PREMIERE CANADIAN MORTGAGE CORPORATION

SUMMARY OF OPERATIONS & PROTFOLIO REVIEW - FISCAL YEAR ENDED AUGUST 31, 2017

The following will provide an overview of business operations for the Company, as well as an overview of portfolio composition, for the fiscal year ended August 21, 2017

	August 31, 2016 (12 months)		**August 31, 2017 (12 months)**	
Gross Revenue	$6,201,385		$7,187,869	+16%
Net Profit	$4,472,026		$5,071,614	+13%
Gross Mortgage Receivables*	$71,973,782		$87,829,299	+22%
Number of Total Mortgages	416		474	+58
Total Alberta Mortgages	$29,765,525	41% of total	$27,554,186	31% of total
Total B.C. Mortgages	$24,010,365	33% of total	$27,585,709	31% of total
Total Ontario Mortgages	$15,053,351	22% of total	$29,149,669	34% of total
Total Manitoba Mortgages	$3,144,541	4% of total	$3,539,735	4% of total
Average Mortgage Size	$173,014		$185,294	+7%
Number of 1st Mortgages	384	91% of total	429	91% of total
Dollar Amount of 1st Mtgs.	$70,197,564	98% of total	$84,973,853	97% of total
Avg. Loan to Value Ratio	52%		52%	n/c
Avg. Invest/Shareholder	$218,814		$222,558	+2%
Number of Shareholders	260		289	+29
NET Yield on Investment	**7.70%**		**8.25%**	**+.55%**

*Summary data is based on gross mortgage receivables, while our financials reference net receivables (gross mortgages less loan loss reserves).

As detailed above, your Company had another successful year. Gross revenue for the 2016-17 fiscal year was roughly $7.2 million (2016 - $6.2 million), with net income of just under $5.1 million (2016 - $4.5 million). **Based on these results, the net yield/return on investment to our shareholders for the fiscal year ended August 31, 2017, was 8.25% per annum.**

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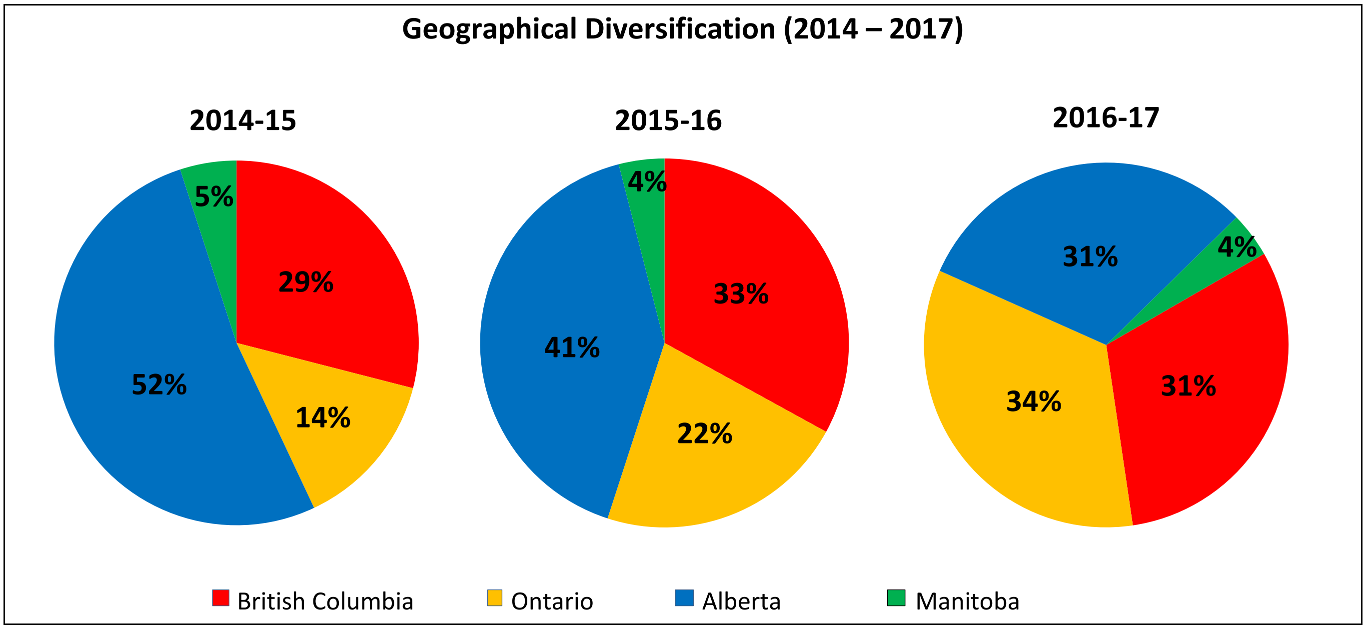
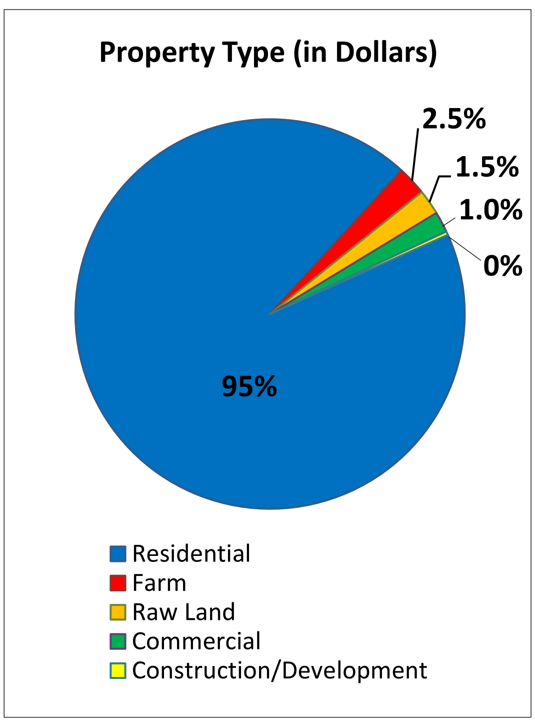
Portfolio Analysis

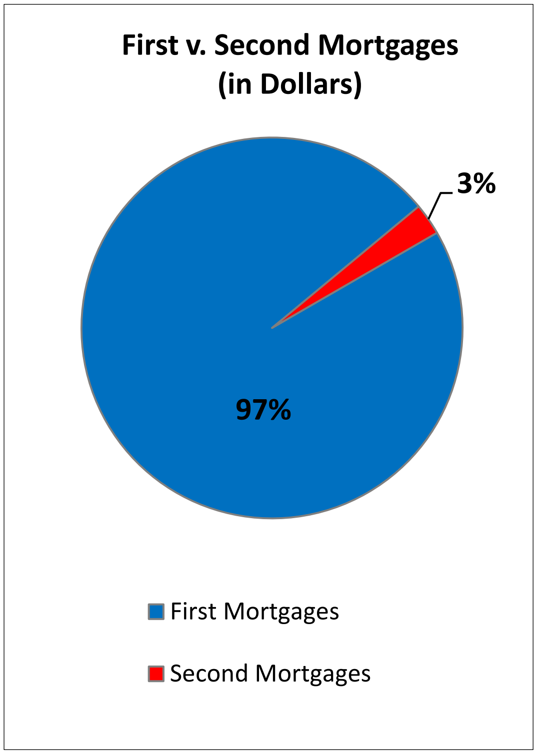
The following information will provide a detailed analysis of our mortgage portfolio and provide additional information on our underwriting practices as of our fiscal year end, August 31, 2017.



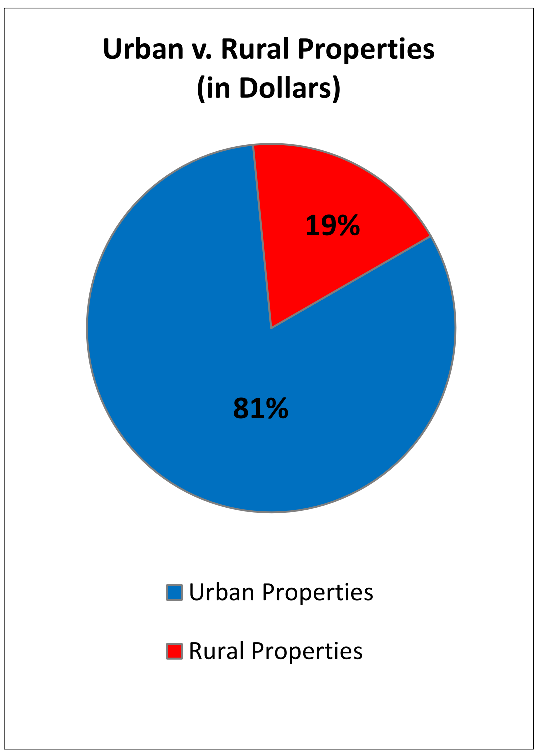
- Since mid-2014, a key business plan goal has been to lessen our reliance on the Alberta market and to better diversify our portfolio geographically. As illustrated above, we have now achieved relative parity in our portfolio with approximately a third of our investments in British Columbia, a third in Ontario, and the balance in Alberta and Manitoba.



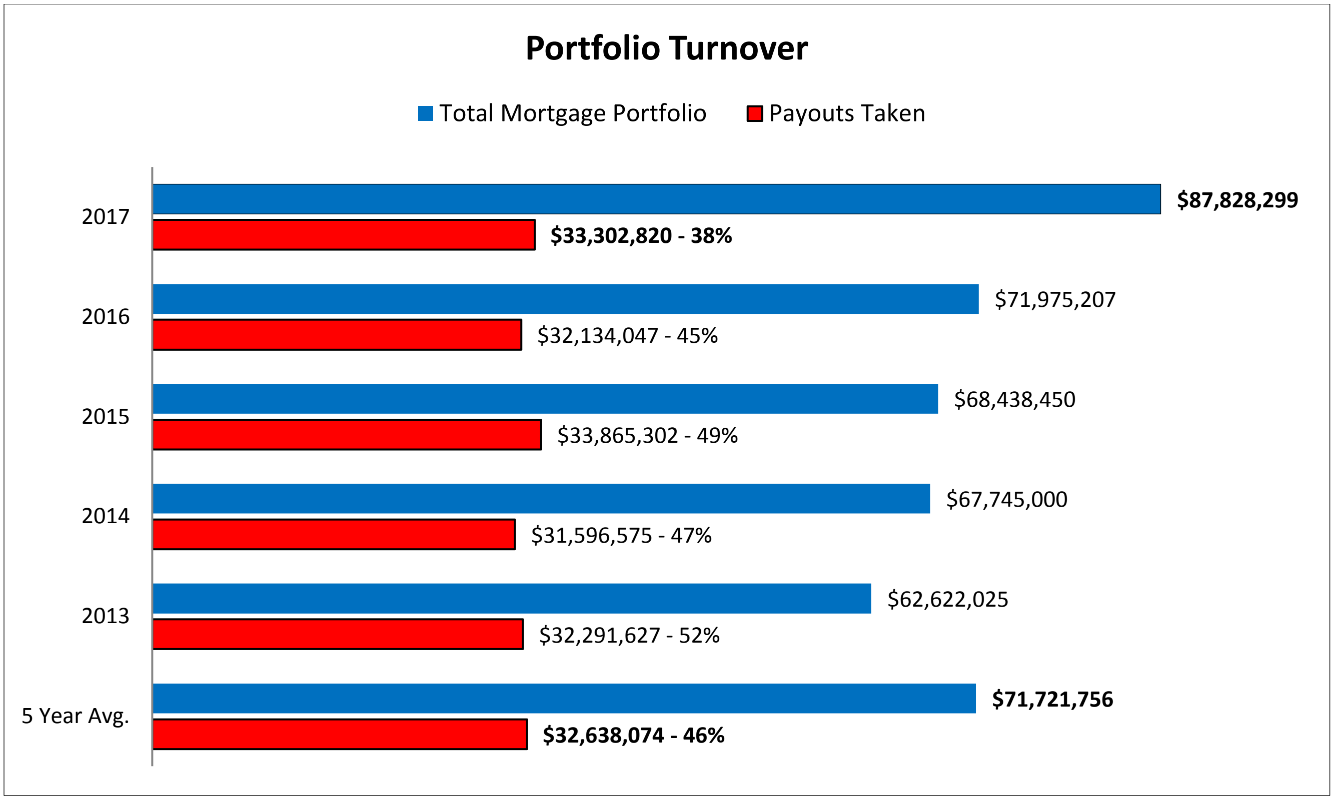
- Our portfolio remains mostly comprised of owner occupied, typical residential properties (i.e. single family houses, duplexes, townhouses, and condos).
- **Residential** - $83.8 million – 456 accounts.
- **Farm** - $1.9 million – 8 accounts.
- **Commercial** - $1.3 million – 2 accounts.
- **Raw Land** - $829,000 – 8 accounts.
- **Construction & Development** – no accounts.

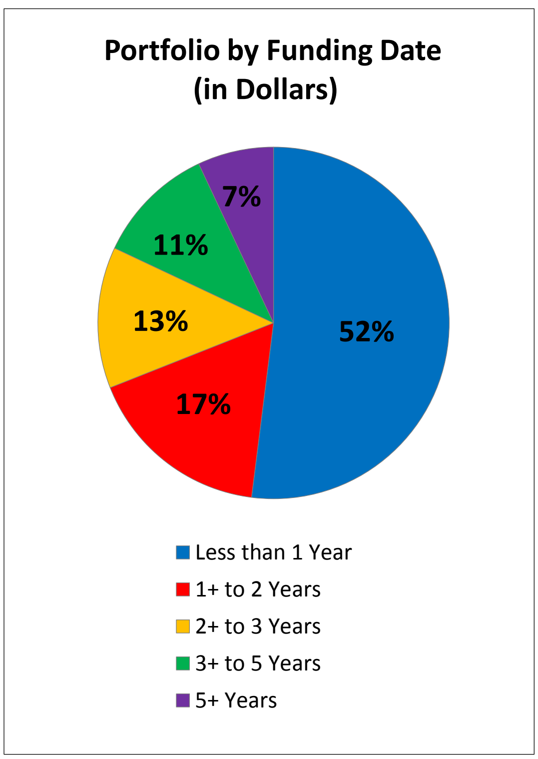


- **1st Mortgages** - $85 million – 429 accounts.
- **2nd Mortgages** - $2.9 million – 45 accounts.
- 1st mortgages provide for better security as there are no priority charges (as is the case with 2nd mortgages) which could erode equity and increase the potential for loss in the event of a foreclosure.
- We continue to pursue 2nd mortgage applications in all markets, although our loan to value guidelines are reduced in most markets to address the added risk with these investments.



- **Urban Properties** - $71.5 million – 375 accounts. Urban properties are those located in or within commuting distance to larger urban centres.
- **Rural Properties** - $16.3 million – 99 accounts. Rural properties are those located in smaller communities and/or rural locations, including acreages and farms.
- In Ontario, the urbanization of real estate extends substantially outside of metro Toronto. This is due to the significantly higher population density in the province and longer commutes to urban centres being the accepted norm.
- We have maintained a roughly 80% urban and 20% small town/rural mix in our portfolio for the past five fiscal years.

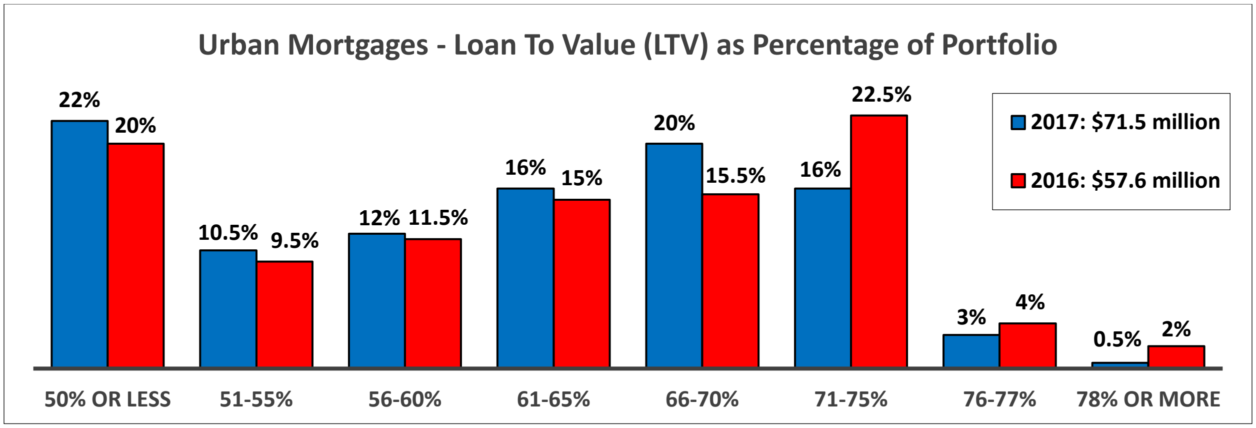


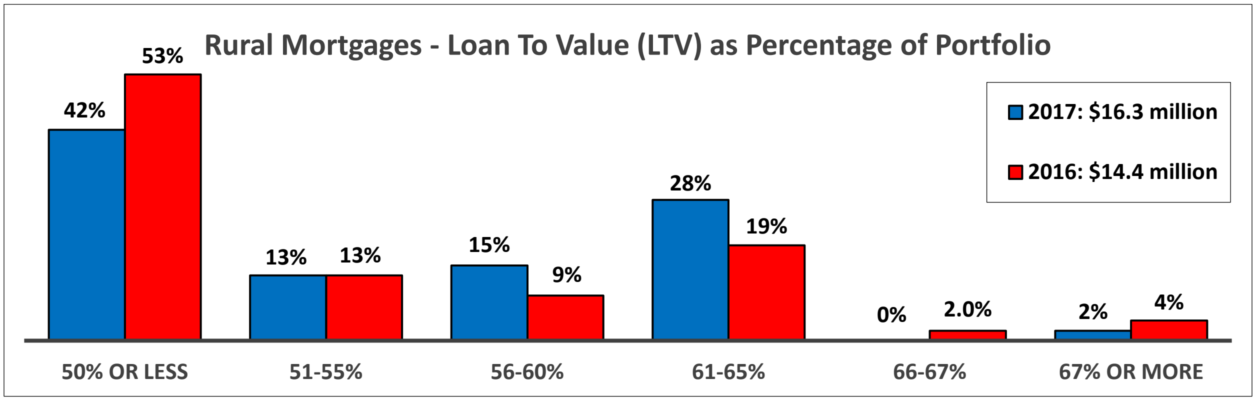


• **Payouts over the past year totaled $33.3 million, up slightly from $32.1 million in 2016.**

• As illustrated above, our portfolio remains very liquid; with an average of 46% of the portfolio paying out on an annual basis over the past five years.

• **Due to our higher turnover, our mortgage portfolio is relatively new with 52% of our mortgages (in dollars) funded within the past 12 months, and 82% of our portfolio funded within the last three years.** This is advantageous as our property appraisals and site inspections are more recent and should provide for a more accurate reflection of property condition and our equity position in the event of a default.





- Based on our most recent appraisals and/or market valuations, our portfolio breaks down as follows:
  - **Urban Mortgages** - 80% of capital is invested at 70% LTV or less (2016 – 73%).
  - **Rural Mortgages** - 70% of capital is invested at 60% LTV or less (2016 – 72%).

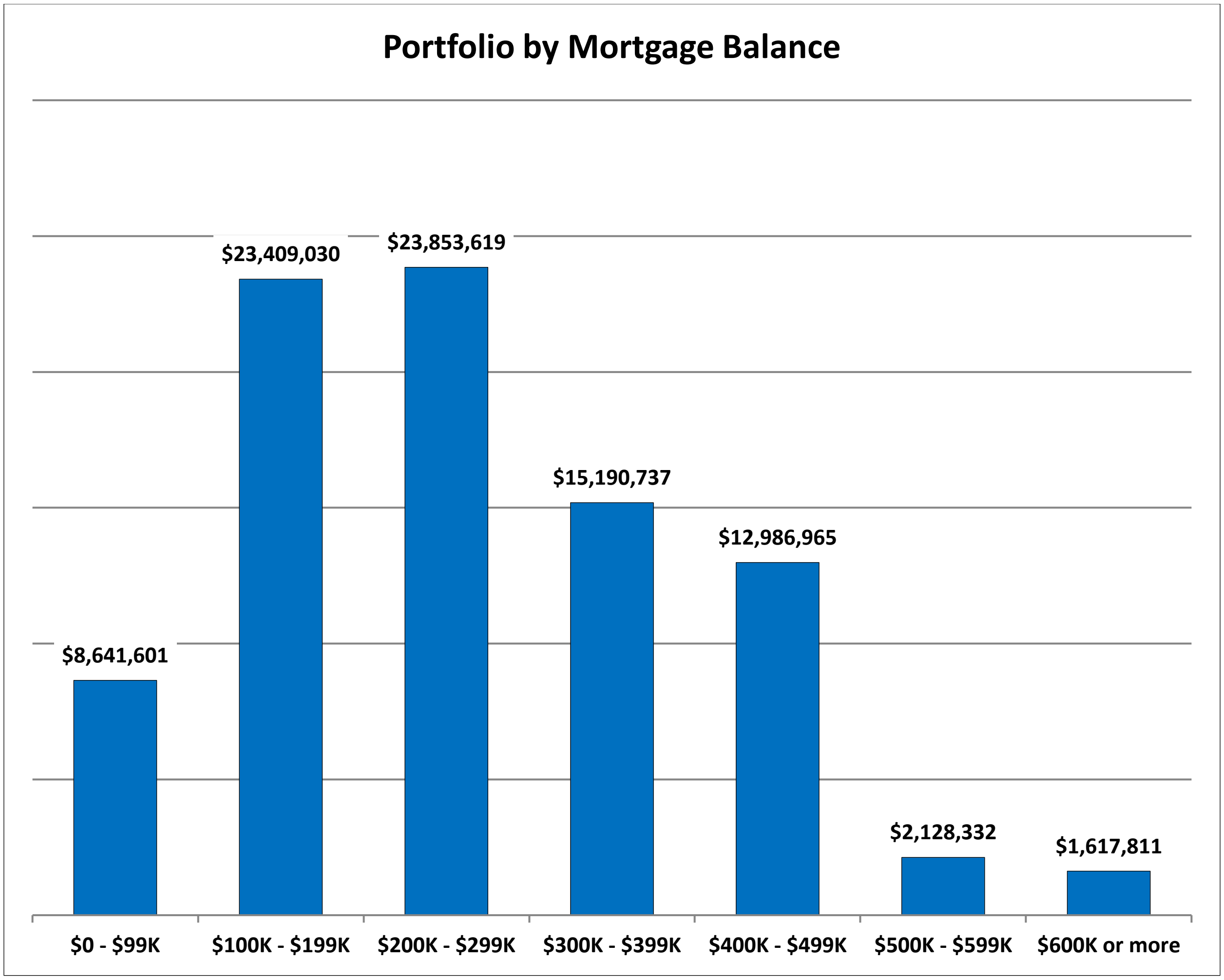
- **While our total portfolio increased by approximately 20% over the past fiscal year, our total mortgages (in dollars) funded at higher loan to value ratios (over 70%) in our urban portfolio did not increase year over year, and now represents a smaller percentage of our total portfolio.** This result reflects our decision to curtail lending over 70% loan to value during the latter part of this past year to mitigate any potential dampening of market values we may encounter over the coming year.

- The small number of mortgages where the present loan to value ratio exceeds our usual maximums of 75% on urban and 65% on rural properties fall into one of two categories:

  - The first relates to foreclosure mortgages where property valuations have been updated on a "forced sale" basis, resulting in a lower market value and an increased loan to value ratio. At present, we have three foreclosure accounts totalling $734,000 that fall into this category.

  - The second relates to mortgage renewals and our on-going practice of capitalizing any renewal fees on a mortgage at maturity, rather than requiring the borrower to pay these costs up front (in cash). Once renewal fees are capitalized, if the revised loan to value ratios exceed our maximums of 75% (urban) and 65% (rural) by more than 2%, these mortgages are reviewed to determine if an updated property valuation and/or renewal decision is appropriate.

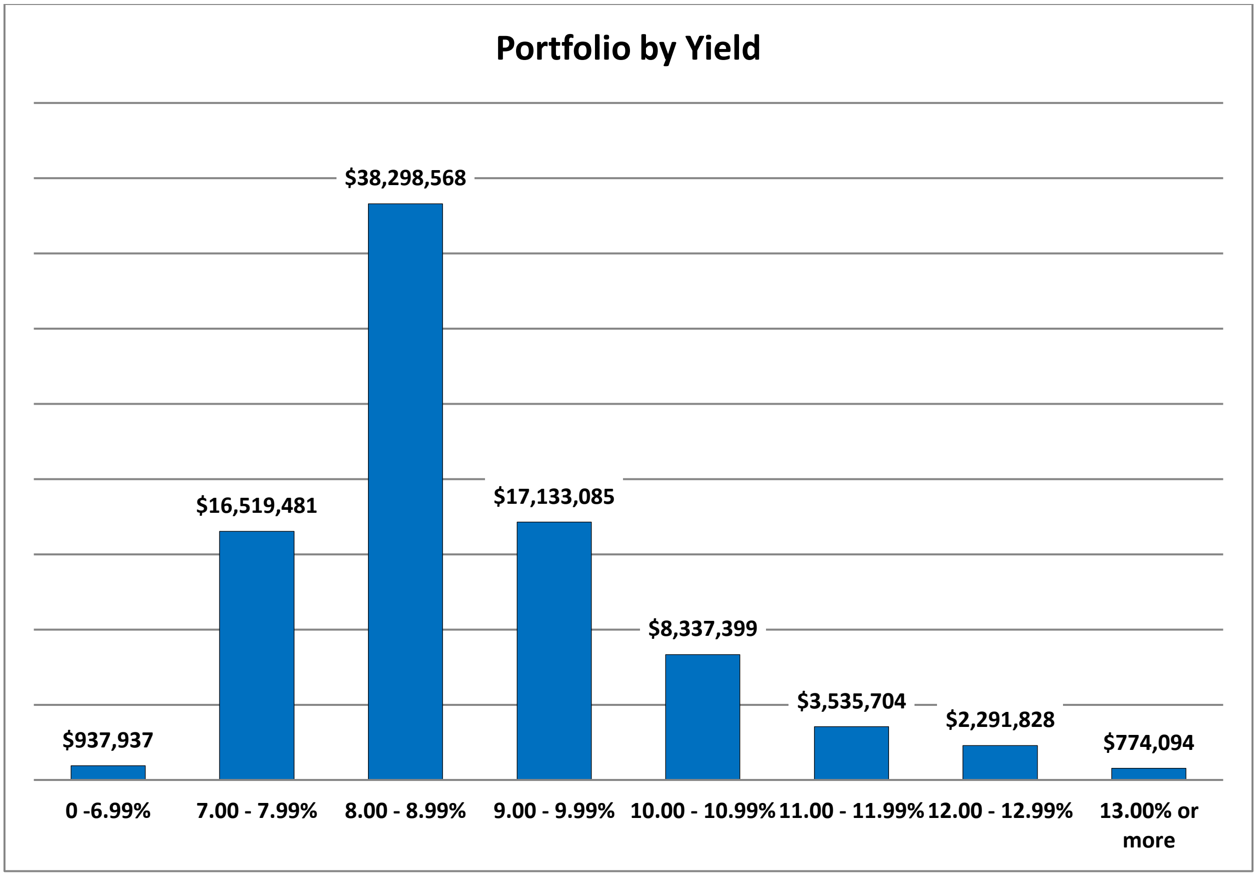
  - **In 2016-17, we generated approximately $450,000 in lender fees on mortgage renewals, up from $376,000 last year, and none of our mortgage investments (excluding foreclosures) exceeded our 2% over maximum Loan To Value limitation at year-end.**



- As illustrated above, our portfolio is comprised of mostly smaller mortgages, with approximately $56 million (64% of total) invested in mortgages under $300,000, and $71 million (81% of total) invested in mortgages under $400,000. At present, our average mortgage balance sits at just over $185,000.

- Of our 474 accounts, we have only 35 mortgages with a balance in excess of $400,000, including four over $500,000, and two over $600,000. We have no mortgages in excess of $1 million in the portfolio.

- We continue to focus on mostly smaller mortgage investments relative to the size of our total portfolio. We believe this approach will allow for a more diversified investment and reduces the risk of any proportionately larger mortgages going into default, which can have a significant, detrimental impact on profitability and security of funds.



- As of August 31, 2017, total funds invested generated rates of return as follows:
  - 99% of our portfolio generated a yield of 7% or greater (2016 - 98%).
  - 80% of our portfolio generated a yield of 8% or greater (2015 - 82%).
  - Our 2nd mortgage portfolio ($2.9 million) generated an average yield of 11.75%.

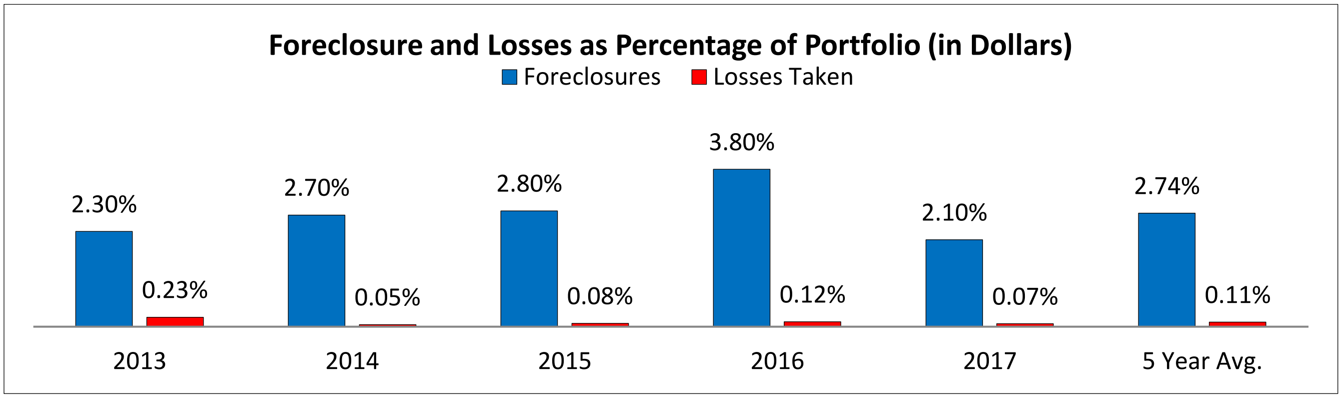
- This past year, we secured a minimum yield of prime plus 4.5% (7.45% as of August 31, 2017) on virtually all new mortgages funded, as well as with most existing mortgages at the time of renewal.

- The 0 – 6.99% category represents four foreclosure mortgages where we expect to take a loss upon sale. Although the actual interest rate on these mortgages is much higher, once we determine that a mortgage is in a probable loss position, we discontinue taking interest into income on these accounts. Once the property is sold, if there are sufficient sale proceeds to collect any interest not taken into income previously, this interest is collected at the time of payout.

- Our pricing for new business continues to be based on property type, location, purpose of funds, loan to value, as well as competitive influences in the marketplace. These parameters are considered with all applications to ensure the Company is best positioned to purse better quality business in all markets, while still maintaining our standards relative to yield, risk and security of funds.

<u>Delinquency – Foreclosures and Losses</u>

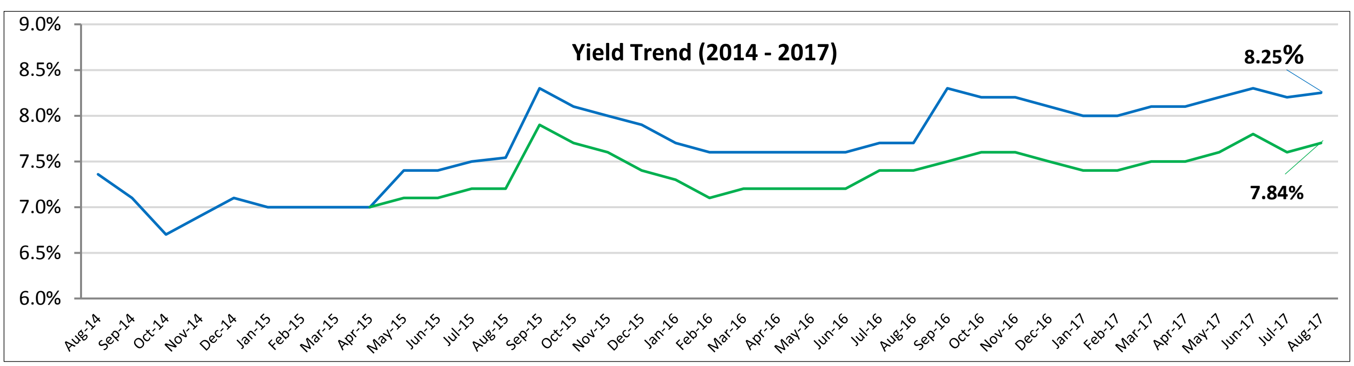
As of August 31, 2017, we had seven foreclosures in progress (1.5% of our total portfolio). With respect to write offs, losses were modest at just over $66,000 this past year. Looking forward to the 2017-18 fiscal year, we do anticipate greater losses of somewhere between $150,000 and $200,000 as we expect to liquidate a few of our more problematic legal accounts in small town/rural Alberta. We continue to carry substantial loan loss reserves, totaling $716,000, which will be available to offset (partially or in full) any larger or extraordinary losses that may be incurred over the coming months. As such, we do not expect write offs to have a significant impact on profitability for the coming fiscal year.



As the above chart illustrates, our historical default levels have been very low. Based on our average mortgage portfolio of $71.7 million over the past five years, our foreclosures have accounted for less than 3% of our total portfolio, with actual losses being much lower at just over 1/10 of a percentage point.

<u>Yield Forecast</u>

Over the past year, we have enjoyed very positive results in all aspects of our business operations. Increased funding volumes and net portfolio growth, modest write offs, and expanded use of leverage. These factors, along with greater expansion into Ontario and a more favourable management compensation structure have all contributed to our increased profitability and rate of return over the past two years, as illustrated by the graph below.



8.25% - Actual Yield – Based on new performance-based management fee structure (21% of total profit per annum).

7.84% - Adjusted Yield – Assuming previous management fee structure (2% of total mortgage outstandings per annum).

While we can't be certain this positive yield trend will continue, we can assure our shareholders that we will continue to maintain our established lending standards and business practices to ensure your investment in Premiere Canadian remains both profitable and secure.

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