Ford Keast LLP
Chartered Professional Accountants
Bringing Solutions Together

624 Maitland Street
London, Ontario N6B 2Z9
Ph 519.679.9330
Fx 519.679.3204
www.FordKeast.com

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

Financial Statements

Year ended October 31, 2015

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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, 2015 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ford Keast LLP

London, Ontario
December 2, 2015

Chartered Professional Accountants
Licensed Public Accountants

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

Balance Sheet as at October 31, 2015

	2015	2014
ASSETS		
Cash	$ 1,204,540	$ 725,379
Interest receivable	39,869	25,734
Due from related party (Note 2)	-	25,581
Mortgages receivable (Note 3)	6,542,961	4,920,441
	$ 7,787,370	$ 5,697,135
LIABILITIES		
Accounts payable	$ 338	$ -
Mortgage prepaid interest	-	7,000
Advances from related party	1,211	-
Interest payable to Class A shareholders	641,186	462,662
Class A shares (Note 4)	7,144,535	5,227,373
	7,787,270	5,697,035
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 4)	100	100
RETAINED EARNINGS	-	-
	100	100
	$ 7,787,370	$ 5,697,135

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

Statement of Retained Earnings
Year ended October 31, 2015

	2015	2014
RETAINED EARNINGS (DEFICIT), Beginning of year	$ -	$ (4,472)
Net earnings	-	4,472
RETAINED EARNINGS, End of year	$ -	$ -

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

Statement of Earnings
Year ended October 31, 2015

		2015		2014
REVENUE				
Mortgage interest	$	794,326	$	607,376
Investment income		3,375		7,494
		797,701		614,870
EXPENSES				
Interest to Class A shareholders		641,186		462,662
Management fee (Note 2)		138,120		94,926
Professional fees		9,600		7,750
Bad debt		7,500		42,218
Office supplies and expenses		1,295		2,842
		797,701		610,398
NET EARNINGS	$	-	$	4,472

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

THE SOLIDITY GROUP MORTGAGE INVESTMENT CORPORATION

Statement of Cash Flows
Year ended October 31, 2015

	2015	2014
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings for the year	$ -	$ 4,472
Add non-cash item:		
Change in non-cash working capital items related to operations (Note 6)	184,519	(18,693)
	184,519	(14,221)
INVESTING ACTIVITIES		
(Increase) decrease in mortgages receivable	(1,622,520)	(1,692,452)
FINANCING ACTIVITIES		
Issuance of Class A shares	1,917,162	1,679,497
INCREASE (DECREASE) IN CASH DURING THE YEAR	479,161	(27,176)
Cash, beginning of year	725,379	752,555
CASH, END OF YEAR	$ 1,204,540	$ 725,379

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

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

Mortgage 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 International Financial Reporting Standards 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)

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 adopted 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.

There is no material impact to the financial statements as a result the 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.

	2015	2014
Management fee, including HST	$ 138,120	$ 94,926

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

3. MORTGAGES RECEIVABLE

	2015	2014
Mortgages receivable earning interest rates ranging from 4.85 to 24%	$ 6,592,679	$ 4,962,659
Less loan loss reserve	49,718	42,218
Mortgages receivable	$ 6,542,961	$ 4,920,441

4. SHARE CAPITAL

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

	2015	2014
Issued		
7,144,535 Class A shares (2014 - 5,227,373)	$ 7,144,535	$ 5,227,373
100 Class B shares	100	100
	$ 7,144,635	$ 5,227,473

During the period, the Company issued 1,917,162 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.

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.

5. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

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:

	2015	2014
(INCREASE) DECREASE IN CURRENT ASSETS:		
Interest receivable	$ (14,135)	$ (13,741)
Due from related party	25,581	(25,581)
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	(6,662)	(283,033)
Interest payable to Class A shareholders	178,524	303,662
Advances from/(to) related parties	1,211	-
Net change	$ 184,519	$ (18,693)

7. ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended October 31, 2015, and have not been applied in preparing these financial statements. None of these is expected to have a material impact on these financial statements.

IFRS 9, Financial instruments

In October 2010, the IASB released IFRS 9, Financial instruments, which is the first part of a three-part project to replace IAS 39, Financial instruments: Recognition and Measurement. This first part only covers classification and measurement of financial assets and financial liabilities, with impairment of financial assets and hedge accounting being addressed in the other two parts.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, requirements for measuring a financial liability at fair value have changed, as the portion of the changes in fair value related to the entity's own credit risk must be presented in OCI rather than in the statement of income. IFRS 9 will be effective for fiscal years beginning on January 1, 2018, with earlier application permitted. The company has not yet assessed the impact of the adoption of this standard on its financial statements.

IFRS 15, Revenue from contracts with customers

In May 2014, the IASB issued a new standard, IFRS 15, which replaces the current revenue recognition standards and interpretations. IFRS 15 provides a single comprehensive model to use when accounting for revenue arising from contracts with customers. The new model applies to all contracts with customers except those that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments. IFRS 15 is to be applied retrospectively for year ends beginning after January 1, 2017, and the company is currently assessing the impact of adopting this standard.