

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: PRIMEWEST MORTGAGE INVESTMENT CORPORATION
(the "Issuer").

Trading Symbol: PRI

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

Interim consolidated financial statements for the three and nine months ended September 30, 2016 are attached as Schedule "A"

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

N/A

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

The information connected to related party transactions is provided in Note 9 of the interim consolidated financial statements for the three and nine month period ended September 30, 2016, attached hereto as Schedule "A".

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
N/A	N/A	N/A	N/A	N/A	N/A	N/A

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

As at September 30, 2016 the authorized share capital was an unlimited number of Class A voting, common shares and an unlimited number of Class B shares.

- (b) number and recorded value for shares issued and outstanding,

As at September 30, 2016 the issued and outstanding number of Class A shares was 1,890,729.

No Class B shares have been issued.

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

N/A

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Tom Robinson	Director and Chairman
Tom Archibald	Director
Francis Bast	Director
Doug Frondall	Director
Wilson Olive	Director
Brad Penno	Chief Executive Officer
Marlene Kaminsky	Chief Financial Officer

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

The interim MD&A for the three and nine month period ended September 30, 2016 is attached as Schedule "C".

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated effective: November 25, 2016.

Brad Penno

Name of Director or Senior Officer

"Brad Penno"

Signature

Chief Executive Officer

Official Capacity

Issuer Details Name of Issuer PrimeWest Mortgage Investment Corporation	For Quarter Ended September 30, 2016	Date of Report YY/MM/D November 25, 2016
Issuer Address 700 – 750 Spadina Cres. E		
City/Province/Postal Code Saskatoon, SK S7K 3H3	Issuer Fax No. (306)955-9511	Issuer Telephone No. (306)955-1002
Contact Name Brad Penno	Contact Position Chief Executive Officer	Contact Telephone No. (306)651-4408
Contact Email Address bpenno@primewest.ca	Web Site Address www.primewest.ca	

SCHEDULE "A"



Condensed Interim Financial Statements (Unaudited)

Three and nine months ended September 30, 2016

REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by PrimeWest Mortgage Investment Corporation's management.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

During the nine month period ended September 30, 2016, the Corporation increased its loan loss provision by \$4,278,000 as a result of a review of the Corporation's mortgage portfolio. The Corporation's review of its mortgage portfolio is ongoing, including assessing the impact of the increased loan loss provision on previously filed financial statements. Until the completion of the Corporation's review process, users are cautioned that the Corporation's historical financial statements, including the audited financial statements as at and for the year ended December 31, 2015, should not be relied upon.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Unaudited Condensed Interim Statement of Financial Position

As at September 30, 2016
(Expressed in Canadian Dollars)

	Notes	September 30, 2016 \$	December 31, 2015 \$ (Audited)
ASSETS			
Cash and cash equivalents		902,450	60,764
Loan receivable	4	10,800	10,800
Prepaid expenses		26,174	49,317
Mortgages receivable	5	19,954,492	24,993,626
Mortgage interest receivable		164,809	185,682
Property and equipment		2,372	12,342
Assets taken in settlement of debt	6	1,420,397	1,111,703
Total Assets		22,481,494	26,424,234
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Demand loan	7	6,184,619	9,495,347
Trade and other payables		271,848	308,022
Due to related parties	9	1,000,000	-
Unearned revenue		37,148	289,650
		7,493,615	10,093,019
Shareholders' Equity			
Shareholders' capital	8	15,681,364	13,515,669
Retained earnings		(693,485)	2,815,546
		14,987,879	16,331,215
Total Liabilities and Shareholders' Equity		22,481,494	26,424,234
Shares outstanding	8	1,890,729	1,662,759
Commitments	12		

The accompanying notes are an integral part of these Financial Statements.

"Doug Frondall"
Director

"Tom Robinson"
Director

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Unaudited Condensed Interim Statement of Comprehensive Income

For the three and nine months ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

	Notes	For the three months ended		For the nine months ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
		\$	\$	\$	\$
					(note 14)
Income					
Mortgage interest		501,827	667,466	1,759,538	1,990,014
Mortgage interest on delinquents	5	174,126	40,925	299,409	101,255
Fees		61,398	214,916	444,717	633,681
		<u>737,351</u>	<u>923,307</u>	<u>2,503,664</u>	<u>2,724,950</u>
Interest and fees expense					
Interest		85,148	97,000	275,842	302,742
Fees		2,003	2,525	6,009	8,646
		<u>87,151</u>	<u>99,525</u>	<u>281,851</u>	<u>311,388</u>
Net interest and fees income		<u>650,200</u>	<u>823,782</u>	<u>2,221,813</u>	<u>2,413,562</u>
Provision for mortgage losses	5	2,939,889	-	3,419,130	-
Provision for interest on delinquents	5	174,126	40,925	299,409	101,255
Loss on disposal of assets taken in settlement of debt	6	264,636	-	559,636	205
Loss on disposal of property and equipment		867	-	867	-
Net interest and fees (loss) income after provision for mortgage losses		<u>(2,729,318)</u>	<u>782,857</u>	<u>(2,057,229)</u>	<u>2,312,102</u>
Expenses					
Advertising and promotion		1,041	22,733	34,387	57,602
Contracted services		12,297	9,812	56,514	41,451
Depreciation of property and equipment		1,346	2,976	4,575	8,080
Directors' fees	9	25,435	28,500	82,635	85,500
Insurance		6,997	9,875	27,352	22,190
Office and administration		22,510	35,671	80,807	94,138
Professional fees		44,602	15,409	180,778	61,913
Rent		12,693	13,751	35,886	37,419
Wages and benefits		76,639	135,661	258,936	389,471
		<u>203,560</u>	<u>274,388</u>	<u>761,870</u>	<u>797,764</u>
Total comprehensive (loss) income for the period		<u>(2,932,878)</u>	<u>508,469</u>	<u>(2,819,099)</u>	<u>1,514,338</u>
Earnings (loss) per share					
Basic and diluted		(\$1.55)	\$0.29	(\$1.58)	\$0.88

The accompanying notes are an integral part of these Financial Statements.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statement of Changes in Shareholders' Equity

For the nine months ended September 30, 2016 and 2015
(Expressed in Canadian Dollars)

	Notes	Shareholders' capital \$	Retained earnings \$	Total equity \$
As at January 1, 2015		14,135,065	2,332,889	16,467,954
Share issuance		1,961,746	-	1,961,746
Share redemption		(1,841,896)	-	(1,841,896)
Dividends			(1,027,508)	(1,027,508)
Total comprehensive income for the period		-	1,514,338	1,514,338
As at September 30, 2015		14,254,915	2,819,719	17,074,634
As at January 1, 2016		13,515,669	2,815,546	16,331,215
Share issuance	8	2,165,695	-	2,165,695
Share redemption	8	-	-	-
Dividends		-	(689,932)	(689,932)
Total comprehensive (loss) for the period		-	(2,819,099)	(2,819,099)
As at September 30, 2016		15,681,364	(693,485)	14,987,879

The accompanying notes are an integral part of these Financial Statements.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Unaudited Condensed Interim Statement of Cash Flows

For the nine months ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

	Notes	September 30, 2016 \$	September 30, 2015 \$(note 14)
Operating activities			
Total comprehensive income (loss) for the period		(2,819,099)	1,514,338
Non-cash adjustments to reconcile loss from operations to net cash flows:			
Depreciation of property and equipment		4,575	8,080
Provision for mortgage losses	5	3,419,130	-
Provision for interest on delinquents	5	299,409	101,255
Loss on disposal of assets taken in settlement of debt	6	559,636	205
Loss on disposal of property and equipment		867	
Mortgages funded during the year		(3,186,196)	(4,566,468)
Mortgages discharged during the year		3,336,921	4,323,618
Costs incurred to sell asset taken on settlement of debt		(33,460)	(32,808)
Proceeds from disposal of assets taken in settlement of debt		335,000	-
Net change in non-cash working capital relating to operating activities:			
Mortgage interest receivable		20,873	40,920
Prepaid expenses		23,143	(12,170)
Trade and other payables		(36,174)	152,426
Unearned revenue		(252,502)	(226,643)
Net cash flows from operating activities		1,672,123	1,302,753
Investing activities			
Disposal (Purchase) of property and equipment		4,528	(12,100)
Net cash flows from investing activities		4,528	(12,100)
Financing activities			
Debt from related parties	9	1,000,000	-
Issuance of share capital	8	2,165,695	1,961,746
Redemption of share capital	8	-	(1,841,896)
Dividends paid		(689,932)	(1,027,508)
Repayment of demand loan		(3,310,728)	(385,069)
Net cash flows from financing activities		(834,965)	(1,292,727)
Net increase (decrease) in cash and cash equivalents		841,686	(2,074)
Cash and cash equivalents, beginning of period		60,764	62,848
Cash and cash equivalents, end of period		902,450	60,774
Supplemental cash flow information:			
Interest paid		275,842	302,742

The accompanying notes are an integral part of these Financial Statements.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

1 Incorporation and Operations

PrimeWest Mortgage Investment Corporation (the “Company”) was incorporated under *The Saskatchewan Business Corporations Act* on March 22, 2005 and commenced operations in October 2005. The Company operates as a Mortgage Investment Corporation (MIC) as defined in the Income Tax Act (Canada).

The Company lends on security of mortgages on real properties situated in the Provinces of Saskatchewan, Manitoba, and Alberta. The mortgages transacted by the Company do not generally meet the underwriting criteria of conventional lenders. As a result the investments are subject to greater risk and accordingly earn a higher rate of interest than is generally obtainable through conventional mortgage lending activities. MIC lending securities regulations allow MIC lenders to provide mortgages up to 95% of loan to value however as a general practice, the Company restricts lending to a maximum of 85%.

The Company is a reporting issuer under securities laws trading on the Canadian Securities Exchange under the symbol PRI.

The address of the registered office is #700 – 750 Spadina Crescent East, Saskatoon, Saskatchewan S7K 3H3.

2 Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements for the period ended September 30, 2016 represent the Company’s quarterly financial statements prepared in accordance with International Accounting Standard (“IFRS”), and interpretations as issued by the International Accounting Standards Board (“IASB”).

The Financial Statements of the Company for the period ended September 30, 2016 were authorized for issue in accordance with a resolution of the directors on November 25, 2016.

3 Recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company.

i) IFRS 9 Financial instruments

In July 2014, the IASB issued a final revised IFRS 9 standard. 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 in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also includes an expected credit loss model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company will assess the impact of this standard in conjunction with the other phases, when the final standard including all phases is issued.

ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single principle-based framework that applies to contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of IFRS 15 on its financial statements.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

3 Recent accounting pronouncements (continued)

iii) IFRS 16 Leases

IFRS 16, Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ("lessee") and the supplier ("lessor"). IFRS 16 is effective from January 1, 2019. All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. The Company has not yet determined the impact of IFRS 16 on its financial statements.

4 Loan receivable

The loan receivable relates to a loan to a past director to acquire shares of the Company.

5 Mortgages receivable

Portfolio of 50 (December 31, 2015 – 58) mortgages bearing interest at fixed rates from 3.95% to 14.0% maturities ranging from October 2016 to November 2020, secured by real property to which they relate and by additional security in certain circumstances.

	<i>Gross amount of Impaired loans</i>	<i>Impairment</i>	<i>September 30, 2016 Net Amount of Impaired loans</i>
Residential mortgages	6,627,117	2,098,152	4,528,965
Commercial mortgages	3,503,920	1,741,955	1,761,965
Total	10,131,037	3,840,107	6,290,930

	<i>Gross amount of Impaired loans</i>	<i>Impairment</i>	<i>December 31, 2015 Net Amount of Impaired loans</i>
Residential mortgages	1,662,057	219,363	1,442,694
Commercial mortgages	-	-	-
Total	1,662,057	219,363	1,442,694

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

5 Mortgages receivable (continued)

Mortgage allowance details

	September 30, 2016	December 31, 2015
Balance, beginning of year	219,363	97,711
Provision for mortgage losses	3,419,130	46,000
Provision for interest on delinquents	299,409	173,363
	3,937,902	317,074
Less: accounts written off	(97,795)	(97,711)
Balance, end of period	3,840,107	219,363

Following the termination of the former President and Chief Executive Officer (CEO), management and the Board of Directors undertook a detailed review of the mortgage portfolio. The review has now been substantially completed with increased provisions for mortgage losses and losses on the disposal of assets taken in settlement of debt being established.

Mortgages past due but not impaired

A mortgage is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of mortgages at period end that are past due but not classified as impaired because they are either i) less than 90 days past due, or ii) fully secured and collection efforts are reasonably expected to result in repayment.

September 30, 2016

	Under 30 days	31-60 days	61-90 days	91 days and greater	Total
Residential	199,010	3,549,041	434,613	217,398	4,400,062
Commercial	1,152,266	-	-	1,520,386	2,672,652
	1,351,276	3,549,041	434,613	1,737,784	7,072,714
Appraised value of collateral	5,508,750	6,964,892	574,000	6,638,000	19,685,642

December 31, 2015

	Under 30 days	31-60 days	61-90 days	91 days and greater	Total
Residential	1,194,034	1,256,336	248,564	896,349	3,595,283
Commercial	-	1,229,372	-	-	1,229,372
	1,194,034	2,485,708	248,564	896,349	4,824,655
Appraised value of collateral	1,600,000	4,695,000	411,500	1,131,583	7,838,083

The principal collateral and other credit enhancements the Company holds as security for loans include (i) insurance, and mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. The Company has policies in place to monitor the existence of undesirable concentration in the collateral supporting its credit exposure. In management's estimation, the fair value of the collateral is sufficient to offset the risk of loss on the mortgages past due but not impaired.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

5 Mortgages receivable (continued)

Distribution of mortgages:

		September 30 2016		December 31 2015
Effective interest rates	Number of mortgages	Amortized cost and fair value	Number of mortgages	Amortized cost and fair value
3 – 4%	1	298,323	1	296,653
4 – 5%	1	302,580	-	-
5 – 6%	1	1,185,812	1	1,174,038
6 – 7%	-	-	1	300,373
8 – 9%	6	2,160,596	6	2,082,584
9 – 10%	5	1,620,836	4	1,512,126
10 – 11%	7	7,356,752	6	6,648,386
11 – 12%	4	2,405,005	5	2,569,362
12 – 13%	19	4,014,798	26	5,960,782
13 – 14%	6	4,449,897	8	4,668,685
<i>Allowance for mortgage losses</i>		(3,840,107)		(219,363)
	50	19,954,492	58	24,993,626

Residential mortgages contain a prepayment option whereby the borrower may repay the principal at any time prior to maturity without penalty.

Maturities and yields:

	Within 3 months	Over 3 months to 1 year	Over 1 year	Total
September 30, 2016				
Total mortgages	18,296,383	1,643,327	14,782	19,954,492
Effective interest rate %	11.3%	11.4 %	9.7%	11.3%
December 31, 2015				
Total mortgages	14,849,708	9,955,766	188,152	24,993,626
Effective interest rate %	10.9%	12.4%	11.9%	11.5%

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

6 Assets taken in settlement of debt

	Properties	Amount \$
At December 31, 2014	5	660,884
Mortgages settled during the year by taking property	2	420,933
Costs incurred to sell		42,091
Properties sold during the year		-
Realized gain (loss) on sale of property		(205)
Unrealized gain (loss)		(12,000)
At December 31, 2015	7	1,111,703
Mortgages settled during the year by taking property	4	1,169,870
Costs incurred to sell		33,460
Properties sold during the year	(2)	(335,000)
Realized (loss) on sale of property		(31,206)
Unrealized (loss)		(528,430)
At September 30, 2016	9	1,420,397

All of the assets taken on settlement of debt are residential properties.

7 Demand loan

	September 30, 2016 \$	December 31, 2015 \$
Operating line of credit	6,184,619	9,495,347

The margined, demand operating line of credit bears interest at prime plus 1.5% (2015 – prime plus 1.5%), has an authorized limit which is the lesser of the margin calculation and \$15,000,000 and is secured by a general security agreement and an assignment of mortgages receivable. The operating line's margin is calculated using variable percentages of eligible mortgages as set out by the bank.

At period-end the maximum margin available was \$5,192,500 (December 31, 2015 - \$10,436,800).

The credit agreement contains certain financial covenants that must be maintained. As at September 30, 2016 the Company was not in compliance with all financial covenants and arrangements were made with Conexus for a temporary increase to the line of credit of \$1,000,000 with an interest rate of 21.0%.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

8 Shareholders' equity

A) Authorized shares

The Company's authorized share capital consists of:

- An unlimited number of Class A voting, common shares, redeemable at the option of the Company and retractable at the option of the holder. A shareholder calls for redemption of shares held by such shareholder by giving notice to the Company during the period April 1 to April 30th of a particular year (the "Redemption Period"), the Company shall on or before July 31st, and provided redemption requests for the year do not exceed 10% of the issued and outstanding Class A Shares, redeem the shares at the price equal to the lesser of (a) \$10.00 per share; and (b) the book value per Class A Share as stated in the audited financial statements for the year ended immediately prior to the Redemption Period. The Board may at its discretion waive the restriction and increase the number of Class "A" shares that the Company may redeem in any fiscal year. On September 20, 2016 the Company announced that the July 31, 2016 retractions have been set over until the next redemption period in April 2017.
- If the shareholder requests redemption within the first year of issuance, a redemption penalty of 3% will apply, unless waived by the Board of Directors. The maximum annual redemption is 10% of the issued and outstanding shares at the beginning of the fiscal year. In an effort to enhance the share liquidity for the shareholders, the Company began trading on the Canadian Securities Exchange under the symbol PRI.
- An unlimited number of Class B common shares may, at any time, or from time to time, be issued in one or more series. The Board of Directors, subject to certain limitations, shall determine upon issuance of any Class B shares the number of shares to be issued and the designation, rights, privileges, restrictions and conditions attached to those shares. None of these are defined in the articles of the Company and would therefore be presented to shareholders for approval.

B) Issued and outstanding

Class A Common shares

	Number of Shares/Units	\$
At December 31, 2014	1,722,193	14,135,065
Shares redeemed	(269,994)	(2,581,142)
Shares issued for cash	210,560	1,961,746
At December 31, 2015	1,662,759	13,515,669
Shares redeemed	-	-
Shares issued for cash	227,970	2,165,695
At September 30, 2016	1,890,729	15,681,364

The aggregate potential redemption amount of the outstanding Class A shares is \$18,907,290 (December 31, 2015 - \$16,627,590). Class A shares represent the residual equity interest of the Company, the redemption feature applies to all the Class A shares, the shares have no preferential rights and the redemption event is the same for all the Class A shares and accordingly are recorded as equity.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

9 Related party disclosure

Compensation of key management personnel

Key management personnel ("KMP") consist of the CEO, CFO and the directors. KMP remuneration includes the following expenses:

	September 30, 2016 \$	September 30, 2015 \$
Salaries, fees and short-term benefits	188,793	207,066

The remuneration of directors during the year consisted of directors fees in the amount of \$82,635 (September 30, 2015 – \$85,500).

Transactions with key management personnel

Two directors are shareholders in a third party from whom an advance of \$1,000,000 on a debenture was secured. The debenture is at 8% per annum interest with repayment due on December 15, 2016. The short term loan is to assist the cash flow of the Corporation and provide time within which realization of foreclosed and redundant assets may occur. The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10 Capital management

The Company's objectives when managing capital are to (i) maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and (ii) to manage capital in a manner which balances the interests of equity and debt holders.

The Company's definition of capital includes shareholders' equity. Capital is monitored for any of these items if applicable.

The Company seeks to facilitate the management of its capital requirements by preparing annual expenditure budgets that are updated as necessary and approved by the Board of Directors. The Company may occasionally need to increase these levels to facilitate acquisition or expansion activities, however there are no established quantitative returns on capital requirements for management. The Company considers the capital structure to consist of debt and shareholders' equity. The Company considers debt to include bank indebtedness, demand loans and long-term debt, including current portion.

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, redeem shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and issue new debt to replace existing debt.

Pursuant to the Company's credit agreement (Note 7) it is required to meet certain financial covenants. If the Company is in violation of any of these covenants its ability to pay dividends may be inhibited. The Company monitors these covenants to ensure it remains in compliance. At September 30, 2016 the Company was not in compliance with all financial covenants and announced the suspension of the declaration of dividends for the remainder of 2016.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Risk management policy

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk. The Company's overall risk management program focuses on avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Company follows risk management policies approved by its Board of Directors.

These risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Company;
- Balance risk and return;
- Manage credit, market and liquidity risk through preventative and detective controls;
- Ensure credit quality is maintained;
- Ensure credit, market, and liquidity risk are maintained at acceptable levels;
- Diversify risk in transactions, customer relationships and loan portfolios;
- Price according to risk taken; and
- Use consistent credit risk exposure tools.

Risk management is carried out by senior management, the policies of which are determined by the Board of Directors.

There have been no significant changes from the previous year in the policies and procedures or methods used to measure risk, however during the year and as a result of a detailed review of the mortgage portfolio significant exposure to risk was identified (Note 5).

Credit risk

Credit risk is defined as the risk that a mortgagor will be unable to fulfill their mortgage commitments. Credit risk primarily arises from mortgages receivable. Management and the Board of Directors review and update the credit risk policy annually.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region, and indicate the relative sensitivity of the Company's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Company due to its primary service area being Saskatoon, Regina and surrounding areas.

Credit risk management for mortgage portfolio

The Company mitigates this risk by having well established lending policies in place. Policies include but are not limited to:

1. All mortgage applications undergo a comprehensive due diligence process adhering to investment restrictions and operating policies development by the Company.
2. Prior to funding, the Company will obtain current appraisals on all properties which secure the loan. The appraisals will be completed by an accredited appraiser approved by the Company.
3. All mortgages are registered as charges against real property, provided that the overall loan to appraised value ratio does not exceed 85% at funding (including prior charges).
4. The initial term of a mortgage cannot exceed 24 months.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

5. The Company will not make a mortgage loan, if immediately after the closing of the loan transaction; the amount so lent would be greater than 20% of the Company's net assets.
6. Management actively monitors the mortgage portfolio.

Risk is measured by reviewing qualitative and quantitative factors that impact the mortgage portfolio and starts at the time of a credit application and continues until the loan is fully repaid.

Analysis of maximum exposure to credit and collateral

The maximum exposure to credit risk at September 30, 2016 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total \$20,130,101 (December 31, 2015 - \$25,190,108).

To reduce the exposure the Company holds collateral as security on its mortgages. The collateral consists of a charge against real property on each mortgage. At September 30, 2016 the fair value of the collateral on the mortgages receivable is in excess of the fair value of the mortgages receivable.

Credit quality, mortgage types and renegotiated mortgages

The Company's portfolio consists of both residential and commercial mortgages as follows:

	September 30, 2016 \$	December 31, 2015 \$
Residential first mortgages	11,180,135	13,916,184
Residential second mortgages	4,735,277	3,864,055
Commercial first mortgages	5,181,543	4,800,812
Commercial second mortgages	2,672,652	2,590,056
Residential mortgages with no security	24,992	41,882
Provision for mortgage losses	(3,840,107)	(219,363)
	<u>19,954,492</u>	<u>24,993,626</u>

*First mortgages are loans secured by a first priority mortgage charge with loan to values not exceeding 85% at funding.

**Second mortgages are loans with mortgage charges not registered in first priority with loan to values not exceeding 85% at funding.

The mortgage portfolio consists of mortgages that have been registered 93.8% in Saskatchewan (December 31, 2015 – 93.3%), 5.8% in Alberta (December 31, 2015 – 4.6%) and 0.5% in Manitoba (December 31, 2015 – 2.2%).

The Company does not internally assign credit quality ratings to its mortgages that are neither past due nor impaired. In addition, there is a limited market for such a portfolio of mortgages so standard credit ratings have not been used. However, the Company actively monitors its mortgage portfolio, the quality of the mortgages and any impairment.

Additional information on credit quality, renegotiated mortgages and mortgages past due but not impaired is included in Note 5.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Collateral obtained

During the year the Company obtained assets by taking possession of collateral it holds as security in settlement of debt. The Company took possession of \$1,169,870 (December 31, 2015 - \$420,933) of property (Note 6). The Company's policy for these assets is to sell the assets to recover funds loaned.

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due. To limit this risk, the Company's approach is to ensure that it has sufficient cash and credit facilities to meet its liabilities when due, under both normal and stressed circumstances.

The Company maintains adequate cash held in trust to meet its trust fund obligations.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining additional debt financing. In addition, the mortgage receivables have short maturity terms (3 – 24 months) which provide additional liquidity in the event of an unforeseen interruption of cash flow. The Company can convert the mortgages, if needed, to cash instead of renewing for another term or lending under a new mortgage.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at September 30, 2016					
Demand loan	6,184,619	-	-	-	6,184,619
Trade and other payables	-	271,848	-	-	271,848
Due to related parties	-	1,000,000	-	-	1,000,000
Unearned revenue	-	17,141	20,007	-	37,148
	6,184,619	1,288,989	20,007	-	7,493,615

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at December 31, 2015					
Demand loan	9,495,347	-	-	-	9,495,347
Trade and other payables	-	308,022	-	-	308,022
Due to related parties	-	-	-	-	-
Unearned revenue	-	168,795	120,833	22	289,650
	9,495,347	476,817	120,833	22	10,093,019

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016
(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

The Company manages liquidity risk on a net asset and liability basis. The following tables explain the contractual maturities of financial assets held for the purpose of managing liquidity risk.

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at September 30, 2016					
Cash and cash equivalents	902,450	-	-	-	902,450
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	18,296,383	1,643,327	14,782	19,954,492
Mortgage interest receivable	-	164,809	-	-	164,809
	913,250	18,461,192	1,643,327	14,782	21,032,551

	On demand	Less than 3 months	3 to 12 months	12 to 24 months	Total
As at December 31, 2015					
Cash and cash equivalents	60,764	-	-	-	60,764
Loan receivable	10,800	-	-	-	10,800
Mortgages receivable	-	14,849,708	9,955,766	188,152	24,993,626
Mortgage interest receivable	-	185,682	-	-	185,682
	71,564	15,035,390	9,955,766	188,152	25,250,872

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Company's exposure changes depending on market conditions. Market risks that have a significant impact on the Company include fair value risk and interest rate risk.

Risk measurement

The Company's risk position is measured and monitored each quarter to ensure compliance with policy. Management reports on these matters to the Company's Board of Directors.

Objectives, policies and processes

Management is responsible for managing the Company's interest rate risk, monitoring approved limits and compliance with policies. The Company manages market risk by developing and implementing policies, which are approved and periodically reviewed by the Board.

The Company's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Company's investment management policies periodically to ensure they remain relevant and effective in managing and controlling risk.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of the fair values of financial instruments.

The Company is exposed to interest rate price risk both on its demand loan and its mortgage receivables. The demand loan consists of an operating line of credit that bears interest at variable rates, which exposes the Company to cash flow fluctuations. An increase in prime interest rates will have a direct impact on the cash flows required to service the debt. The fair value of the Company's mortgage receivables will also be impacted by changes in the market interest rate. The Company's mortgages are short, fixed term mortgages ranging up to 24 months. Any change in the market interest rate will expose the Company to fair value fluctuations in their portfolio.

The Company has managed this risk by maintaining an adequate spread between the interest rate paid on the demand loan and the interest received on the fixed, short-term mortgages. The Company also manages the risk by maintaining a mortgage portfolio of short term, fixed mortgages with rates at a premium from market rates. The average interest rate of the mortgages as at period end was 11.3% (December 31, 2015 – 11.5%). There is no specific market for mortgages of similar type, term and credit risk.

The following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant:

	<i>Demand loan sensitivity</i>	<i>Mortgages receivable sensitivity</i>	<i>Total September 30, 2016</i>	<i>Demand loan – sensitivity</i>	<i>Mortgages receivable – sensitivity</i>	<i>Total December 31, 2015</i>
Increase in 25 basis points	(15,462)	49,886	34,424	(23,768)	62,484	38,716
Increase in 50 basis points	(30,924)	99,772	68,848	(47,476)	124,968	77,492
Decrease in 25 basis points	15,462	(49,886)	(34,424)	23,768	(62,484)	(38,716)
Decrease in 50 basis points	30,924	(99,772)	(68,848)	47,476	(124,968)	(77,492)

Demand Loan sensitivity is calculated by applying the basis point change to the balance of the demand loan at period end. The mortgage receivable sensitivity is calculated by applying the basis point change to the balance of the mortgage receivables at period end.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Interest rate re-price

						September 30, 2016	December 31, 2015
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year	Not interest sensitive	Total	Total
Assets							
Cash and cash equivalents	902,450	-	-	-	902,450	902,450	60,764
Loan receivable	10,800	-	-	-	10,800	10,800	10,800
Mortgage interest receivable	-	164,809	-	-	164,809	164,809	185,682
Mortgages receivable	-	18,296,383	1,643,327	14,782	-	19,954,492	24,993,626
Effective interest rate %	-	11.3%	11.4%	9.7%	-	11.3%	11.5%
	913,250	18,461,192	1,643,327	14,782	1,078,059	21,032,551	25,250,872
Liabilities							
Demand loan	6,184,619	-	-	-	-	6,184,619	9,495,347
Effective interest rate %	6.9%	-	-	-	-	6.9%	4.2%
Trade and other payables	271,848	-	-	-	271,848	271,848	308,022
Due to related parties	1,000,000	1,000,000	-	-	1,000,000	1,000,000	-
Effective interest rate %	8.0%	-	-	-	-	8.0%	-
	7,456,467	1,000,000	-	-	1,271,848	7,456,467	9,803,369

Fair values

The Company's financial instruments recognized on the Statement of Financial Position consist of cash, loan receivable, mortgages receivable, mortgage interest receivable, demand loan, trade and other payables, and due to related parties. The fair values of these recognized financial instruments, excluding mortgages receivable, approximate their carrying values due to their short-term maturity. The fair values of mortgages receivable approximates its carrying value given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without penalties.

Recurring fair value measurements

The Company's assets and liabilities measured at fair value on a recurring basis have been categorized in the fair value hierarchy as follows:

September 30, 2016	Fair value	Level 1	Level 2	Level 3
Assets				
Cash	902,450	902,450	-	-
December 31, 2015				
Assets				
Cash	60,764	60,764	-	-

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Asset and liabilities for which fair value is only disclosed

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at September 30, 2016 but for which fair value is disclosed:

September 30, 2016	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	10,800	-	-	10,800
Mortgages receivable	19,954,492	-	-	19,954,492
Mortgage interest receivable	164,809	-	-	164,809
Total Assets	20,130,101	-	-	20,130,101
Liabilities				
Demand loan	6,184,619	-	6,184,619	-
Trade and other payables	271,848	-	-	271,848
Due to related parties	1,000,000	-	-	1,000,000
Unearned revenue	37,148	-	-	37,148
Total Liabilities	7,493,615	-	6,184,619	1,308,996

December 31, 2015	Fair value	Level 1	Level 2	Level 3
Assets				
Loan receivable	10,800	-	-	10,800
Mortgages receivable	24,993,626	-	-	24,993,626
Mortgage interest receivable	185,682	-	-	185,682
Total Assets	25,190,108	-	-	25,190,108
Liabilities				
Demand loan	9,495,347	-	9,495,347	-
Trade and other payables	308,022	-	-	308,022
Due to related parties	-	-	-	-
Unearned revenue	289,650	-	-	289,650
Total Liabilities	10,093,019	-	9,495,347	597,672

All fair values disclosed and categorized within Level 2 of the hierarchy use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

For mortgages receivable classified as Level 3 of the hierarchy, as there are no quoted prices in an active market for these mortgages receivable, the Company makes its determination of fair value based on its assessment of the current mortgage market for mortgages receivable of same or similar terms. Typically, these mortgage investments approximate their carrying values given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without penalties. When collection of the principal amount of a mortgage is no longer reasonably assured, the fair value of the mortgage is reduced to the estimated net realizable value of the underlying security.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

For the nine months ended September 30, 2016

(Unaudited – Expressed in Canadian Dollars)

11 Financial instruments and risk management (continued)

Other legal and regulatory risk

Legal and regulatory risk is the risk that the Company has not complied with requirements set out in terms of compliance with *The Trust and Loan Corporations, Act 1997* of Saskatchewan, *The Mortgage Brokers Act* of Saskatchewan and Manitoba, Reporting Issuer requirements, anti-money laundering legislation or their code of conduct/conflict of interest requirements. In seeking to manage these risks, the Company has established policies and procedures and monitors to ensure ongoing compliance.

12 Commitments

The Company has entered into a lease agreement for its premises with future minimum lease commitments as follows:

	\$
2016	9,188
2017	36,750
2018	15,313
Total	<u>61,251</u>

13 Income taxes

The Company has non-capital loss carry forwards for income tax purposes of \$514,284 which will expire as follows:

	\$
2031	109,380
2032	208,726
2033	196,178
Total	<u>514,284</u>

The potential benefit of these loss carry forwards has not been recognized in these financial statements.

14 Reclassification

Certain of prior year balances presented for comparative purposes have been reclassified to conform with current presentation.

SCHEDULE "C"



MANAGEMENT'S DISCUSSION AND ANALYSIS

Three and Nine Months Ended September 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by PrimeWest Mortgage Investment Corporation the ("Corporation", "PrimeWest", "we" or "our") as of November 25, 2016. It should be read in conjunction with the Corporation's audited financial statements and accompanying notes for the 12 months ended December 31, 2015 and our unaudited interim financial statements for the third quarter ended September 30, 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and all financial information is presented in Canadian dollars.

During the nine month period ended September 30, 2016, the Corporation increased its loan loss provision by \$4,278,000 as a result of a review of the Corporation's mortgage portfolio. The Corporation's review of its mortgage portfolio is ongoing, including assessing the impact of the increased loan loss provision on previously filed financial statements. Until the completion of the Corporation's review process, users are cautioned that the Corporation's financial statements, including the audited financial statements as at and for the year ended December 31, 2015, should not be relied upon.

Notice Regarding Forward-Looking Information

Certain information included in this Management's Discussion and Analysis contains forward-looking statements within the meaning of applicable securities legislation, including statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements are subject to inherent risks and uncertainties. These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include, among other things, risks associated with mortgage lending, competition for mortgage lending, real estate values, interest rate fluctuations, environmental matters and the general economic environment. We caution that the foregoing list is not exhaustive, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on any forward-looking statements. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Business Status and Overview

PrimeWest Mortgage Investment Corporation was incorporated on March 22, 2005 pursuant to *The Business Corporations Act* (Saskatchewan). The Corporation's head office is situated at 700 - 750 Spadina Crescent East, Saskatoon, Saskatchewan S7K 3H3 and its registered office is located at 1000 - 2002 Victoria Avenue, Regina, Saskatchewan S4P 0R7. The Corporation has no subsidiaries. The Corporation's fiscal year ("Fiscal Year") is the twelve-month period ending on December 31st of each year.

Business Status and Overview (continued)

PrimeWest Mortgage Investment Corporation is a reporting issuer under securities laws. The Corporation's Class A shares ("**Shares**") trade on the Canadian Securities Exchange under the symbol PRI.

Operations are conducted to qualify as a mortgage investment corporation ("**MIC**") for the purpose of the *Income Tax Act* (Canada) (the "**Tax Act**"). As a MIC, PrimeWest is not subject to income tax provided that all taxable income is distributed to shareholders within 90 days of our December 31st year end. Such dividends are generally treated by shareholders as interest income, so that each shareholder is in the same tax position as if their proportionate share of mortgage investments made by the company had been made directly by the shareholder.

The mortgages transacted by the Corporation do not generally meet the underwriting criteria of conventional lenders and/or involve borrowers in rural areas generally not well serviced by major lenders. As a result, PrimeWest's investments are expected to be subject to greater risk and accordingly earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities. The Corporation's investment portfolio will vary from time to time depending on the Corporation's assessment of lending markets, geographical conditions and overall market conditions in Saskatchewan and elsewhere that the Corporation makes an investment.

To the extent that the funds of the Corporation are not invested in investments from time to time, funds will be held in cash deposited with a credit union or Canadian chartered bank or will be invested by the Corporation in short term deposits, savings accounts or government guaranteed income certificates so as to maintain a level of working capital for the ongoing operations of the Corporation.

As the Corporation holds a license to operate as a financing corporation under *The Trust and Loan Corporations, Act 1997* (Saskatchewan) it has the right to conduct its own mortgage transactions. The Corporation is also registered as a Mortgage Broker under *The Mortgage Brokers Act* (Manitoba). However, where practical, it is the practice of the Corporation to utilize brokers ("**Brokers**") registered pursuant to the provisions of *The Mortgage Brokers Act* (Saskatchewan), to seek out borrowers and submit mortgage applications to the Corporation. See "Business with Brokers". In other cases, the Corporation receives referrals from immigration consultants, financial advisers and bankruptcy/liquidation agencies. Upon mortgage approval, third party professional personnel prepare and register all mortgage security on behalf of the Corporation.

OPERATIONS

PrimeWest continues to primarily operate in the Province of Saskatchewan with some mortgage holdings in Manitoba and Alberta. The Corporation operates in a market where a high turnover of mortgage receivables is the norm as clients are assisted to successfully return to main stream banking as their credit record improves or short term circumstances change to allow this. The Corporation's mortgage receivables continue to adjust as real estate prices which initially moved higher during 2014 began to drift lower later in the fall of that year and continued throughout 2015 and 2016.

On June 30, 2016 the Corporation announced it had successfully completed the closing of subscriptions of 227,970 Class A shares for a total subscription price of \$2,279,700.

Following the termination of the former President and Chief Executive Officer (CEO), management and the Board of Directors undertook a detailed review of the mortgage portfolio. The review has now been substantially completed with increased provisions for mortgage losses and losses on the disposal of assets taken in settlement of debt being established in excess of \$4,200,000. This has resulted in shareholders equity per share decreasing to \$7.93.

OPERATIONS (continued)

On September 20, 2016 the Corporation announced it had suspended the declaration of dividends for the remainder of 2016, and the July 31, 2016 retractions of Class "A" shares have been set over until the next redemption period in April 2017.

On September 29, 2016 the Corporation received an advance of \$1,000,000 on a debenture secured financing obtained from a third party of whom two directors are shareholders. The debenture is at 8% per annum interest with repayment due on December 15, 2016. The short term financing addresses short term cash flow issues, and will allow the Corporation the time to realize and obtain cash proceeds from the sale of foreclosed properties and other realization steps being undertaken. Subsequent to September 30, 2016 the repayment date for this debenture has been extended to February 28, 2017.

The Corporation is pursuing capital and equity investment opportunities under private capital raise exemptions in order to secure increased funds for mortgage investment and to better secure the growth of the Corporation.

The Corporation continues its investigation of the conduct of the former CEO to determine the basis for recovery of its losses. A notice of claim for the Corporation's anticipated losses has been provided to its insurers.

At September 30, 2016 the Corporation invested \$19,954,492 in 50 (December 31, 2015 – \$24,993,626 in 58) mortgages bearing interest at fixed rates from 3.95% to 14.0% maturities ranging from October 2016 to November 2020, secured by real property to which they relate and by additional security in certain circumstances. Interest rates in the lower ranges are primarily associated with short term mortgages with maturities of 2 to 6 months. Shorter term mortgages were being provided to facilitate cash requirements relative to the new redemption policy as well as to generate higher fee revenues through multiple annual mortgage loan turnover.

IMPORTANT EVENTS

In an effort to create improved liquidity for shareholders, while planning to grow the company, the Corporation began trading on the Canadian Securities Exchange ("CSE") on March 10, 2016 under the symbol PRI.

INVESTMENT OBJECTIVES

The principal investment objective of the Corporation is to provide shareholders income while preserving capital for distribution or reinvestment. As a MIC, virtually all quarterly profits are distributed to the holders of the Common Shares. The Corporation expects to derive its earnings principally from the receipt of mortgage interest payments, fees and of interest on the cash reserves of the Corporation.

OPERATING RESTRICTIONS

PrimeWest operates in accordance with the standard restrictions and practices imposed by Canadian securities legislation. These standard restrictions and practices have been designed in part to ensure that the Corporation's investments are diversified and relatively liquid, and to ensure the proper administration of the Corporation.

OPERATING RESTRICTIONS (continued)

In addition, PrimeWest's investment practices are subject to certain operating, lending and other restrictions which have been adopted by the Corporation's board of directors. According to these restrictions, the Corporation may not:

- (i) make a mortgage loan if, immediately after the closing of the loan transaction, the amount so lent would be greater than 20% of the Corporation's net assets, while the net assets are in excess of \$2,000,000;
- (ii) guarantee securities or obligations of any person or Corporation;
- (iii) engage in securities lending;
- (iv) engage in derivative transactions for any purpose;
- (v) develop, manage or acquire (except by foreclosure or other enforcement of its rights as mortgagee) any real property;
- (vi) enter into a forward commitment binding on the Corporation unless the Corporation has, at the time such commitment is made, sufficient cash or "near cash" securities to fund the loan to which the commitment relates; or
- (vii) otherwise conduct its business in a manner that would cause the Corporation not to qualify as a MIC, that would result in the Common Shares not being a "qualified investment" for a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan or deferred profit sharing plan ("**Registered Plans**") or that would result in Common Shares being foreign property for the purpose of the Tax Act.

Notwithstanding the errant and unilateral actions of the prior CEO, the Corporation strives at all times to observe the investment restrictions set forth in this paragraph.

Any change to the fundamental investment objectives of the Corporation requires shareholder approval given at a meeting of the shareholders of the Corporation called to consider such change.

INVESTMENT POLICIES

The Corporation has adopted certain policies which establish the investment criteria for the Corporation's investments, which are as follows:

- (i) the Corporation may only invest in commercial and residential mortgage loans secured against real property situated in Canada and primarily in Saskatchewan, Manitoba, and Alberta.
- (ii) the Corporation as a general practice maintains a portion of its' total assets in cash or "near-cash" securities (such as units of money market funds) or an equivalent amount of funds available under the Corporation's line of credit financing in order to meet redemption requests and also to be in a position to redeem a prior mortgagee's interest in a given property if a Broker considers that it would be advantageous for the Corporation to do so having regard to the market value of the property and the amount of mortgage debt due to the Corporation. The Board will monitor the cash and credit position of the Corporation on a regular basis in order to maintain its cash, near-cash and/or credit reserve positions at a necessary level;
- (iii) all bridge financing loans in which the Corporation invests will be secured by an interest against title to the real property that is the subject of the bridge financing loan and an irrevocable assignment of proceeds from the sale of such real property;
- (iv) the Corporation may not make any loan or investment which does not meet the "Canadian content" requirements of paragraph 130.1(6)(c) of the Tax Act;

INVESTMENT POLICIES (continued)

- (v) the Corporation may not make a loan which, together with all other mortgage loans that have priority over or rank pari passu with such loan, exceeds 95% of the fair market value of the mortgaged property, except when:
 - (a) such mortgage is insured under the National Housing Act (Canada) or any similar legislation of a province, or
 - (b) the excess over 90% is insured by an insurance company registered or licensed under the Insurance Companies Act (Canada) or similar legislation of a Canadian province or territory;
- (vi) the Corporation may not make a loan secured by a mortgage on a property in which:
 - (a) any senior officer or director of the Corporation or of a Broker, or
 - (b) any associate or affiliate of a person referred to in (a) above has an interest as mortgagor;
- (vii) the Corporation will not trade in mortgages in the secondary market although the Corporation retains the ability, in exceptional circumstances, to assign a mortgage to a third party;
- (viii) the Corporation may not hold a mortgage the initial term of which exceeds two years, but mortgages held by the Corporation may contain provisions permitting the mortgagor, when not in default, to renew the mortgage for one or more additional terms;
- (ix) generally, the Corporation's mortgages will not secure debt incurred for the construction or development of real estate although the Corporation may from time to time engage, under strict guidelines, in bridge financing for such projects instead of holding idle cash; and
- (x) traditional lenders will from time to time refer bridge financing opportunities to a Broker where the lender has provided a "take-out loan" (i.e. a commitment to make a loan secured by a first-ranking mortgage where such loan will be advanced upon completion of the construction of a building in order to repay a prior loan which financed such construction). The Corporation may provide bridge loan financing to clients of "take-out" lenders on a draw-down basis by means of higher interest loans for amounts equal to, in the aggregate, up to 95% of the appraised finished value of the property. Real property and/or personal property security will be obtained by the Corporation when providing this type of financing.

The Board may approve an amendment to the investment policies of the Corporation from time to time.

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation, any of the foregoing investment policies and investment criteria requires amendment in order to comply with such change in legislation, the Board may make such change and such change will be binding on the Corporation. The Brokers will be required to comply with and observe such change immediately upon such change becoming effective.

The Corporation has a credit committee, which is comprised of at least two members chosen from amongst the members of the Board and the Chief Executive Officer. The primary purpose of the Credit Committee is to oversee lending guidelines and to provide oversight in the review of delinquent loan files.

INVESTMENT CRITERIA

The Corporation has established investment criteria, which includes the following:

- (i) the Corporation will make investments so that it maintains its status as a MIC;
- (ii) loans will be secured by mortgages and/or other appropriate security interests in favour of the Corporation, either as sole mortgagee or co-mortgagee, and each mortgage will be duly registered as a charge against the real property which is the subject of the mortgage. All investments made with respect to loan applications submitted by a Broker, will be reviewed and will have received a positive recommendation by such Broker;

INVESTMENT CRITERIA (continued)

- (iii) bridge financing loans will be secured by an irrevocable direction to pay such loans from the proceeds of a binding contract to sell real property and an irrevocable assignment of such proceeds in favour of the Corporation, either as sole assignee or co-assignee;
- (iv) loans will be made to borrowers who deal with the Corporation, the Brokers and their affiliates, shareholders, officers and directors at arm's length;
- (v) mortgages will be registered as a charge against real property, provided that the overall loan to appraised value ratio does not exceed 95% (including prior charges);
- (vi) prior to funding the loan, the Corporation will obtain current appraisals on all properties which secure the loan. The appraisals will be completed by an accredited appraiser approved by the Corporation;
- (vii) the initial term of each loan will not exceed a term of 24 months;
- (viii) the Corporation will make loans primarily in the Province of Saskatchewan and may expand to other provinces and territories in Canada. While the Corporation will look, at least initially, primarily to Saskatchewan based mortgages for its investment opportunities, there are no restrictions on the amount of funds that may be invested by the Corporation in any particular Province or Territory of Canada;
- (ix) the Corporation may advance additional monies on a loan in order to protect the loan, notwithstanding that the additional advance of funds may increase the loan to value ratio over and above the parameters set out above.

Key to a Mortgage Investment Corporation's success in the management of mortgage receivables is the ability to efficiently match shareholder investment capital with the funding of residential and commercial mortgage loans. Shareholder yield is negatively impacted when available investment capital is underutilized and as such it is crucial corporate operations has the ability to respond to market demand while ensuring available cash reserves do not create a drag on yield efficiency. Typically MIC corporations utilize banking credit lines to provide the necessary flexibility for access to capital while doing so with a reduced cost of capital when compared to investor capital.

YEAR END FINANCIAL INFORMATION

	2015 December 31	2014 December 31	2013 December 31
Total Revenue	\$3,590,852	\$3,500,103	\$3,129,148
Total Comprehensive Income	\$1,842,716	\$1,886,135	\$1,829,056
Total Assets	\$26,424,234	\$25,612,404	\$22,493,748
Total Non-Current Assets	0	0	0
Total Liabilities	\$10,093,019	\$9,144,450	\$2,899,305
Total Long-Term Liabilities	0	0	0

The increase in Total Liabilities between December 2013 and December 2014 was a result of a reduction of shareholder capital in favour of an increased reliance on Bank Financing. The Corporation continues to manage the mix of shareholder capital and debt options.

QUARTERLY FINANCIAL INFORMATION

	Q3 2016 September 30	Q2 2016 June 30	Q1 2016 March 31	Q4 2015 December 31	Q3 2015 September 30	Q2 2015 June 30	Q1 2015 March 31	Q4 2014 December 31
Total Revenue	\$737,351	\$848,018	\$918,295	\$865,902	\$923,307	\$900,480	\$901,163	\$912,144
Total Comprehensive (Loss) Income	(\$2,932,878)	(\$347,179)	\$460,958	\$328,378	\$508,469	\$472,230	\$533,639	\$563,087
Total Assets	\$22,481,494	\$25,555,504	\$26,214,064	\$26,424,234	\$25,591,299	\$25,988,620	\$26,246,912	\$25,612,404
Total Non-Current Assets	0	0	0	0	0	0	0	0
Total Liabilities	\$7,493,615	\$7,634,747	\$9,352,498	\$10,093,019	\$8,516,665	\$9,203,674	\$9,589,758	\$9,144,450
Total Long-Term Liabilities	0	0	0	0	0	0	0	0
Shareholders' Equity	\$14,987,879	\$17,920,757	\$16,861,566	\$16,331,215	\$17,074,634	\$16,784,946	\$16,657,154	\$16,467,954
Shares Outstanding	1,890,729	1,890,729	1,705,069	1,662,759	1,740,086	1,722,193	1,722,193	1,722,193
Shareholders' Equity per share	\$7.93	\$9.48	\$9.89	\$9.82	\$9.81	\$9.75	\$9.67	\$9.56
Basic and fully diluted (loss) earnings per share	(\$1.55)	(\$.19)	\$.28	\$.19	\$.29	\$.27	\$.31	\$.33
Cash Dividends Declared	0	\$357,380	\$332,552	\$332,551	\$338,631	\$344,438	\$344,439	\$344,439
Cash Dividends Declared per Class A Share	0	\$.20	\$.20	\$.20	\$.20	\$.20	\$.20	\$.20

OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

Total comprehensive (loss) for the three months ended September 30, 2016 was (\$2,932,878) compared to the comprehensive income of \$508,469 for the three months ended September 30, 2015.

For the nine months ended September 30, 2016 the total comprehensive (loss) was (\$2,819,099). Total comprehensive income for the nine months ended September 30, 2015 was \$1,514,338.

The loss is a result of loan loss provisions being established in the amount of \$4,278,175 following an in depth review of the mortgage portfolio.

At September 30, 2016 the Corporation's total value of the mortgage portfolio was \$20.0 million. This represents a reduction of \$5.0 million from December 31, 2015.

At September 30, 2016, we had 50 mortgages outstanding with an average balance of \$399,090. This was down by 8 mortgages from December 31, 2015 at which time the average mortgage balance was \$431,000. The reduction of 8 mortgages was comprised of 4 mortgages being paid out and 4 mortgages being settled by PrimeWest taking property. One of the assets taken was subsequently sold, with the other 3 currently being listed for sale.

Revenue

Mortgage revenue for the three months ended September 30, 2016 was \$737,350. This represents a decrease from the \$923,300 generated in the three months ended September 30, 2015. The 2016 revenue consisted of \$676,000 in interest and \$61,400 in lender fees charged to borrowers.

For the year-to-date mortgage revenue was \$2,503,664 consisting of \$2,058,947 in interest and \$444,717 in mortgage fees.

Expenses

Interest on the operating line for the three months ended September 30 2016 was \$85,150. This was down by \$11,850 from September 2015. This was a result of the decreased available margining in 2016.

Year to date Professional Fees of \$180,800 are up by \$118,865 from 2015. A large portion of the increase was a result of legal and licensing costs relative to obtaining the CSE Listing and legal fees as a result of the 2016 Capital Raise through Private Placement. Additional legal fees continue to be incurred following the dismissal of the previous President and CEO.

Year to date Wages and benefits of \$258,936 reflect a decrease from the 2015 Year to date amount of \$389,471.

INVESTMENT PORTFOLIO

The Corporation's portfolio of mortgage investments is made up of investments in Residential and Commercial properties. The majority of the investments are in Saskatchewan.

The following tables illustrate the Corporation's net mortgage investments allocated by Security Position, Region and Interest Rate:

i) Security Position

	September 30, 2016	December 31, 2015
	% of Net Mortgage Investments (\$)	% of Net Mortgage Investments (\$)
Residential - First Mortgages	47.2%	54.8%
Residential - Non-First mortgages	22.1%	15.6%
Commercial - First Mortgages	17.3%	19.2%
Commercial – Non-First Mortgages	<u>13.4%</u>	<u>10.4%</u>
	100.0%	100.0%

ii) Region

	September 30, 2016	December 31, 2015
	% of Net Mortgage Investments (\$)	% of Net Mortgage Investments (\$)
Saskatchewan	93.7%	93.2%
Alberta	5.8%	4.6%
Manitoba	<u>.5%</u>	<u>2.2%</u>
	100.0%	100.0%

iii) Interest Rate

Distribution of mortgages:

	September 30 2016		December 31 2015	
Effective interest rates	Number of mortgages	Amortized cost and fair value	Number of mortgages	Amortized cost and fair value
3 – 4%	1	298,323	1	296,653
4 – 5%	1	302,580	-	-
5 – 6%	1	1,185,812	1	1,174,038
6 – 7%	-	-	1	300,373
8 – 9%	6	2,160,596	6	2,082,584
9 – 10%	5	1,620,836	4	1,512,126
10 – 11%	7	7,356,752	6	6,648,386
11 – 12%	4	2,405,005	5	2,569,362
12 – 13%	19	4,014,798	26	5,960,782
13 – 14%	6	4,449,897	8	4,668,685
<i>Allowance for mortgage losses</i>		(3,840,107)		(219,363)
	50	19,954,492	58	24,993,626

CAPITAL MANAGEMENT

The Corporation seeks to facilitate the management of its capital requirements by preparing annual expenditure budgets that are updated as necessary and approved by the Board of Directors. The Corporation may occasionally need to increase these levels to facilitate acquisition or expansion activities; however there are no established quantitative returns on capital requirements for management. The Corporation considers the capital structure to consist of debt and shareholders' equity. The Corporation considers debt to include bank indebtedness, demand loans and long-term debt, including current portion (if any). The Corporation monitors capital using the following measures:

	September 30, 2016 \$	September 30, 2015 \$
Demand loan (credit facility)	6,184,619	8,257,316
Trade and other payables	271,848	111,988
Due to related parties	1,000,000	-
Unearned revenue	37,148	147,361
Total debt	7,493,615	8,516,665
Shareholders' equity	14,987,879	17,074,634
Total capitalization	14,987,879	17,074,634

	September 30, 2016	September 30, 2015
Debt to total capitalization (%)	50.0%	49.9%
Net interest & fees income (loss) after provision for mortgage losses	\$(2,057,229)	\$2,312,102
Dividend payout ratio	N/A	67.9%
Effective interest rate	11.3%	11.7%
Average portfolio yield	14.0%	14.8%
Turnover ratio	14.0%	17.7%

The Corporation 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 Corporation may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and issue new debt to replace existing debt.

DIVIDEND DISTRIBUTIONS

The Corporation's policy is to distribute dividends to its shareholders from profit available within the Corporation on a quarterly basis.

On September 20, 2016, the Board of Directors suspended the declaration of dividends for the remainder of 2016.

LIQUIDITY AND CAPITAL RESOURCES

Management reviews the mortgage portfolio continuously. An allowance for mortgage loan losses is established consisting of specific provisions that, in management's judgment, is adequate to absorb all credit related losses in the portfolio. Specific provisions include all of the accumulated provisions for losses on particular assets required to reduce the related assets to estimated realizable value. The Corporation regularly establishes provisions for each mortgage receivable, if applicable.

Management reviews each individual property mortgage on a monthly basis to determine shifting risks due to both changing specific client circumstances as well as general overall market conditions. The latter may include more specific situations relative to changes in business and industry.

Adjustments to accrued interest for each mortgage security asset are calculated on the daily balance of each mortgage asset to reflect accurate oversight and provisioning by Management and the Board. This method of provisioning ensures interest revenues on specific mortgages at risk of default are provisioned in a very timely manner and eliminates unnecessary swings in provision adjustments thereby allowing more consistent reporting of revenue and potential losses.

Capital and interest provisions are reported in quarterly company financial information reported both on SEDAR and the company web-site as required by Security Regulations.

Following the review of the mortgage portfolio which was initiated by the Board of Directors upon the termination of the previous President and CEO, loan loss provisions have increased to \$4,278,175. A substantial portion of the increased loan loss provision arises from a commercial mortgage where inadequate security was obtained.

The third quarter provision for loan losses of \$3,114,015 was a result of mortgage interest calculated on delinquent accounts in the amount of \$174,126 and \$2,939,889 as additional specific provisions.

An additional provision of \$264,636 was related to specific provisions identified on assets taken in settlement of debt. Management believe this provision is sufficient to offset any potential loan losses based on current analysis of the real estate market.

During the quarter sales were completed on two assets taken in settlement of debt. Subsequent to September 30, 2016 proceeds from a third sale were received. Remaining assets are currently listed for sale.

OFF-BALANCE SHEET TRANSACTIONS

The Corporation's business constitutes of advancing funds secured by real estate mortgage and the administration and collection of principle and interest under these mortgages. The Corporation does not have any off-balance sheet transactions with the exception of the lease agreement for its premises. The future lease commitments expire May 31, 2018.

RELATED PARTY TRANSACTIONS

The Corporation is managed by the Chief Executive Officer, the Chief Financial Officer and the administration of business activities is handled by employees. The Board of Directors oversee and provide direction to management.

Two Directors are shareholders in a third party from whom an advance of \$1,000,000 on a debenture was secured. The debenture is at 8% per annum interest with repayment due on December 15, 2016. The short term loan is to assist the cash flow of the Corporation and provide time within which realization of foreclosed and redundant assets may occur. Subsequent to September 30, 2016 the repayment date has been extended to February 28, 2016.

FINANCIAL INSTRUMENTS

The financial instruments involve the Corporation's credit facility and the mortgages receivable.

The authorized limit of the credit facility is the lesser of the margin calculation and \$15,000,000. It bears interest at the rate of prime interest plus 1.5%. The credit facility is secured by a general security agreement over the assets of the Corporation. As at September 30, 2016, the maximum margin available was \$5,192,500. The credit facility is utilized to reduce the impact of portfolio turnover and to assist in the cash management of the Corporation.

CRITICAL ACCOUNTING ESTIMATES

The assessment for impairment to identify losses within the mortgage portfolio is a critical aspect of Management's function. In order to identify losses that may have occurred but which have not been identified, the Corporation groups its mortgage investments within similar risk characteristics. All mortgages are assessed individually for impairment.

In addition to individual assessment the mortgages are collectively assessed. Based on amounts determined from the analysis, Management uses its judgement to determine whether or not actual future losses are expected to exceed or be less than the amounts calculated.

As of September 30, 2016 the Corporation had an impairment allowance of \$3,840,107. The impairment allowance at December 31, 2015 was \$219,363.

MANAGEMENT/CONTROL/PROCEDURES

Management is responsible for the information contained within this MD&A and to ensure that both the internal and external information that is disclosed by the Corporation is correct and materially complete.

The Board of Directors provide an oversight role, and the Audit Committee assists in the provision and review of financial information contained with the MD&A and the financial statements for the quarter ended September 30, 2016.

The Corporation has internal controls respecting its financial reporting which are adhered to in order to ensure reliable financial reporting and that the financial statements prepared for external purposes are in accordance with IFRS.

MARKET OUTLOOK & CORPORATE RISKS

The following comments are qualified in their entirety by the Notice Regarding Forward-Looking Information at the beginning of this MD & A.

While the Corporation conducts its business in the Western Provinces of Saskatchewan, Manitoba and Alberta our primary market for residential and commercial mortgages continues to be Saskatchewan. With a slowdown in the economy Investors in the Corporation may have concerns relative to the real estate market in general and the potential impact on companies in this industry affecting their ability to generate profits and pay dividends to their investors in the future. We continue to be confident that the sector niche of the market which the Corporation operates within will continue to provide solid business growth and profits for our investors.

MARKET OUTLOOK & CORPORATE RISKS (continued)

Management and the Board are now preparing financial projections, so as to pursue new investments and additional capital.

Capital injection will permit new loans to be underwritten to provide additional revenues. The Corporation is focussed on ensuring the borrowing policies and guidelines are properly followed so that PrimeWest can be returned to its status as a profitable mortgage investment corporation.

We consider and establish a number of strategies to limit market risks due to changes in the overall economy and or specific sectors of the economy which may impact our business model and our resulting mortgage portfolio. We maintain prudent lending practices within the guidelines established for Mortgage Investment Corporation's ("MIC") by Government Regulations. MIC's are allowed to lend to an initial maximum Loan To Value ("LTV") of up to 95% of the appraised value of property being mortgaged and we have internal guidelines established to utilize a lower threshold of 85% LTV to provide a more solid underlying security value for our mortgage loans and as such improved investment value for our shareholders. We follow an internal process of establishing specific individual allowances for all mortgages to ensure our payment practice of quarterly dividends is reflected in the most accurate fashion for our shareholders while ensuring earnings, which are negatively impacted by doubtful accounts, are a consistent reflection of the company's operations. Additionally, while MIC's are allowed to enter into mortgages with initial terms of up to 2 years in duration, we continue to concentrate on shorter term maturities to facilitate more immediate cash flow issues while working to convert investment assets to cash to provide the most efficient use of shareholder capital to grow investment returns.

Risks as a mortgage lender in the Western Canadian market, with the main emphasis in Saskatchewan, include volatility in the real estate property market, which could be driven by changes in the resource industry. Slower growth or reversals in the development operations in these sectors as well as the related service industries represent an important component of business growth opportunities for our mortgage lending business.

Additional risks do exist which are typical for all business operations conducted in the mortgage lending business generally. These risks include Government legislative changes, National Interest Rate environment, mortgage backed security loans, competition activities, potential environmental issues mainly with commercial loans, borrower solvency, and other factors as outlined in previous sections of our information document.

ADDITIONAL INFORMATION

PrimeWest Mortgage Investment Corporation, as a reporting issuer, files all material documents and information on Sedar. This additional information may be viewed at www.sedar.com, on the Canadian Securities Exchange at www.thecse.com under the symbol PRI and on our website at www.primewest.ca.