May 2023

Q1 2023 REPORT

STABILITY.
PREDICTABILITY.
DIVERSIFICATION.

EquityLine
Mortgage Investment Corporation

EquityLineMIC.com

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EQUITYLINE
MORTGAGE INVESTMENT CORPORATION

EquityLine MIC

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EquityLine Services Corporation FSRA #13068 (Affiliate)

EquityLine Financial Corporation FSRA #12570 (Affiliate)

President and CEO's Message

Dear Shareholders,

I am pleased to present the EquityLine Mortgage Investment Corporation's first quarter report for the period ending March 31, 2023.

The quarter was marked by growth within EquityLine MIC assets under management (AUM) which grew from $17.6 million as of March 31, 2022, compared with $41.0 million as of March 31, 2023. Additionally, an increase in our Net Leverage Portfolio Yield (NLPY) which grew from 14.7% in Q4 2022 to 14.9% as of March 31, 2023.

Most importantly, the Company was able to extend its consistent track record of dividend payments and returns to our public shareholders of Series A Preferred Shares and our private Series B and Series F Preferred Shares while experiencing no foreclosures in the mortgage portfolio since inception.

FOR 2023 FIRST QUARTER HIGHLIGHTS

- AUM of $41.0 million as of March 31, 2023, compared with $17.6 million on March 31, 2022 — year-over-year growth of 132%.
- EquityLine MIC distributed $168,708 in the first quarter of 2023 compared to $150,916 in the first quarter of 2022 in dividends to investors.

The many sources of economic challenges over the past year have made the capital markets more cautious, but EquityLine MIC's adherence to its comprehensive and stringent underlying process applied to each mortgage application and investment mitigates the risks to our shareholders. Additionally, we have increased lending rates accordingly and moved from a fixed rate lending policy to a variable one.

I would like to share that on April 12, 2023 the Bank of Canada held interest rates for the second consecutive time, and forecasts inflation to slow to 3% this year. These events bode well for our market sector in the Canadian Real Estate marketplace.

We look forward to the balance of year with excitement.

Sincerely,

Sergiy Shchavyelyev
President and Chief Executive Officer

About EquityLine MIC

EquityLine Mortgage Investment Corporation (the “Company”) is a mortgage investment corporation (the “MIC”) incorporated under the laws of the Province of Ontario and located in Richmond Hill, Ontario, Canada.

EquityLine MIC was founded by the principals of EquityLine Financial Corp., an Ontario-based mortgage brokerage formed in 2014, who have extensive experience in the Canadian real estate and mortgage industries. The objective of forming EquityLine MIC was to provide investors an opportunity to participate in a pool of short-term mortgages provided to qualified borrowers seeking to access their home equity. Generally, the interest rate charged to borrowers through a mortgage investment corporation is higher than what a banking institution would charge.

EquityLine MIC is a traditionally structured, provincially regulated MIC that provides eligible investors the opportunity to participate in a pool of private mortgages. The MIC is a business model, as defined under Section 130.1 (6) of the Income Tax Act (Canada), unique to Canada, wherein the corporation receives a stream of mortgage interest payments from borrowers, which it then distributes as income to investors. As a flow-through entity, the MIC must distribute all net income by the end of each year.

The focus of the investments is prime first and second residential mortgages in the Greater Toronto Area (GTA) and the urban Southern Ontario region of Canada.

- The Company funds only those borrowers who qualify through a rigorous underwriting process.
- The Company has never experienced a foreclosure in its mortgage portfolio.
- The Company has never missed or reduced a distribution payment.

FOUNDATION FOR SUCCESS

- Deep knowledge of the Greater Toronto Area (GTA) and Southern Ontario real estate market
- Enabling the identification of qualified mortgage applications.
- Short duration residential mortgages of between 6 and 12 months.
- Rate of return for investors that is both appealing and dependable.
- Investor redemption strategies that are easy to understand and implement.
- Rigorous underwriting policies and practices that help to mitigate risk.
- Strong and active Board of Directors that has a majority of independent directors with significant experience across the financial services industry.

Fixed and Targeted Dividend Strategy

EquityLine MIC has discrete classes of Preferred Shares. Series A Preferred Shareholders receive an 8% fixed annual return, paid monthly, while Series B and Series F Preferred Shareholders receive a return that is targeted between 8% to 9% annually, paid monthly.

The Series A Preferred Shares trade on the Jamaican Stock Exchange (JSE: ELMIC), while the Series B and Series F Preferred Shares are not listed on any securities exchange. These latter Series are considered restricted securities available through Canadian registered dealers (both exempt market dealer and investment dealers (regulated through the New Self-Regulatory Organization of Canada) and registered portfolio managers.

Affiliated Entities in the EquityLine Group Profile

EquityLine Service Corp. was founded in 2018 to provide day-to-day mortgage administration, including the sourcing, structuring and management of mortgages on behalf of EquityLine MIC and other contracted entities.

In September 2021, EquityLine MIC initiated an initial $25 million credit facility (the “Facility”) through a Special Purpose Vehicle (“SPV”) with a Canadian Schedule 1 bank which increased to a $55 million facility in Q4 2022. The SPV provides a unique structure that accelerates EquityLine MIC AUM growth, while mitigating debt risk. EquityLine MIC funds approximately 20% of a mortgage from its existing capital pool, which triggers an additional 80% funding contribution from the SPV on first mortgages at an approximate 6.90% interest rate, without commission. The Facility provides the MIC with lower risk leverage coupled with an increased yield spread.

Meet Our Team

Sergiy Shchavyelyev
President and Chief Executive Officer; Director

Sergiy Shchavyelyev is the CEO and Founder of the EquityLine Mortgage Investment Corp. (EquityLine MIC) and VeleV Capital. He also owns, in part, a family-operated real estate brokerage, EquityLine Financial Corp.

As a real estate developer and mortgage broker with extensive lending and financial experience in real estate assets, Sergiy manages over C$110 million between funds and development projects.

Sergiy has been an active Real Estate Broker since 2006 and a Mortgage Specialist since 2008. To date, Sergiy has completed over C$750 million in real estate transactions.

Before working as a real estate broker, lender, and re-developer, Sergiy worked in a small claims court and land registry office as a paralegal for over two years. He has a Financial Accounting certificate from Harvard Business School and a Master of Law Degree from Mechnikov National University.

He is a founding member of CAMLA (Canadian Alternative Mortgage Lender Association) and a former member of the advisory committee of the Private Capital Markets Association of Canada.

Mark Korol, CFA, CPA
Chief Financial Officer

Mark Korol has over 20 years of experience as a Chief Financial Officer in various industries, including eight years of public company experience at Zenon Environmental, CDI Education Corp., and Char Technologies. He was also the CFO at the Arturos Group, an international vertically integrated hospitality business with 2,000 employees. Before that, he worked for the Xela Group of Companies and has experience at National Bank Financial as a Research Analyst.

Mark is a Chartered Financial Analyst (CFA), a Certified Public Accountant (CPA), a Certified Fraud Examiner (CFE) and an Accredited Business Valuator (ABV). He holds the Institute of Corporate Directors designation (ICD.D).

Sergiy Przhebelskyy
Chief Operating Officer; Director

Sergiy Przhebelskyy brings a wealth of banking sector knowledge, having spent time over seven years in the banking and financial sectors at TD and The National Bank of Canada. Throughout his career as a mortgage specialist, he has completed more than $350 million in residential mortgage transactions.

In 2014, Sergiy transitioned from the traditional mortgage lending channels to the Mortgage Broker channel. During this time, he gained experience and insights into alternative mortgage lending practices, including private mortgage financing.

At EquityLine MIC, Sergiy is involved in daily operations of underwriting, deal compliance, administration, and office management. Sergiy's ability to source and secure the best deals that match clients' needs continues to win him high praise. Sergiy's ability to source and secure the best deals that match clients' needs continues to win him high praise.

He has an excellent knowledge of the real estate sector, appraisals reports, mortgage structuring, and funding processes.

Arthur Smelyansky
Chief Portfolio Manager

Arthur Smelyansky currently serves as the Chief Executive Officer and Portfolio Manager at Maccabi Capital Management LLC. He is a Portfolio Manager, Hedge Fund Trader, and Co-Founder of Maccabi Equity Income Fund.

Arthur's responsibilities include credit analysis, market research for EquityLine MIC, and direct management of a portfolio with assets over $40 million. Arthur's specialty is options trading and using derivatives to preserve capital and lower portfolio volatility.

Arthur was the Senior Analyst and Trader at Bonello Holdings Inc. from September 2012 to January 2018. The company improved investment returns from 6% to 9.71% during this time.

Arthur holds the CIM (Chartered Investment Manager), DMS (Derivatives Market Specialist), and PFP (Personal Financial Planner) designations. He is currently in the process of obtaining the CAIA (Chartered Alternative Investment Analyst) designation.

Robert C. Kay
Executive Vice President; Director

Robert C. Kay is a seasoned Corporate Director and Business Advisor. He combines business and legal skills with extensive experience in international commerce to develop and assess complex strategies with multinational companies and governments.

Robert has served as a Corporate Director in both privately held and publicly listed companies, serving on Governance, Audit, Strategy, and ESG Committees. He is currently Chair, Advisory Board, the Migao Group (fertilizer manufacturing, clean energy, mining); Chair, Baycrest Hospital and Long-Term Care Residence (cumulatively 734 beds); Corporate Director, EquityLine Mortgage Investment Corp; Corporate Director, Baycrest Seniors Care Corp; Corporate Director, Lake Simcoe Regional Airport; Corporate Director, Canada- Eurasia Chamber of Commerce (Toronto).

Notable governance roles have included: Chair-Canadian Commercial Corporation; Vice Chair and Lead Director-Migao Corporation; Chair-Migao Special Committee for Going Private; Chair-Swiss/Canadian Chamber of Commerce; Director in Residence-Institute of Corporate Directors; Board Director-Changfeng (CF) Energy Inc (gas distribution, clean energy); Board Director, Royal Canadian Military Institute; Board Director-American Chamber of Commerce (Ontario Council). Robert was a teaching Board Member in the Integrative Thinking Practicum of the MBA Degree Program at the University of Toronto. He is a former Deputy Judge, Superior Court of Justice of Ontario, SCC branch. Earlier in his career, Robert served as Personal Assistant to the Deputy Prime Minister of Canada.

Robert contributed his time as Chair of the Royal Canadian Military Institute Audit Committee. Robert is also a Member of the American Judges Association, and the Institute of Corporate Directors.

Mark Simone
Vice President

Mark Simone is a business executive with extensive C-Suite experience in developing and managing insurance, finance, and medical businesses.

In the past, he was the President of Medipac International Insurance (Canada’s largest retailer of long-term travel medical insurance), the Executive and Managing Director of the Canadian Snowbird Association (one of Canada’s largest lifestyle affinity groups), and the President of Ontario Health Clinics, serving over fifty thousand patients.

Most recently, he was the Vice President of Strategic Relations with Pinnacle Wealth Brokers, Canada’s largest Exempt Market Dealer.

Donald Hathaway
Independent Director,
Chair of the Governance Committee
and Lead Director

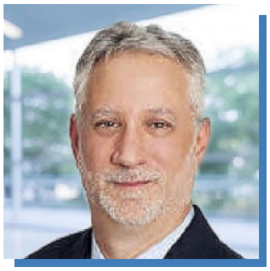
Don Hathaway has spent over forty years as a business CEO, a senior partner in two major international consultancies, and a corporate director on multiple boards while accumulating expertise in strategy, finance, risk management, marketing, and corporate governance.

Key roles have included the inaugural President and CEO of the Ontario Centres of Excellence and of the Global Risk Institute in Financial Services, and as a Founder and the original Board Chair of Compute Canada, the national system of high-performance computers supporting research at all Canadian universities (he remains the Emeritus Chair).

He has been a Governor of both York University and Ontario Tech University. He is a former Chair of the University of Waterloo Advisory Council; Board of Governors, The Ontario Free Trade Policy Advisory Council, and the Canadian Employment and Immigration Advisory Council.

After undergraduate studies in electrical engineering and mathematics, he completed postgraduate studies in business at the Schulich School of Business. Later, he undertook the Economic Value Analysis program at the Kellogg School of Business and the program in corporate governance at the University of Toronto.

Eric Klein
Independent Director,
Chair of the Audit Committee



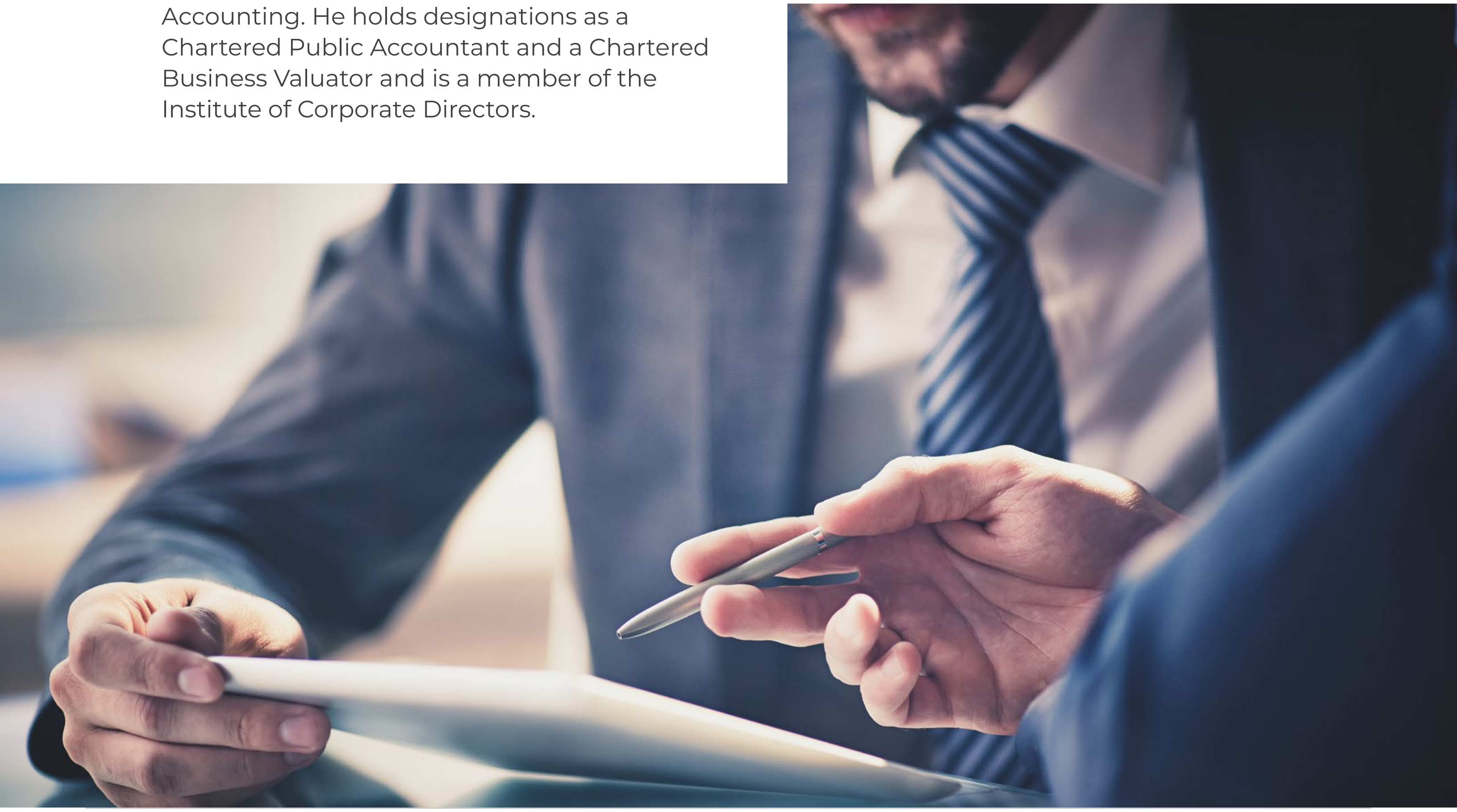
Eric Klein is currently President of Klein Advisory Services Inc., a firm that focuses on business strategy, complex mergers, acquisitions, divestitures, and financings for mid-sized Canadian corporations.

With more than 30 years of experience, Eric focuses on providing results-driven corporate finance advisory services for midmarket Canadian companies. Recently, Eric was a senior executive with a Canadian public financial institution. Before that, he was the founder and Managing Director of the Corporate Finance, Valuations, and Transaction practice of Farber Financial Group.

Eric graduated from McGill University with a B.Comm and a Graduate Diploma in Public Accounting. He holds designations as a Chartered Public Accountant and a Chartered Business Valuator and is a member of the Institute of Corporate Directors.

Willie Handler
Independent Director,
Chair of the Compensation Committee

Willie Handler has 28 years of experience in the insurance sector, with 20 years working on insurance regulatory policy with the Financial Services Commission of Ontario and eight years of experience operating his own consulting business. Willie has provided strategic advice to a wide range of clients dealing with an evolving regulatory environment. Willie holds a Bachelor of Science from the University of Toronto, a Master's degree in Health Administration from the Fox School of Business at Temple University, and a Master's degree in Public Administration from the Schulich School of Business at York University.



Ungad Chadda
Independent Director

Ungad Chadda was Senior Vice President of TMX Group (the parent company of the Toronto Stock Exchange) and Enterprise Head of Corporate Strategy, Development, and External Affairs. He was responsible for building and maintaining the TMX Group investor base and supporting its public interest mandate and strategies to grow as a company. Ungad joined TMX Group in 1997. During his tenure, Ungad held progressively senior roles, including Director of Listings, TSX Venture Exchange; Chief Operating Officer, TSX Venture Exchange; Vice President, Business Development, Toronto Stock Exchange and TSX Venture Exchange, Senior Vice President, Toronto Stock Exchange and President, Capital Formation.

Brian Koscak
Independent Director

Brian Koscak has been the Vice President and Head of Business and Legal Affairs of a film, television, and media financing company and certain affiliates since 2019.

Between 2015 and 2019, Brian was the President, Chief Compliance Officer, and General Counsel of a large exempt market dealer based in Calgary, Alberta, that was also registered as a portfolio manager and investment fund manager.

Before 2015, he was a partner in the Toronto office of a national Canadian law firm, where he specialized in capital markets and securities compliance and regulatory law with an emphasis on private and public financings, investment funds, and securities registration and compliance matters.

Brian has served as a member of the Ontario Securities Commission's Exempt Market Advisory Committee (2012 – 2017) and the Alberta Securities Commission's Exempt Market Dealer Advisory Committee (2015 - 2021). He is the former Chair and Vice Chair and current Executive member and Chair of the Advocacy Committee of the Private Capital Markets Association of Canada.

He was appointed as a member of the Expert Advisory Committee of the Ontario Government's Capital Markets Modernization Taskforce, established in 2020.

Brian obtained his Bachelor of Arts (Honours) in 1987, Master of Arts (Judicial Administration) in 1988, LL.B. and J.D. in 1997, and his LL.M. (Securities) in 2005. He can practice law in Ontario and Alberta.

Management's Discussion and Analysis

For the three months ended March 31, 2023

EQUITYLINE
MORTGAGE INVESTMENT CORPORATION

Forward-Looking Statements

ADVISORY

The terms, the “Company”, “we”, “us” and “our” in the following Management Discussion & Analysis (“MD&A”) refer to EquityLine Mortgage Investment Corporation. (the “Company”). This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events.

These statements are typically identified by expressions like “believe”, “expects”, “anticipates”, “would”, “will”, “intends”, “projected”, “in our opinion” and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Company will have sufficient capital under management to affect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by the manager, (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Company is able to invest in mortgages of a quality that will generate returns that meet and/or exceed the Company’s targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove to be inaccurate. We caution readers of this MD&A not to place undue reliance on our forward- looking statements as a number of factors could cause future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements.

Actual results may differ materially from management expectations as projected in such forward-looking statements for reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in and the risks detailed from time to time in the Company’s public disclosures.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential effect of these factors, the Company does not undertake, and specifically disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

This MD&A is dated March 31, 2023. Disclosure contained in this MD&A is current to that date, unless otherwise noted.

Business Overview

The Company's business is to provide financing to borrowers that are deemed ineligible by the commercial banks for short-term mortgages secured by real estate assets (primarily residential homes). Borrowers use these mortgages to finance short-term financing needs.

The Company is, and intends to continue to be, qualified as a mortgage investment corporation ("MIC") as defined under Section 130.1(6) of the *Income Tax Act* (Canada) ("ITA").

Basis of Presentation

This management discussion and analysis ("MD&A") has been prepared to provide information about the financial results of the Company for the three months ended March 31, 2023. This MD&A should be read in conjunction with the audited annual 2022 financial statements and for the three months ended March 31, 2022, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The functional and reporting currency of the Company is Canadian dollars.

Recent Developments

(as of March 31, 2023) for the three month period

69 residential mortgages and 1 commercial mortgage, an increase of 4.5% over first quarter 2022

Assets under management totaling $40,950,750 compared with $17.6 million on March 31, 2022 — year-over-year growth of 132%

Net Leveraged Portfolio Yield (NLPY)* 14.9% compared with 14.7% at December 31, 2022

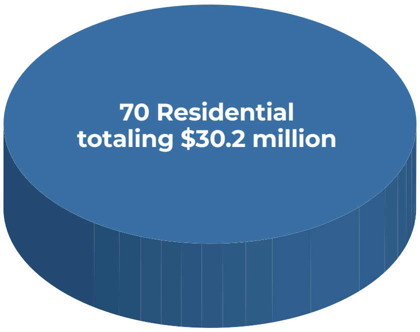
* NLPY is a non-IFRS measure used by management to assess its return on deployed capital and used external bank financing. The NLPY is calculated by taking the quarterly annualized mortgage income of the MIC mortgage portfolio, less bank interest on the leverage SPV portfolio, then divided by the MIC mortgage portfolio.

Portfolio Activity

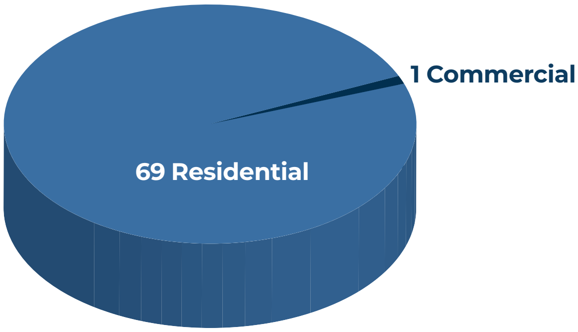
During the first three months ended March 31, 2023, EquityLine MIC funded 70 mortgages totaling $30,220,750. This represents an increase of 70.3% in value over the same period last year. The Company had a portfolio AUM balance of $40,950,740 at the end of March 31, 2023 compared to $17,593,891 at March 31, 2022, an increase of 132%. The mortgage portfolio for the three months ended March 31, 2023 has decreased by $1,382,000 or 4.4% over the fourth quarter of 2022. During the first three months ended March 31, 2023, our SPV banking facility utilization has decreased marginally by $379,470 from $20,796,405 at December 31st, 2022 to $20,284,805 at the end of Q1 2023. Current debenture funding increased from 12,656,415 at December 31st, 2022 to $13,119,718, an increase of $463,303 while long term debentures decreased by $1,231,597 from $1,876,683 at year end to $645,086 at the end of the first quarter of 2023. Funding from the Senior credit facility and the debentures support the mortgage portfolio growth and to capitalize on market opportunities.

Regulatory changes, including the B20 guidelines, have resulted in most residential lenders tightening income qualification standards, thereby forcing borrowers to engage with private lenders because of their difficulty in qualifying for institutional loans. The result has been a large increase in demand for more private mortgage products nationwide.

100% of the mortgage portfolio is invested in Ontario urban markets that generally experience better real estate liquidity in periods of uncertainty and can offer a better risk profile.



MORTGAGE DEALS FUNDED (IN VALUE) for the three months ended March 31, 2023



MORTGAGE PORTFOLIO as of March 31, 2023

Mortgage Average Return

(as of March 31, 2023)

During the first three months of 2023, the Company earned $903,681 of interest income on net mortgage investments representing an increase of 136% over the first three quarters of 2022. The weighted average interest rate on net mortgage investments for the three months ended March 31, 2023 was 10.71% compared to 9.74% in the first three months ended March 31, 2022. This increase in yield was largely attributable to an increasing interest rate environment offset partially from a higher mix of lower risk first mortgages in the portfolio.

Real Estate Investment

During the third quarter of 2022, EquityLine MIC purchased an investment property for $10,200,000. The property is being held for investment purposes and has further commercial re-development potential. The purchase of the investment was not considered to quailify as a sale for accounting purposes and as a result the Company accounts for the transaction as a financing arrangement in accordance with IFRS 9. As of December 31, 2022, the real estate investment was valued at $10,730,000.

Portfolio Positions

As of March 31, 2023, the AUM is $41.0 million, compared with $17.6 million on March 31, 2022 which is a year-over-year growth of 132%.

The Company introduced a new asset class in Q3 and its property investment was valued at $10.73 million at year end 2022, to further diversify its overall portfolio. The investment property was valued at $11,044,000 which includes rental in-come of $73,717 recognized in the first quarter of 2023.

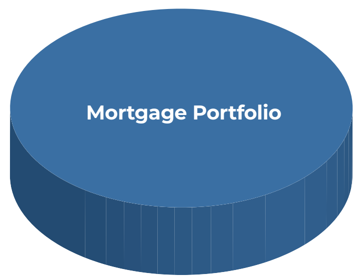
Portfolio Mix

The portfolio of mortgages at March 31, 2023 had an average loan-to-value of 74.5% compared to 73.9% at March 31, 2022.

March 31, 2023

Total Value AUM: $41 M

March 31, 2022



Total Value AUM: $17.6 M

Expenses

MANAGEMENT FEES

The management fee is equal to 1% per annum of the gross net 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 March 31, 2023, the Company incurred management fees of $76,398 ($39,666 in 2022) The incurred management fees in 2022 were subsequently waived by the manager, EquityLine Service Corp at year end 2022.

GENERAL AND ADMINISTRATIVE

For the three months ended March 31, 2023, the Company incurred general and administrative expenses of $21,209 ($53,177 in 2022). The decrease is primarily attributable to cost savings incurred as the Company pursues financing initiatives to increase its scale. General and administrative expenses consist of listing fees, fees paid on custodial services, and other operating costs and administration of the mortgage portfolio.

Highlights of Financial Performance

The Company ended with a net income and comprehensive income net loss of $143,480 in the three months ended March 31, 2023 compared with net loss of $265,767 in the first quarter of 2022.

To conform with the presentation and disclosure of accounting policies adopted for the audited December 31, 2022 financial statements, there is a small profit incurred before accretion and distribution to shareholders, including foreign exchange, for the current year. The Company's results of operation include the distributions, recorded as expenses, made to holders of the Series A, B, and F Preferred shares.

An excerpt from the Statement of Loss and Comprehensive Loss for three months ended March 31, 2023 and the comparable period in 2022 is the following:

	Mar 31 2023	Mar 31 2022
Mortgage Interest Income	**$903,681**	**$383,380**
Operating Expenses	**(280,760)**	**(262,654)**
Gain/Loss FMV Adjustment on Property Investment	**$387,717**	**Nil**
Other Financing Expenses	**(857,833)**	**(211,508)**
Net Income (Loss)	**152,805**	**(90,782)**
Accretion of Transactions Costs before	**(202,270)**	**(121,744)**
Distribution to Shareholders of Preferred Shares (Series A Included)	**(168,708)**	**(150,916)**
Foreign Exchange	**74,693**	**97,675**
Net Profit (Loss) and Comprehensive Income	**$(143,480)**	**$(265,767)**

As the Company expands it will position itself to capitalize on growth prospects in its unique market niche. As such, it has been necessary to increase selling, general and administrative expenses as well as consulting and professional fees to build its infrastructure through product distribution and funding initiatives. Furthermore, as the Company expands its mortgage portfolio it will be able to cover its fixed costs more effectively and efficiently. In Q3 last year the Company established a SPV to provide more funding available to capitalize on its growth opportunities. The flexibility and leverage that the SPV structure provides will lower debt costs and enhance asset growth providing the ability to generate improved profitability without assuming additional debt risk.

The accounting standards require that capital issued with a redemption option are required to be reported as a liability, costs associated with the issue of share capital are amortized over the expected redemption period. As such, the redeemable Preferred Share classes have been classified as a long-term liability, therefore dividends paid on those shares are recorded as expenses and associated expenses are recorded as accretion of transaction costs.

Shareholders’ Equity

Preferred Shares

The Company is authorized to issue an unlimited number of Series A Redeemable Preferred Shares. Holders of Series A Redeemable Preferred Shares are entitled to receive dividends as declared by the Board of Directors. The Company is also authorized to issue an unlimited number of Series B, F and H preferred shares.

On January 18, 2019, the Company completed a public offering of 2,683,400 Series A Redeemable Preferred Shares for total net proceeds of $6,199,133 in Canadian dollars.

Related Party Transactions

As at March 31, 2023, advances to EquityLine Services Corporation (the Manager) totalled $2,340,059 (YE 2022 – $2,388,271). The advances are non-interest bearing and are due on demand. The Company and the Manager are related by virtue of common ownership in management.

As at March 31, 2023, the Company’s mortgage servicing and administration provider (the Manager) was due nil (YE 2022-nil). Any balance would relate to mortgage funding holdbacks and prepaid mortgage interest received from various borrowers.

Dividends

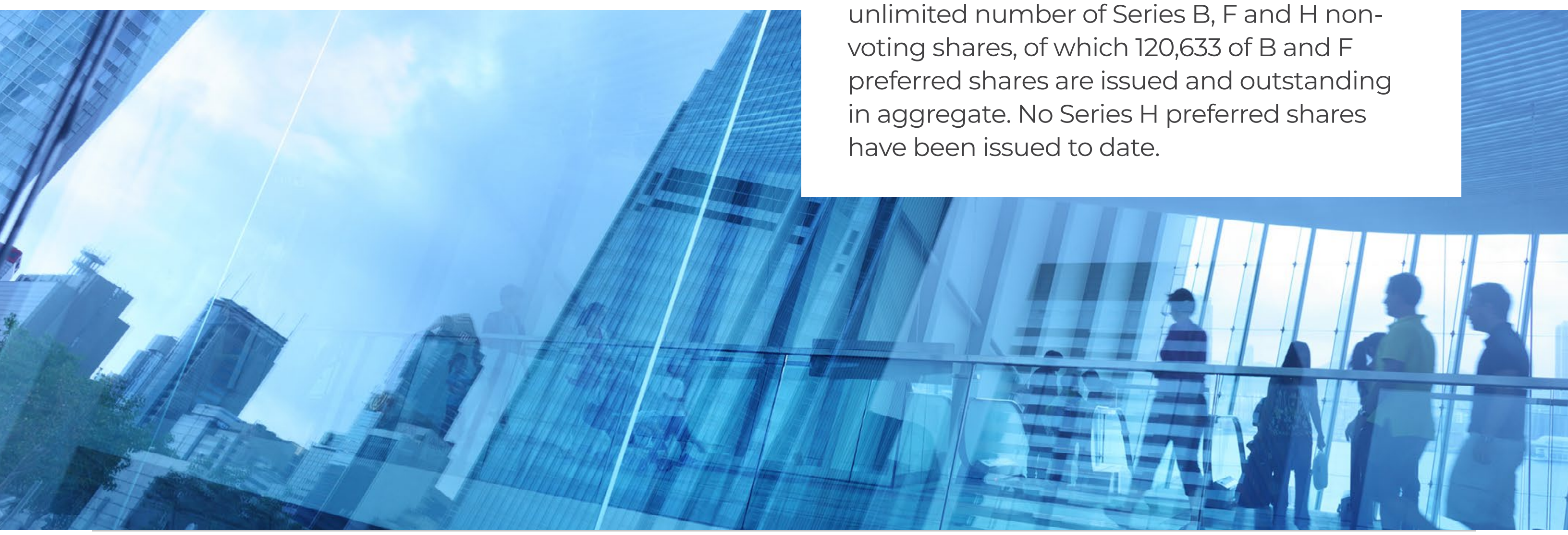
The Company intends to pay dividends to holders of Redeemable Preferred Shares monthly within 15 days following the end of each month.

For the three months ended March 31, 2023, the Company distributed $144,389 or $0.21 CAD per Redeemable Preferred A Share (2022 - $635,879, or $0.065 CAD per Preferred A Share).

Outstanding Share Data

As at March 31, 2023, the Company’s authorized capital consisted of an unlimited number of common shares, of which 200 were initially issued and outstanding and were subsequently split into 100 million shares in the fourth quarter of 2021. There is an unlimited number of Series A Preferred Shares, of which 2,683,400 were issued and outstanding at March 31, 2023.

The Company has also authorized an unlimited number of Series B, F and H non-voting shares, of which 120,633 of B and F preferred shares are issued and outstanding in aggregate. No Series H preferred shares have been issued to date.



Capital Structure and Liquidity

Capital Structure

The Company manages its capital structure 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 believes that the conservative amount of structural leverage gained from the debentures is accretive to net earnings, appropriate for the risk profile of the business. The Company anticipates meeting all its contractual liabilities (described below) using its mix of capital and cash flow from operating activities.

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

Liquidity

Access to liquidity is an important element of the Company as it allows it to implement its investment strategy. The Company is, and intends to continue to be, qualified as a MIC as defined under Section 130.1(6) of the ITA and, as a result, is required to distribute not less than 100% of the taxable income of the Company to its shareholders.

The Company manages its liquidity position through cash flows including cash generated from operations and convertible debentures to fund mortgage investments and other working capital needs. The Company established an initial $25 million credit facility through an SPV structure with a Schedule One Canadian chartered bank in July 2021. The Facility was subsequently increased to $55 million in Q4 2022. As at March 31, 2023, the Company was in compliance with its loan agreements and expects to remain in compliance.

Corporate Governance and Board Committees

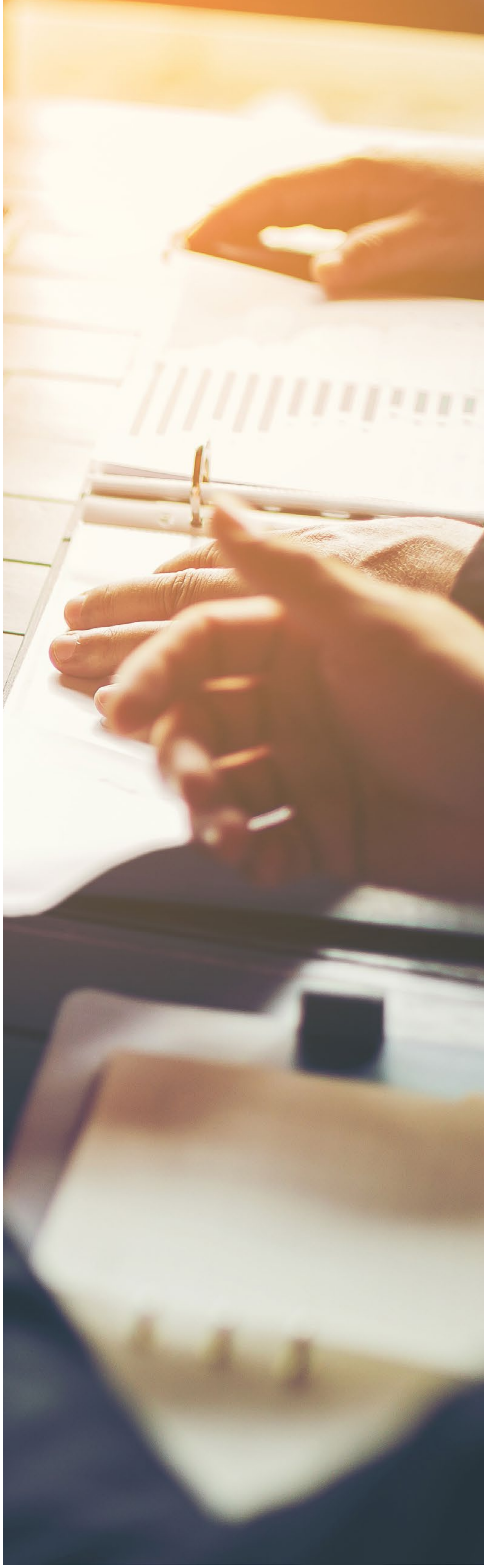
Corporate Governance Policy

The Company has developed a governance framework of procedures and controls in alignment with applicable securities laws. The Company's Governance Committee Charter can be found at EquityLineMIC.com/documents.

Board Committees

The Company's Board has established the following Board Committees:

1. **EquityLine MIC Governance Committee**
   Chaired by: Independent and Lead Director Don Hathaway
2. **EquityLine MIC Audit Committee**
   Chaired by: Independent Director Eric Klein
3. **EquityLine MIC Compensation Committee**
   Chaired by: Independent Director Willie Handler



Interim Unaudited Financial Statements

For the three months period ended March 31, 2023 and 2022

EquityLine
Mortgage Investment Corporation

Index to Interim Unaudited Financial Statements

For the three months ended March 31, 2023 and 2022

Equityline Mortgage Investment Corporation
Interim Unaudited Statements of Financial Position
(Expressed in Canadian dollars)

	(Unaudited) March 31 **2023**	(Audited) December 31 2022
Assets		
Current		
Cash and cash equivalents	**$ 47,360**	$ 124,422
Funds held in trust	**392,453**	254,663
Mortgage investments (Note 4)	**30,487,427**	31,811,584
Prepaid expenses	**314,632**	305,075
Due from related party (Note 6)	**2,340,059**	2,388,271
Total current assets	**$ 33,581,931**	$ 34,884,015
Investment in financing arrangement at fair value (Note 5)	**11,044,000**	10,730,000
Total assets	**$ 44,625,931**	$ 45,614,015
Liabilities		
Current		
Trust fund liability	**$ 392,453**	$ 254,663
Accounts payable and accrued liabilities	**354,949**	260,541
Withholding taxes payable	**17,882**	1,785
Prepaid mortgage interest	**962**	1,923
Distributions payable	**44,572**	164,529
Senior demand facility (Note 7)	**19,531,071**	19,910,541
Mortgage payable (Note 10)	**6,745,827**	6,575,160
Series A redeemable preferred shares (Note 9)	**7,262,891**	7,268,794
Series B redeemable preferred shares (Note 9)	**1,034,298**	981,186
Series F redeemable preferred shares (Note 9)	**120,173**	142,266
Short term debentures (Note 8)	**13,119,718**	12,656,415
	48,624,796	48,237,803
Long term debentures (Note 8)	**645,086**	1,876,683
Total liabilities	**49,269,882**	50,114,486
Shareholders' Deficiency		
Share capital (Note 10)	**200**	200
Deficit	**(4,644,151)**	(4,500,671)
Total shareholders' deficiency	**(4,643,951)**	(4,500,471)
	$ 44,625,931	$45,614,015

Contingent liability (Note 12)

On behalf of the Board

Sergiy Shchavyelyev Director   Sergiy Przhebelskyy Director

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation
Consolidated Statements of Net Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	(Unaudited) March 31 **2023**	(Audited) March 31 2022
Mortgage interest income	**$ 903,681**	$ 383,380
Operating expenses		
Professional fees	**46,953**	37,408
Advertising and promotion	**10,750**	1,413
Consulting fees	**80,200**	91,821
Management fees (Note 5)	**76,398**	39,666
Director fees	**27,500**	22,500
General and administrative	**21,209**	53,177
Referral fees	**6,000**	5,300
Standby fees	**4,742**	6,129
Business taxes, licenses and memberships	**-**	-
Insurance	**7,008**	5,240
Total operating expenses	**280,760**	262,654
Income before finance expenses	**622,921**	120,726
Finance expenses		
Interest and bank charges	**857,833**	202,403
Realized foreign exchange loss	**(74,693)**	9,105
Unrealized foreign exchange gain	**-**	(97,675)
Accretion of senior demand facility transaction costs	**132,129**	82,990
Accretion of transaction costs of debentures	**31,681**	10,000
Accretion of transaction costs of redeemable preferred shares	**38,460**	28,754
Distributions to shareholders of redeemable preferred shares	**168,708**	150,916
Total finance expenses	**1,154,118**	386,493
Net loss before other income	**$ (531,197)**	$ (265,767)
Fair value adjustment on investment in financing arrangement at fair value (Note 5)	**387,717**	-
Net loss and comprehensive loss	**$ (143,480)**	$ (265,767)
Loss per common share (Note 11)	**$ (.001)**	$ (.003)

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Share Capital	Deficit	Total Shareholders' Deficiency
Balance at January 1, 2022	$ 200	$ (2,977,720)	$ (2,977,520)
Net income	-	(1,522,951)	(1,522,951)
Balance at December 31, 2022	$ 200	$ (4,500,671)	$ (4,500,471)
Balance at January 1, 2023	$ 200	$ (4,500,671)	$ (4,500,471)
Net loss and comprehensive loss	-	(143,480)	(143,480)
Balance at March 31, 2023	**$ 200**	**$ (4,644,151)**	**$ (4,643,951)**

See accompanying notes to the consolidated financial statements.

Equityline Mortgage Investment Corporation
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	(Unaudited) March 31 **2023**	(Unaudited) March 31 2022
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	**$ (143,480)**	$ (265,767)
Fair value adjustment of mortgage investment at fair value	**(73,717)**	
Accretion of facility transaction costs	**132,129**	82,990
Accretion of transaction costs of short term debentures	**31,681**	10,000
Accretion of transaction costs of redeemable preferred shares	**38,460**	28,755
Provision for mortgage investment losses	**-**	-
Non-cash interest on mortgage payable	**170,667**	
Unrealized foreign exchange gain	**(5,903)**	(97,675)
	149,837	(241,697)
Changes in non-cash working capital items		
Prepaid expenses	**(9,557)**	(137,805)
Accounts payable and accrued liabilities	**94,408**	67,399
Withholding taxes recoverable/payable	**16,097**	-
Payable for preferred shares redeemed	**(20,000)**	
Distributions payable	**(119,957)**	(697)
Prepaid mortgage interest	**(961)**	(6,012)
	109,867	(318,812)
Financing		
Advances (to) from related parties, net	**48,212**	(629,524)
Net proceeds from issuance of Series B redeemable preferred shares, net of financing costs	**17,558**	270,104
Redemption of Series B redeemable preferred shares	**-**	-
Net proceeds from mortgage payable	**-**	-
Net proceeds from issuance of Series F redeemable preferred Shares, net of financing costs	**-**	-
Redemption of Series B redeemable preferred shares	**(25,000)**	-
Net proceeds from senior demand facility, net of financing costs	**(511,599)**	1,678,100
Proceeds from issuance of debentures, net of financing costs	**543,625**	2,643,977
Repayment of debentures	**(1,343,599)**	(1,210,000)
	(1,270,803)	2,752,657
Investing		
Investment in financing arrangement at fair value	**(314,000)**	-
Rental cash flows received for investment in Financing arrangement, at fair value	**73,717**	-
Investments in mortgage investments, net of discharges	**1,324,157**	(2,998,626)
	1,083,874	(2,998,626)
Decrease in cash and cash equivalents	**(77,062)**	(564,780)
Cash and cash equivalents, beginning of period	**124,422**	736,578
Cash and cash equivalents, end of period	**$ 47,360**	$ 171,798

See accompanying notes to the consolidated financial statements.

1. Nature of business

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 Company was managed by Equityline Service Corporation ("the Manager"). 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 returns relative to risk in order to permit the Corporation to pay dividends to its shareholders.

On June 23, 2021, the Company established a special purpose vehicle, Equityline SPV Limited Partnership to establish a $25,000,000 credit facility with a Canadian Schedule 1 bank. The facility is to be utilized for the purchase of eligible mortgage investments.

2. Basis of presentation

Statement of compliance

The consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The unaudited consolidated financial statements were approved by the Board of Directors on May 12, 2023.

Basis of consolidation

The consolidated financial statements include financial statements of Equityline Mortgage Investment Corporation and Equityline SPV Limited Partnership, a special purpose vehicle over which it has control.

The Company controls an investee when the Company is exposed to, or has rights to, variable returns from its relationship with the investee and has the ability to affect those returns through its power over the investee. The Company considers all relevant facts and circumstances in assessing whether the rights outlined in the Limited Partnership Agreement of Equityline SPV Limited Partnership are sufficient to give it power. These facts and circumstances include: the Company's involvement in the purpose and design of the investee, contractual arrangements between the Company and the investee, whether the Company directs the relevant activities of the investee and implicit and explicit commitments to support the investee. The financial statements of the special purpose vehicle are included in the consolidated financial statements from the date control commences and are deconsolidated on the date when control ceases.

Intra-group balances and transactions are eliminated on consolidation.

2. Basis of presentation (continued)

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL") which are measured at fair value at each reporting date.

Functional and presentation currency

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

Critical accounting estimates, assumptions and judgments

In the preparation of these consolidated audited 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 statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the statements are as follows:

Classification of mortgage investments

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

Provision for impairment

The most significant estimates that the Company is required to make relate to the impairment of the mortgage investments (Note 4). These estimates include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances, adverse changes in the payment status of borrowers, and other factors affecting the investments and underlying security of the investments. These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns, and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations of the actual outcome. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

Classification of investment portfolio - Investment portfolio is classified based on the assessment of business model and the cash flow characteristics of the investments. The Company exercises judgement in determining the classification of loans in the investment portfolio into measurement categories (Note 3).

2. Basis of presentation (continued)

Critical accounting estimates, assumptions and judgments (continued)

<u>Measurement of expected credit loss</u>

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. (Note 4).

<u>Measurement of fair values</u>

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 or liability, 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.

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 and measured 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.

3. Summary of significant accounting policies (continued)

(b) Mortgage investments (continued)

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.

(c) Mortgage interest 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.

(d) Income taxes

The Company is a mortgage investment corporation ("MIC") pursuant to the Income Tax Act (Canada). As such, the Company is entitled to deduct from its taxable income dividends paid to shareholders during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously. The Company intends to maintain its status as a MIC and intends to distribute sufficient dividends in the year and in future years to ensure that the Company is not subject to income taxes. Accordingly, for consolidated financial statement reporting purposes, the tax deductibility of the Company's dividends results in the Company being effectively exempt from taxation and no provision for current or future income tax is required for the Company.

(e) Foreign currency forward contracts

The Company may enter into foreign currency forward contracts to economically hedge its foreign currency risk exposure of its mortgage and other investments that are denominated in foreign currencies. The value of forward currency contracts entered into by the Company is recorded as the difference between the value of the contract on the reporting period and the value on the date the contract originated. Any resulting gain or loss is recognized in the statement of net income and comprehensive income unless the foreign currency contract is designated and effective as a hedging instrument under IFRS. The Company has elected to not account for the foreign currency contracts as an accounting hedge.

3. Summary of significant accounting policies (continued)

(f) Financial instruments

Classification & Measurement of Financial Assets

Recognition and initial measurement

The Company on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of consideration paid. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities are initially recognized on the date at which the Company becomes a party to the contractual provisions of the instrument.

The initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

Classification and subsequent measurement - financial assets

Financial assets are classified into one of the following measurement categories:
- amortized cost;
- fair value through other comprehensive income ("FVOCI") - debt investment; or
- FVTPL.

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.

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Classification and subsequent measurement - financial assets (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.

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Classification and subsequent measurement - financial assets (continued)

Financial assets - assessment whether contractual cash flows are solely payments of interest (continued)

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.

Subsequent measurement and gains and losses – financial assets

Financial assets classified at FVTPL

Measured at fair value. Net gains and losses, including any interest, are recognized in net income and comprehensive income.

Financial assets classified 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 net income and comprehensive income. Any gain or loss on derecognition is recognized in net income and comprehensive income.

Debt investments classified 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:

Financial Instrument	Classification and measurement
Financial Assets:	
Mortgage investments	Amortized cost
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Due from related party	Amortized cost

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

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 FVTPL if 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.

The Company classified its financial liabilities into one of the following categories:

Financial Instrument	Classification and measurement
Financial Liabilities:	
Accounts payable	Amortized cost
Senior demand facility	Amortized cost
Debentures	Amortized cost
Series A redeemable preferred shares	Amortized cost
Series B redeemable preferred shares	Amortized cost
Series F redeemable preferred shares	Amortized cost
Due to related parties	Amortized cost

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.

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Impairment of financial assets (continued)

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, the Manager relies on estimates and exercises 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.

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 less 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. The Manager consider past events, current market conditions and reasonable forward-looking supportable information about future economic conditions. In assessing information about possible future economic conditions, the Manager utilized multiple economic scenarios including a 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.

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Measurement of ECLs (continued)

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. In determining expected credit losses, the Manager has 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. The Manager exercises 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. The Manager reviews the 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 the Manager expects to recover from an individually significant impaired loan, the Manager uses 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.

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.

3. Summary of significant accounting policies (continued)

(g) 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.

(h) Adoption of new accounting standards

The Company has not adopted any new accounting standards that had a material impact on the Company’s consolidated financial statements.

Future accounting policy changes

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and the settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

(Expressed in Canadian dollars)

3. Summary of significant accounting policies (continued)

(h) Adoption of new accounting standards (continued)

Future accounting policy changes (continued)

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

4. Mortgage investments

	March 31 2023	Number	Dec 31 2022	Number
Residential	$30,095,750	69	$ 31,477,750	73
Commercial	125,000	1	125,000	1
	30,220,750	70	31,602,750	74
Accrued interest receivable (net of servicing fees)	456,677		398,834	
	30,677,427		32,001,584	
Allowance for loan losses	(190,000)		(190,000)	
	$ 30,487,427		$ 31,811,584	

	2023	%	2022	%
Interest in first mortgages	$ 24,560,925	80%	$ 25,899,176	81%
Interest in non-first mortgages	6,116,502	20%	6,102,408	19%
	30,677,427	100%	32,001,584	100%
Allowance for loan losses	(190,000)		(190,000)	
	$ 30,487,427		$ 31,811,584	

The following table presents the gross carrying amounts of mortgage investments subject to IFRS 9 impairment requirements.

Allowance for credit losses

Allowance on performing loans

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of expected credit losses. The ECL model requires the recognition of credit losses based on 12 months of expected losses for performing loans (Stage 1) and the recognition of lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). As at March 31, 2023, no provision for expected credit losses on the mortgage investments was recorded (2022 - $190,000).

(Expressed in Canadian dollars)

4. Mortgage investments (continued)

Allowance for credit losses (continued)

Allowance on impaired loans

Allowance for impaired loans (Stage 3) are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. As at March 31, 2023 and December 31, 2022, there were no impaired mortgage investments.

Mortgage Loans are broken down into the different stages as follows:

	Stage 1	Stage 2	Stage 3	Total
Residential				
Gross mortgage investments	$36,114,900	$ -	$ -	$ 36,114,900
Allowance for loan losses	(38,194)	-	-	(38,194)
Mortgage investment, net of allowance	36,076,706	-	-	36,076,706
Commercial				
Gross mortgage investments	425,000	-	-	425,000
Allowance for loan losses	(806)	-	-	(806)
Mortgage investment, net of allowance	424,194	-	-	424,194
Total mortgage loans	**$ 36,500,900**	**$ -**	**$ -**	**$ 36,500,900**

The Company uses the following internal risk ratings for credit risk purposes:

Low Risk: Mortgage 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 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 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 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.

4. Mortgage investments (continued)

Default: Mortgage 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 March 31, 2023 are classified as Medium-low risk.

The weighted average interest rate of the mortgage loans portfolio during the quarter is 11.40% (December 31, 2022 – 9.74%). The mortgage loans outstanding as of March 31, 2023, bear interest at the average rate of 11.31% (December 31, 2022 – 8.65%)

5. Investment in financing arrangement at fair value

On September 1, 2022, the Company entered into a contractual arrangement to invest in a property located in Pickering, Ontario from a related party, Velev Capital GP Inc. ("GP Inc."), for $10,200,000. As part of the terms of the contractual arrangement, GP Inc. has the right to repurchase the investment from the Company for $13,000,000 at any time until September 1, 2024. As part of the investment, the Company receives rental cash flows from third party tenants and GP Inc. GP Inc. manages and operates the property on behalf of the Company.

The Company has assessed that GP Inc. retains control of the property, primarily as a result of the repurchase option. As such, the purchase of the investment failed to qualify as a sale and as a result the Company accounts for the transaction in accordance with IFRS 9 as a financing arrangement. Under this treatment, the Company's investment comprises a financial asset, initially measured at the transfer proceeds, and not a direct investment in the purchased property. The investment is subsequently measured at fair value through profit and loss as the repurchase option contains cash flows that are not solely payments of principal and interest. Rental cash flows received by the Company are treated as repayments of the financing arrangement.

As at December 31, 2022, the Company has measured the investment at $10,730,000 in the consolidated statements of financial position and recorded a fair value adjustment of $605,463 that includes rental cash flows of $75,463 in the consolidated statements of net loss and comprehensive net loss. As at March 31, 2023, the Company has measured the investment at $11,044,000 in the consolidated statements of financial position and record a fair value adjustment of $314,000 plus a value of $73,717 for rental cash flows. Refer to Note 15 which describes the valuation technique employed by management that provides the basis in estimating the fair value of the investment.

6. Management fees

The Manager is responsible for day-to-day operations including administration of the Company's mortgage portfolio. Pursuant to the management agreement, the Manager is entitled 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 March 31, 2023, the Company incurred management fees of $76,398 (2022 - $39,666).

(Expressed in Canadian dollars)

7. Related party transactions and balances

Due from related party

	March 31 2023	Dec 31 2022
Equityline Services Corp. (the Manager)	**$ 2,340,059**	$ 2,388,271

The amount receivable from the Manager is non-interest bearing, and due on demand. The Manager is related to the Company by virtue of common ownership and management.

The amount payable to GP Inc. and Equityline Financial Corp. are non-interest bearing and due on demand. GP Inc. and Equityline Financial Corp. are related to the Company by virtue of common ownership and management.

On December 31, 2021, the Company sold three mortgages at their carrying value to GP Inc. for an aggregate amount of $3,322,984. The consideration received was applied against the outstanding balance of the debenture owing to GP Inc. During the first quarter of 2022, two loans have been fully repaid for proceeds of $951,977.

During fiscal 2021, the Company issued a debenture for $450,000 to Equityline Financial Corp. bearing interest at 8% with a maturity date of December 30, 2022. On February 9, 2022, this was repaid by the Company.

During fiscal 2020, the Company issued debentures for $4,670,000 to GP Inc. with a maturity date of January 3, 2023. On August 20, 2020, GP Inc. assigned $940,000 of the debentures to Equityline Capital Limited. During fiscal 2021, the Company repaid the debenture issued to Equityline Capital Limited. Equityline Capital Limited is related to the Company by virtue of common ownership and management. The Company repaid $1,382,999 of the debentures issued to GP Inc. during the year. Refer to Note 8 which further describes the terms and conditions of the debentures.

During the quarter, the Company paid management fees of $10,000 (2022 - Nil) to the Manager.

These 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.

8. Senior demand facility

	March 31 2022	Dec 31 2021
Senior revolving demand facility	**$ 20,284,805**	$ 20,796,405
Less: transaction costs	**(1,585,550)**	(1,585,290)
	18,699,255	19,211,115
Accretion of transaction costs	**831,816**	699,426
	$ 19,531,071	$ 19,910,541

Equityline SPV LP ("the Borrower") entered into an agreement with Equitable Bank on August 5, 2021 for a demand senior secured revolving credit facility. The facility can be used by the Borrower to acquire eligible mortgages as defined by the banking agreement from Equityline Mortgage Investment Corporation (“the Originator”). The facility is authorized to the lesser of (i) $25,000,000 and (ii) the borrowing base as defined by the banking agreement. The Borrower has agreed to grant the lender a first priority lien on all of its assets and Equityline Services Corp. is the guarantor of the facility. The facility bears interest at the prime rate of interest plus 1.50% per annum, provided that the interest rate is not less than 3.70% (2022- 3.95%).

(Expressed in Canadian dollars)

Pursuant to the credit facility agreement, the Borrower is subject to the following financial covenants:

- Loss ratio cannot exceed 3.00%, tested monthly.
- Delinquency ratio cannot exceed 5.00%, tested monthly.
- Weighted average yield of the portfolio for Eligible Mortgages must be at least 1.00% greater than the Interest Rate, tested monthly.
- The Originator shall maintain a minimum contribution of equity equal to at least 5.00% of the Eligible Mortgage Balance.

As of March 31, 2023, the Company was in compliance with its financial covenants.

9. Debentures

Short term debentures are comprised of as follows:

	March 31 2023	Dec 31 2022
Issued		
Due on demand, carrying interest rate of 8.0%	**$ 5,382,749**	$ 5,432,749
Due on demand, carrying interest rate of 9.0%	**200,000**	200,000
Due on demand, carrying interest rate of 8.0%	**400,000**	400,000
Due on demand, carrying interest rate of 8.0%	**400,000**	400,000
Due on demand, carrying interest rate of 8.0%	**600,000**	600,000
Due on April 18, 2023, carrying interest rate of 8.0%	**100,000**	100,000
Due on April 28, 2023, carrying interest rate of 8.0%	**510,000**	510,000
Due on May 11, 2023, carrying interest rate of 8.0%	**2,940,000**	2,940,000
Due on June 9, 2023, carrying interest rate of 8.0%	**875,000**	875,000
Due on August 4, 2023, carrying interest rate of 8.0%	**700,000**	700,000
Due on August 22, 2023, carrying interest rate of 8.0%	**100,000**	100,000
Due on October 5, 2023, carrying interest rate of 8.0%	**25,000**	25,000
Due on October 6, 2023, carrying interest rate of 8.0%	**250,000**	250,000
Due on November 1, 2023, carrying interest rate of 8.0%	**150,000**	150,000
Due on December 12, 2023, carrying interest rate of 8.0%	**50,000**	50,000
Due on December 21, 2023, carrying interest rate of 8.0%	**200,000**	200,000
January 2, 2024, carrying interest rate of 8.0%	**7,500**	-
Due on January 24, 2024, carrying interest rate of 8.0%	**100,000**	-
Due on January 30, 2024, carrying interest rate of 8.0%	**100,000**	-
Due on February 26, 2024, carrying interest rate of 8.0%	**100,000**	-
Due on March 22, 2024, carrying interest rate of 8 .0%	**260,000**	-
	$ 13,450,249	12,974,749
Less: transaction costs	**(722,646)**	(548,015)
	$ 12,727,603	12,426,734
Accretion of transaction costs	**392,115**	229,681
Total short term debentures	**$ 13,119,718**	$ 12,656,415

(Expressed in Canadian dollars)

Long term debentures are comprised of as follows:

	March 31 2023	Dec 31 2022
Issued		
Due January 3, 2023, carrying interest rate of 8% (Note 6)	**$ 645,086**	$ 1,876,683
Total long term debentures	**$ 645,086**	$ 1,876,683

On January 3, 2020, the Company established a revolving debenture facility of $8,000,000 with VeleV Capital GP Inc. As at June 30, 2022, the balance of the facility was $1,860,994.

On August 20, 2020, VeleV Capital GP Inc. assigned $940,000 of long term debentures to Equityline Capital Limited (Jamaica) due August 20, 2022. The debenture was repaid during the year.

During the quarter, the Company issued short term debentures for proceeds of $587,500 with maturity dates ranging from April 18, 2023 to March 22, 2024.

During the quarter, the Company repaid short term debentures of $1,343,597.

The short term and long term debentures are secured by a general security agreement constituting a charge on all of the assets of the Company ranking equal with the holders of the Series A, B and F redeemable preferred shares.

Interest costs of $276,326 (2022 - $202,403) related to the debentures are recorded in financing costs using the effective interest rate method.

10. Mortgage payable

	March 31 2023	Dec 31 2022
Mortgage payable	**$ 6,404,493**	$ 6,404,493
Interest accrued	**341,334**	170,667
	$ 6,745,827	$ 6,575,160

11. Redeemable preferred shares

Series A Redeemable Preferred Shares

	March 31 2023		Dec 31 2022	
	Shares	**Amount**	Shares	Amount
Shares outstanding at the beginning of the year	**2,683,400**	**$ 7,268,794**	2,683,400	$ 6,804,027
Foreign currency revaluation	**-**	**(5,903)**	-	464,767
Less: transaction costs	**-**	**(737,667)**	-	(737,667)
	2,683,400	**6,525,224**	2,683,400	6,531,127
Accretion of transaction costs	**-**	**737,667**	-	737,667
	2,683,400	**$ 7,262,891**	2,683,400	$ 7,268,794

(Expressed in Canadian dollars)

Series B Redeemable Preferred Shares

	2023		2022	
	Shares	**Amount**	Shares	Amount
Shares outstanding at the beginning of the year	**103,433**	**$ 981,186**	43,500	$ 435,000
Issuance of Series B preferred shares	**3,200**	**32,000**	61,433	614,330
Redemption of Series B preferred Shares	**-**	**-**	(1,500)	(15,000)
Less: transaction costs	**-**	**(173,651)**	-	(173,651)
	106,633	**839,535**	103,433	860,679
Accretion of transaction costs	**-**	**194,763**	-	120,507
	106,633	**$ 1,034,298**	103,433	$ 981,186

Series F Redeemable Preferred Shares

	2023		2022	
	Shares	**Amount**	Shares	Amount
Shares outstanding at the beginning of the year	**16,200**	**$ 142,266**	13,700	$ 137,000
Issuance of Series F preferred shares	**-** **-**	**-** **-**	5,500	55,000
Redemption of Series F preferred Shares	**(2,500)**	**(25,000)**	(3,000)	(30,000)
Less: transaction costs	**-**	**(54,690)**	-	(54,690)
	13,700	**62,576**	16,200	107,310
Accretion of transaction costs	**-**	**57,597**	-	34,956
	13,700	**$ 120,173**	16,200	$ 142,266

During the three months, the Company issued 3,200 Series B shares for proceeds of $32,000. One shareholder of Series F shares redeemed 2,500 shares for a value of $25,000.

On January 18, 2019, the Company completed a public offering of 2,683,400 Series A redeemable preferred shares for a total of net proceeds of $6,480,844.

There is an unlimited number of Series A redeemable preferred shares available for issue. The shares are non-voting and redeemable at $2.00 USD per share.

Distributions to shareholders of Series A redeemable 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 months ended March 31, 2023, the Company declared dividends of $144,839 (2022 - $135,614), or $0.21 CAD ($0.15 USD) versus (2022 - $0.20 CAD ($0.16 USD) per Series A preferred share

Distributions to shareholders of Series B redeemable preferred shares

The Company intends to pay dividends to holders of Series B preferred shares monthly within 15 days following the end of each month. For the three months ended March 31, 2023, the Company declared dividends of $20,817 (2022 - $9,324), or $0.80 (2022 - $0.80) per Series B preferred share.

(Expressed in Canadian dollars)

Distributions to shareholders of Series F redeemable preferred shares

The Company intends to pay dividends to holders of Series F preferred shares monthly within 15 days following the end of each month. For the three months ended March 31, 2023, the Company declared dividends of $3,052 (2022 - $5,978), or $0.85 (2022 - $0.85) per Series F preferred share.

12. Share capital

Authorized:

Unlimited voting common shares.

Unlimited Series A preferred shares, non-voting, redeemable by the Company after 24 months and retractable by the holder after 36 months at $2.00 USD per share with a right to a monthly dividend of $0.01333 USD ($0.16 USD annually).

Unlimited Series B non-voting shares, redeemable and retractable at $10 per share with a right to an annual cumulative dividend of 8.0% paid monthly.

Unlimited Series F non-voting shares, redeemable and retractable at $10 per share with a right to an annual cumulative dividend of 8.5% paid monthly.
Unlimited Series H non-voting shares, redeemable and retractable at $10 per share with a right to an annual cumulative dividend of 8.0% paid monthly.

	2023	2021
Issued		
100,000,000 voting common shares (2020-200)	**$ 200**	$ 200

On November 11, 2021, the Company subdivided the 200 voting common shares into 100,000,000 voting common shares with one voting right per 1,000,000 shares.

13. 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.

The following table shows the computation of per share amounts:

	March 31 2023	March 31 2022
Net profit (loss) and comprehensive loss	**$ (143,480)**	$ (265,767)
Weighted average number of common shares - basic	**100,000,000**	100,000,000
(Loss) per common share – basic	**(.001)**	(0.003)

14. Contingent liability

In the ordinary course of business activities, the 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.

Currently, there are no contingent liabilities or litigations.

15. 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.

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 Company's primary exposure to credit risk at March 31, 2023 is its mortgage investments of $36,500,900 (2022 - $31,811,584). However, the exposure to risk is mitigated by security against the assets of the borrowers.

The Company has recourse under these mortgages and in the event of default by the borrower; in which case, the Company would have a claim against the underlying collateral.

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.

(Expressed in Canadian dollars)

The following are the contractual maturities of financial liabilities as at March 31, 2023 and March 31, 2022:

2023	Carrying values	Contractual cash flows	Within a year	1 to 3 years	3 to 5 years
Accounts payable and accrued liabilities	$ 354,949	$ 354,949	$ 354,949	$ -	$ -
Distributions payable	44,572	44,572	44,572	-	-
Due to related parties	2,340,059	2,340,059	2,340,059	-	-
Prepaid mortgage interest	962	10,257	10,257	-	-
Short term debentures	13,119,718	13,450,249	13,450,249	-	-
Long term debentures	645,086	645,086	-	645,086	-
Series A redeemable preferred shares	7,262,891	6,671,188	6,671,188	-	-
Series B redeemable preferred shares	1,034,298	1,066,330	1,066,330	-	-
Series F redeemable preferred shares	120,173	137,000	137,000	-	-
Credit facility	19,531,071	20,284,805	20,284,805	-	-
	$ 44,453,779	$ 45,004,495	$ 44,359,409	$ 645,086	$ -

2022	Carrying values	Contractual cash flows	Within a year	1 to 3 years	3 to 5 years
Accounts payable and accrued liabilities	$ 199,636	$ 199,636	$ 199,636	$ -	$ -
Distributions payable	159,942	159,942	159,942	-	-
Due to related parties	289,190	289,190	289,190	-	-
Prepaid mortgage interest	10,257	10,257	10,257	-	-
Short term debentures	7,589,635	7,589,635	7,589,635	-	-
Long term debentures	1,185,994	1,185,994	-	1,185,994	-
Series A redeemable preferred shares	6,706,353	6,706,353	6,706,353	-	-
Series B redeemable Preferred shares	443,545	554,830	-	-	-
Series F redeemable Preferred shares	261,952	297,000	-	-	-
Credit facility	4,794,270	5,992,600	5,992,600	-	-
	$ 21,654,334	$ 22,998,997	$ 20,961,173	$ 1,185,994	$ -

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 March 31, 2023, the Company has the following assets and liabilities denominated in US dollars:

	March 31 2023	Dec 31 2022
Cash and cash equivalents	**$ 46,471**	$ 123,288
Distributions payable	**44,572**	164,529
Series A redeemable preferred shares	**6,671,188**	7,268,794
	$ 6,762,231	$ 7,556,611

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial assets or financial liabilities with fluctuate because of changes in market interest rates. The Company manages its sensitivity to interest rate fluctuations by managing the fixed rate composition of its investment portfolio.

The Company's amounts receivable, accounts payable and accrued expenses, prepaid mortgage interest 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.

Interest income risk

The Company's mortgage loans consist of short term loans that are generally repaid by the borrowers in under 12 months. The reinvestment of the funds received from such repayments is invested at current market interest rates. As such, the weighted average interest rate applicable to the investment portfolio changes with time. This creates an ongoing risk that the weighted average interest rate on the investment portfolio will decrease, which will have a negative impact on the Company's mortgage interest income.

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.

16. Fair value of financial instruments

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 mortgages. Typically, the fair value of these mortgage investments approximate their carrying values given the amounts consist of short-term loans.

b) Investment in financing arrangement at fair value

Investment in financing arrangement at fair value is a level 3 investment whose fair value has been determined by reference to the property from which repayments of the financing arrangement, including potential repurchase proceeds, will be derived. The fair value of the property has been determined by management using an external appraisal performed by an accredited independent appraiser as at December 31, 2022, with recognized and relevant professional qualification and recent experience in the location and category of the property being valued. The appraiser employed the direct comparison approach to the value the property and validated it with the income approach.

(Expressed in Canadian dollars)

Management reduced the fair value of the investment as calculated by the independent appraiser by measuring the fair value of the repurchase option held by GP Inc., which gives GP Inc. the right to repurchase the property for $13,000,000, using the Black Scholes option pricing model. Management applied the following principal assumptions to the Black-Scholes option pricing model:

	December 31, 2022
Stock Price	10,800,000
Exercise price	13,000,000
Risk free rate	3.89%
Expected life (years)	1.67
Expected annual volatility	10.00%

The underlying expected volatility was determined by reference to historical data of the housing price index for the Greater Toronto Area adjusted for economic uncertainty in fiscal 2023.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions amount vacancy levels, discount rate, expected contractual life of the repurchase option and expected annual; volatility of the property value. The valuation of the investment in financing arrangement is highly sensitive to changes in market conditions. A 10% change in the price of the underlying property will result in a $1,073,000 fair value gain/loss.

© Other financial assets and liabilities

The fair values of cash and cash equivalents, amounts receivable, due from related parties, accounts payable, prepaid mortgage interest, debentures and redeemable preferred shares approximate their carrying amounts due to their short-term maturities or bear interest and dividend at market rates.

17. 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 and debentures.

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 March 31, 2023, the Company was in compliance with its investment restrictions.

18. Events after the statement of financial position date

No significant non-adjusting event has occurred between the reporting date and the date of authorization.

Shareholders

Top 10 Shareholders
(non-voting shares)

SHAREHOLDER	UNITS
JCSD TRUSTEE SERVICES LTD - SIGMA GLOBAL BOND	625,000
JCSD TRUSTEE SERVICES LTD - SIGMA OPTIMA	525,000
SAGICOR POOLED EQUITY FUND	384,000
SIGMA GLOBAL MARKETS FUND JCSD TRUSTEE SERVICES LTD.	225,000
ROLAND R. JAMES	112,000
HUGH CROSS	50,000
QUINTAL INVESTMENTS LTD.	50,000
VENIA L. GRAY	50,000
MARY J. MCCONNELL	50,000
ROBERT E. SMITH	30,000

Equity in the Company of more than 25%
(voting shares)

INDIVIDUAL	OWNERSHIP	ACTIVE IN THE BUSINESS
Sergiy Shchavyelyev	25%	Yes
Robert Kay	25%	Yes
Yuliya Yashku	25%	No
Igor Demitchev	25%	No

Directors Report

The Directors are pleased to submit their report along with the Unaudited Financial Statements of the Company for the three months ended March 31, 2023.

DIRECTORS

The directors of the Company as at December 31, 2022 were:

Sergiy Shchavyelyev	Chairman and Chief Executive Officer
Robert Kay	Executive Vice President
Sergiy Przhebelskyy	Chief Operating Office
Ungad Chadda	Independent Director
Donald Hathaway	Independent Director
Eric Klein	Independent Director
William Handler	Independent Director
Brian Koscak	Independent Director

INDEPENDENT AUDIT COMMITTEE

Eric Klein	Chair
Ungad Chadda	
William Handler	

SENIOR MANAGEMENT

Mark Korol	Chief Financial Officer
Arthur Smelyansky	Chief Portfolio Manager
Mark Simone	Vice President

The Audit Committee of the Board

The Board of Directors of the Corporation (the “Board”) has established an Audit Committee (the “Committee”) for the purpose of providing recommendations relating to oversight of the integrity of the financial and related information of the Corporation, including its financial statements, the internal controls and procedures for financial reporting and the processes for monitoring compliance with legal and regulatory requirements and to review the independence, qualifications and performance of the external auditor of the Corporation.

The Committee is composed of three independent directors in accordance with section 1.2(1) of National Instrument 58 -101, one of whom must be a Certified Public Accountant.

The Board has delegated to the Committee the duties and powers specified in section 171 of the *Canada Business Corporations Act* (the “CBCA”), giving it the authority to conduct or authorize investigations into any matter within its scope of responsibility, which includes recommending the public accounting firm and its compensation to be recommended to the Corporation’s Board of Directors and shareholders for appointment as external auditors, and oversight of the work of the external auditors, which report directly to the Committee.

Beyond the Committee, the Board seeks directors who can provide a range of competent perspectives based on their experience and expertise, with an emphasis on those who are knowledgeable and conversant in the language of finance and accounting.

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