EQUITYLINE MORTGAGE INVESTMENT CORPORATION

Interim Unaudited Financial Statements

Three Month And Six Month Period Ended June 30, 2019 And June 30, 2018

EQUITYLINE MORTGAGE INVESTMENT CORPORATION

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Three Month And Six Month Period Ended June 30, 2019 And June 30, 2018

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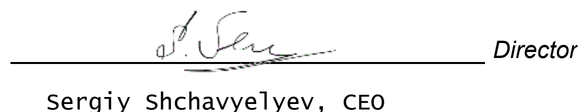
EQUITYLINE MORTGAGE INVESTMENT CORPORATION
Interim Unaudited Statement of Financial Position
As at

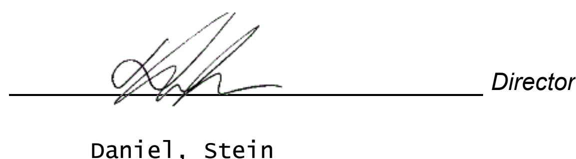
	June 30 **2019**	*December 31* 2018
ASSETS		
Cash and cash equivalents	**$ 419,103**	$ 200
Other assets *(Note 10)*	**296,568**	-
Prepaid expenses	**9,303**	-
Mortgage Investments *(Note 4)*	**8,185,315**	-
Due from related parties *(Note 6)*	**15,625**	-
	$ 8,925,914	$ 200
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued expenses	**$ 38,081**	$ -
Withholding taxes payable	**11,767**	-
Management fees payable *(Note 5)*	**31,378**	-
Dividends payable *(Note 8)*	**42,772**	-
Interest payable	**12,524**	-
Deferred income	**1,998**	-
Convertible Debentures *(Note 7)*	**2,600,000**	-
Prepaid mortgage interest	**201,108**	-
	2,939,628	-
SHAREHOLDERS' EQUITY		
Share capital *(Note 8)*	**6,199,333**	200
Retained earnings (deficit)	**(213,047)**	-
	5,986,286	200
	$ 8,925,914	$ 200

CONTINGENT LIABILITY *(Note 11)*

ON BEHALF OF THE BOARD


_______________ *Director*

Sergiy Shchavyelyev, CEO


_______________ *Director*

Daniel, Stein

The accompanying notes form an integral part of these financial statements.

EQUITYLINE MORTGAGE INVESTMENT CORPORATION
Interim Unaudited Statement of Income and Comprehensive Income

	Three months ended ***April 1 to June 30*** **2019**	Three months ended *April 1 - to June 30* 2018	Six months ended *January 1 to June 30* 2019	Six months ended *January 1 to June 30* 2018
INTEREST INCOME	**$ 216,007**	$ -	$ 296,671	$ -
EXPENSES				
Professional fees	**55,310**	-	72,005	-
Interest and bank charges	**53,895**	-	68,779	-
Management fees	**20,468**	-	31,378	-
Foreign Exchange Gain/Loss	**17,316**	-	2,954	-
Director fees	**11,500**	-	51,500	-
Travel	**7,000**	-	16,766	-
General and administrative	**4,037**	-	4,909	-
Insurance	**2,957**	-	5,913	-
Advertising and promotion	**2,833**	-	24,369	-
Referral fees	**1,000**	-	1,000	-
Memberships	**700**	-	700	-
Consulting fees	**-**	-	650	-
Initial listing fee	**-**	-	19,210	-
	177,016	-	300,133	-
LOSS FROM OPERATIONS	**38,991**	-	(3,462)	-
CHANGES IN COMPREHENSIVE INCOME				
Unrealized gain (loss) on foreign exchange	**22,308**	-	26,477	-
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 61,299**	$ -	$ 23,015	$ -
LOSS PER SHARE				
Basic	**$ 0.02**	$ -	$ 0.01	$ -
Diluted	**0.02**	-	0.02	-

The accompanying notes form an integral part of these financial statements.

EQUITYLINE MORTGAGE INVESTMENT CORPORATION
Interim Unaudited Statement of Deficit

	Three months ended ***June 30*** **2019**	Three months ended *June 30* 2018	Six months ended *June 30* 2019	Six months ended *June 30* 2018
DEFICIT - BEGINNING OF PERIOD	**$ (133,000)**	$ -	$ -	$ -
NET INCOME (LOSS)	**61,299**	-	23,015	-
	(71,701)	-	23,015	-
DIVIDENDS DECLARED	**(141,346)**	-	(236,062)	-
DEFICIT - END OF PERIOD	**$ (80,047)**	$ -	$ (213,047)	$ -

The accompanying notes form an integral part of these financial statements.

EQUITYLINE MORTGAGE INVESTMENT CORPORATION
Interim Unaudited Statement of Cash Flows

	Three months ended ***April 1 to June 30*** **2019**	Three months ended *April 1 to June 30* 2018	Six months ended *January 1 to June 30* 2019	Six months ended January 1 to *June 30* 2018
OPERATING ACTIVITIES				
Net Income	**$ 61,299**	$ -	$ 23,015	$ -
Changes in non-cash working capital:				
Accounts payable and accrued liabilities	**20,853**	-	38,081	-
Management fee payable	**20,468**	-	31,378	-
Interest payable	**-**	-	12,524	-
Dividend payable	**9,261**	-	42,772	-
Withholding taxes payable	**(2,522)**	-	11,767	-
Unearned income	**1,998**	-	1,998	-
Prepaid expenses	**4,652**	-	(9,303)	-
Other assets	**24,855**	-	(296,568)	-
Prepaid mortgage interest	**(48,263)**	-	201,108	-
	31,302	-	33,757	-
Cash flow from operating activities	**92,601**	-	56,772	-
INVESTING ACTIVITY				
Funding of mortgage investments	**(232,499)**	-	(8,185,315)	-
Cash flow from (used by) investing activity	**(232,499)**	-	(8,185,315)	-
FINANCING ACTIVITIES				
Dividends paid	**(141,346)**	-	(236,062)	-
Advances from related parties	**(49,312)**	-	(15,625)	-
Net proceeds from issuance of stock	**-**	200	6,199,133	-
Net proceeds from issuance of convertible debentures	**-**	-	2,600,000	-
Cash flow from (used by) financing activities	**(190,658)**	200	8,547,446	-
INCREASE (DECREASE) IN CASH FLOW	**(330,556)**	200	418,903	-
Cash - beginning of period	**749,659**	-	200	-
CASH - END OF PERIOD	**$ 419,103**	$ 200	$ 419,103	$ -

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

Equityline Mortgage Investment Corporation (the "Company") is a mortgage investment corporation domiciled in Canada. The Company is incorporated under the laws of the Province of Ontario. The registered office of the Company is Suite 338 - 550 Highway 7 Avenue East, Richmond Hill, Ontario L4B 3Z4. The Series A preference shares of the Company are listed on the Jamaica Stock Exchange (JSE) under the symbol "ELMIC".

The investment objective of the Company is to acquire mortgages and maintain a portfolio of mortgages consisting primarily of residential Non-Conventional Mortgages and Alt-A Mortgages that generates attractive returns relative to risk in order to permit the Corporation to pay dividends to its shareholders.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited interim financial statements of the Company have been prepared by management in accordance with International Accounting Standard.

The presentation of these unaudited interim financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). These unaudited interim financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented unaudited condensed.

This is the first set of the Company's financial statements and IFRS 15 Revenue from Contracts with Customers ("IFRS 15") and IFRS 9 Financial Instruments ("IFRS 9") have been applied.

The unaudited interim financial statements were approved by the Board of Directors on July 31, 2019.

(b) Critical accounting estimates, assumptions and judgments

In the preparation of these unaudited interim financial statements, Equityline Services Corporation (the “Manager”) has made judgments, estimates and assumptions that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these unaudited interim financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the unaudited interim financial statements are as follows:

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2. BASIS OF PRESENTATION *(continued)*

Measurement of fair values

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset orliability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Manager will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The information about the assumptions made in measuring fair value is included in the following notes:

Note 4 – Mortgage investments
Note 13 – Fair value of financial instruments.

Classification of mortgage and other investments

Mortgage investments and other loans are classified based on the business model for managing assets and the contractual cash flow characteristics of the asset. We exercise judgment in determining both the business model for managing the assets and whether cash flows of the asset comprise solely payments of interest.

Measurement of expected credit loss

The determination of allowance for credit losses takes into account different factors and varies by nature of investment. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different form current assessments, which would require an increase or decrease in the allowance of credit risk. Refer to note 3(g).

Convertible debentures

The Manager exercises judgment in determining the allocation of the debt and equity components of convertible debentures. The liability allocation is based upon the fair value of a similar liability that does not have an equity conversion option and the residual value is allocated to the equity component.

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2. BASIS OF PRESENTATION *(continued)*

(c) Functional and Presentation Currency

These financial statements are presented in Canadian dollar, which is the Company's functional currency. All mount have been rounded to the nearest dollar, unless otherwise indicated.

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. Cash and cash equivalents are classified as loans and receivables and carried at amortized cost.

(b) Mortgage investments

Mortgage investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses. Mortgage investments are assessed on each reporting date to determine whether there is objective evidence of impairment.

A financial asset is considered to be impaired only if objective evidence indicates that one or more loss events have occurred after its initial recognition that have a negative effect on the estimated future cash flows of that asset. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary materially.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Convertible debentures

The convertible debentures are a compound financial instrument as they contain both a liability and an equity component.

At the date of issuance, the liability component of the convertible debentures is recognized at its estimated fair value of a similar liability that does not have an equity conversion option and the residual is allocated to the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion of their initial carrying amounts. Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest rate method. The equity component is not remeasured subsequent to initial recognition and will be transferred to share capital when the conversion option is exercised, or, if unexercised at maturity. Interest, losses and gains relating to the financial liability are recognized in profit or loss.

(d) Interest and other income

Interest and other income includes interest earned on the Company's mortgage investments and interest earned on cash and cash equivalents. Interest income earned on mortgage and other investments is accounted for using the effective interest rate method.

(e) Income taxes

It is the intention of the Company to qualify as a mortgage investment corporation ("MIC") for Canadian income tax purposes. As such, the Company is able to deduct, in computing its income for a taxation year, dividends paid to its shareholders during the year and in future years to ensure that it will not be subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Company dividends results in the Company being effectively exempt from taxation and no provision for current or deferred taxes is required for the Company.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Derecognition of financial assets and liabilities

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that does not qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Company enters into transactions whereby it transfers mortgage investments recognized on its statement of financial position, but retains either all, substantially all, or a portion of the risks and rewards of the transferred mortgage investments. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not derecognized. In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments

Recognition and initial measurement

All financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement - financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") - debt investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of interest on the principal amount outstanding.

The Company has no debt investments measured at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods. the reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - assessment whether contractual cash flows are solely payments of interest:

For the purposes of this assessment, 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of interest criterion if the prepayment amount substantially represents unpaid amounts of interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsequent measurement and gains and losses - financial assets

Financial assets at FVTPL:

Measured at fair value. Net gains and losses, including any interest, are recognized in profit or loss.

Financial assets at amortized cost:

Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt investments at FVOCI:
Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets

The Company classified its financial assets into one of the following categories (note 12):

- Loans and Receivables - Measured at amortized cost using the effective interest method; and
- FVTPL - Measured at fair value. Net gains and losses, are recognized in profit or loss.

Classification, subsequent measurement and gains and losses - financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPLif it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Company recognizes loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost, unfunded loan commitments and financial guarantee contracts. The Company applies a three-stage approach to measure allowance for credit losses. The Company measures loss allowance at an amount equal to 12 months of expected losses for performing loans if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due interest payment or maturity date, and borrower specific criteria as identified by the Manager. As is typical in shorter duration, structured financing, the Manager does not solely believe there has been a significant deterioration in credit risk or an asset to be credit impaired if mortgage and other investments to go into overhold position past the maturity date for a period greater than 30 days or 90 days, respectively. The Manager actively monitors these mortgage and other investments and applies judgment in determining whether there has been significant increase in credit risk. The Company considers a financial asset to be credit impaired when the borrower is more than 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of interest or/and when the Company has commenced enforcement remedies available to it under its contractual agreements.

The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, we rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses. In cases where a borrower experiences financial difficulties, the Company may grant certain concessionary modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, debt consolidation, forbearance and other modifications intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. The Company determines the appropriate remediation strategy based on the individual borrower. If the Company determines that a modification results in expiry of cash flows, the original asset is derecognized while a new asset is recognized based on the new contractual terms. Significant increase in credit risk is assessed relative to the risk of default on the date of modification. If the Company determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having a lifetime ECL, the loans can revert to having 12-month ECL after a period of performance and improvement in the borrower's financial condition.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Lifetime ECLs are the ECLs that result from all possible default event over the expected life of a financial instrument. 12-months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is lass than 12 months. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining the expected credit loss provision, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. We consider past events, current market conditions and reasonable forward-looking supportable information about future economic conditions. In assessing information about possible future economic conditions, we utilized multiple economic scenarios including our base case, which represents the most probable outcome and is consistent with our view of the portfolio. In considering the lifetime of a loan, the contractual period of the loan, including prepayment, extension and other options is generally used.

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. In determining expected credit losses, we have considered key macroeconomic variables that are relevant to each investment type. Key economic variables include unemployment rate, housing price index and interest rates. The estimation of future cash flows also includes assumptions about local real estate market conditions, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary. The forecast is developed internally by the Manager. We exercise experienced credit judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

Credit-impaired financial assets

Allowances for Stage 3 are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. We review our loans on an ongoing basis to assess whether any loans carried at amortized cost should be classified as credit impaired and whether an allowance or write-off should be recorded. The review of individually significant problem loans is conducted at least quarterly by the Manager, who assesses the ultimate collectability and estimated recoveries for a specific loan based on all events and conditions that are relevant to the loan. To determine the amount we expect to recover from an individually significant impaired loan, we use the value of the estimated future cash flows discounted at the loan's original effective interest rate. The determination of estimated future cash flows of a collateralized impaired loan reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial asset measured at amortized cost are deducted from the gross carrying amount of the asset.

Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4. MORTGAGE INVESTMENTS

	2019 *June 30*	2018 *December 31*
Mortgage investments - at amortized cost *(All loans investment are non-first mortgages)*	**$ 8,118,748**	$ -
Interest receivable	**66,567**	-
	$ 8,185,315	$ -

As at June 30, 2019, The Company had $185,000 unadvanced mortgage commitments. The Manager did not provide an allowance for mortgage investment loss as it is their opinion that all mortgage investments are in good standing.

100% of the mortgage portfolio is invested in Ontairo where Management has the market knowledge and experience in operation.

Mortgages measured at FVTPL

The Company establishes fair value for investments that are measured at FVTPL using an appropriate valuation technique. These valuation techniques include internal valuation models and/or independent appraisals that employ significant inputs such as direct comparison, cash flow projection, stabilized net operating income generated from the property to estimate fair value, and capitalization rate that reflects the investment characteristics of the asset.

Principal repayment terms are approximately:

2019	$ 3,983,499
2020	3,950,249
Unadvanced mortgages	185,000
	$ 8,118,748

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4. MORTGAGE INVESTMENTS *(continued)*

The following table presents the gross carrying amounts of mortgages and other loan investments, subject to IFRS 9 impairment requirements by internal risk ratings used by the Company for credit risk management purposes.

The internal risk ratings presented in the table below are defined as follows:

Low Risk: Mortgage and loan investments that exceed the credit risk profile standard of the Company with a below average probability of default. Yields on these investments are expected to trend lower than the Company's average portfolio.

Medium-Low: Mortgage and loan investments that are typical for the Company's risk appetite, credit standards and retain a below average probability of default. These mortgage and loan investments are expected to have average yields and would represent a significant percentage of the overall portfolio.

Medium-High: Mortgage and loan investments within the Company's risk appetite and credit standards with an average probability of default. These investments typically carry attractive risk-return yield premiums.

High Risk: Mortgage and loan investments within the Company's risk appetite and credit standards that have an additional element of credit risk that could result in an above average probability of default. These mortgage and loan investments carry a yield premium in return for their incremental credit risk. These mortgage and loan investments are expected to represent a small percentage of the overall portfolio.

Default: Mortgage and loan investments that are 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest and/or when the Company has commenced enforcement remedies available to it under its contractual agreements.

All Mortgage investments held at June 30, 2019 are classified as Medium-low risk.

5. MANAGEMENT FEES

The management agreement has an unlimited term and pays management fee equals to 1% per annum of the gross mortgage investments of the Company, calculated and paid monthly in arrears.

Gross mortgage investments are defined as the total mortgage investments of the Company less unearned revenue. For the three months ended and six month ended June 30, 2019, the Company incurred management fees including of $20,467 and $31,378 respectively.

6. DUE TO RELATED PARTY

Advances from a related Company is non-interest bearing and have no set repayment terms.

7. CONVERTIBLE DEBENTURES

The debentures are comprised of as follows:

	2019 *June 30*	2018 *December 31*
Issued		
Due September 4, 2019, carrying interest rate of 8%	**$ 1,000,000**	$ -
Due September 11, 2019, carrying interest rate of 8%	**1,500,000**	-
Due December 20, 2019, carrying interest rate of 9%	**100,000**	-
Debentures, end of period	**$ 2,600,000**	$ -

Interest costs related to the convertible debentures are recorded in financing costs using the effective interest rate method. Interest on the debentures is included in financing costs and is $64,784. The Convertible debentures are convertible for 1 Series C non-voting shares for every $1 outstanding. As of this period end date, none of the convertible debentures were converted.

8. SHARE CAPITAL

Authorized:

Unlimited	Voting shares
Unlimited	Series A preferred shares, non-voting, redeemable at $2 USD per share
Unlimited	Series A non-voting shares, redeemable at $1 per share
Unlimited	Series C non-voting shares, redeemable at $1 per share
Unlimited	Series F non-voting shares, redeemable at $1 per share
Unlimited	Series H non-voting shares, redeemable at $1 per share

		2019 *June 30*	2018 *December 31*
Issued:			
2,683,400	Series A preferred shares	**$ 6,199,133**	$ -
200	Voting shares	**200**	200
		$ 6,199,333	$ 200

	2019		2018	
	Shares	**Amount**	Shares	Amount
Series A Preferred Shares				
Shares outstanding at the beginning of the year	**-**	**$ -**	-	$ -
Issuance of Series A preferred shares, net of issue costs	**2,683,400**	**6,199,133**	-	-
Shares outstanding at the end of the year	**2,683,400**	**$ 6,199,133**	-	$ -

(continues)

8. SHARE CAPITAL *(continued)*

	2019			2018		
	Shares		**Amount**	Shares		Amount
Voting Shares						
Shares outstanding at the beginning of the year	**200**	**$**	**200**	-	$	-
Issued	**-**		**-**	200		200
Shares outstanding at the end of the year	**200**	**$**	**200**	200	$	200

On January 18, 2019, the Company completed a public offering of 2,683,400 Series A preferred shares for a total net proceeds of $6,199,133.

Dividends to holders of Series A preferred shares

The Company intends to pay dividends to holders of Series A preferred shares monthly within 15 days following the end of each month. For the three month period ended June 30, 2019, the Company declared dividends of $141,346, or $0.053 per Series A preferred shares.

9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing total net income and comprehensive income by the weighted average number of common shares during the period.

In accordance with IFRS, convertible debentures are considered for potential dilution in the calculation of the diluted earnings per share. Each series of convertible debentures is considered individually and only those with dilutive effect on earnings are included in the diluted earnings per share calculation. Convertible debentures that are considered dilutive are required by IFRS to be included in the diluted earnings per share calculation notwithstanding that the conversion price of such convertible debentures may exceed the market price and book value of the Company's common shares.

Diluted earnings per share are calculated by adding back the interest expense relating to the convertible debentures to total net income and comprehensive income and increasing the weighted average number of common shares by treating the debentures as if they had been converted on the later of the beginning of the reporting period or issuance date.

The following table shows the computation of per share amounts:

	Three months ended April 1 to June 30 2019	Three months ended April 1 to June 30 2018	**Six months ended January 1 to June 30 2019**	Six months ended January 1 to June 30 2018
Calculation of earnings per share				
Net Income (Loss)	$ 61,299	$ -	**$ 23,016**	$ -
Interest on Convertible debentures	52,250	-	**64,784**	-
Total net income and comprehensive income (diluted)	113,549	-	**87,800**	-
Weighted average number of shares (basic)	2,683,600	-	**2,683,600**	-
Convertible debentures	2,600,000	-	**2,600,000**	-
Weighted average number of shares (diluted)	5,283,600	-	**5,283,600**	-
Income per share - basic	0.02	-	**0.01**	-
Income per share - diluted	0.02	-	**0.02**	-

10. RELATED PARTIES TRANSACTIONS

The following is a summary of the Company's related parties transactions:

These 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) As at June 30, 2019, Management fee payable includes mainly management and servicing fees payable of $31,378.

b) As at June 30, 2019, included in other assets is $296,568 of cash held in trust by Equityline Service Corporation. (“ELSC”), the Company’s mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage funding holdbacks and prepaid mortgage interest received from various borrowers.

11. CONTINGENT LIABILITY

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

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Company’s financial position.

12. FINANCIAL INSTRUMENTS

The Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Company's direct control. The Manager and Board of Directors play an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

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

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12. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk

Credit risk is the risk that a borrower may be unable to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Company. The Company mitigates this risk by the following:

i. adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);
ii. ensuring all new mortgage investments are approved by the investment committee before funding; and
iii. actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The exposure to credit risk at June 30, 2019 relating to net mortgages and other investments amount to $8,185,315. However, the exposure to risk is mitigated by security against the assets of the borrowers.

The Company has recourse under these mortgage and the majority of other investments in the event of default by the borrower; in which case, the Company would have a claim against the underlying collateral. Management believes that the potential loss from credit risk with respect to cash that is held in trust at a Schedule 1 bank by the Company's transfer agent and operating cash held also at a Schedule 1 bank, to be minimal.

(b) Liquidity risk

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

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk primarily from other investments that are denominated in a currency other than the Canadian dollar. The Company does not use foreign currency forwards to hedge the principal balance of future earnings and cash flows caused by movements in foreign exchange rates.

As at June 30, 2019, the Company has the following assets and liabilites denominated in US dollars:

	2019 *June 30*	2018 *December 31*
Cash	**$ 85,771**	$ -
Dividend payable	**35,770**	-
	$ 121,541	$ -

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12. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As of June 30, 2019, $8,185,315 of net mortgage investments. The Company manages its sensitivity to interest rate fluctuations by managing the fixed ratio in its investment portfolio.

The Company's other assets, interest receivable, accounts payable and accrued expenses, prepaid mortgage interest, ,dividends payable and Management fee payable have no exposure to interest rate risk due to their short-term nature. Cash and cash equivalents carry a variable rate of interest and are subject to minimal interest rate risk and the debentures have no exposure to interest rate risk due to their fixed interest rate.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant market risk and other price risks arising from these financial instruments.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2019		2018	
	Book Value	**Fair Value**	Book Value	Fair Value
Financial assets				
Cash and cash equivalents	**$ 419,103**	**$ 419,103**	$ 200	$ 200
Other assets	**296,568**	**296,568**	-	-
Prepaid expenses	**9,303**	**9,303**	-	-
Mortgage investments	**8,185,315**	**8,185,315**	-	-
	$ 8,910,289	**$ 8,910,289**	$ 200	$ 200
Financial liabilities				
Accounts payable and accrued expenses	**$ 38,081**	**$ 38,081**	$ -	$ -
Dividends payable	**42,772**	**42,772**	-	-
Management fee payable	**31,378**	**31,378**	-	-
Prepaid mortgage interest	**201,108**	**201,108**	-	-
Convertible debentures	**2,600,000**	**2,600,000**	-	-
Withholding taxes payable	**11,767**	**11,767**	-	-
Interest payable	**12,524**	**12,524**	-	-
Due to (from) related parties	**(15,625)**	**(15,625)**	-	-
Unearned revenue	**1,998**	**1,998**	-	-
	$ 2,924,003	**$ 2,924,003**	$ -	$ -

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13. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

	2019		2018	
	Book Value	**Fair Value**	Book Value	Fair Value

a) Mortgage investments

There is no quoted price in an active market for the mortgage investments. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage and other investments excluding marketable securities of same or similar terms. Typically, the fair value of these mortgage investments, other investments, debentures excluding and marketable securities approximate their carrying values given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments and other investments excluding marketable securities is based on level 3 inputs.

The fair value of the marketable securities is based on a level 1 input, which is the market closing price of the marketable securities at the reporting date.

b) Other financial assets and liabilities

The fair values of cash and cash equivalents, other assets, accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest and credit facility approximate their carrying amounts due to their short-term maturities or bear interest at variable rates.

c) Convertible debentures

The fair value of the convertible debentures is based on a level 1 input, which is the market closing price of convertible debentures at the reporting date.

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the three months and six month ended June 30, 2019.

14. CAPITAL RISK MANAGEMENT

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company defines its capital structure to include common shares, debentures and the credit facility.

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 restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage investments. There have been no changes in the process over the previous year.

At June 30, 2019, the Company was in compliance with its investment restrictions.

15. INTEREST COSTS RELATED TO CONVERTIBLE DEBENTURES

Interest costs related to the convertible debentures are recorded in financing costs using the effective interest rate method. Interest on the debentures is included in financing costs and is made up of the following:

	Three months ended April 1 to June 30 2019	Three months ended April 1 to June 30 2018	**Six months ended January 1 to June 30 2019**	Six months ended January 1 to June 30 2018
Interest on the convertible debentures	**$ 52,250**	$ -	**$ 64,784**	$ -