PREMIERE CANADIAN MORTGAGE CORPORATION

SUMMARY OF OPERATIONS & PORTFOLIO REVIEW – FISCAL YEAR ENDED AUGUST 31, 2018

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 31, 2018.

	August 31, 2017 (12 months)		August 31, 2018 (12 months)	
Gross Revenue	$7,187,869		$8,321,567	+16%
Net Profit	$5,071,614		$5,685,940	+12%
Gross Mortgage Receivables	$87,829,299		$96,846,877	+10%
Number of Total Mortgages	474		503	+6%
Total B.C. Mortgages	$27,585,709	31% of total	$33,896,407	35% of total
Total Ontario Mortgages	$29,149,669	34% of total	$32,927,938	34% of total
Total Alberta Mortgages	$27,554,186	31% of total	$27,117,126	28% of total
Total Manitoba Mortgages	$3,539,735	4% of total	$2,905,406	3% of total
Average Mortgage Size	$185,294		$192,539	+4%
Number of 1st Mortgages	429	91% of total	452	90% of total
Dollar Amount of 1st Mtgs.	$84,973,853	97% of total	$92,992,812	96% of total
Avg. Loan to Value Ratio	52%		51%	-1%
Total Shareholder Capital	$64,319,263		$72,187,114	+12%
Number of Shareholders	289		315	+26
NET Yield on Investment	**8.25%**		**8.10%**	**-.15%**

As summarized above, your Company had another positive year. Gross revenue for the 2017-18 fiscal year was roughly $8.3 million (2017 - $7.2 million), with net income of just under $5.7 million (2017 - $5.1 million). **Based on these results, the net yield/return on investment to shareholders for the fiscal year ended August 31, 2018, was 8.10% per annum.**

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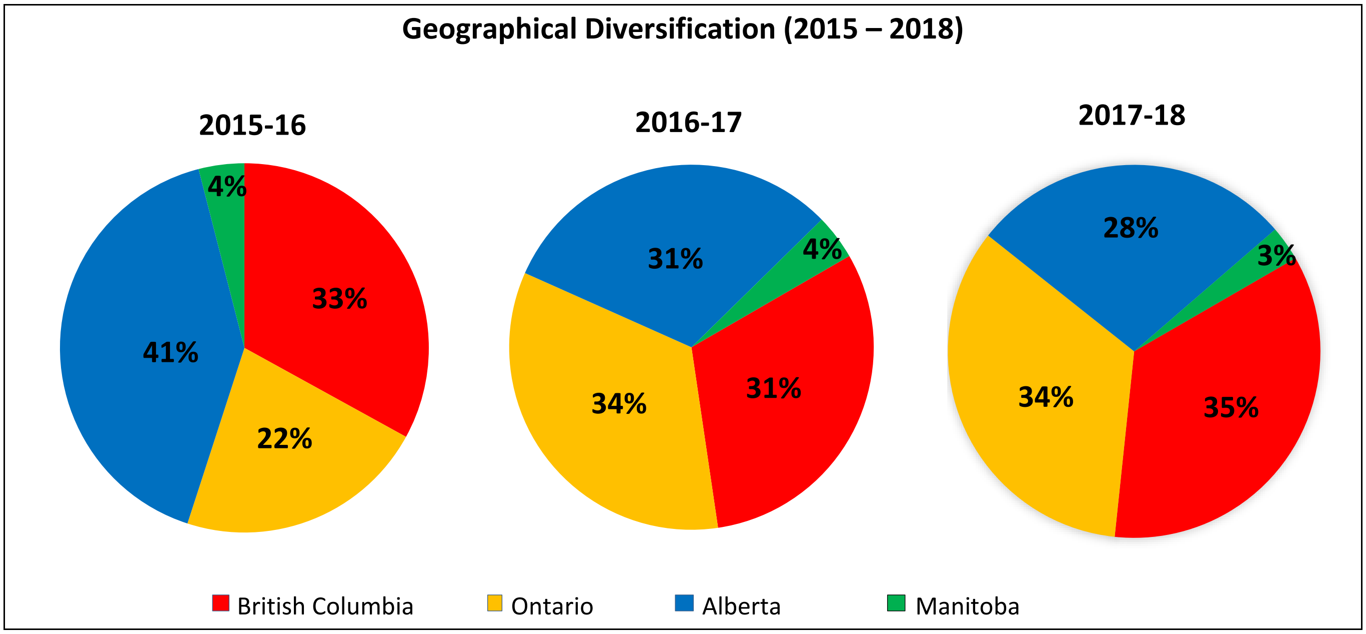
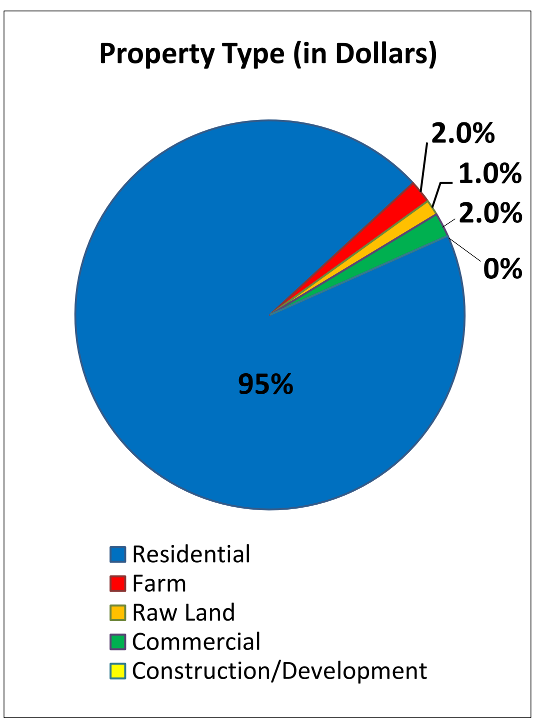
Portfolio Analysis

The following information will provide a detailed analysis of our mortgage portfolio as well as providing background on our underwriting and pricing practices as of our fiscal year end, August 31, 2018.

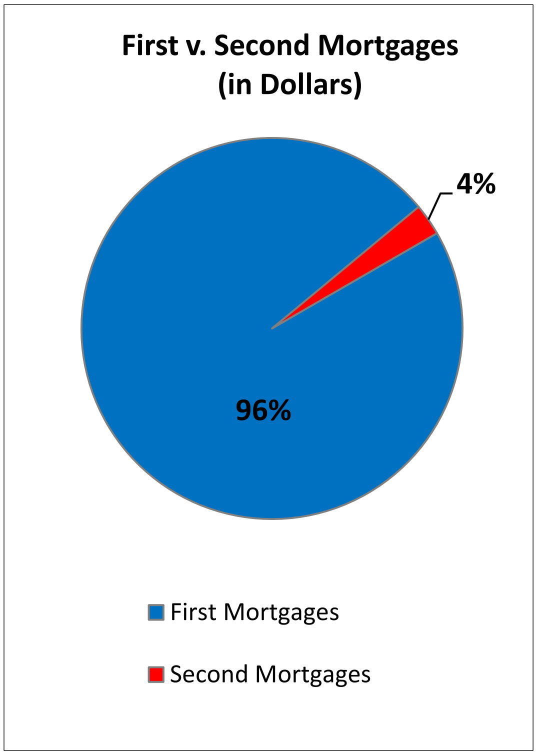


- Since mid-2014, a key business plan goal has been to lessen our reliance on the Alberta market and to better diversify the portfolio geographically. As illustrated above, for the past two years or so, we have maintained relative parity in our portfolio with approximately a third of our investments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

- Going forward, we expect the majority of our business opportunities will continue to come from British Columbia and Ontario as these provinces provide a more diverse marketplace for private mortgage investments. That being said, all viable business opportunities in Alberta and Manitoba will still be pursued as normal.



- Our portfolio remains mostly comprised of owner occupied, typical residential properties (i.e. single-family houses, duplexes, townhouses, and condos).
- **Residential** - $91.8 million – 483 accounts.
- **Farm** - $1.8 million – 7 accounts.
- **Commercial** - $1.9 million – 2 accounts.
- **Raw Land** - $1.3 million – 11 accounts.
- **Construction & Development** – no accounts.

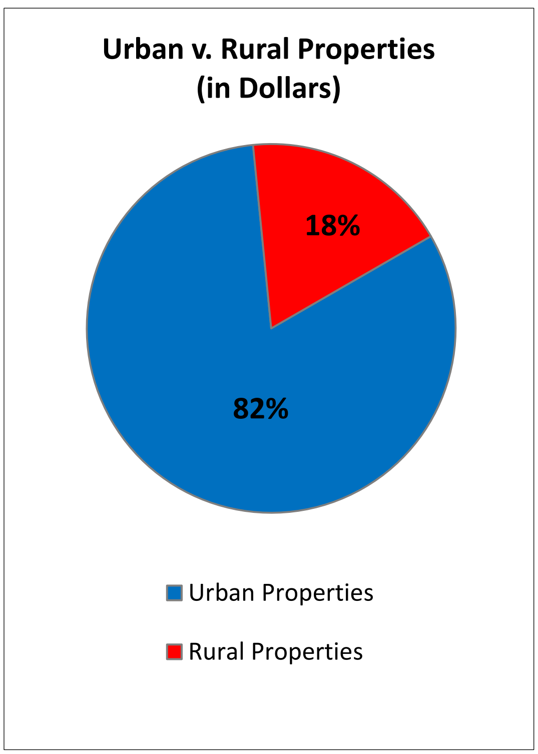


• **1st Mortgages** - $93 million – 452 accounts.

• **2nd Mortgages** - $3.8 million – 51 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.

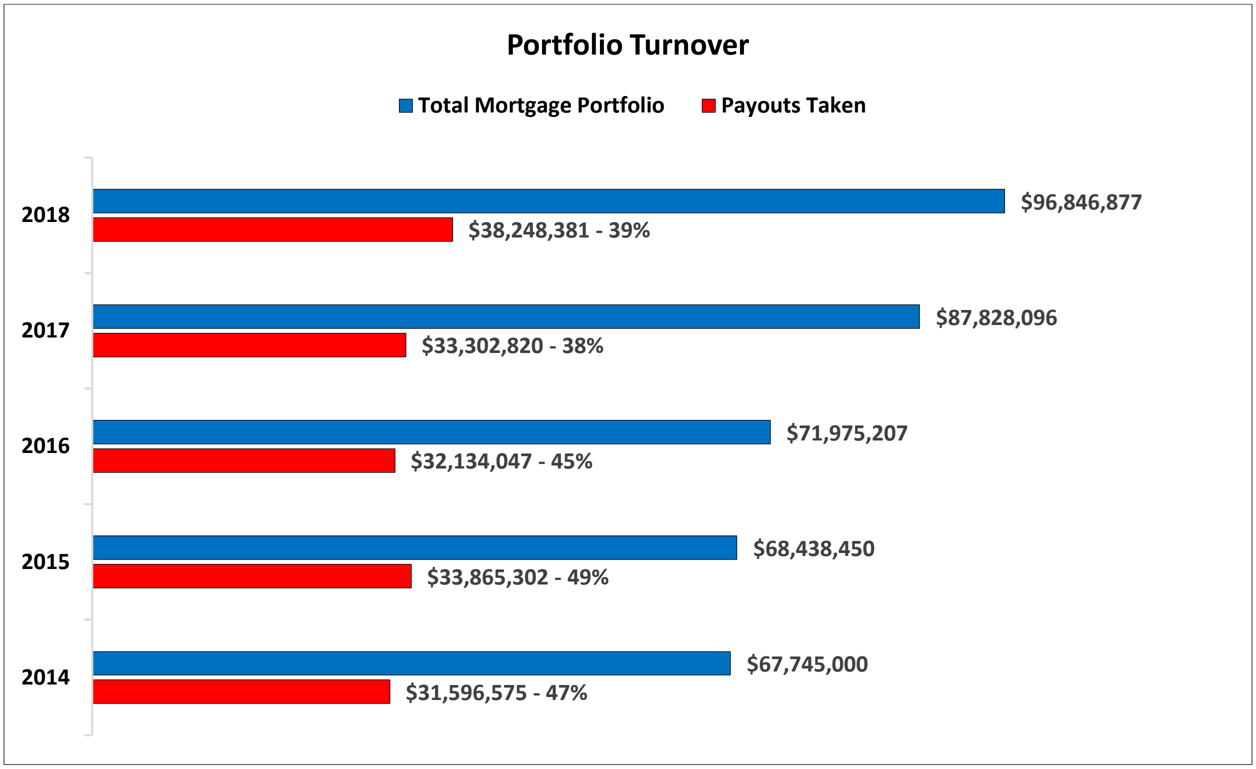


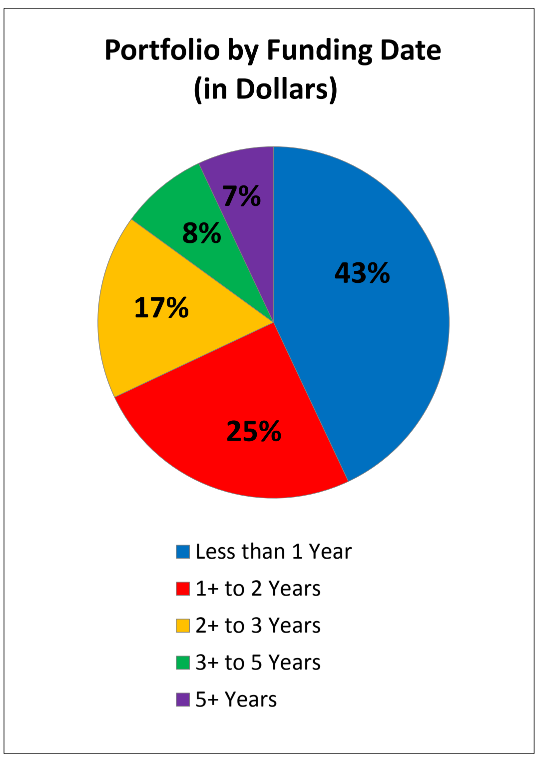
• **Urban Properties** - $79.4 million – 407 accounts. Urban properties are those located in or within commuting distance to larger urban centres.

• **Rural Properties** - $17.4 million – 96 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 and other larger communities in the province. 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 80/20 split between urban and small town/rural properties in our portfolio for several years. We do not expect this trend to change going forward.

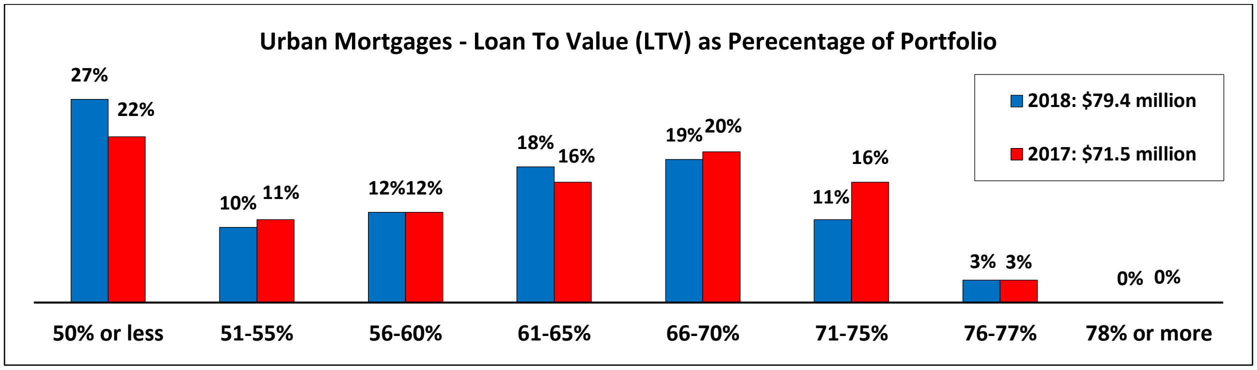


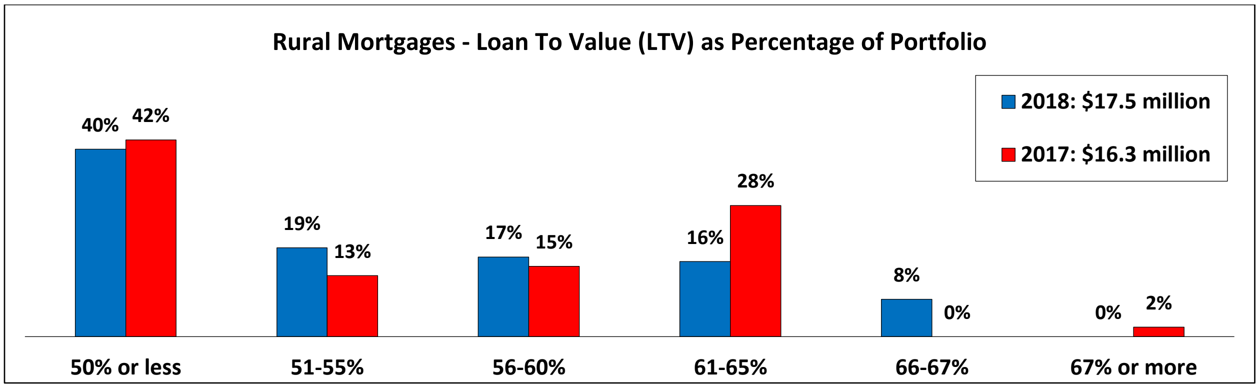


• **Payouts over the past year totaled $38.2 million, an increase of 15% as compared to payouts of $33.3 million in 2017.**

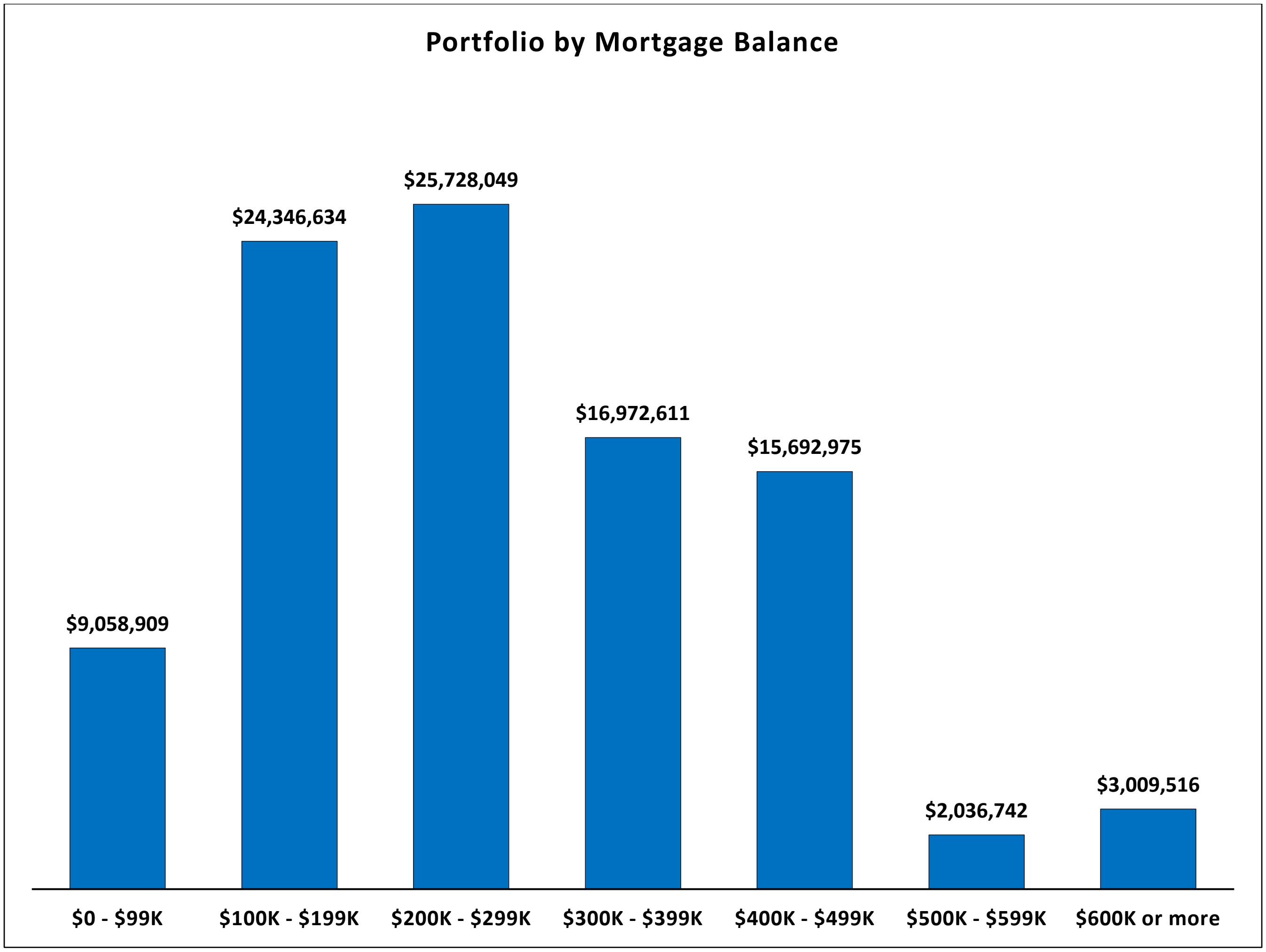
• As noted above, our portfolio remains very liquid; with 39% of our portfolio paying out this past year. Over the past five fiscal years, we have averaged of 43% of the portfolio paying out annually.

• **As a result of this turnover, our mortgage portfolio is relatively new with 43% of our mortgages (in dollars) funded within the past 12 months, and 85% of our portfolio funded within the last three years.** As our corresponding property appraisals and site inspections are more recent, this should provide for a more accurate reflection of property condition and better assist in assessing our equity position with any defaults we may encounter.





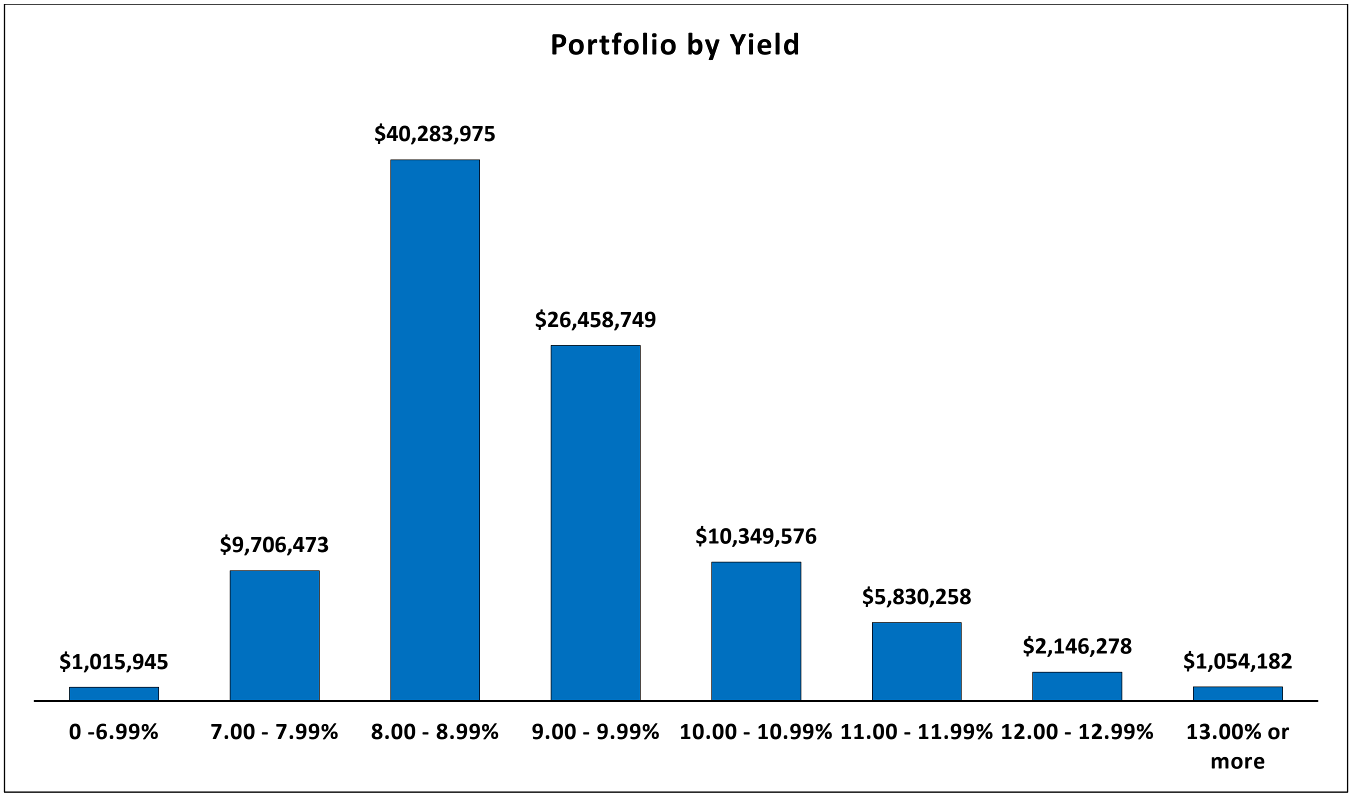
- Based on our most recent appraisals and/or market valuations, our portfolio breaks down as follows:
    - **Urban Mortgages** - 86% of capital is invested at 70% LTV or less (2017 – 80%, 2016 – 73%).
    - **Rural Mortgages** - 76% of capital is invested at 60% LTV or less (2017 – 70%, 2016 – 72%).
- **While our total portfolio increased by approximately 10% over the past fiscal year, our total mortgages (in dollars) funded at higher loan to value ratios (over 70% for urban and 60% for rural properties) has declined as a percentage of our total portfolio.** This result reflects more selective lending over the course of the past fiscal year in an effort to mitigate any potential dampening of market values we may encounter going forward.
- 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, which usually results in a lower market value and a higher loan to value ratio. At present, we have one foreclosure account for $296,400 that falls into this category.
    - The second relates to mortgage renewals and our on-going practice of capitalizing applicable 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 2017-18, we generated approximately $610,000 in lender fees on mortgage renewals, up from $450,000 in 2017 and $376,000 in 2016. Also, 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 $76 million (79% of total dollars) invested in mortgages under $400,000. At present, our average mortgage balance is approximately $192,500.

- Of our 503 accounts, we have only 43 mortgages with a balance in excess of $400,000, including four over $500,000, and another four 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, with 82% of our mortgages (411 accounts) written for $300,000 or less. We believe this approach will provide for a more diversified investment and reduces the risk of any proportionately larger mortgages going into default, which can have a detrimental impact on profitability and security of funds.**



- As of August 31, 2018, total funds invested generated rates of return as follows:
  - 89% of our portfolio generated a yield of 8% or greater (2017 – 80%, 2016 - 82%).
  - 48% of our portfolio generated a yield of 9% or greater (2017 – 36%, 2016 – 43%).
  - Our 2nd mortgage portfolio ($3.8 million) generated an average yield of 12.23%.

- **With respect to new business, over the course of the past fiscal year, we increased our minimum yield on new mortgage business funded from 7.50% to 8.0%. This change was reflective of the increases to the bank prime rate over the past year, and our goal of generating a minimum yield of approximately prime + 4.5% on most new business. At present, urban 1st mortgages will generally yield between 8 – 10%, with small town/ rural 1st mortgages yielding in the 9 – 11% range.**

- In addition, we reduced the number of existing mortgages in our portfolio generating less than 8% by roughly 40%, from $16.5 million at the end of the 2017 fiscal year, down to $9.7 million as of August 2018. As the balance of these accounts mature, they will be re-priced accordingly upon renewal in order to secure the minimum yield of 8.0% as noted above. It is important to note that virtually all mortgages in our portfolio yielding less than 8.0% (excluding foreclosures) would represent very low risk, urban 1st mortgages at 50% LTV or less.

- The 0 – 6.99% category represents four foreclosure mortgages where we expect to take some sort of 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 pursue better quality business in all markets, while still maintaining our standards relative to yield, risk and security of funds.

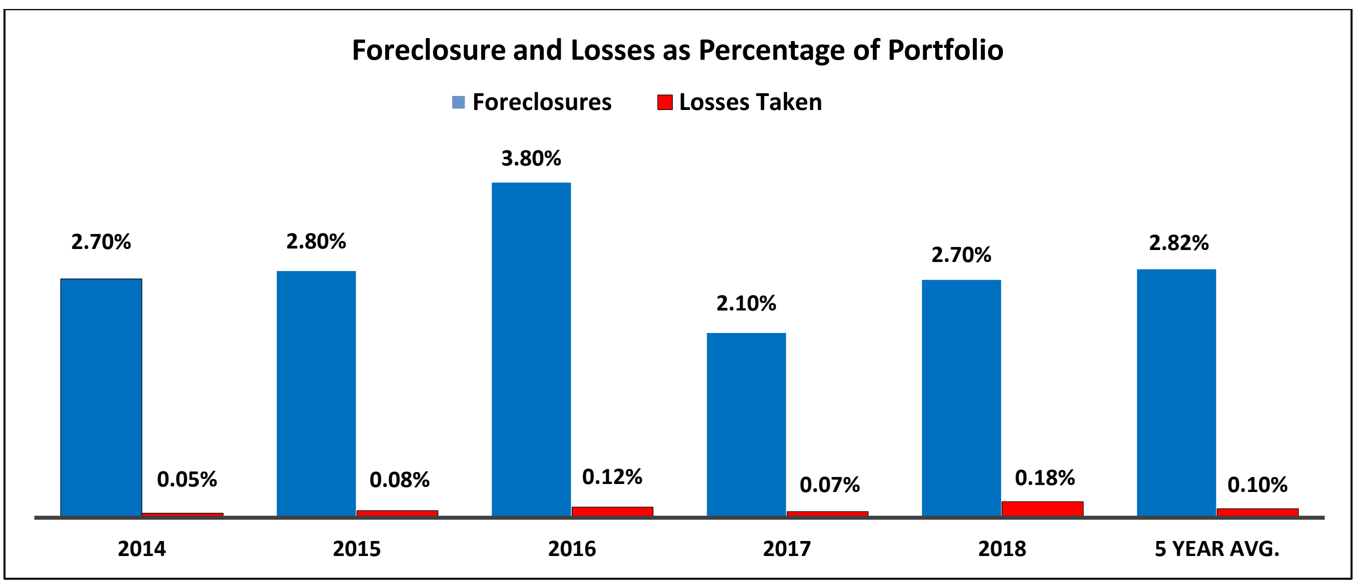
Delinquency – Foreclosures and Losses

As of August 31, 2018, we had 13 foreclosures in progress (2.7% of our total portfolio). The breakdown of these mortgages is as follows:

Province	#/Accounts	Balance Owing	Security Value	Avg. LTV Ratio
British Columbia	1	$220,217	$335,000	66%
Alberta	10	$1,780,785	$2,958,000	63%
Ontario	2	$608,506	$1,100,000	57%
Manitoba	0	N/A	N/A	N/A
Total:	**13**	**$2,609,508**	**$4,393,000**	**59%**

As noted above, the bulk of our foreclosures continue to be in Alberta. This has been a consistent trend since 2015 when declining oil prices adversely impacted economic and real estate market conditions in the province. While larger Alberta markets, such as Edmonton and Calgary have since recovered, some smaller towns and rural areas have not been as robust. At present, we have sales or payouts pending on three of our Alberta foreclosures (no losses expected) and we will be in a position to list another four properties for sale in the next month or two, so we should see these numbers reduce over the next few months. Foreclosure activity in all other provinces has been minimal over the past couple of years.

With respect to write offs, losses taken this year were roughly $173,000, in line with our projections at the beginning of the fiscal year. The bulk of these losses were taken on the liquidation of two more problematic foreclosure properties in northern Alberta. Looking forward to the 2018-19 fiscal year, based on our present foreclosure accounts, we anticipate similar losses of somewhere between $150,000 and $200,000. We continue to carry substantial loan loss reserves totaling $650,000, which would be available to offset (partially or in full) any larger or extraordinary losses that may be incurred over the coming year. Based on these projections, we do not anticipate that write offs will have a significant impact on profitability for the coming fiscal year.



As the above chart illustrates, our historical default and loss levels continue to be very low. Based on our average mortgage portfolio of $78 million over the past five years, our foreclosures have accounted for less than 3% of our total portfolio, with actual losses being very low at 1/10 of a percentage point.

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