Amur Capital High Yield Fund Inc.

(Formerly Blue Stripe Financial Ltd.)

Financial Statements

December 31, 2023

Contents

For the year ended December 31, 2023

To the Shareholders of Amur Capital High Yield Fund Inc. (formerly Blue Stripe Financial Ltd.):

Opinion

We have audited the financial statements of Amur Capital High Yield Fund Inc. (formerly Blue Stripe Financial Ltd.) (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 audit 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 audit 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.

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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.

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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vancouver, British Columbia

March 11, 2024

MNP LLP

Chartered Professional Accountants

Amur Capital High Yield Fund Inc.

Statement of Financial Position

	2023	*2022*
Assets		
Current		
Cash and cash equivalents	**2,123,640**	1,091,244
Prepaid expenses	**8,589**	2,984
Mortgage investments, current portion (Note 4)	**12,542,021**	7,534,423
	14,674,250	8,628,651
Non-current		
Mortgage investments, net of current portion (Note 4)	**6,835,427**	7,387,427
Total assets	**21,509,677**	16,016,078
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	**84,249**	75,919
Related party advances (Note 5)	**-**	1,000,000
Dividends payable	**121,191**	366,804
Unearned revenue	**37,555**	19,898
Total liabilities	**242,995**	1,462,621
Shareholders' Equity		
Share capital (Note 6)	**21,266,682**	14,553,457
	21,509,677	16,016,078

Contingencies (Note 15)

Approved on behalf of the Board

Kurt Wipp (Mar 11, 2024 17:10 PDT)

Brent Wipp, Director **Kurt Wipp, Director**

The accompanying notes are an integral part of these financial statements

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

	December 31, 2023	*December 31, 2022*
Revenue		
Interest	**2,873,512**	1,849,680
Other fees	**262,943**	225,942
	3,136,455	2,075,622
Expenses		
Bank charges	**2,528**	4,687
Director's fees	**31,500**	31,500
Financial services fees (Notes 5, 8 and 9)	**322,691**	211,599
Impairment losses on mortgage investments (Note 4)	**156,542**	113,093
Interest on loan payable (Note 5)	**20,000**	10,000
Office	**8,161**	2,491
Professional fees	**46,565**	33,953
	587,987	407,323
Net and comprehensive income	**2,548,468**	1,668,299
Earnings per share		
Basic and diluted net earnings per share (Note 10)	**0.1346**	0.1258

The accompanying notes are an integral part of these financial statements

Amur Capital High Yield Fund Inc.
Statements of Changes in Equity

	Share capital (Note 6)	*Retained earnings*	*Total equity*
Balance as at January 1, 2022	13,280,213	-	13,280,213
Net and comprehensive income	-	1,668,299	1,668,299
Dividends	-	(1,668,299)	(1,668,299)
Issued - dividend reinvestment (Note 7)	1,411,782	-	1,411,782
Issued - cash consideration	-	-	-
Redemption of shares for cash	(138,538)	-	(138,538)
Balance as at December 31, 2022	14,553,457	-	14,553,457
Balance as at January 1, 2023	**14,553,457**	**-**	**14,553,457**
Net and comprehensive income	**-**	**2,548,468**	**2,548,468**
Dividends	**-**	**(2,548,468)**	**(2,548,468)**
Issued - dividend reinvestment (Note 7)	**2,228,904**	**-**	**2,228,904**
Issued - cash consideration	**4,659,888**	**-**	**4,659,888**
Redemption of shares for cash	**(175,567)**	**-**	**(175,567)**
Balance as at December 31, 2023	**21,266,682**	-	**21,266,682**

The accompanying notes are an integral part of these financial statements

	December 31, 2023	*December 31, 2022*
Cash provided by (used for) the following activities		
Operating activities		
Net and comprehensive income	**2,548,470**	1,668,299
Impairment losses on mortgage investments	**156,542**	113,093
	2,705,012	1,781,392
Changes in working capital accounts		
Prepaid expenses	**(5,605)**	(1,252)
Accounts payable and accrued liabilities	**8,330**	29,697
Dividends payable	**(245,612)**	246,405
Unearned revenue	**17,657**	(12,289)
Accrued interest	**(44,058)**	(36,232)
	2,435,724	2,007,721
Financing activities		
Payments for redemption of common shares	**(175,567)**	(138,538)
Proceeds from issuance of common shares	**4,659,888**	-
Advance (repayment) of loan payable	**(1,000,000)**	1,000,000
Dividends	**(319,566)**	(256,517)
	3,164,755	604,945
Investing activities		
Funding of mortgage investments	**(12,407,828)**	(10,584,634)
Discharge of mortgage investments	**7,839,745**	7,115,199
	(4,568,083)	(3,469,435)
(Decrease) Increase in cash and cash equivalents	**1,032,396**	(856,769)
Cash and cash equivalents, beginning of year	**1,091,244**	1,948,013
Cash and cash equivalents, end of year	**2,123,640**	1,091,244

Cash flows from operating activities include:		
Interest received	**3,092,397**	2,039,390
Supplementary cash flow information		
Issuance of shares under the dividend reinvestment plan (Note 11)		

1. Incorporation and operation

Amur Capital High Yield Fund Inc. (the "Company") was incorporated on January 17, 2017 under the laws of British Columbia and commenced operations on the same date. On October 31, 2023, the Company's name was changed from Blue Stripe Financial Ltd. to Amur Capital High Yield 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 annual financial statements for the year ended December 31, 2023 were authorized for issuance by the Board of Directors of the Company ("Board") on March 11, 2024.

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. 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.

Mortgage investments and impairment of financial assets

The Company determines 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.

2. Basis of presentation (continued)

d. Significant accounting judgements, estimates and assumptions (continued)

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.

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.

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 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 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, foreign exchange and derecognition are recognized in profit or loss.

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.

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.

3. Summary of material accounting policies (continued)

b. Financial instruments (continued)

Financial assets (continued)

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 13(b) 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.

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 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 expire.

3. Summary of material accounting policies (continued)

b. Financial instruments (continued)

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.

d. 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

e. Share capital

Shares issued are classified as either a financial liability or equity in accordance with the substance of the contractual terms of the instrument. Common shares, which are redeemable at the option of the Company or the shareholders, meet the definition of a puttable instrument and as such have been 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 2023 and 2022.

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

f. Revenue recognition

Interest on mortgage investments is recognized as revenue using the effective interest method. Refer to Note 3(b) 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.

3. Summary of material accounting policies (continued)

g. Basic and diluted net earnings per share

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

h. Income taxes

The Company is a Mortgage Investment Corporation 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 financial statements.

i. 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. 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 11.50% to 22.99% (2022 – 10.25% to 20.99%). Mortgages written by the Company for greater than a one-year term typically earn interest at a fixed rate for the first year and become variable at the Bank of Canada Prime Business Rate plus interest in the range of 9.99% to 21.24% per annum (2022 – 10.75% to 20.99%).

All mortgages are invested in residential property. There is a blend of interest only and amortizing mortgages within the portfolio.

4. Mortgage investments (continued)

Property Locations	***2023***	**%**	*2022*	%
Urban properties in British Columbia	**3,874,249**	**19.42**	3,195,480	20.80
Rural properties in British Columbia	**575,490**	**2.89**	490,659	3.19
Urban properties in Alberta	**6,298,358**	**31.58**	5,510,800	35.87
Rural properties in Alberta	**658,814**	**3.30**	727,665	4.74
Urban properties in Ontario	**7,314,913**	**36.67**	4,382,090	28.52
Rural properties in Ontario	**1,224,943**	**6.14**	1,056,654	6.88
	19,946,767	**100.0**	15,363,348	100.0
Accrued interest receivable	**178,685**		134,628	
Allowance for impairment losses	**(748,004)**		(576,126)	
	19,377,448		14,921,850	

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

	2023	*2022*
2023	**-**	7,534,423
2024	**12,542,021**	6,962,161
2025	**6,095,897**	384,163
2026	**627,026**	41,103
2027	**97,076**	-
2028	**15,428**	-
Total	**19,377,448**	14,921,850
Less current portion	**(12,542,021)**	(7,534,423)
Non–current portion	**6,835,427**	7,387,427

The Company has invested in 138 non-current mortgages receivable (2022 - 143), which mature from January 1, 2025 to February 15, 2028 (2022 - January 1, 2024 to November 15, 2026).

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

	2023	%	*2022*	%
Interest in first mortgages	**112,310**	**0.56**	466,155	3.03
Interest in second mortgages	**16,464,473**	**82.54**	13,190,593	85.86
Interest in third mortgages	**3,335,402**	**16.73**	1,167,928	10.88
Interest in fourth mortgages	**34,581**	**0.17**	34,672	0.23
	19,946,767	**100.00**	15,363,348	100.00

4. Mortgage investments (continued)

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

	2023	*2022*
Balance at beginning of year	**576,126**	481,707
Increase in provision	**156,542**	113,093
Recovery (loss) on mortgage investments settled during the year	**15,336**	(18,674)
Balance at end of year	**748,004**	576,126

Refer to Note 13(b) for credit quality of financial assets assessed for impairment under IFRS 9 Financial Instruments.

5. 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 for the year ended December 31, 2023 were as follows:

(i) The Company acquired mortgage investments with a face value totaling $3,159,623 (2022 - $2,485,142) arranged by Alpine Credits Limited (BC) with a total discount received of $8,078 (2022 - $7,475). Included in accounts payable and accrued liabilities are $910 (2022 - $1,175).

(ii) The Company acquired mortgage investments with a face value totaling $2,739,765 (2022 - $3,552,006) arranged by Alpine Credits Limited (AB) with a total discount received of $6,496 (2022 - $7,519). Included in accounts payable and accrued liabilities are $2,835 (2022 - $2,555).

(iii) The Company acquired mortgage investments with a face value totaling $6,225,465 (2022 - $4,509,725) arranged by Alpine Credits Ontario Limited with a total discount received of $37,548 (2022 - $14,914). Included in accounts payable and accrued liabilities are $2,315 (2022 - $913).

(iv) The Company acquired mortgage investments with a face value totaling $167,000 (2022 - $nil) arranged by Sequence Capital Inc. with a total discount received of $9 (2022 - $nil). Included in accounts payable and accrued liabilities are $nil (2022 - $nil).

(v) During the year, the Company incurred financial services fees of $294,903 (2022 - $192,526) to Amur Financial Group Inc. Included in accounts payable and accrued liabilities are $28,393 (2022 - $21,298).

(vi) During the year, the Company incurred financial services fees of $27,788 (2022 - $19,073) to Amur Capital Management Corporation. Included in accounts payable and accrued liabilities are $2,618 (2022 - $2,016).

(vii) On November 30, 2022, the Company entered a $1,000,000 loan agreement with a party who is related by virtue of having two of four directors in common. The loan charged interest at a rate of 12% per annum, compounded monthly, and matured on March 1, 2023. The Company incurred interest expense of $20,000 (2022 - $10,000) on the loan payable. The loan was secured by all accounts receivable and loans receivable of the Company. The loan was fully repaid on March 1, 2023.

b. During the year, dividends, including dividends reinvested in common shares, to related parties/directors/officers total $632,646 (2022 - $382,848). As at December 31, 2023, common shares held by related parties/directors/officers total 5,496,975 (2022 – 3,426,529) shares of which 633,972 shares (2022 – nil) were issued for cash and 50,000 shares (2022 – nil) were redeemed during the year.

6. Share capital

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

NUMBER OF SHARES	***2023***	*2022*
Opening balance	**14,553,457**	13,280,213
Issued - dividends reinvestment	**2,228,904**	1,411,782
Issued - cash consideration	**4,659,888**	-
Redemption of shares for cash	**(175,567)**	(138,538)
Closing balance	**21,266,682**	14,553,457

AMOUNT	***2023***	*2022*
Opening balance	**14,553,457**	13,280,213
Issued - dividends reinvestment	**2,228,904**	1,411,782
Issued - cash consideration	**4,659,888**	-
Redemption of shares for cash	**(175,567)**	(138,538)
Closing balance	**21,266,682**	14,553,457

The common shares shall be redeemable at the option of either the Company or the shareholders in accordance with the Special Rights and Restrictions of the Company's Articles and Notice of Articles. Notwithstanding that the shareholders may redeem their shares, the directors may determine in their absolute discretion, the maximum number of shares that the Company shall, by resolution, redeem in that fiscal year. Such redemption shall be processed by the dates the redemption notices were received.

7. Distribution reinvestment plan

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

For the year ended December 31, 2023, 2,228,904 common shares (2022 - 1,411,782) were issued under the DRIP at $1 per common share, for a total of $2,228,904 (2022 - $1,411,782).

8. Financial services fees

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. 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.

9. 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 common shares in British Columbia and Alberta at an annual fee of 0.15% of the total month-end value of the Company's mortgage portfolio, calculated and payable monthly.

10. Basic and diluted earnings per share

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

	2023	*2022*
Numerator for net earnings per share		
Net and comprehensive income	**2,548,468**	1,668,299
Denominator for net earnings per share		
Weighted average shares	**18,929,332**	13,263,193
Basic and diluted net earnings per share	**0.1346**	0.1258

11. Supplementary cash flow information

Non-cash transaction

The Company issued 2,228,904 common shares (2022 - 1,411,782 shares) at a value of $1 per share for a total of $2,228,904 (2022 - $1,411,782) under the DRIP (Note 7).

12. 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:

December 31, 2023	***Carrying Value***	***Fair value***
Cash and cash equivalents	**2,123,640**	**2,123,640**
Mortgage investments	**19,377,448**	**19,377,448**
Accounts payable and accrued liabilities	**84,249**	**84,249**
Dividends payable	**121,191**	**121,191**

12. Determination of fair values (continued)

December 31, 2022	*Carrying Value*	*Fair value*
Cash and cash equivalents	1,091,244	1,091,244
Mortgage investments	14,921,850	14,921,850
Accounts payable and accrued liabilities	75,919	75,919
Dividends payable	366,804	366,804

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 values are determined by discounting the future payments of principal and interest at the market interest rates at reporting dates. 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, accounts payable and accrued liabilities and dividends payable approximate their carrying amounts due to their short-term maturities.

13. 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 management and the 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, redemption risk and liquidity risk:

a. Interest rate risk

Mortgages written by the Company for greater than a one-year term typically earn interest at fixed rate for the first year and become variable at the Bank of Canada Prime Business Rate plus interest ranging from 9.99% to 21.24% per annum (2022 – 10.75% to 20.99%). 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 fixed interest rate on the loan payable subjects the Company to a fair value risk. The interest rate risk on cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities and dividends payable are not considered significant.

Sensitivity analysis

The Company is exposed to interest rate risk on its mortgage investments. Based on the outstanding balance of $19,377,448 on the mortgage investments as at December 31, 2023 (2022 - $14,921,850), a 0.50% increase in the interest rate, keeping other variables constant, would result in an annual increase in net and comprehensive income of $96,887 (2022 - $74,609) as a result of higher interest rate on the mortgage investments. A 0.50% decrease would have an equal but opposite effect on the net and comprehensive income of the Company.

13. Risk management (continued)

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 makes an estimate for determining 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.

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 day past due could be brought up to date with later payments. Therefore, this factor has not been 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.

13. Risk management (continued)

b. Credit risk (continued)

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.

The following table sets out information about the credit quality of financial assets 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	**3,714,992**	**147,245**	**12,012**	**3,874,249**
Rural properties in British Columbia	**575,490**	**-**	**-**	**575,490**
Urban properties in Alberta	**6,054,617**	**243,741**	**-**	**6,298,358**
Rural properties in Alberta	**598,806**	**60,008**	**-**	**658,814**
Urban properties in Ontario	**6,966,653**	**299,377**	**48,883**	**7,314,913**
Rural properties in Ontario	**1,096,150**	**128,793**	**-**	**1,224,943**
	19,006,708	**879,164**	**60,895**	**19,946,767**

	As at December 31, 2022			
Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	3,135,561	46,557	13,362	3,195,480
Rural properties in British Columbia	490,660	-	-	490,660
Urban properties in Alberta	5,291,459	151,737	67,604	5,510,800
Rural properties in Alberta	727,664	-	-	727,664
Urban properties in Ontario	4,319,371	-	62,719	4,382,090
Rural properties in Ontario	1,056,654	-	-	1,056,654
	15,021,369	198,294	143,685	15,363,348

13. Risk management (continued)

b. Credit risk (continued)

The allowance for 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	**127,740**	**-**	**12,011**	**139,751**
Rural properties in British Columbia	**19,788**	**-**	**-**	**19,788**
Urban properties in Alberta	**208,187**	**18,131**	**-**	**226,318**
Rural properties in Alberta	**20,590**	**4,463**	**-**	**25,053**
Urban properties in Ontario	**239,547**	**7,087**	**48,883**	**295,517**
Rural properties in Ontario	**37,691**	**3,886**	**-**	**41,577**
	653,543	**33,567**	**60,894**	**748,004**

	As at December 31, 2022			
Property Locations	Stage 1	Stage 2	Stage 3	Total
Urban properties in British Columbia	57,036	20,416	-	77,452
Rural properties in British Columbia	9,215	-	-	9,215
Urban properties in Alberta	99,383	151,737	60,992	312,112
Rural properties in Alberta	13,666	-	-	13,666
Urban properties in Ontario	81,118	-	62,719	143,837
Rural properties in Ontario	19,844	-	-	19,844
	280,262	172,153	123,711	576,126

Management estimated the ECL for mortgages in Stage 1 as $653,543 (2022 - $280,262). Mortgages that transferred to Stage 2 and 3 were assessed individually for lifetime ECL.

13. Risk management (continued)

b. Credit risk (continued)

There were 13 mortgages in arrears (2022 - 5), identified as Stage 2, totaling $879,164 (2022 - $198,294) with an allowance for impairment losses of $33,566 (2022 - $172,153).

There were 2 (2022 - 6) foreclosures, identified as Stage 3, totaling $60,894 (2022 - $143,685) with an allowance for impairment losses of $60,894 (2022 - $123,711).

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

	Year ended December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at December 31, 2022	**280,262**	**172,153**	**123,711**	**576,126**
Transfers to / from Stage 1 *(1)*	**(1,951)**	**1,084**	**867**	**-**
Transfers to / from Stage 2 *(1)*	**24,621**	**(36,632)**	**12,011**	**-**
Transfers to / from Stage 3 *(1)*	**-**	**-**	**-**	**-**
Net remeasurement *(2)*	**104,226**	**(61,495)**	**48,016**	**90,747**
Mortgage advances	**360,877**	**24,101**	**-**	**384,978**
Mortgage repayments	**(114,492)**	**(65,644)**	**(123,711)**	**(303,847)**
Balance at December 31, 2023	**653,543**	**33,567**	**60,894**	**748,004**

(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.

	Year ended December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2021	345,210	91,912	44,585	481,707
Transfers to / from Stage 1 *(1)*	(5,474)	2,760	2,714	-
Transfers to / from Stage 2 *(1)*	-	-	-	-
Transfers to / from Stage 3 *(1)*	-	-	-	-
Net remeasurement *(2)*	(65,400)	61,441	74,776	70,817
Mortgage advances	182,083	69,876	15,234	267,193
Mortgage repayments	(176,157)	(53,836)	(13,598)	(243,591)
Balance at December 31, 2022	280,262	172,153	123,711	576,126

(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.

Concentration of credit risk analysis

At December 31, 2023, the Company has no significant individual mortgage investment (2022 – nil). The average mortgage amount of the mortgage investments was $56,828 (2022 - $49,559).

13. Risk management (continued)

c. Redemption risk

The amount payable by the Company by cash payment in respect of the redemption of common shares in any fiscal year of the Company will not exceed the redemption price payable plus any unpaid dividends on the issued and outstanding common shares. Notwithstanding that the shareholders may redeem their common shares, the directors may determine in their absolute discretion, the maximum number of common shares that the Company shall, by resolution, redeem in that fiscal year. Therefore, the redemption risk is not considered significant.

d. 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 due to 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***
Accounts payable and accrued liabilities	**84,249**	**84,249**
Dividends payable	**121,191**	**121,191**
	205,440	**205,440**

December 31, 2022	*Amortized cost*	*Due in 1 year*
Accounts payable and accrued liabilities	75,919	75,919
Dividends payable	366,804	366,804
	442,723	442,723

14. 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 common 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 the Company complied with these requirements.

15. 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.

16. Key management personnel compensation

The compensation of the senior management is paid through the financial services fees paid to the Broker (Note 8).