Financial statements of

# CareVest Mortgage Investment Corporation

December 31, 2020

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# Independent Auditor's Report

To the Shareholders of
CareVest Mortgage Investment Corporation

## Opinion

We have audited the financial statements of CareVest Mortgage Investment Corporation (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of loss and total comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

## 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 GAAS 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 GAAS, 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.

Deloitte LLP

Chartered Professional Accountants
March 23, 2021

# CareVest Mortgage Investment Corporation

## Statement of loss and total comprehensive loss
## year ended December 31, 2020

(In Canadian dollars)

| | 2020 | 2019 |
|---|---|---|
| | **$** | $ |
| **Revenue (Note 12)** | | |
| Finance | **6,022,634** | 6,935,963 |
| Proceeds on sale | **2,246,972** | 1,342,715 |
| Other | **106,812** | 149,557 |
| | **8,376,418** | 8,428,235 |
| Expenses | | |
| Cost of sales - inventory | **4,661,886** | 1,601,328 |
| Dividends on Class A shares | **3,151,388** | 4,637,131 |
| Management fee (Note 11) | **1,912,589** | 2,025,358 |
| Mortgage administration fee (Note 11) | **162,994** | 185,142 |
| Inventory holding costs | **143,927** | 85,097 |
| Professional fees | **72,792** | 72,372 |
| Insurance | **34,701** | 37,085 |
| Other | **24,837** | 13,406 |
| Mortgage recovery cost | **12,983** | 16,296 |
| Recovery of inventory write-down (Note 7) | **(302,095)** | (76,099) |
| Recovery of mortgages receivable (Note 6) | **(425,246)** | (424,459) |
| | **9,450,756** | 8,172,657 |
| (Loss) earnings before other items | **(1,074,338)** | 255,578 |
| Retraction gain (loss) (Note 10) | **1,150,562** | (249,935) |
| Earnings before income taxes | **76,224** | 5,643 |
| Deferred income tax expense (Note 13) | **629,923** | 117,442 |
| **Net loss and total comprehensive loss** | **(553,699)** | (111,799) |

The accompanying notes to the financial statements are an integral part of this financial statement.

# CareVest Mortgage Investment Corporation

## Statement of changes in equity
## year ended December 31, 2020

(In Canadian dollars)

| | Capital stock | Retained earnings | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance, January 1, 2019** | 419 | 11,121,501 | 11,121,920 |
| Net loss for the year and total comprehensive loss | - | (111,799) | (111,799) |
| Balance, December 31, 2019 | 419 | 11,009,702 | 11,010,121 |
| Net loss for the year and total comprehensive loss | - | (553,699) | (553,699) |
| **Balance, December 31, 2020** | **419** | **10,456,003** | **10,456,422** |

The accompanying notes to the financial statements are an integral part of this financial statement.

# CareVest Mortgage Investment Corporation

## Statement of financial position as at December 31, 2020

(In Canadian dollars)

| | 2020 | 2019 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| Cash (Note 5) | **20,227,953** | 24,275,249 |
| Accounts receivable | **134,530** | 135,137 |
| Finance income receivable | **422,836** | 408,015 |
| Mortgages receivable, net of allowance (Note 6) | **68,676,061** | 72,865,797 |
| Inventory (Note 7) | **9,339,665** | 13,135,730 |
| Investments (Note 11) | **67,484** | 76,284 |
| Prepaid expenses and deposits | **16,727** | 24,956 |
| Deferred income taxes (Note 13) | **10,442,064** | 11,071,987 |
| | **109,327,320** | 121,993,155 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | **539,184** | 503,904 |
| Dividends payable | **200,999** | 476,865 |
| Due to related companies (Note 11) | **169,195** | 181,670 |
| Mortgage payable (Note 8) | **1,237,761** | 1,562,838 |
| Class A shares (Note 10) | **96,723,759** | 108,257,757 |
| | **98,870,898** | 110,983,034 |
| **Shareholders' equity** | | |
| Capital stock (Note 9) | **419** | 419 |
| Retained earnings | **10,456,003** | 11,009,702 |
| | **10,456,422** | 11,010,121 |
| | **109,327,320** | 121,993,155 |

Approved by the Board

_______________ Director

_______________ Director

The accompanying notes to the financial statements are an integral part of this financial statement.

# CareVest Mortgage Investment Corporation

## Statement of cash flows
## year ended December 31, 2020

(In Canadian dollars)

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| **Operating activities** | | |
| Net loss | **(553,699)** | (111,799) |
| Finance income | **(6,022,634)** | (6,935,963) |
| Dividends on Class A shares | **3,151,388** | 4,637,131 |
| Retraction (gain) loss | **(1,150,562)** | 249,935 |
| Deferred income tax expense | **629,923** | 117,442 |
| Loss (gain) on inventory sale | **2,146,299** | (109,804) |
| Dividend reinvested (Note 10) | **(208,150)** | (319,863) |
| Changes in non-cash working capital (Note 15) | **1,681,407** | 14,790 |
| Recovery of mortgages receivable (Note 6) | **(425,246)** | (424,459) |
| Finance income received | **6,007,813** | 7,156,853 |
| Dividends paid | **(3,219,104)** | (4,161,915) |
| | **2,037,435** | 112,348 |
| **Investing activities** | | |
| Investments (Note 11) | **8,800** | - |
| Advances of mortgages receivable | **(50,282,568)** | (27,960,479) |
| Repayments of mortgages receivable | **54,897,550** | 55,386,353 |
| | **4,623,782** | 27,425,874 |
| **Financing activities** | | |
| Issuance of Class A shares (Note 10) | **208,150** | 319,863 |
| Retraction of Class A shares (Note 10) | **(10,591,586)** | (11,622,491) |
| Advances of mortgages payable | **127,823** | 1,299,343 |
| Repayments of mortgages payable | **(452,900)** | (402,203) |
| | **(10,708,513)** | (10,405,488) |
| Net (decrease) increase in cash | **(4,047,296)** | 17,132,734 |
| Cash, beginning of year | **24,275,249** | 7,142,515 |
| **Cash, end of year (Note 5)** | **20,227,953** | 24,275,249 |

The accompanying notes to the financial statements are an integral part of this financial statement.

## 1. Nature of operations

CareVest Mortgage Investment Corporation (the “Company” or “CV MIC”) was incorporated under the Canada Business Corporations Act on November 2, 2012. On January 1, 2013, CareVest Second Mortgage Investment Corporation (“CV 2nd”), CareVest Blended Mortgage Investment Corporation (“CV Blended”), CareVest Capital Blended Mortgage Investment Corp. (“CC Blended”), Canadian Horizons Blended Mortgage Investment Corporation (“CH Blended”), and the Company (together, the ”Amalgamated Entities”) were amalgamated to form the Company’s current structure. The address of the registered office and principal place of business is Suite 1800, 555 - 4th Avenue S.W. Calgary, Alberta T2P 3E7.

The Company operates as a mortgage investment corporation, carrying on the business of investing directly or indirectly in mortgages granted as security for loans to builders, developers and owners of commercial, industrial and residential real estate located in various provinces of Canada.

The Company invests in mortgages originated, sourced or arranged by CareVest Capital Inc. (“CCI”) under an agreement with CCI.

The Company has appointed Carecana Management Corp. (“Carecana”) as its investment fund manager and restricted portfolio manager pursuant to a management agreement.

The financial statements were approved by the directors, Mr. Mike Helfer and Ms. Shauna Campbell, and authorized for issue on March 23, 2021.

## 2. Basis of presentation

*Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

*Basis of preparation*

The financial statements have been prepared on a going concern basis and measured at historical cost. These financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency. Historical cost is based on the fair value of the consideration given in exchange at the transaction date.

*General*

The Company’s financial statements are prepared using the significant accounting policies described in Note 3. These policies have been applied throughout the year unless otherwise stated.

## 3. Significant accounting policies

*Cash*

The Company’s policy is to present bank deposit balances under cash, including cash, cash held in trust and short term investments in money market instruments (if held). All components are liquid and any short-term investments have an original maturity of less than three months.

**3. Significant accounting policies (continued)**

*Mortgages receivable*

Mortgages receivable are initially recorded at fair value plus any transaction costs and are subsequently measured at amortized cost using the effective interest method, less any impairment losses. The Company recognizes a loss allowance for mortgages receivable in accordance with the IFRS 9 expected credit loss (“ECL”) model. The ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the mortgage contract agreement and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The amount of ECL is updated at each reporting date to reflect the changes in credit risk since initial recognition for each of the respective mortgages receivable. The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition on the mortgage receivable. If, on the other hand, the credit risk on the mortgages receivable has not increased significantly since initial recognition, the Company measures the loss allowance for that mortgage receivable at an amount equal to 12-month ECL (“12m ECL”).

The Company measures the mortgage loss allowance on an individual basis, as the concentration of credit risk is limited due to the customer base being large and unrelated.

*Inventory*

Inventory includes all costs associated with the cost of purchase of the lands, costs of conversion, and all directly attributable costs to bring the lands to their intended use or sale. Inventory is stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price of the completed projects less all estimated costs of completion and costs necessary to make the sale. Borrowing costs cease to be capitalized when there are no further costs of conversion.

*Revenue recognition*

The Company purchases mortgage investments from CCI. Finance income is accounted for on an accrual basis and is measured at the fair value of the consideration received or receivable.

*Finance income*

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued with the passage of time, by reference to the principal outstanding balance and at the terms of the mortgage commitment it relates to.

Upon impairment of a mortgage receivable, subsequent accreted income is recorded using the rate of interest used to discount the future cash flows in measuring impairment.

*Deferred tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3. Significant accounting policies (continued)

*Deferred tax (continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

*Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of a past event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions are not recognized for future operating losses.

*Financial instruments*

*Financial assets*

All financial assets are recognized and derecognized on the trade date in which the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs. All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at December 31, 2020 there are no financial assets measured at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). All financial assets are measured at amortized cost

*Effective interest method*

The effective interest method is a method of calculating the amortized cost of financial assets and liabilities and of allocating interest expense over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest

**3. Significant accounting policies (continued)**

*Financial instruments (continued)*

*Effective interest method (continued)*

method on any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see impairment of financial assets). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

*Impairment of financial assets*

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost, as well as on loan commitments and financial guarantee contracts.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes the lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12m ECL. The assessment of whether the lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The Company writes off a mortgage receivable and the corresponding ECL when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Mortgages receivable written off may still be subject to enforcement activities under the Company’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

*Financial assets - derecognition of financial assets*

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset. A transfer is considered to have occurred if the Company transfers the contractual rights of the cash flows, or if it retains the rights to the contractual cash flows, but assumes an obligation to pay these cash flows to another recipient. If it is determined

## 3. Significant accounting policies (continued)

*Financial instruments (continued)*

*Financial assets - derecognition of financial assets (continued)*

that the Company has transferred a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the Company will derecognize it. If the Company retains substantially all the risks and rewards of ownership of the financial asset, the Company will continue to recognize the asset. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

| Type of financial asset | Treatment upon derecognition |
|---|---|
| **Financial asset measured at amortized cost** | The difference between the financial asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. |

*Financial liabilities - classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. The Company has classified non-voting preferred shares redeemable at the option of the holder as liabilities.

Financial liabilities are classified as amortized cost.

Financial liabilities at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

*Equity*

Capital stock is recorded at the value of the shares issued. Costs directly related to the issuance of shares are reported as a reduction from equity, net of tax effects.

Retained earnings include the earnings from the Amalgamated Entities and current and prior period earnings from the Company.

Dividends are included under liabilities in the period in which the dividend is declared and approved by the Board of Directors, until they are paid by the Company.

*Class A shares*

Class A shares are preferred shares, which are retractable and redeemable, are initially recorded at fair value, net of any costs that are directly related to the issuance of the shares. These are recorded and subsequently measured at the retraction price as discussed in Note 10. The dividends on these preferred shares and any retraction gains or losses are recognized in profit or loss.

*Dividends*

Dividends paid on preferred shares are accounted for as an expense of the Company and comprise the interest earned on the mortgages receivable less all expenses of the Company.

## 4. Critical accounting judgments and key source of estimation uncertainty

In the application of the Company’s significant accounting policies, which are described in Note 3, the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**4. Critical accounting judgments and key sources of estimation uncertainty (continued)**

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

In the process of applying the Company's accounting policies, the directors have made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements.

*Critical judgments in applying accounting policies*

*Inventory*

The classification of items which are included in inventory requires significant judgment on the Company's part surrounding the derecognition of the related mortgage receivable (financial instrument).

At each reporting period management reviews its outstanding mortgages in order to determine if any mortgages receivable may be required to be derecognized. A financial asset must be derecognized when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset by transferring the contractual rights to receive future cash flows of the financial asset. The Company looks to the legal structure of the action taken over mortgages that are considered to be impaired in order to determine the classification as either an impaired financial asset, or derecognition of a financial asset resulting in recognition of another class of asset. If a financial asset qualifies for derecognition, the Company uses its judgment taking into account all facts and conditions at the time of derecognition, and applying the standards of IAS 2 to determine classification of the asset as inventory after foreclosure. Additionally, calculating the net realizable value of inventory requires considerable judgment to estimate forecasted selling prices, including assumptions about demand variables.

*Recognition of ECL for mortgages*

The measurement of expected credit losses is a function of the probability of default, loss given default (the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for mortgage assets, this is represented by the assets' gross carrying amount at the reporting date.

For mortgage assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

## 4. Critical accounting judgments and key sources of estimation uncertainty (continued)

*Critical judgments in applying accounting policies (continued)*

The following table summarizes the impairment requirements under IFRS 9:

**Change in credit quality since initial recognition**

| | *Stage 1* | *Stage 2* | *Stage 3* |
|---|---|---|---|
| *Status* | Initial recognition | Significant increase in credit risk since initial recognition | Credit-impaired assets |
| *Recognition of ECL* | 12m ECL | Lifetime ECL | Lifetime ECL |
| *Interest income recognition* | Applying the effective interest rate (“EIR”) to the gross carrying amount of the mortgage | Applying the EIR to the gross carrying amount of the mortgage | Applying the EIR to the net carrying amount of the mortgage |

- Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a mortgage.
- 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a mortgage that are possible within 12 months after the reporting date.

*Significant increase in credit risk for mortgage allowance*

In assessing whether the credit risk on a mortgage receivable has increased significantly since initial recognition, the Company compares the risk of a default occurring on the mortgage as at the reporting date with the risk of a default occurring on the mortgage as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the mortgage’s credit rating by Carecana’s Credit Committee;
- Timing of receipts on future cash flows, including repayments from the borrower and estimates of the value and timing of the collateral underlying the loan;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the mortgage borrower‘s ability to meet its debt obligations; and
- An actual or expected significant adverse change in the regulatory or economic environment of the mortgage borrower that results in a significant decrease in the borrower’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a mortgage receivable has increased significantly since initial recognition when contractual payments are more than 30 days past due.

**4. Critical accounting judgments and key sources of estimation uncertainty (continued)**

*Critical judgments in applying accounting policies (continued)*

Definition of default

The Company considers that default on a mortgage receivable has occurred when:

- A mortgage is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the Company, in full.

Credit-impaired mortgage receivable

A mortgage receivable is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that mortgage have occurred. Evidence that a mortgage receivable is credit-impaired includes observable data about the following events:

a) Significant financial difficulty of the mortgage borrower;

b) A breach of contract, such as a default or past due event; or

c) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Tax position

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that the taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies.

When applicable, the Company adjusts the previously recorded tax provision and associated tax assets and liabilities to reflect changes in estimates and for any tax assessments levied.

*Critical accounting estimates and assumptions*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of ECL for Mortgages

The measurement of the ECL allowance for the mortgages receivable is an area that requires the use of significant assumptions about future economic conditions and credit behavior which includes the likelihood of borrower defaulting and the resulting losses. This involves a number of significant estimates and assumptions with respect to the value of the properties involved including, but not limited to, the value placed on collateralized assets, the timing of future cash inflows and outflows, costs to complete and costs to be incurred in making the sale. Valuation techniques include using the discounted cash flow model. Inputs into these models are taken from observable markets where possible, but where this is not feasible, estimations are required to establish fair values. A scenario analysis is used to determine the present value of future cash flows for the impaired mortgages receivable. Values are input with reference to quoted market prices when available, including third party appraisals, listing agreements, purchase agreements, and property tax assessments. Cash outflows include costs to complete and costs incurred to make the sale, including marketing and legal costs.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios for each type of mortgage and the associated ECL.

(In Canadian dollars)

## 4. Critical accounting judgments and key sources of estimation uncertainty (continued)

*Critical accounting estimates and assumptions (continued)*

Inventory

The Company makes estimates in determining the net realizable value of its inventory. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. Estimating the net realizable value requires the Company to determine the present value of the estimated future cash flows, which involves a number of significant estimates and assumptions with respect to the value of the properties involved including but not limited to the value placed on the land and property to be sold, the timing of future cash inflows, costs to maintain and complete, and costs to be incurred in making the sale. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. Changes to these estimates could be caused by a variety of factors including change in market demand and changing market prices. A new assessment of net realizable value is made in each subsequent period.

Retraction price

The retraction price of a Class A share is determined by the directors on a monthly basis, for which they must make estimates and assumptions over factors involved. Retraction price is set at NAV, which is detailed in Note 10 . The intent of NAV is to provide additional useful information to investors to make investment decisions and does not have any standardized meaning under IFRS. NAV should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.. Other issuers may calculate NAV differently. Factors that may be considered in determining NAV include the valuation of certain assets and liabilities to be included or deducted for the purpose of calculating NAV. The directors will review and, if required from time to time, consider the appropriateness of the valuation guidelines adopted by the Company.

COVID-19

Management continues to assess the impact of the novel coronavirus (“COVID-19”) and governments’ response to it on the Company. The amounts recorded in these financial statements are based on the latest reliable information available to management at the time the financial statements were prepared where that information reflects conditions as at the date of the financial statements. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Company in future periods.

## 5. Cash

For the purposes of the statement of cash flows, cash includes cash on deposit and cash held-in-trust. Cash at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Operating deposit bank account | **248,237** | 394,590 |
| Cash held in trust | **19,979,716** | 23,880,659 |
| | **20,227,953** | 24,275,249 |

## 6. Mortgages receivable

The mortgages receivable consist of short-term financing for commercial, industrial, and residential mortgages and term loans for completed or substantially completed income producing properties in British Columbia, Alberta, and Ontario.

(In Canadian dollars)

## 6. Mortgages receivable (continued)

As at December 31, 2020, the Company had mortgages receivable which earn fixed and variable interest rates ranging from 4.0% to 11.0% (2019 – 4.54% to 15.0%) per annum and are secured by real property. The mortgages receivable are typically due within 6-18 months.

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Mortgages due within the next 12-month period, net of allowance | **57,322,531** | 59,629,582 |
| Mortgages due after the next 12-month period, net of allowance | **11,353,530** | 13,236,215 |
| | **68,676,061** | 72,865,797 |

The gross mortgage and loss allowance balances at the end of the period are impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to mortgages receivables experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the year, and the consequent “step up” (or “step down”) between 12m or lifetime ECL;
- Additional allowance for new mortgages recognized during the period, as well as releases for mortgages de-recognized during the period;
- Impact on the measurement of ECL due to changes in probability of default, loss given default and the exposure at default;
- Impact on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; or
- Mortgages receivable derecognized during the year and write-offs of allowances related to assets that were written-off during the year.

(In Canadian dollars)

**6. Mortgages receivable (continued)**

The following is a reconciliation of the mortgage gross carrying amounts between the beginning and end of the annual period.

**Reconcilation of mortgage gross carrying amount**

| | **2020** | | | |
|---|---|---|---|---|
| | **Stage 1 12m ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Total** |
| **Gross carrying amount as at January 1, 2020** | **50,690,522** | **-** | **48,550,521** | **99,241,043** |
| *Transfers* | | | | |
| Transfer from Stage 1 to Stage 2 | **-** | **-** | **-** | **-** |
| Transfer from Stage 1 to Stage 3 | **-** | **-** | **-** | **-** |
| Transfer from Stage 2 to Stage 3 | **-** | **-** | **-** | **-** |
| Transfer from Stage 3 to Stage 2 | **-** | **-** | **-** | **-** |
| Transfer from Stage 2 to Stage 1 | **-** | **-** | **-** | **-** |
| Mortgage assets derecognized other than write-offs | **-** | **-** | **-** | **-** |
| New mortgages originated | **50,282,568** | **-** | **-** | **50,282,568** |
| Paydowns on mortgages | **(45,594,341)** | **-** | **(9,303,209)** | **(54,897,550)** |
| Write offs | **-** | **-** | **(37,796)** | **(37,796)** |
| **Gross carrying amount as at December 31, 2020** | **55,378,749** | **-** | **39,209,516** | **94,588,265** |

Reconcilation of mortgage gross carrying amount

| | 2019 | | | |
|---|---|---|---|---|
| | Stage 1 12m ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
| Gross carrying amount as at January 1, 2019 | 80,462,349 | - | 46,204,568 | 126,666,917 |
| *Transfers* | | | | |
| Transfer from Stage 1 to Stage 2 | - | - | - | - |
| Transfer from Stage 1 to Stage 3 | (4,192,979) | - | 4,192,979 | - |
| Transfer from Stage 2 to Stage 3 | - | - | - | - |
| Transfer from Stage 3 to Stage 2 | - | - | - | - |
| Transfer from Stage 2 to Stage 1 | - | - | - | - |
| Mortgage assets derecognized other than write-offs | - | - | - | - |
| New mortgages originated | 27,960,479 | - | - | 27,960,479 |
| Paydowns on mortgages | (53,539,327) | - | (1,847,026) | (55,386,353) |
| Write offs | - | - | - | - |
| Gross carrying amount as at December 31, 2019 | 50,690,522 | - | 48,550,521 | 99,241,043 |

The following table is a reconciliation of the mortgage loss allowance between the beginning and the end of the annual period.

(In Canadian dollars)

## 6. Mortgages receivable (continued)

**Reconcilation of mortgage loss allowance**

| | **2020** | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | |
| | **12m ECL** | **Lifetime ECL** | **Lifetime ECL** | **Total** |
| **Gross carrying amount as at January 1, 2020** | **203,832** | **-** | **26,171,414** | **26,375,246** |
| *Transfers* | | | | |
| Transfer from Stage 1 to Stage 2 | **-** | **-** | **-** | **-** |
| Transfer from Stage 1 to Stage 3 | **-** | **-** | **-** | **-** |
| Transfer from Stage 2 to Stage 3 | **-** | **-** | **-** | **-** |
| Transfer from Stage 3 to Stage 2 | **-** | **-** | **-** | **-** |
| Transfer from Stage 2 to Stage 1 | **-** | **-** | **-** | **-** |
| Impairments losses recognized | **98,953** | **-** | **457,719** | **556,672** |
| Impairment losses reversed | **-** | **-** | **(981,918)** | **(981,918)** |
| Write offs | **-** | **-** | **(37,796)** | **(37,796)** |
| **Gross carrying amount as at December 31, 2020** | **302,785** | **-** | **25,609,419** | **25,912,204** |

Reconcilation of mortgage loss allowance

| | 2019 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | |
| | 12m ECL | Lifetime ECL | Lifetime ECL | Total |
| Gross carrying amount as at January 1, 2019 | 411,238 | - | 26,388,467 | 26,799,705 |
| *Transfers* | | | | |
| Transfer from Stage 1 to Stage 2 | - | - | - | - |
| Transfer from Stage 1 to Stage 3 | (31,447) | - | 31,447 | - |
| Transfer from Stage 2 to Stage 3 | - | - | - | - |
| Transfer from Stage 3 to Stage 2 | - | - | - | - |
| Transfer from Stage 2 to Stage 1 | - | - | - | - |
| Impairments losses recognized | - | - | 193,585 | 193,585 |
| Impairment losses reversed | (175,959) | - | (442,085) | (618,044) |
| Write offs | - | - | - | - |
| Gross carrying amount as at December 31, 2019 | 203,832 | - | 26,171,414 | 26,375,246 |

In 2020, the Company recovered $981,918 (2019 - $618,044) for mortgages that were previously impaired as they had been deemed to be uncollectible. This amount has been netted against impairment of mortgages receivable.

The Company does not hold any additional collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

(In Canadian dollars)

### 6. Mortgages receivable (continued)

*Maximum exposure to credit risk*

**Commercial Mortgages**

| | As at December 31, 2020 | | | |
|---|---|---|---|---|
| **# of days outstanding** | **Stage 1 12m ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Total** |
| current | **7,177,210** | **-** | **-** | **7,177,210** |
| less than 30 days | **-** | **-** | **-** | **-** |
| between 30 and 90 days | **-** | **-** | **-** | **-** |
| greater than 90 days | **-** | **-** | **-** | **-** |
| **Gross carrying amount** | **7,177,210** | **-** | **-** | **7,177,210** |
| Loss allowance | **131,089** | - | - | **131,089** |
| **Carrying amount** | **7,046,121** | **-** | **-** | **7,046,121** |

| | As at December 31, 2019 | | | |
|---|---|---|---|---|
| # of days outstanding | Stage 1 12m ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
| current | 2,856,877 | - | - | 2,856,877 |
| less than 30 days | - | - | - | - |
| between 30 and 90 days | - | - | - | - |
| greater than 90 days | - | - | - | - |
| Gross carrying amount | 2,856,877 | - | - | 2,856,877 |
| Loss allowance | 26,303 | - | - | 26,303 |
| Carrying amount | 2,830,574 | - | - | 2,830,574 |

(In Canadian dollars)

## 6. Mortgages receivable (continued)

*Maximum exposure to credit risk (continued)*

**Residential Mortgages**

| # of days outstanding | Stage 1 12m ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| | **As at December 31, 2020** | | | |
| current | **48,201,539** | **-** | **-** | **48,201,539** |
| less than 30 days | **-** | **-** | **-** | **-** |
| between 30 and 90 days | **-** | **-** | **-** | **-** |
| greater than 90 days | **-** | **-** | **39,209,516** | **39,209,516** |
| **Gross carrying amount** | **48,201,539** | **-** | **39,209,516** | **87,411,055** |
| Loss allowance | **171,696** | **-** | **25,609,419** | **25,781,115** |
| **Carrying amount** | **48,029,843** | **-** | **13,600,097** | **61,629,940** |

| # of days outstanding | Stage 1 12m ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| | As at December 31, 2019 | | | |
| current | 47,833,645 | - | - | 47,833,645 |
| less than 30 days | - | - | - | - |
| between 30 and 90 days | - | - | - | - |
| greater than 90 days | - | - | 48,550,521 | 48,550,521 |
| Gross carrying amount | 47,833,645 | - | 48,550,521 | 96,384,166 |
| Loss allowance | 177,529 | - | 26,171,414 | 26,348,943 |
| Carrying amount | 47,656,116 | - | 22,379,107 | 70,035,223 |

Mortgages classified as residential are provided for buildings and structures which are intended for human habitation, together with any property that is intended to be improved, converted or developed to provide housing accommodation, or services in support of housing accommodation, and property that is associated with housing accommodation. Commercial mortgages, in this context, would pertain to properties that are intended to generate ongoing income producing cash flow, including but not limited to office buildings, shopping complexes or industrial warehouses.

(In Canadian dollars)

## 6. Mortgages receivable (continued)

*Maximum exposure to credit risk (continued)*

| | As at December 31, 2020 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | |
| **Province** | **12m ECL** | **Lifetime ECL** | **Lifetime ECL** | **Total** |
| Alberta | **16,025,511** | **-** | **10,780,712** | **26,806,223** |
| British Columbia | **39,050,453** | **-** | **2,717,908** | **41,768,361** |
| Ontario | **-** | **-** | **101,477** | **101,477** |
| | **55,075,964** | **-** | **13,600,097** | **68,676,061** |

| | As at December 31, 2019 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | |
| Province | 12m ECL | Lifetime ECL | Lifetime ECL | Total |
| Alberta | 7,017,898 | - | 12,956,479 | 19,974,377 |
| British Columbia | 43,468,792 | - | 9,321,151 | 52,789,943 |
| Ontario | - | - | 101,477 | 101,477 |
| | 50,486,690 | - | 22,379,107 | 72,865,797 |

| | As at December 31, 2020 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | |
| **Type of Mortgage** | **12m ECL** | **Lifetime ECL** | **Lifetime ECL** | **Total** |
| Land | **33,405,251** | **-** | **2,494,019** | **35,899,270** |
| Construction | **18,177,056** | **-** | **11,004,601** | **29,181,657** |
| Inventory | **2,983,256** | **-** | **101,477** | **3,084,733** |
| Servicing | **510,401** | **-** | **-** | **510,401** |
| | **55,075,964** | **-** | **13,600,097** | **68,676,061** |

| | As at December 31, 2019 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | |
| Type of Mortgage | 12m ECL | Lifetime ECL | Lifetime ECL | Total |
| Land | 32,859,562 | - | 2,534,202 | 35,393,764 |
| Construction | 12,901,876 | - | 15,651,244 | 28,553,120 |
| Inventory | 4,169,735 | - | 4,193,661 | 8,363,396 |
| Servicing | 555,517 | - | - | 555,517 |
| | 50,486,690 | - | 22,379,107 | 72,865,797 |

## 6. Mortgages receivable (continued)

*Maximum exposure to credit risk (continued)*

Mortgages classified as land are provided to support land development, typically construction of services to produce serviced lots for sale. This could also include raw land expected to become actively developed within the short term. Mortgages classified as construction support the construction of buildings for eventual occupancy, including single family homes, townhomes and condominiums, as well as properties that are or have the potential to become income producing. Mortgages classified as inventory are provided to finance projects that are available for sale. Lastly, mortgages classified as servicing provide financing for completed projects that will produce business income, which are typically rental properties or owner/occupied businesses.

The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition on the mortgage receivable. If, on the other hand, the credit risk on the mortgages receivable has not increased significantly since initial recognition, the Company measures the loss allowance for that mortgage receivable at an amount equal to the 12 month ECL.

In assessing whether the credit risk on a mortgage receivable has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Company measures the mortgage loss allowance on an individual basis as the concentration of credit risk is limited due to the customer base being large and unrelated.

Valuation techniques and assumptions are discussed in Note 4.

## 7. Inventory

Inventory consists of different components: purchased inventory related to impaired mortgages and foreclosures, and derecognized financial assets reclassified as inventory. The table below distinguishes between these.

The Company purchased lots directly from a borrower to expedite the sales of these lots. The project consisted of 29 single family lots. As at December 31, 2020, 27 (December 31, 2019 - 27) of these lots have been sold. The remaining 2 lots (2019 - 2 lots) have closing dates in the first quarter of 2021.

Additionally, under the guidance of IFRS 9, certain mortgages receivable qualified for derecognition as a result of past legal actions taken by the Company, which terminated the Company’s contractual rights to cash flows from the borrower. Following the guidelines of IAS 2, *Inventory,* the asset qualifies for classification as inventory as once court proceedings are completed, the Company obtains title to the land which it now intends to sell. Additional expenditures relating to the asset that are eligible for capitalization are added to the cost of inventory until it is substantially complete and ready for sale.

Inventory consists of land made available for sale, fully serviced lots, and residential and commercial buildings. Inventory is valued at the lower of cost and net realizable value. The valuation techniques to determine net realizable value are discussed in Note 4.

(In Canadian dollars)

## 7. Inventory (continued)

*Total inventory*

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Units (purchased inventory related to impaired mortgages and foreclosures), net of write-down ($40,356, 2019 - $40,356) | **191,540** | 191,540 |
| Foreclosed mortgages inventory (derecognized financial asset), net of write-down ($13,777,029, 2019 - $14,079,124) | **9,148,125** | 12,944,190 |
| | **9,339,665** | 13,135,730 |

*Accumulated write-down of inventory to net realizable value*

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of year | **14,119,480** | 14,195,579 |
| Write-down (reversed) recognized | **(33,480)** | 292,319 |
| Reversal of write-down on sold inventory | **(268,615)** | (368,418) |
| Balance, end of year | **13,817,385** | 14,119,480 |

## 8. Mortgage payable

The Company has one mortgage payable outstanding (2019 - one), in order to assist in financing certain inventories to ready them for sale.

The mortgage with Canadian Western Bank ("CWB") consists of 2 segmented loans and a letter of credit. Both segments bear a floating interest rate of 1.50% per annum above the bank's prime lending rate ("Prime"). As at December 31, 2020, Prime is 2.45% (2019 - 3.95%). Interest is calculated daily, payable monthly in arrears up to and including the month end of the 18$^{th}$ month from the first advance and thereafter unless the loan maturity date has been extended. The interest rate would then increase to Prime plus 5.0% per annum calculated and payable monthly in arrears. The first segment of the loan was repayable in full and was paid by November 1, 2020. The second segment of the loan is repayable in full on May 1, 2021, or the date payment is demanded by the bank as a result of default of the Company. The amount of the first segment of the loan outstanding at December 31, 2020 is $Nil (2019 - $368,554). The amount of the second segment of the loan outstanding at December 31, 2020 is $1,237,761 (2019 - $1,194,284).

The letters of credit with CWB have a floating interest rate of 1.50% per annum above Prime on all sums paid by CWB under each credit facility. The letters of credit have expiry dates of August 2, 2021 and January 19, 2021. As at December 31, 2020 or 2019 the credit facilities have not been drawn on.

(In Canadian dollars)

## 9. Capital stock

*Authorized,* unlimited number

Voting shares redeemable

*Issued*

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| 114 (2019 - 114) voting shares | **419** | 419 |

Voting shares are fully paid, without a par value and carry one vote per share.

## 10. Class A shares

*Authorized,* unlimited number

Class A shares, non-voting, purchasable for cancellation, retractable and redeemable

Class B shares, non-voting, purchasable for cancellation, retractable and redeemable

Class C shares, terms to be fixed by directors

Class I shares, non-voting, purchasable for cancellation, retractable and redeemable

The following table details the transactions that occurred during the year and total shares issued as at December 31, 2020 and December 31, 2019:

| | Class A shares |
|---|---|
| | # |
| Number of shares outstanding, December 31, 2018 | 13,809,080 |
| Shares issued | 37,012 |
| Shares retracted | (1,345,196) |
| Number of shares outstanding, December 31, 2019 | 12,500,896 |
| Shares issued | 24,053 |
| Shares retracted | (1,225,444) |
| Number of shares outstanding, December 31, 2020 | **11,299,505** |

(In Canadian dollars)

## 10. Class A shares (continued)

| | Class A shares |
|---|---|
| | $ |
| Value of shares outstanding, December 31, 2018 | 119,310,450 |
| Shares issued for dividends | 319,863 |
| Shares retracted | (11,622,491) |
| Retraction loss | 249,935 |
| Value of shares outstanding, December 31, 2019 | 108,257,757 |
| Shares issued for dividends | 208,150 |
| Shares retracted | (10,591,586) |
| Retraction gain | (1,150,562) |
| Value of shares outstanding, December 31, 2020 | **96,723,759** |

At December 31, 2020, there were $Nil (2019 - $Nil) Class A shares scheduled for retraction in the next fiscal year.

Class A, B and I shares are not entitled to vote. The Class A, B and I shares are entitled to receive dividends, payments on a reduction of stated capital or any combination of any such distribution. Class A, B and I shares can be purchased for cancellation or redeemable, at the option of the Company. Class A, B and I shares are retractable at the option of the holder. Class B and I shares are exchangeable for Class A shares. In the event of a liquidation, dissolution or winding up or distribution of assets of the Company, the holders Class A, B and I shares rank equally with each other and any other shares of the Company ranking junior to the Class A, B and I shares, and are entitled to receive payment pari passu with voting shares. Class C designation, rights, privileges, restrictions and conditions to be fixed by the directors prior to the issue thereof.

*Cancellation rights*

The Company may at any time purchase shares for cancellation at a price per share not exceeding NAV per share of that class of share on the business day immediately prior to such purchase.

*Redemption rights*

The Company may redeem at any time and from time to time in its sole discretion, by providing written notice to the holder, any outstanding Class A, B or I shares on payment in cash for each share of an amount not less than the NAV per share, calculated as at the end of the business day immediately preceding the redemption date.

*Retraction rights*

Each holder of shares shall be entitled to present and surrender for redemption at any time during a monthly retraction notice period any or all shares for retraction on the following monthly retraction date, which payment is to be made on or before the monthly retraction payment date at a price per share equal to the applicable monthly retraction price. In addition, each holder of shares shall be entitled to require the Company to redeem all or any part of the shares on an annual retraction Date at the applicable annual retraction price. Each holder of shares who elects to present and surrender to the Company for redemption on a monthly retraction date all or any shares registered must, by no later than the end of the relevant prior monthly retraction notice period, deliver a notice of retraction in the form specified by the Company at such places in Canada as specified by the Company. Each holder of shares who elects to present and surrender to the Company for redemption on an annual retraction date all or any shares registered must, by no later than the end of the applicable annual retraction notice period, deliver a notice of retraction in the form specified by the Company at such places in Canada as specified by the Company. Payment for shares deposited shall be calculated as of the annual retraction

## 10. Class A shares (continued)

*Retraction rights (continued)*

date immediately following the date upon which the shares are deposited and shall be made on or before the first annual retraction payment date.

The Company will not accept for redemption on any monthly retraction date shares representing more than 1% of the average number of shares of each class outstanding during the 90 day period immediately preceding the applicable monthly retraction date. The Company will not accept for redemption on any annual retraction date, shares that represent more than 10% of the average number of shares of each class outstanding for the 90 day period immediately preceding the annual retraction date. The Company will not accept for redemption in any 365 day period shares representing more than 12% of the average number of shares of each class outstanding for the 365 day period immediately preceding the relevant monthly or annual retraction date. In the event that the number of shares tendered for redemption in respect of a monthly or annual retraction date exceeds the limits above, the Company shall redeem such shares tendered for redemption on a pro-rata basis.

*Retraction price*

The annual retraction price in respect of a class of shares, means a retraction price per share equal to 100% of the applicable NAV per share of that class as determined on the applicable annual retraction date.

The monthly retraction price means

(a) In respect of the retraction of a Class A Share on a monthly retraction date, an amount equal to the lesser of (i) 95% of the trading price of the Class A Share, and (ii) the market price

(b) In respect of the retraction of a Class B Share on a monthly retraction date, an amount equal to the lesser of (i) 95% of the trading price of the Class A Share multiplied by the Class B exchange ratio and, (ii) the market price multiplied by the Class B exchange ratio

(c) In respect of the retraction of a Class I Share on a monthly retraction date, an amount equal to the lesser of (i) 95% of the trading price of the Class A Share multiplied by the Class I exchange ratio and, (ii) the market price multiplied by the Class I exchange ratio

(d) Notwithstanding A, B and C above, the monthly retraction price before the listing date means, in respect of each class of shares, the class NAV as at the relevant monthly retraction date

The annual retraction rights and annual retraction price are dependent on the Company attaining a Listing Date. The Company shall not be required to fulfill its obligations to make, and the shareholders shall not be entitled to request or receive annual retractions of any shares prior to the Listing Date of the Company. The Listing Date is defined as the date on which the Class A shares first become listed for trading on the TSX or such other stock exchange on which the Class A shares are listed.

*NAV*

The Net Asset Value of the Company at any time means the aggregate value of all assets of the Company less the value of all liabilities of the Company at such time (including any accrual of any performance fee provided for in the management agreement) and less, for the purpose only of calculating the NAV, the stated capital of any shares to the extent that such stated capitals are included in the liabilities of the Company.

## 11. Related party transactions

The Company invests in mortgages structured, advanced and serviced by CCI under an agreement with CCI. The entities are related by virtue of common shareholders. Under this agreement, CCI receives a mortgage administration fee of 0.15% of the outstanding aggregate principal balance of all mortgage loans, plus applicable taxes, calculated daily and payable monthly.

The Company has appointed Carecana as its investment fund manager and restricted portfolio manager pursuant to a management agreement. The entities are related by virtue of common management,

(In Canadian dollars)

## 11. Related party transactions (continued)

directors and shareholders. Under this agreement, Carecana receives a management fee of 1.35% per annum of the gross assets of the Company attributable to the Class A shares, plus applicable taxes, calculated daily and payable monthly. Also, Carecana receives a performance fee equal to 20% of the amount by which the net return of the Class A shares exceeds the product of (a) the average month-end NAVs during such year, and (b) the average of the two-year Government of Canada bond yield on the last day of each calendar month during the year plus 400 basis points. The performance fee is payable within 30 days following the end of each fiscal year.

The Company owns shares in CareVest First MIC Fund Inc. The companies are related by way of common officers, directors and shareholders. These investments meet the guidelines of the Company's investment policy and are a result of management decisions regarding optimal utilization of idle funds.

During the year, the Company entered into the following transactions with related companies:

| | | Expenses |
|---|---|---|
| | **2020** | 2019 |
| | **$** | $ |
| Management fee | | |
| Carecana Management Corp. | **1,912,589** | 2,025,358 |
| Mortgage administration fee | | |
| CareVest Capital Inc. | **162,994** | 185,142 |
| | **2,075,583** | 2,210,500 |

These transactions were 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.

The following balances were outstanding at the end of the reporting periods:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Due to | | |
| Carecana Management Corp. | **156,634** | 165,719 |
| CareVest Capital Inc. | **12,561** | 15,951 |
| | **169,195** | 181,670 |
| Investments | | |
| CareVest First MIC Fund Inc. | **67,484** | 76,284 |
| | **67,484** | 76,284 |

*Compensation of key management personnel*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company. The Company had no employees and there was $Nil remuneration for directors during the year (2019 - $Nil).

(In Canadian dollars)

## 12. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Finance revenue from mortgage principal | **5,884,165** | 6,699,958 |
| Finance revenue from banking deposits | **138,469** | 236,005 |
| Proceeds on sale of inventory | **2,246,972** | 1,342,715 |
| Miscellaneous | **106,812** | 149,557 |
| | **8,376,418** | 8,428,235 |

Miscellaneous revenue relates to inventory.

## 13. Income taxes

Deferred income tax reflects the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Deferred income tax asset | | |
| Non-capital loss carry-forwards | **45,982,748** | 44,973,883 |
| Cumulative inventory write-down | **5,341,871** | 5,375,351 |
| | **51,324,619** | 50,349,234 |
| Tax rate | **36.00%** | 39.50% |
| | **18,476,863** | 19,887,947 |
| Amounts not considered realizable | **(8,034,799)** | (8,815,960) |
| | **10,442,064** | 11,071,987 |

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and during the loss carry-forward periods. Management considers the scheduled reversal of deferred tax assets and liabilities, projected future taxable income, and tax planning strategies in making this assessment. Due to future expected operating results, management has determined that it is probable that the recorded deferred income tax assets will be realized. The Company has tax loss carry-forwards of $45,982,748 (2019 - $44,973,883) which will expire by 2040 (2019 - 2039).

## 14. Financial instruments and risk management

*Financial instruments*

*Fair value of financial instruments*

In determining the fair value of financial instruments, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs reflect market-driven or market-based information obtained from independent sources, while unobservable inputs reflect the Company's estimate about market data. Based on the observability of significant inputs used, the Company classifies its fair value measurements in accordance with a three-level hierarchy. This hierarchy is based on the quality and reliability of the information used to determine fair value.

(In Canadian dollars)

## 14. Financial instruments and risk management (continued)

*Financial instruments (continued)*

*Fair value of financial instruments (continued)*

Level 1: Valuations are based on quoted prices in active markets for identical assets or liabilities. Since the valuations are based on quoted prices that are readily available in an active market, they do not entail a significant degree of judgment.

Level 2: Valuations are based on observable inputs other than quoted prices.

Level 3: Valuations are based on at least one unobservable input that is supported by little or no market activity and is significant to the fair value measurement.

In assigning the appropriate levels, the Company performs a detailed analysis of the financial assets and liabilities. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. The level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Therefore, an item may be classified in Level 3 even though there may be other significant inputs that are readily observable.

The carrying values of cash, accounts receivable, finance income receivable, accounts payable and accrued liabilities, dividends payable, due to related companies, and mortgages payable approximate their fair values due to their short-term nature.

The carrying values of mortgages receivable approximate their fair values as they have a short-term to maturity and bear interest at rates that approximate current market rates.

The carrying values of Class A shares are measured and recorded at the retraction price which approximates their fair values.

The carrying value, fair value and fair value category for the Company's financial instruments are as follows:

| | | | | **2020** |
|---|---|---|---|---|
| | | **Fair value measurements using** | | |
| | **Carrying value** | **Level 1** | **Level 2** | **Level 3** |
| | **$** | **$** | **$** | **$** |
| Financial assets | | | | |
| Mortgages receivable - Stage 1 (Performing) | **55,075,964** | **-** | **-** | **55,075,964** |
| Mortgages receivable - Stage 2 (Doubtful) | **-** | **-** | **-** | **-** |
| Mortgages receivable - Stage 3 (Credit-impaired) | **13,600,097** | **-** | **-** | **13,600,097** |
| | **68,676,061** | **-** | **-** | **68,676,061** |
| Financial liabilities | | | | |
| Class A shares | **96,723,759** | **-** | **-** | **96,723,759** |

(In Canadian dollars)

## 14. Financial instruments and risk management (continued)

*Financial instruments (continued)*

*Fair value of financial instruments (continued)*

| | | | | 2019 |
|---|---|---|---|---|
| | | Fair value measurements using | | |
| | Carrying value | Level 1 | Level 2 | Level 3 |
| | $ | $ | $ | $ |
| Financial assets | | | | |
| Mortgages receivable - Stage 1 (Performing) | 50,486,690 | - | - | 50,486,690 |
| Mortgages receivable - Stage 2 (Doubtful) | - | - | - | - |
| Mortgages receivable - Stage 3 (Credit-impaired) | 22,379,107 | - | - | 22,379,107 |
| | 72,865,797 | - | - | 72,865,797 |
| Financial liabilities | | | | |
| Class A shares | 108,257,757 | - | - | 108,257,757 |

There were $Nil (2019 - $Nil) transfers into or out of Level 3 of the fair value hierarchy during the year.

A reconciliation of preferred shares at December 31, 2020 is as follows:

| | |
|---|---|
| Class A shares, December 31, 2018 | 119,310,450 |
| Issuance of Class A shares | 319,863 |
| Retraction of Class A shares | (11,622,491) |
| Retraction loss | 249,935 |
| Class A shares, December 31, 2019 | 108,257,757 |
| Issuance of Class A shares | 208,150 |
| Retraction of Class A shares | (10,591,586) |
| Retraction gain | (1,150,562) |
| Class A shares, December 31, 2020 | **96,723,759** |

*Risk management*

The Company holds various financial instruments and its activities expose it to a variety of financial risks: credit risk, interest rate risk and liquidity risk. The Company's directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

*i)* *Credit risk*

The Company's principal financial assets are cash, accounts receivable, finance income receivable, mortgages receivable and investments, the carrying amount of which represents the Company's exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its mortgages receivable. The amounts disclosed in the statement of financial position are net of mortgage impairment provisions estimated by the Company. In order to reduce its risk, the Company has adopted investment restrictions that it will not:

## 14. Financial instruments and risk management (continued)

*Risk management (continued)*

i) Credit risk (continued)

a) make any investment or conduct any activity that would result in its failing to qualify as a mortgage investment corporation;

b) invest in securities other than mortgages, mortgage related investments and authorized interim investments;

c) invest in a mortgage or loan any funds to be secured by a mortgage unless at the date the mortgage is acquired or funds are initially committed (as the case may be) the indebtedness secured by such mortgage plus the amount of additional secured third-party indebtedness of the borrower registered in priority to the Company, if any, does not exceed 85% of the appraised value of the real property securing the mortgage, as determined by Carecana or such person(s) authorized by Carecana from time to time, provided that the appraised value may be based on stated conditions including, without limitation, construction, “as complete” or other conditions or assumptions;

d) guarantee securities or obligations of any person or company;

e) engage in securities lending;

f) engage in derivative transactions for any purpose, other than derivative transactions to hedge interest rate risk and not for speculative purposes; or

g) invest in asset-backed commercial paper or in securitized pools of mortgage loans, including pools of sub-prime mortgages.

The Company assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Mortgages receivable are fully secured by a charge against the underlying assets. Mortgages receivable that are considered to be neither outstanding nor impaired have a high credit quality as the Company only invests in mortgages receivable with counterparties that have been independently reviewed by CCI and are considered to be in good credit standings and have the ability to make both principal and interest payments as required. Accordingly, the Company views the credit risk on these amounts as normal for the industry.

The Company has tasked its credit committee to develop and maintain the Company’s credit risk grading to categorize exposures according to their degree of risk of default. The Company’s exposure and the credit ratings of its counterparties are continuously monitored.

| Category | Description | Basis for recognizing expected credit losses |
|---|---|---|
| **Performing** | The counterparty has a low risk of default and does not have any past-due amounts | 12m ECL (Stage 1) |
| **Doubtful** | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition | Lifetime ECL – not credit impaired (Stage 2) |
| **Credit-impaired** | Amount is >90 days past due or there is evidence indicating the asset is credit-impaired | Lifetime ECL – credit impaired (Stage 3) |
| **Write-off** | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery | Amount is written off |

(In Canadian dollars)

**14. Financial instruments and risk management (continued)**

*Risk management (continued)*

*i)* *Credit risk (continued)*

The credit risk on cash on deposit is with Canadian chartered banks with high credit ratings assigned by Moody's and Standard and Poor's.

The tables below detail the credit quality of the Company's financial assets and other items, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

| **December 31, 2020** | **# days past due** | **Category** | **12m or Lifetime ECL** | **Gross carrying amount** | **Loss allowance** | **Net carrying amount** |
|---|---|---|---|---|---|---|
| Cash (Note 5) | - | N/A | N/A | 20,227,953 | - | 20,227,953 |
| Accounts receivable | - | Stage 1 | 12m | 134,530 | - | 134,530 |
| Finance income receivable | - | Stage 1 | 12m | 422,836 | - | 422,836 |
| Mortgages receivable | - | Stage 1 | 12m | 55,378,749 | 302,785 | 55,075,964 |
| Mortgages receivable | >90 | Stage 3 | Lifetime | 39,209,516 | 25,609,419 | 13,600,097 |
| Investments (Note 11) | - | Stage 1 | 12m | 67,484 | - | 67,484 |
| | **-** | **-** | **-** | **115,441,068** | **25,912,204** | **89,528,864** |

| December 31, 2019 | # days past due | Category | 12m or Lifetime ECL | Gross carrying amount | Loss allowance | Net carrying amount |
|---|---|---|---|---|---|---|
| Cash (Note 5) | - | N/A | N/A | 24,275,249 | - | 24,275,249 |
| Accounts receivable | - | Stage 1 | 12m | 135,137 | - | 135,137 |
| Finance income receivable | - | Stage 1 | 12m | 408,015 | - | 408,015 |
| Mortgages receivable | - | Stage 1 | 12m | 50,690,522 | 203,832 | 50,486,690 |
| Mortgages receivable | >90 | Stage 3 | Lifetime | 48,550,521 | 26,171,414 | 22,379,107 |
| Investments (Note 11) | - | Stage 1 | 12m | 76,284 | - | 76,284 |
| | - | - | - | 124,135,728 | 26,375,246 | 97,760,482 |

The credit exposure related to mortgages receivable is outlined in Note 6.

Although the Company seeks to manage its credit risk exposure, there can be no assurance that the Company will be successful in eliminating the potential adverse impact of such risks.

*ii)* *Interest rate risk*

The Company is exposed to interest rate risk on the variable interest rate mortgages receivable to the extent of changes in the prime interest rate. As of December 31, 2020 the Company currently has 33 variable interest bearing mortgages totalling $44,221,860 (2019 – 28 mortgages, $29,860,485); however these amounts are protected by floor rates. For some of these mortgages, the floor rate may already be higher than the prime plus variable rate and therefore would not be fully impacted or impacted at all by an increase in prime rate of 0.5%. In 2020 no mortgages would be impacted by a decrease in prime rate. With all other variables constant, a 0.5% increase in prime rate would result in an increase in net earnings of $87,401 (2019 - $149,932) while a 0.5% decrease in prime rate on the mortgages would result in a decrease to net earnings of $Nil (2019 - $40,317).

(In Canadian dollars)

## 14. Financial instruments and risk management (continued)

*Risk management (continued)*

*ii)* Interest rate risk

The Company is also exposed to interest rate risk on its variable rate mortgage payable which totals $1,237,761 (2019 - $1,562,838) with CWB. Interest on the outstanding CWB mortgage is calculated at prime rate plus 1.50%. Therefore an increase or decrease in the prime rate of 0.5% with all other variables constant, would result in an increase or decrease in net earnings of $6,189 (2019 - $7,814).

*iii)* Liquidity risk

Ultimate responsibility for liquidity risk management rests with management which has established an appropriate liquidity risk management for the management of the Company's short, medium, and long-term funding and liquidity management requirements. The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

The Company had the following financial liabilities at the reporting date:

| | | | | **2020** |
|---|---|---|---|---|
| | **Carrying value** | **Current 0 to 60 days** | **Due between 61 to 365 days** | **Due greater than 365 days** |
| | **$** | **$** | **$** | **$** |
| Accounts payable and accrued liabilities | **539,184** | **539,184** | **-** | **-** |
| Dividends payable | **200,999** | **200,999** | **-** | **-** |
| Due to related companies | **169,195** | **169,195** | **-** | **-** |
| Mortgage payable | **1,237,761** | **-** | **1,237,761** | **-** |
| Class A shares (Note 10) | **96,723,759** | **-** | | **96,723,759** |
| | **98,870,898** | **909,378** | **1,237,761** | **96,723,759** |

| | | | | 2019 |
|---|---|---|---|---|
| | Carrying value | Current 0 to 60 days | Due between 61 to 365 days | Due greater than 365 days |
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 503,904 | 503,904 | - | - |
| Dividends payable | 476,865 | 476,865 | - | - |
| Due to related companies | 181,670 | 181,670 | - | - |
| Mortgage payable | 1,562,838 | - | 1,562,838 | - |
| Class A shares (Note 10) | 108,257,757 | - | - | 108,257,757 |
| | 110,983,034 | 1,162,439 | 1,562,838 | 108,257,757 |

(In Canadian dollars)

## 14. Financial instruments and risk management (continued)

*Risk management (continued)*

*iii)* Liquidity risk (continued)

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

## 15. Changes in non-cash working capital

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Accounts receivable | **607** | (11,184) |
| Additions to inventory | **(563,726)** | (1,726,214) |
| Sales of inventory | **2,246,972** | 1,342,715 |
| Inventory write-down (Note 7) | **(33,480)** | 292,319 |
| Prepaid expenses and deposits | **8,229** | (8,061) |
| Accounts payable and accrued liabilities and due to related companies | **22,805** | 125,215 |
| | **1,681,407** | 14,790 |

## 16. Capital disclosures

The Company defines capital as Class A shares and capital stock as recognized in the financial statements. The Company's management of capital is to safeguard the Company's ability to continue as a going concern in order to provide shareholders with sustainable income while preserving capital for distribution or reinvestment by investing in mortgages receivable commensurately with the Company's investment policies.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

There have been no changes in how the Company defines or manages its capital structure.

The Company has the following capital outstanding as at December 31, 2020.

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Class A shares | **96,723,759** | 108,257,757 |
| Capital stock | **419** | 419 |
| | **96,724,178** | 108,258,176 |

## 17. Contingencies and commitments

In the normal course of business, the Company may be subject to legal proceedings and other claims which may arise. The prediction of the outcome of such uncertain events (i.e. being likely, unlikely or not determinable), the determination of whether recognition in the financial statements is required, and the estimation of potential financial effects are all matters for judgment.

The Company is pursuing a claim for damages arising from a failure to remove a registration from title to certain lands held in trust for the Company. In the opinion of management, the resolution of these actions is not expected to materially affect the Company's financial position or results of operations. The amount and timing of the damage recoveries cannot be determined at this time, therefore for the year ended December 31, 2020, no amounts have been recognized in the financial statements.

## 18. Subsequent events

*Future retractions*

During the February 2021 retraction notice period, the Company received valid retraction requests that are sufficient to fill the Company's retraction limits for 2021. As the number of shares tendered for retraction exceeds the monthly limit, the Company will retract such shares tendered for retraction on a pro rata basis. In accordance with the Company's Class A Share terms, there are ten monthly retraction dates in 2021, on the last business day of each month except December and January. The first retraction date is February 28, 2021 and the first retraction payment will be sent on March 31, 2021. On the February 28, 2021 retraction date, in accordance with the share terms, the pro rata percentage of valid requests tendered for retraction was approximately 1.4% (2019 - 1.4%).

As the calculation of the retraction limitation is 1% of the average number of shares outstanding for the 90-days immediately preceding a given retraction date, the pro rata amount may change on future retraction dates. The valid retraction requests received represent approximately 71.9% (2019 - 72.9%) of the Class A Shares outstanding at February 28, 2021. The retraction price will be the NAV per Class A Share on the relevant retraction date, and therefore the amount of the retraction payments can vary.