

Giavest Mortgage Investment Corporation
Financial Statements
December 31, 2018

Giavest Mortgage Investment Corporation

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For the year ended December 31, 2018

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Independent Auditor's Report

To the Shareholders of Giavest Mortgage Investment Corporation:

Opinion

We have audited the financial statements of Giavest Mortgage Investment Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and for the period from May 12, 2017 to December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and for the period from May 12, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Vancouver, British Columbia

March 26, 2019

MNP LLP

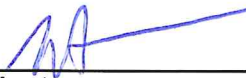
Chartered Professional Accountants

Giavest Mortgage Investment Corporation
Statement of Financial Position

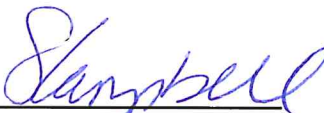
As at December 31, 2018

	2018	2017
	\$	\$
Assets		
Current		
Cash and cash equivalents	38,924	56,931
Mortgages receivable (Note 4)	1,326,190	825,000
Total assets	1,365,114	881,931
Liabilities		
Current		
Due to CareVest Mortgages Inc. (Note 8)	1,814	-
Dividends payable	10,441	3,115
	12,255	3,115
Non-current		
Class A retractable shares (Note 5)	1,352,759	878,716
Total Liabilities	1,365,014	881,831
Equity		
Common shares (Note 5)	100	100
	1,365,114	881,931

Approved on behalf of the Board



 Director



 Director

The accompanying notes are an integral part of these financial statements

Giavest Mortgage Investment Corporation

Statement of Comprehensive Income

For the year ended December 31, 2018

	Year ended December 31 2018 \$	From May 12 to December 31 2017 \$
Interest revenue	94,034	4,831
Expenses		
Impairment loss on mortgages receivable	672	-
Interest and bank charges	548	7
Financial services fees (Note 7) (Note 8)	17,944	-
	19,164	7
Operating income	74,870	4,824
Dividends on Class A retractable shares (Note 5) (Note 8)	74,870	4,824
Comprehensive income for the year	-	-

The accompanying notes are an integral part of these financial statements

Giavest Mortgage Investment Corporation
Statement of Changes in Equity
For the year ended December 31, 2018

	Share Capital	Retained Earnings	Total Equity
	\$	\$	\$
Balance May 12, 2017	-	-	-
Issuance of voting shares	100	-	100
Comprehensive income for the period	-	-	-
Balance December 31, 2017	100	-	100
Comprehensive income for the year	-	-	-
Balance December 31, 2018	100	-	100

The accompanying notes are an integral part of these financial statements

Giavest Mortgage Investment Corporation

Statement of Cash Flows

For the year ended December 31, 2018

	Year ended December 31 2018 \$	From May 12 to December 31 2017 \$
Cash provided by (used for) the following activities		
Operating activities		
Changes in working capital accounts		
Dividends payable	7,326	3,115
Financing activities		
Amounts advanced from related parties	1,814	-
Issuance of Class A retractable shares	474,043	878,716
Issuance of common shares	-	100
	475,857	878,816
Investing activities		
Advances of mortgages receivable	(501,190)	(825,000)
Increase (decrease) in cash	(18,007)	56,931
Cash, beginning of year	56,931	-
Cash, end of year	38,924	56,931

The accompanying notes are an integral part of these financial statements

Giavest Mortgage Investment Corporation

Notes to the Financial Statements

For the year ended December 31, 2018

1. Corporate information

Giavest Mortgage Investment Corporation (the “Company”) was incorporated under the Canada Business Corporations Act on May 12, 2017 and registered as an extra-provincial corporation in British Columbia on May 16, 2017 and in Alberta on February 15, 2019. The Company is domiciled in Canada with its registered principal business office located at Suite 710 - 1055 West Georgia Street, Vancouver, BC. The Company was incorporated for the purpose of carrying on business as a Mortgage Investment Corporation (“MIC”) as defined in Section 130.1 (6) of the Income Tax Act of Canada (“ITA”).

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

2. Basis of presentation

a. Statement of compliance

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

These financial statements for the year ended December 31, 2018 were authorized for issuance by the Board of Directors of the Company (“Board”) on March 26, 2019.

b. New Accounting pronouncements adopted during the year

IFRS 9 Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments, which replaced IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 was adopted retrospectively without restatement as allowed under the standard’s transitional provisions. IFRS 9 addresses the measurement of financial assets and financial liabilities, including the impairment of financial assets and other commitments. As a result of the application of IFRS 9, the Company changed its accounting policies for financial instruments, including mortgages receivable effective January 1, 2018, as described in Note 3(b) and Note 3(f). The IAS 39 accounting policies for financial instruments that were applied prior to January 1, 2018 are included in the Note 3(g).

Adoption of IFRS 9 had no effect on the measurement of the Company’s financial assets and financial liabilities, which continue to be measured at amortized cost subsequent to their initial recognition.

IFRS 15 Revenue from contracts with customers

As at January 1, 2018, the Company has adopted IFRS 15 which is based on the core principle of recognizing revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The application of IFRS 15 did not have any material impact to the Company.

c. Basis of measurement

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

d. Functional and presentation currency

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

Giavest Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2018

2. Basis of presentation (continued)

e. Use of estimates and judgements

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

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

The Company makes an estimate for determining whether the cash flows from mortgages receivable represent solely payments of principal and interest (SPPI). The Company is also required to make assessments of the future expected losses on mortgages receivable. In particular, the measurement of credit risk to determine significant changes.

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.

3. Summary of significant accounting policies

a. Cash and cash equivalents

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

b. Mortgages receivable

The Company's business model is to manage mortgages and to collect principal and interest payments on mortgages receivable. Mortgages receivable are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgages receivable are measured at amortized cost using the effective interest method, less any impairment losses.

c. Class A retractable shares

Non-voting retractable shares, which include a right for the holder to request of the Company to retract the shares, are recorded as liabilities and are presented at their retraction price.

d. Revenue recognition

Interest on mortgages receivable is recognized as revenue using the effective interest method. Interest is calculated on the gross carrying amount for mortgages receivable in Stage 1 and 2 and on the net carrying amount for mortgages receivable in Stage 3. Other fees are recognized as revenue when earned.

e. Income taxes

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

3. Summary of significant accounting policies (continued)

f. Financial instruments

Financial 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 mortgages receivable. 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, all financial assets are classified and subsequently measured at amortized cost using the effective interest method, less impairment losses. 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 mortgages receivable, 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 mortgages receivable assessed by the Company as having a significant increase in credit risk since initial recognition, the Company recognizes a loss allowance equal to the cumulative changes in lifetime expected credit losses since initial recognition.

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

3. Summary of significant accounting policies (continued)

f. Financial instruments (continued)

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 10 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 due to CareVest Mortgages Inc., dividend payable and class A retractable shares. 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.

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 retractable at the option of the holder as liabilities.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

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

Giavest Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2018

3. Summary of significant accounting policies (continued)

f. Financial instruments (continued)

The Company has classified its financial liabilities as follows:

Dividends payable	Other financial liabilities
Due to related companies	Other financial liabilities
Preferred shares	Other financial liabilities

Derecognition of financial liabilities

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

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.

g. Financial Instruments – IAS 39 accounting policy applied prior to January 1, 2018

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

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

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

Loans and Receivables

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

Giavest Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2018

3. Summary of significant accounting policies (continued)

f. Financial instruments (continued)

The Company has classified mortgages receivable as loans and receivables.

Other Financial Liabilities

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

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

h. Future change in accounting policies

Management has reviewed and determined that the new accounting standards and interpretations mandatory after the December 31, 2018 reporting period are not relevant to the Company.

4. Mortgages receivable

The mortgages receivable balance is comprised of 6 mortgages (2017 – 2 mortgages), bearing interest ranging from 8.75% to 9.75% (2017 – 8.50% to 9.00%) per annum, accrued on a monthly basis. All mortgages have the underlying property as collateral and are for periods of two years or less. Four mortgages are secured by first charges and two mortgages are secured by second charges on real property and are invested 100% in residential properties.

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

	2018	2017
Mortgages receivable		
Mortgages receivable	\$ 1,326,341	\$ 825,000
Accrued interest receivable	521	-
Allowance for impairment losses	(672)	-
	\$ 1,326,190	\$ 825,000

Giavest Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2018

5. Common and retractable shares

The Company has created six (2017 – six) classes of shares being Common (Voting), Class A, Class B, Class C, Class F, and Class I Shares.

a. Authorized share capital

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

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

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

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

<i>NUMBER OF SHARES</i>	2018	2017
Common voting shares	100	100
Class A retractable shares		
Opening balance	87,872	-
Issued - cash consideration	43,600	87,700
Issued - dividends reinvestment	3,804	172
Closing balance	135,276	87,872
Total share capital	135,376	87,972
<hr/>		
<i>AMOUNT</i>	2018	2017
Common voting shares	\$ 100	\$ 100
Class A retractable shares		
Opening balance	878,716	-
Issued - cash consideration	436,000	877,000
Issued - dividends reinvestment	38,043	1,716
Closing balance	1,352,759	878,716
Total share capital	1,352,859	878,816

The Common voting shares have no par value.

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

Giavest Mortgage Investment Corporation

Notes to the Financial Statements

For the year ended December 31, 2018

5. Common and retractable shares (continued)

b. Issued share capital(continued)

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

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

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

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

6. Dividend reinvestment plan

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

For the year ended December 31, 2018, 3,804 Class A retractable shares (2017 – 172 shares) were issued under the DRIP at \$10 per share, for a total of \$38,043 (2017 - \$1,716).

7. Financial services fees

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

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

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

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

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

Giavest Mortgage Investment Corporation
Notes to the Financial Statements
For the year ended December 31, 2018

8. Related party transactions and balances

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

- a.** CareVest Mortgages Inc. holds the funds for interest reserve on mortgages receivable, and idle funds available for investment. Any amounts receivable or payable at period-end are held by CareVest Mortgages Inc. The total amount held at year end is \$75,458 (2017 – \$52,469).
- b.** During the year, the Company paid financial service fees of \$17,944 (2017 - \$nil) to CareVest Mortgages Inc.
- c.** During the year, dividends, including dividends reinvested in shares, to the shareholders/directors totaled \$2,168 (2017 – \$193).

9. Supplementary cash flow information

Non-cash transactions

The Company issued 3,804 (2017 – 172) Class A retractable shares at a value of \$10 per share for a total of \$38,043 (2017 – \$1,716).

10. Risk management

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

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

a. Credit risk

The Company manages its credit risk by considering credit ratings of borrowers, confirming the balance of prior mortgages and performing regular property assessments to monitor fair values.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Company considers mortgages receivable to be in default when objective evidence of impairment exists, such as notification from the borrower, large default payments or significant decline in property value. This definition is consistent with the definitions used for the Company's internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Company's past credit experience, and the terms placed in standard borrowing contracts. Relatively few mortgages receivable subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Company.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Company considers all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The Company considers past due information of its balances and information about the borrower available through regular dealings, such as requests for loan modifications and payment history.

10. Risk management (continued)

a. Credit risk (continued)

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when information becomes available to management (e.g., through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers). The Company considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have communicated with the borrower and determined that payment is forthcoming. When a financial instrument is considered to have low credit risk, it is assumed that there has not been a significant increase in credit risk since initial recognition. Financial instruments are considered to have low credit risk when they have low loan-to-value and is secured by collateral.

Measurement of expected credit losses

The Company measures expected credit losses for dividends payable and related parties payable on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type. Otherwise, expected credit losses are measured on an individual basis.

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.

When measuring 12-month and lifetime expected credit losses, the Company considers items such as the contractual period of the financial asset or the period for which the entity is exposed to credit risk, assumptions about prepayments, timing and extent of missed payments or default events, probabilities of default and other assumptions and inputs used in calculating the amount of cash short falls depending on the type or class of financial instrument. Forward-looking information is incorporated into the determination of expected credit loss by including macroeconomic information – e.g., considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

Write-offs

Financial assets are written off when the Company assesses that there is no reasonable expectation of recovery. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Company will receive funds, such amounts are recognized at their fair value. The contractual amount outstanding on financial assets which were written off during the year and continue to be subject to enforcement activity is \$nil (2017 – \$nil).

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 Financial instruments (2018). The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

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10. Risk management (continued)

a. Credit risk (continued)

The gross carrying amount represents the maximum exposure to credit risk for that class of financial asset.

As at December 31, 2018				
Mortgages receivable	Stage 1	Stage 2	Stage 3	Total
Residential – gross amount	\$ 1,326,862	-	-	1,326,862
Less: loss allowance	672	-	-	672
Residential – carrying amount	\$ 1,326,190	-	-	1,326,190

As at December 31, 2017				
Mortgages receivable	Stage 1	Stage 2	Stage 3	Total
Residential – gross amount	\$ 825,000	-	-	825,000
Less: loss allowance	-	-	-	-
Residential – carrying amount	\$ 825,000	-	-	825,000

As at December 31, 2018, the maximum exposure to credit risk with respect to mortgages receivable without taking into account collateral held or other credit enhancements is \$1,326,862 (2017 - \$825,000). The Company has recourse under these investments in the event of default by the borrower; in which case, the Company would claim against the underlying collateral.

Concentration of credit risk analysis

At December 31, 2018, the Company had four (2017 – two) significant mortgages receivable which represents 85% (2017 – 100%) of total mortgages receivable. The average mortgage amount for the balance of the mortgages receivable was \$221,057 (2017 – \$412,500). As the Company is in the early stages of its operations, it is expected that the portfolio of mortgages invested in will be increased and diversified to minimize this risk.

b. Liquidity risk

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

c. Market risk

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

d. Interest rate risk

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

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11. Fair value measurements

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

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

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

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

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

a. Mortgages receivable

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

b. Other assets and liabilities

The fair values of cash and cash equivalents, due to CareVest Mortgages Inc., dividend payable and Class A retractable shares approximate their carrying amounts due to their short-term maturities.

There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2018 and the period from May 12, 2017 to December 31, 2017.

12. Capital management

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

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

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

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13. Subsequent events

Offering Memorandum for non-qualifying issuers

On March 26, 2019, the Company and the Board signed an Offering Memorandum offering to sell shares, as follows:

Class A Shares, Class B Shares and Class C Shares will be offered at a price of \$10 per share to qualified investors until the date that the Company has raised an aggregate maximum of \$20,000,000 in subscription proceeds from Class A Shares, Class B Shares and Class C Shares. At such time, the Company will cease offering Class A Shares, Class B Shares and Class C Shares under the Offering Memorandum dated March 26, 2019.

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

Material agreements

Effective February 15, 2019, the British Columbia Securities Commission revoked BC Instrument 32-517 which allowed for a dealer registration exemption for mortgage investment entities, such as the Company. This revocation substantially harmonises dealer registration requirements across Canada. As a result, on February 15, 2019 the Company mutually agreed to assign its previous Mortgage Servicing and Administrator Agreement dated May 12, 2017 such that CVC™ Market Point Inc. ("CVC"), a registered dealer in the Provinces of British Columbia and Alberta, would engage in the sale of the Company's shares to Subscribers in Alberta as well as in British Columbia. The Company therefore registered as an extra-provincial corporation in Alberta on February 15, 2019. The Company may be extra-provincially registered in other provinces in the future to conduct business in other Canadian jurisdictions as may be approved by the Board of Directors in order to facilitate the growth of the Company in those jurisdictions.

The Company entered into the following material agreements on February 15, 2019:

- Management Agreement between the Company and Carecana™ Management Corp. ("Carecana"), to provide the Company with investment fund manager and restricted portfolio manager services.
- Mortgage Broker Agreement between the Company, Carecana and CareVest® Capital Inc. to provide the Company with mortgage broker services.
- Agency Agreement between the Company, Carecana and CVC to provide the Company with exempt market dealer services.
- Funds Administration Agreement between the Company, Carecana and Carecana Settlement Corp. to provide the Company with funds administration services.

14. Comparative figures

The Company's prior year financial statements presented a 7-month period ended December 31, 2017, as it was the Company's first year of reporting since incorporation. Therefore, the current financial statements, which presents the year ended December 31, 2018, may not be entirely comparable.