferred shares with a par value of $1 each.

(b) The Board of Directors of the Company may determine, in their absolute discretion, that the Company shall not in any one fiscal year redeem more than five percent of the number of issued preferred shares. In the event of such determination, the Board of Directors of the Company shall, by resolution, determine the preferred shares to be redeemed in that fiscal year by the dates the Redemption notices were received by the Company. A maximum of five percent of the issued and outstanding preferred shares are considered liability instruments under IFRS because these shares are redeemable at the option of the holder, however they are presented as equity in accordance with IAS 32.

9. Distribution reinvestment plan

The Distribution Reinvestment Plan ("DRIP") allows holders of preferred shares to elect to have all cash distributions from the Company reinvested in additional preferred shares.

For the year ended December 31, 2023, 39,495,607 preferred shares (2022 – 32,408,979 shares) were issued under the DRIP at $1 per preferred share, for a total of $39,495,607 (2022 - $32,408,979).

10. Financial services fees

The Broker is responsible for arranging financial service transactions, which include acting as a broker and intermediary between the Company and the borrowers for the purpose of arranging for and effecting mortgage loans transactions. On January 1, 2020, the Company amended the Mortgage Brokerage Services Agreement by decreasing the Financial Services Fee from 2% to 1.85% per annum of the total month-end value of the Company's mortgage portfolio, calculated and payable monthly and are net of any directors' fees payable from time to time (Note 7).

11. Exempt market dealer fees

On January 1, 2020, the Company entered into an Exempt Market Dealer Agreement with Amur Capital Management Corporation, appointing Amur Capital Management Corporation to act as an exempt market dealer in connection with the distribution of the Company's redeemable preferred shares in British Columbia and Alberta at an annual fee of 0.15% of the Company's total month-end value of the Company's mortgage portfolio, calculated and payable monthly (Note 7).

On May 27, 2020, the Company entered into an Exempt Market Dealer Agreement with Intrysnyc Capital Corporation, appointing Intrysnyc Capital Corporation, for a twelve month period, to act as an exempt market dealer in connection with the distribution of the Company's redeemable preferred shares in Ontario at 0.05% of the gross proceeds of preferred shares invested in the Company to a maximum of $2,500 and a minimum of $250 per qualified investor. The agreement was renewed on May 27, 2021 for an additional twelve month period. During the year ended December 31, 2023, fees of $nil (2022 - $nil) were paid to Intrysnyc Capital Corporation. This agreement ended on May 27, 2023 and replaced with Finhaven Private Markets.

On July 31, 2023, the Company entered into an Exempt Market Dealer Agreement with Finhaven Private Markets, appointing Finhaven Private Markets, for a twelve month period, to act as an exempt market dealer in connection with the distribution of the Company's redeemable preferred shares at 0.5% of the gross proceeds of the preferred shares invested in the Company to a maximum of $3,500 and a minimum of $500 per qualified investor.

12. Basic and diluted net earnings per share

The following table reconciles the numerator and denominator of both the basic and diluted net earnings per preferred share:

	2023	*2022*
Numerator for net earnings per share		
Net and comprehensive income	**53,979,378**	40,280,320
Denominator for net earnings per share		
Weighted average shares	**503,182,884**	454,345,786
Basic and diluted net earnings per share	**0.1073**	0.0887

The Company distributes dividend income monthly. If an investor had remained fully invested for the year ended December 31, 2023, without any additional purchases or redemptions and compounded their monthly distributions, the maximum potential return would be 11.08% (2022 – 9.15%).

13. Supplementary cash flow information

Non-cash transactions

During the year ended December 31, 2023, the Company issued 39,495,607 preferred shares (2022 – 32,408,979 shares) at a value of $1 per share for a total of $39,495,607 (2022 - $32,408,979) under the DRIP (Note 9).

14. Determination of fair values

The Company's accounting policies and disclosures require the measurement of fair values for both assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly;
Level 3 - Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgement in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The following table shows the carrying amounts and fair values of assets and liabilities:

	Carrying amount	
December 31, 2023	***Amortized cost***	***Fair value***
Bank indebtedness	**814,454**	**814,454**
Funds held in trust	**771,724**	**771,724**
Loans receivable	**2,559,272**	**2,559,272**
Mortgage investments	**773,691,235**	**773,691,235**
Credit facility	**207,000,000**	**207,000,000**
Accounts payable and accrued liabilities	**2,735,937**	**2,735,937**
Dividends payable	**7,068,774**	**7,068,774**

	Carrying amount	
December 31, 2022	*Amortized cost*	*Fair Value*
Bank indebtedness	7,196,189	7,196,189
Funds held in trust	1,334,551	1,334,551
Loans receivable	4,351,133	4,351,133
Mortgage investments	636,119,526	636,119,526
Credit facility	139,000,000	139,000,000
Accounts payable and accrued liabilities	1,766,118	1,766,118
Dividends payable	2,327,205	2,327,205

14. Determination of fair values (continued)

The valuation techniques and inputs used for the Company’s assets and liabilities are as follows:

a. Mortgage investments

There is no quoted price in an active market for the mortgage investments. Management makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments approximates their carrying values given the amounts consist of short-term loans that are repayable without yield maintenance. As a result, the fair value of mortgage investments is based on level 3 inputs.

b. Other assets and liabilities

The fair values of cash and cash equivalents, bank indebtedness, funds held in trust, loans receivable, credit facility, accounts payable and accrued liabilities and dividends payable approximate their carrying amounts due to their short-term maturities.

c. Foreclosed properties held for sale

Management makes its determination of fair value based on inspections, engaging realtors to assess market conditions based on previous property transactions or retaining professional appraisers to provide independent valuations for foreclosed properties held for sale. As a result, the fair value measurements have been categorized as a level 3 fair value based on inputs to the valuation techniques used.

The key valuation technique used in measuring the fair value of the foreclosed properties held for sale is set out in the following table:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Direct sales comparison	The fair value is based on comparison to recent sales of properties of similar types, locations and quality.	The significant unobservable input is adjustments due to characteristics specific to each property that could cause the fair value to differ from the property to which it is being compared.

There were no transfers between level 1, level 2 and level 3 during the year ended December 31, 2023 and the year ended December 31, 2022.

15. Risk management

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. Many of these factors are beyond the Company's direct control. The Manager/Administrator and Board of Directors play an active role in monitoring the Company's key risks in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

The Company's business activities, including its use of financial instruments, expose the Company to various risks, the most significant of which are interest rate risk, credit risk, liquidity risk and redemption risk.

a. Interest rate risk

Mortgages written by the Company for greater than a one-year term typically earn interest at a fixed rate for the first year and resets at a rate equal to the Bank of Canada Prime Business Rate plus interest in the range 6.99% to 19.74% (2022 - 6.00% to 15.99%) per annum. The minimum rate mitigates the effect of a drop in short-term market interest rates while the floating rate allows for increased interest earnings where short-term rates increase. The floating interest rate on the credit facility subjects the Company to a cash flow risk. The interest rate risk on cash and cash equivalents, funds held in trust, loans receivable, accounts payable and accrued liabilities and dividends payable are not considered significant.

<u>Sensitivity analysis</u>

The Company is exposed to interest rate risk on the credit facility. Based on the outstanding balance of $207,814,454 on the credit facility as at December 31, 2023 (2022 - $146,196,189), a 0.50% decrease in the bank's prime rate, keeping other variables constant, would result in an annual increase in net and comprehensive income of $1,039,072 (2022 - $730,981) as a result of lower interest payable on the Credit Facility. A 0.50% increase in the bank's prime rate would have an equal but opposite effect on the net and comprehensive income of the Company.

b. Credit risk

As with most mortgage investment corporations, the Company provides financing to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the possibility that the mortgagor may 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 the mortgage advances, and that there is a viable exit strategy for each loan. In addition, the Company limits concentration of risk by diversifying its mortgage portfolio by way of location, property type, and maximum loan amount on any one property and maximum loan amount to one borrower.

At the end of each reporting period, impairment is assessed using an expected credit loss (ECL) approach. Under this approach the level of credit risk deterioration is assessed in a three-stage impairment model. The three stages are determined, and expected credit losses are assessed as follows:

Stage 1 - No significant increase to credit risk since initial recognition. 12-month expected credit losses are recognized.

Stage 2 - Significant increase in credit risk since initial recognition. Lifetime expected credit losses are recognized.

Stage 3 - Credit Impaired. Lifetime expected credit losses are recognized.

The Company is required to make assessments of the future expected losses on mortgage investments in Stage 1 and Stage 2 using forward-looking information, including macro-economic factors. Mortgage investments are transferred to Stage 3 when there is objective information that indicates that one or more events ("loss events") have occurred that have a negative effect on the estimated future cash flows of that asset.

The Company determines whether the cash flows from mortgage investments represent solely payments of principal and interest (SPPI). The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors.

15. Risk management (continued)

b. Credit risk (continued)

The Company considers a number of past events, current conditions, and forward-looking information to assess if there has been a significant increase or subsequent decrease in credit risk. To identify whether the credit risk of a mortgage investment has significantly increased since initial recognition, management will consider forward-looking information, including macro-economic factors as well as information related to the specific borrower, including the outstanding balance upon default, credit worthiness and changes in personal economic situation.

Determining if there was a significant increase or decrease in credit risk requires significant judgement. Management reviews the mortgage investments and considers the credit risk to be increased when reasonable assurance no longer exists that the sole payments of principal and interest would be recoverable.

Loss provisions are recorded upon initial recognition of the mortgage investment based upon expectations of future losses at the time. For Stage 1 mortgages, the Company will recognize a loss allowance equal to 12-month expected credit losses, if the credit risk at the reporting date has not increased significantly since initial recognition, representing the expected credit losses from default events that are possible within the next 12 months.

Under IFRS 9, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. However, based on historical experience, mortgages that were 30 days past due could be brought up to date with later payments. Therefore, this factor will not be used to identify mortgages above Stage 1.

The recognition of credit losses must be made for the remaining life of the mortgage investments (lifetime expected credit losses) that are considered to have experienced a significant increase in credit risk (Stage 2) and for mortgage investments that are credit impaired at the reporting date (Stage 3). The lifetime expected credit losses represent the expected loss in value due to possible default events over the life of the mortgage investment weighted by the likelihood of a loss. At each reporting date, credit impaired mortgage investments will be transferred to Stage 3 when there is objective information that the mortgage investments are credit impaired.

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

The Company considers evidence of impairment for mortgage investments in Stage 3 at a specific level on a mortgage-by-mortgage basis, and specific allowances are recorded if management determines that the mortgage investment is impaired. In such cases, a specific provision is established to write-down the loan to the estimated future cash flows from the loan discounted at the loan's original effective interest rate. In cases where it is impractical to estimate the future cash flows, the carrying amount of the loan is reduced to its fair value calculated based on an observable market price.

15. Risk management (continued)

b. Credit risk (continued)

The following table sets out information about the credit quality of mortgage and loan receivable assessed for impairment under IFRS 9 Financial instruments. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

	As at December 31, 2023			
Property Locations	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Urban properties in British Columbia	**177,219,681**	**21,863,853**	**8,555,430**	**207,638,964**
Rural properties in British Columbia	**83,843,256**	**3,040,433**	**3,247,302**	**90,130,991**
Urban properties in Alberta	**43,380,579**	**3,288,121**	**2,933,708**	**49,602,408**
Rural properties in Alberta	**27,616,194**	**1,723,771**	**2,824,901**	**32,164,866**
Urban properties in Ontario	**253,537,734**	**17,046,753**	**28,790,587**	**299,375,074**
Rural properties in Ontario	**91,350,431**	**5,717,561**	**4,741,058**	**101,809,050**
Urban properties in Quebec	**2,324,119**	**66,122**	**790,631**	**3,180,872**
Rural properties in Quebec	**86,245**	**-**	**261,621**	**347,866**
	679,358,239	**52,746,614**	**52,145,238**	**784,250,091**

	As at December 31, 2022			
Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	168,107,513	10,305,274	4,406,299	182,819,086
Rural properties in British Columbia	39,858,910	2,814,194	1,934,163	44,607,267
Urban properties in Alberta	35,659,372	3,104,564	288,146	39,052,082
Rural properties in Alberta	16,362,182	679,074	774,656	17,815,912
Urban properties in Ontario	265,195,634	23,037,776	5,291,384	293,524,794
Rural properties in Ontario	56,661,490	7,226,779	250,399	64,138,668
Urban properties in Quebec	4,674,359	605,175	-	5,279,534
Rural properties in Quebec	329,267	-	-	329,267
	586,848,727	47,772,836	12,945,047	647,566,610

15. Risk management (continued)

b. Credit risk (continued)

The allowance for mortgage and loan receivable impairment losses is summarized as follows:

As at December 31, 2023

Property Locations	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Urban properties in British Columbia	**2,988.521**	**3,041**	**20,827**	**3,012,389**
Rural properties in British Columbia	**1,413,880**	**2,154**	**27,578**	**1,443,612**
Urban properties in Alberta	**731,543**	**4,081**	**6,909**	**742,533**
Rural properties in Alberta	**465,702**	**-**	**-**	**465,702**
Urban properties in Ontario	**4,275,501**	**534,382**	**722,661**	**5,532,544**
Rural properties in Ontario	**1,540,476**	**78,169**	**52,785**	**1,671,430**
Urban properties in Quebec	**40,647**	**4,918**	**17,840**	**63,405**
Rural properties in Quebec	**-**	**-**	**8,512**	**8,512**
	11,456,270	**626,745**	**857,112**	**12,940,127**

As at December 31, 2022

Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	2,459,158	94,663	60,123	2,613,943
Rural properties in British Columbia	583,246	1,543	29,126	613,915
Urban properties in Alberta	519,796	452,217	280,723	1,252,736
Rural properties in Alberta	239,958	-	171,315	411,273
Urban properties in Ontario	3,869,614	484,834	266,213	4,620,661
Rural properties in Ontario	830,589	185,000	2,178	1,017,767
Urban properties in Quebec	68,551	81,173	-	149,724
Rural properties in Quebec	4,829	-	-	4,829
	8,575,741	1,299,430	809,677	10,684,849

Management estimated the ECL for mortgages and loans receivable in Stage 1 as $11,456,270 (2022 - $8,575,741). Mortgages that transferred to Stage 2 and 3 were assessed individually for lifetime ECL.

There were 265 mortgages and loans receivable in arrears (2022 - 243), identified as Stage 2, totaling $52,746,614 (2022 - $47,772,836) with an allowance for impairment losses of $626,745 (2022 - $1,299,430).

There were 161 mortgages and loans receivable in foreclosures (2022 - 56), identified as Stage 3, totaling $52,145,238 (2022 - $12,945,047) with an allowance for impairment losses of $857,112 (2022 - $809,677).

15. Risk management (continued)

b. Credit risk (continued)

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

	12 months ended December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2023	**8,575,743**	**1,299,429**	**809,677**	**10,684,849**
Transfers to / from Stage 1 *(1)*	**(630,091)**	**357,289**	**272,802**	**-**
Transfers to / from Stage 2 *(1)*	**62,556**	**(171,632)**	**109,076**	**-**
Transfers to / from Stage 3 *(1)*	**-**	**-**	**-**	**-**
Net remeasurement *(2)*	**642,404**	**(109,038)**	**108,728**	**642,094**
Mortgage advances	**6,144,904**	**285,312**	**241,312**	**6,671,528**
Mortgage repayments	**(3,339,246)**	**(1,034,615)**	**(684,483)**	**(5,058,344)**
Balance at December 31, 2023	**11,456,270**	**626,745**	**857,112**	**12,940,127**

(1) Transfers between stages which are presumed to occur before any corresponding remeasurement of provisions.
(2) Net remeasurement represents the change in the allowance related to changes in model inputs and assumptions, including changes in microeconomic conditions, and changes in measurement following a transfer between stages.

During the year ended December 31, 2023, the allowance for mortgage and loan receivable losses classified as Stage 1 increased as a result of an increase in the mortgage investments, net of repayments of the mortgages receivable. The allowance for mortgage and loan receivable losses for mortgages classified as Stage 2 and Stage 3 decreased as a result of mortgage repayments, net of remeasurements due to changes in credit risk and estimates of ECL of mortgages and loan receivable included in Stage 2 and Stage 3 at December 31, 2023. The ECL is assessed individually for Stage 2 and Stage 3 mortgages and loan receivable.

	12 months ended December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2022	8,693,115	422,183	536,211	9,651,509
Transfers to / from Stage 1 *(1)*	(533,562)	450,897	82,665	-
Transfers to / from Stage 2 *(1)*	50,825	(234,840)	184,015	-
Transfers to / from Stage 3 *(1)*	14,200	-	(14,200)	-
Net remeasurement *(2)*	(816,334)	107,051	178,884	(530,399)
Mortgage advances	4,734,256	671,916	306,815	5,712,988
Mortgage repayments	(3,566,760)	(117,778)	(464,712)	(4,149,249)
Balance at December 31, 2022	8,575,743	1,299,429	809,678	10,684,849

(1) Transfers between stages which are presumed to occur before any corresponding remeasurement of provisions.
(2) Net remeasurement represents the change in the allowance related to changes in model inputs and assumptions, including changes in microeconomic conditions, and changes in measurement following a transfer between stages.

15. Risk management (continued)

b. Credit risk (continued)

During the year ended December 31, 2022, the allowance for mortgage and loan receivable losses classified as Stage 1 increased as a result of an increase in the mortgage investments, net of repayments of the mortgages receivable. The allowance for mortgage and loan receivable losses for mortgages classified as Stage 2 and Stage 3 decreased as a result of mortgage repayments, net of remeasurements due to changes in credit risk and estimates of ECL of mortgages and loan receivable included in Stage 2 and Stage 3 at December 31, 2022.

Concentration of credit risk analysis

At December 31, 2023, the Company has no significant individual mortgage investments (2022 - nil). The average mortgage amount for the balance of the mortgage investments was $141,227 (2022 - $125,800).

c. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligation as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment advances and repayments and the need for working capital. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

The following are the contractual maturities of the financial liabilities:

December 31, 2023	***Amortized Cost***	***Due in 1 year***
Credit facility	**207,000,000**	**207,000,000**
Accounts payable and accrued liabilities	**2,736,700**	**2,736,700**
Bank indebtedness	**814,454**	**814,454**
Dividends payable	**7,068,774**	**7,068,774**
	217,619,928	**217,619,928**

December 31, 2022	*Amortized Cost*	*Due in 1 year*
Credit facility	139,000,000	139,000,000
Accounts payable and accrued liabilities	1,765,875	1,765,875
Bank indebtedness	7,196,189	7,196,189
Dividends payable	2,327,205	2,327,205
	150,289,269	150,289,269

d. Redemption risk

The amount payable by the Company by cash payment in respect of the redemption of Preferred shares in any fiscal year of the Company will not exceed the redemption price payable plus any unpaid dividends on the issued and outstanding Preferred shares. Notwithstanding that the shareholders may redeem their Preferred shares, the directors may determine in their absolute discretion, that the Company shall not in any one fiscal year redeem more than five percent of the number of issued Preferred shares. Furthermore, in the unlikely event the Company is required to wind down its operations, for any reason, majority of its mortgage investments have a term of three years or less.

15. Risk management (continued)

Capital management

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

The Company defines capital as being the funds raised through the issuance of 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 similar companies. The Company's capital management objectives and strategies are unchanged since the previous year.

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. During the year ended December 31, 2023 and the year ended December 31, 2022 the Company complied with these requirements.

16. Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgages. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company's financial position. No contingent loss provision was recorded as at year-end.

17. Key management personnel compensation

The compensation of the senior management is paid through the financial services fees paid to the Broker (Note 10).

18. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current period.