Ford Keast LLP
Chartered Accountants

624 Maitland Street
London, Ontario N6B 2Z9

Tel: (519) 679-9330
Fax: (519) 679-3204
www.fordkeast.com

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

Financial Statements

Year ended October 31, 2014

PARTNERS:

Thomas R. Getliffe, CPA, CA, BA *
Paul H. King, CPA, CA, BComm *
Glenn MacKinnon, CPA, CA, HBBA *
David J. Raines, CPA, CA, BA *
Werner Schmidt, CPA, CA, BMath *
Michael A. Scott, CPA, CA, BMath *
John E. Van Osch, CPA, CA, BMath *

* practicing through a professional corporation

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INDEPENDENT AUDITOR'S REPORT

To the Directors of:
The Solidity Group Mortgage Investment Corporation

We have audited the accompanying financial statements of The Solidity Group Mortgage Investment Corporation which comprise the balance sheet as at October 31, 2014 and the statements of earnings, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Solidity Group Mortgage Investment Corporation as at October 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements for the eleven month period ended October 31, 2013 were audited by another firm of Chartered Accountants who expressed an unmodified opinion.

Ford Keast LLP

London, Ontario
January 20, 2015

Chartered Professional Accountants
Licensed Public Accountants

PARTNERS:

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THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

Balance Sheet as at October 31, 2014
(With comparative amounts for the eleven months ended October 31, 2013)

	2014	2013
ASSETS		
Cash	$ 725,379	$ 752,555
Interest receivable	25,734	11,993
Due from related party (Note 2)	25,581	-
Mortgages receivable (Note 3)	4,920,441	3,227,989
	$ 5,697,135	$ 3,992,537
LIABILITIES		
Mortgage funding holdbacks payable	$ -	$ 286,594
Mortgage prepaid interest	7,000	3,439
Interest payable to Class A shareholders	462,662	159,000
Class A shares (Note 4)	5,227,373	3,547,876
	5,697,035	3,996,909
SHAREHOLDERS' EQUITY (DEFICIENCY)		
CAPITAL STOCK (Note 4)	100	100
RETAINED EARNINGS (DEFICIT)	-	(4,472)
	100	(4,372)
	$ 5,697,135	$ 3,992,537

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

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

Statement of Retained Earnings (Deficit)
Year ended October 31, 2014
(With comparative amounts for the eleven months ended October 31, 2013)

	Twelve months 2014	Eleven months 2013
RETAINED EARNINGS (DEFICIT), Beginning of year	$ (4,472)	$ -
Net earnings (loss)	4,472	(4,472)
RETAINED EARNINGS (DEFICIT), End of year	$ -	$ (4,472)

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

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

Statement of Earnings
Year ended October 31, 2014
(With comparative amounts for the eleven months ended October 31, 2013)

	Twelve months 2014	%	Eleven months 2013	%
REVENUE				
Mortgage interest	$ 608,054	98.8	$ 184,191	97.8
Investment income	7,494	1.2	4,160	2.2
	615,548	100.0	188,351	100.0
EXPENSES				
Management fee (Note 2)	94,926	15.4	33,446	17.8
Bad debt	42,218	6.9	-	0.0
Professional fees	7,750	1.3	-	0.0
Office supplies and expenses	3,520	0.6	377	0.2
Interest to Class A shareholders	462,662	75.2	159,000	84.4
	611,076	99.3	192,823	102.4
NET EARNINGS (LOSS)	$ 4,472	0.7	$ (4,472)	(2.4)

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

Statement of Cash Flows
Year ended October 31, 2014
(With comparative amounts for the eleven months ended October 31, 2013)

	Twelve months 2014	Eleven months 2013
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings (loss) for the year	$ 4,472	$ (4,472)
Add non-cash item:		
Change in non-cash working capital items related to operations (Note 6)	(18,693)	437,040
	(14,221)	432,568
INVESTING ACTIVITIES		
(Increase) decrease in mortgages receivable	(1,692,452)	(3,227,989)
FINANCING ACTIVITIES		
Issuance of Class A shares	1,679,497	3,547,876
Issuance of Class B shares	-	100
	1,679,497	3,547,976
INCREASE (DECREASE) IN CASH DURING THE YEAR	(27,176)	752,555
Cash, beginning of year	752,555	-
CASH, END OF YEAR	$ 725,379	$ 752,555

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies are summarized below.

Nature of business

The Solidity Group Mortgage Investment Corporation (TSGMIC) was incorporated under the Business Corporations Act (Ontario) on November 22, 2012. The Company operates as a mortgage investment corporation ("MIC") as defined in subsection 130.1(6) of the Income Tax Act (Canada). The primary objective of the Company is to generate a reliable stream of income by investing in a portfolio of residential and commercial mortgages from borrowers in market segments that are underserviced by large financial institutions

Revenue Recognition

Mortgages interest is recorded using the effective interest rate method.

Class A shares

The Company's Class A shares are redeemable at the option of the holder at the value of their current investment, and accordingly, are classified as a financial liability with the related dividends classified as interest expense.

Income taxes

The Company is a MIC as defined in the Income Tax Act (Canada). As such, the Company is able to deduct, in computing taxable income, dividends paid to its shareholders during the year or within 90 days after the year end. The Company intends to continue maintaining its status as a MIC and pay dividends to its shareholders to ensure it will not be subject to income taxes. Therefore, for financial statement reporting purposes, the tax deductibility of the Company's distributions result in the Company being effectively exempt from taxation, with no provision for current or future income taxes required by the Company.

Cash and Cash Equivalents

Cash as disclosed on the balance sheet consists of cash on hand, balances with banks and investments in Canadian money market funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Measurement of Financial Instruments:
The company initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The company subsequently measures all its financial assets and financial liabilities at amortized cost, except the investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net earnings.

Impairment:
Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of reversal is recognized in net earnings.

Transaction Costs:
The company recognizes its transactions costs in net earnings in the period incurred. However, financial instrument that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Capital Disclosure

The Company's objectives when managing capital are:

(i) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk;
(ii) to manage capital in a manner which balances the interests of equity and debt holders; and
(iii) to maintain the established guidelines set forth by Canada Revenue Agency relating to mortgage investment corporations.

The Company's definition of capital includes shareholders' equity and Class A shares.

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

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements
Recent accounting pronouncements that have been issued but are not yet in effect, and have a potential implication for the Company, are as follows:

International Financial Reporting Standards
The Accounting Standards Board (the "AcSB") of the CICA confirmed that Canadian GAAP for most publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective in the calendar year 2011. IFRS will replace current Canadian GAAP for these enterprises

In December 2011, the AcSB announced amendments which will provide investment companies with the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2014. As a result of the amendments, the Company expects to adopt IFRS for its fiscal year beginning November 1, 2014.

IFRS uses a conceptual framework similar to Canadian GAAP, but here are some differences related to items such as income recognition, measurement and disclosures. The International Accounting Standards Board continues to make changes to existing IFRS and is working on several standard setting projects with expected completion dates after the Company's adoption date. The Company is closely monitoring these changes.

The Company does not expect any material impact to the financial statements as a result to conversion to IFRS.

2. RELATED PARTY TRANSACTIONS

The Company has entered into a management agreement with Solidity Management Corporation, a corporation under common control, for the provision of management and other services relating to real estate, mortgage and financing services in exchange for the commitment and other fees charges to borrowers and a management fee per annum based on the net assets of the Company calculated and paid monthly.

The management fee payable by the Company to Solidity Mortgage Corporation will not exceed 2% of the net assets of the Company.

	2014	2013
Management fee, including HST	$ 94,926	$ 33,446

These transactions are measured at the exchange amount, which is the amount agreed upon by the related parties.

3. MORTGAGES RECEIVABLE

	2014	2013
Mortgages receivable earning interest rates ranging from 4.85 to 24%	$ 4,962,659	$ 3,227,989
Less loan loss reserve	42,218	-
Mortgages receivable	$ 4,920,441	$ 3,227,989

4. SHARE CAPITAL

Authorized
Unlimited Class A shares, non-voting, redeemable and retractable at their issued amount
Unlimited Class B shares

	2014	2013
Issued		
5,227,373 Class A shares (2013 - 3,547,876)	$ 5,227,373	$ 3,547,876
100 Class B shares	100	100
	$ 5,227,473	$ 3,547,976

During the period, the Company issued 1,679,497 Class A shares for cash.

The Class A shares are redeemable at the end of any calendar quarter provided the shareholder has held the shares for a period of at least eighteen months. The Company shall not accept redemption applications that will result in the Company failing to qualify as a mortgage investment corporation.

5. FINANCIAL INSTRUMENT RISK MANAGEMENT

Transactions in financial instrument may result in financial risks being assumed by the company. The risks identified by the company are as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the company by failing to discharge its obligation or make repayment. The company's main credit risks relate to its mortgage receivables. The company provides loans to its clients in the normal course of its operations. Security is obtained through mortgages on real property.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company has no exposure to foreign currency transactions.

5. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The mortgages receivable bear fixed interest rates. The company expects to renew its mortgages receivable at market rates as they mature. Accordingly, the company's exposure to interest rate risk is dependent upon future market rates compared to rates currently established.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to market risk on its mortgage investments.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty meeting financial obligations as they become due. The company considers that it has sufficient working capital available to meet its current and long-term financial needs.

The extent of the company's exposure to the above risks did not change during the fiscal year

6. STATEMENT OF CASH FLOWS

The change in non-cash working capital balances related to operations referred to in the statement is determined as follows:

	2014	2013
(INCREASE) DECREASE IN CURRENT ASSETS:		
Interest receivable	$ (13,741)	$ (11,993)
Due from related party	(25,581)	-
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	(283,033)	290,033
Interest payable to Class A shareholders	303,662	159,000
Net change	$ (18,693)	$ 437,040