PREMIERE CANADIAN
MORTGAGE CORP.

November 9, 2022

The Shareholders
Premiere Canadian Mortgage Corp.

BUSINESS AND PORTFOLIO OVERVIEW – FISCAL YEAR ENDED AUGUST 31, 2022

SUMMARY OF OPERATIONS

	August 31, 2021 (12 months)		August 31, 2022 (12 months)	
Gross Revenue	$8,099,745		$7,821,958	-3.4%
Net Profit	$5,968,686		$5,691,798	-4.6%
Loan Loss Reserves	$916,635		$831,170	-9.0%
Gross Mortgage Receivables*	$92,063,581		$98,240,297	+6.7%
Number of Total Mortgages	460		440	-20
Total B.C. Mortgages	$38,286,985	42% of total	$38,648,778	39% of total
Total Ontario Mortgages	$31,385,091	34% of total	$33,533,319	34% of total
Total Alberta Mortgages	$19,122,547	21% of total	$23,390,504	24% of total
Total Manitoba Mortgages	$3,268,958	3% of total	$2,667,694	3% of total
Average Mortgage Size	$200,138		$223,273	+11.6%
Number of 1st Mortgages	417	91% of total	400	91% of total
Dollar Amount of 1st Mtgs.	$89,532,273	97% of total	$94,443,823	96% of total
Loan to Value Ratio (LTV)**	**56%**		**52%**	**-4.0%**
Total Shareholder Capital	$77,501,337		$77,251,496	-0.3%
Number of Shareholders	300		288	-12
NET Return on Investment	**7.57%**		**7.20%**	**-0.37%**

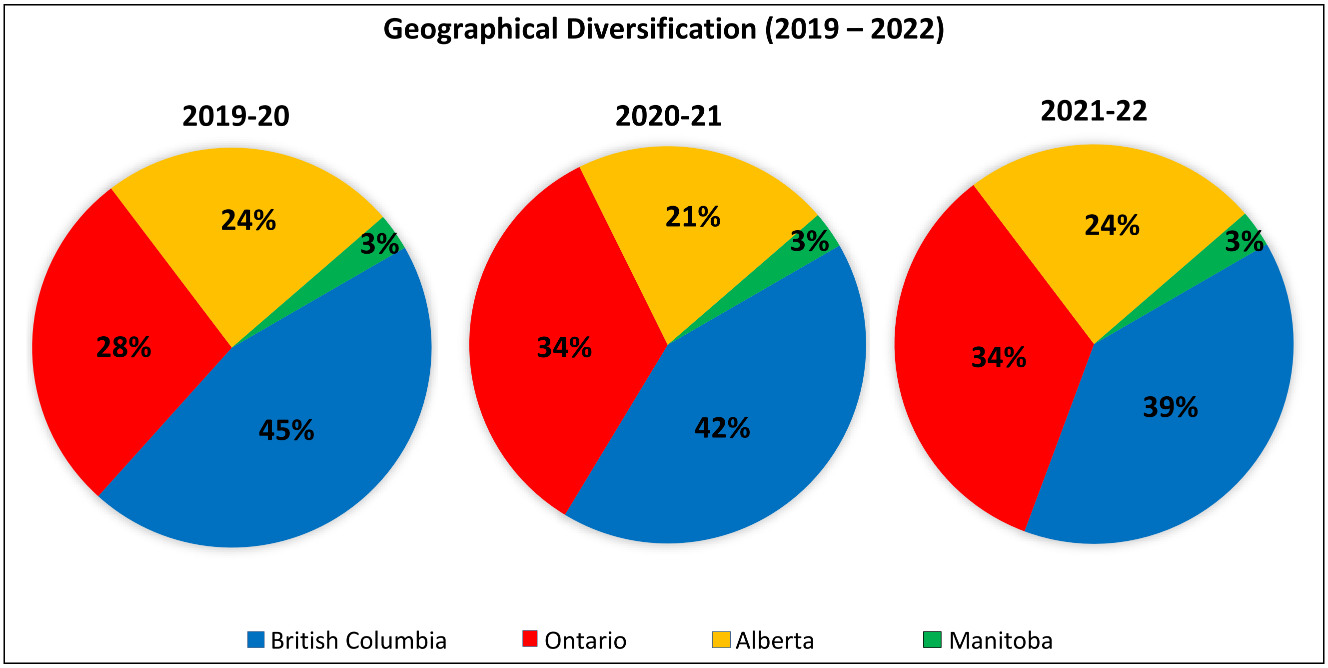
*Summary data notes gross mortgage receivables, while our financial statements will reference net receivables (gross mortgages less loan loss reserves).
**** Commencing with this report and going forward, our Loan to Value ratio calculations will be reported based on the weighted average versus our historic simple average calculations. Based on simple average calculations, our year-end LTV ratio for 2022 was 46% (2021 – 48%).**

I am very pleased to report your Company enjoyed another successful year. As detailed above, gross revenue for the 2021-22 fiscal year was roughly $7.8 million (2021 - $8.1 million), with net income of just under $5.7 million (2021 - $6.0 million). Based on these operating results, a total annual dividend of $5,716,008 was declared (2021 - $5,949,904). **As a result, our auditors (MNP LLP) have confirmed a net yield/return on investment to shareholders of 7.20% for the 2021-22 fiscal year.**

Since commencing operations in 1996, Premiere Canadian has reported a positive return each and every year, averaging bank prime + 5.30% per annum overall (1996-2022), and bank prime + 4.42% over the past five fiscal years (2018-2022).

PORTFOLIO ANALYSIS – FISCAL YEAR ENDED AUGUST 31, 2022

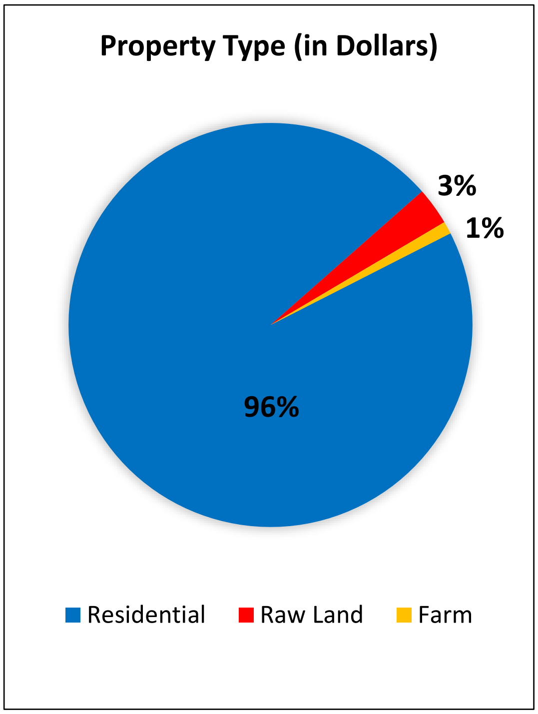
The following information will provide a detailed analysis of our mortgage portfolio, as well as additional background on our underwriting and pricing practices as of our fiscal year end, August 31, 2022.



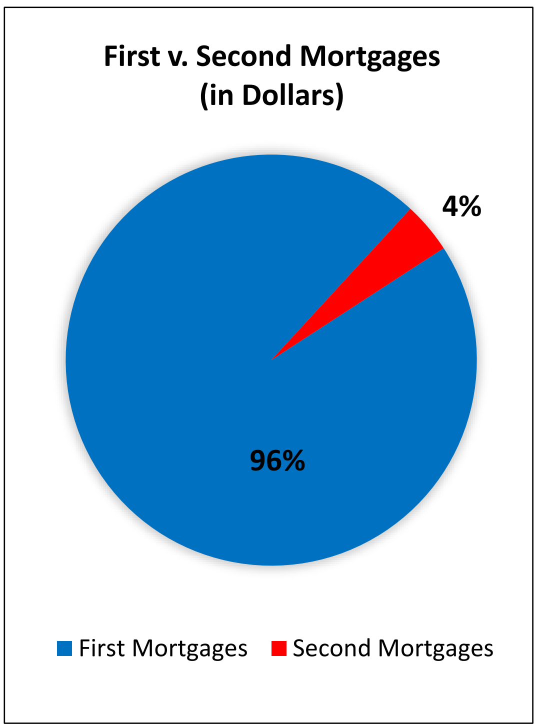
- As illustrated above, we continue to maintain a relatively balance mortgage portfolio geographically. British Columbia continues to be our largest market, although this has declined slightly on a year over year basis as noted above. Ontario remained consistent at roughly one-third of our total portfolio, and our presence in Alberta increased modestly, with more new business generated in Edmonton and Calgary over the course of 2021-22.

- British Columbia and Ontario continue to be our primary markets as these provinces provide the greatest growth opportunities and allows for a more diverse marketplace for private mortgage investments. That said, all viable business opportunities in Alberta, particularly in the major urban centres, will also be actively pursued.

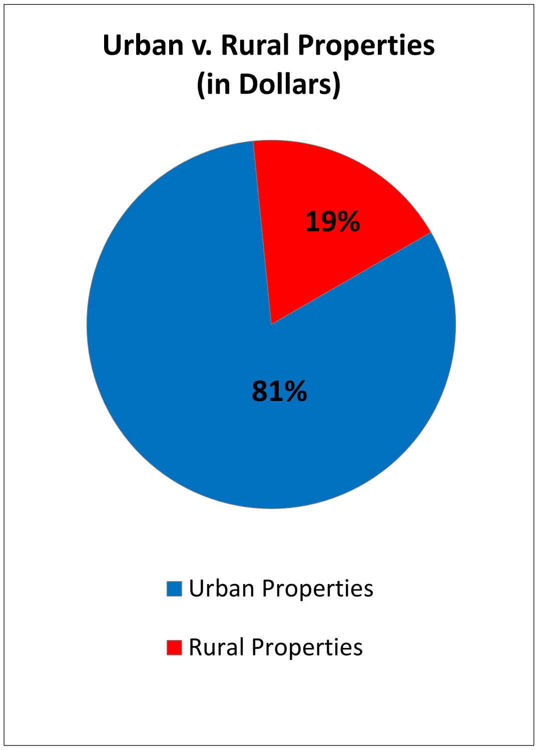
- While we have maintained a small mortgage portfolio in Manitoba for many years, business volumes in the province have not been significant, averaging $750,000 annually (4 accounts). Considering these historical volumes, as well as newly updated regulatory guidelines in Manitoba, we made the business decision earlier this year to discontinue any new lending in the province. Additional information on regulatory changes in Manitoba, as well as British Columbia and Ontario, will be detailed in the Annual Report.



- Our portfolio is almost entirely comprised of typical residential properties, most of which are owner occupied.
- **Residential** - $94.6 million – 424 accounts.
- **Raw Land** - $2.6 million – 11 accounts.
- **Farm** - $695,000 – 4 accounts.
- **Commercial** - $295,000 – 1 account.
- **Construction & Development** – no accounts.



- **1st Mortgages** - $94.4 million – 400 accounts.
- **2nd Mortgages** - $3.8 million – 40 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 sometimes reduced (usually by 5% or more as compared to 1st mortgages) to address the added risk with these investments.
- Over the course of the past fiscal year, we did write a few more 2nd mortgages ($1.9 million – 17 accounts), however all were secured by urban residential properties with an average yield of 10.5% and a conservative LTV of 49%.



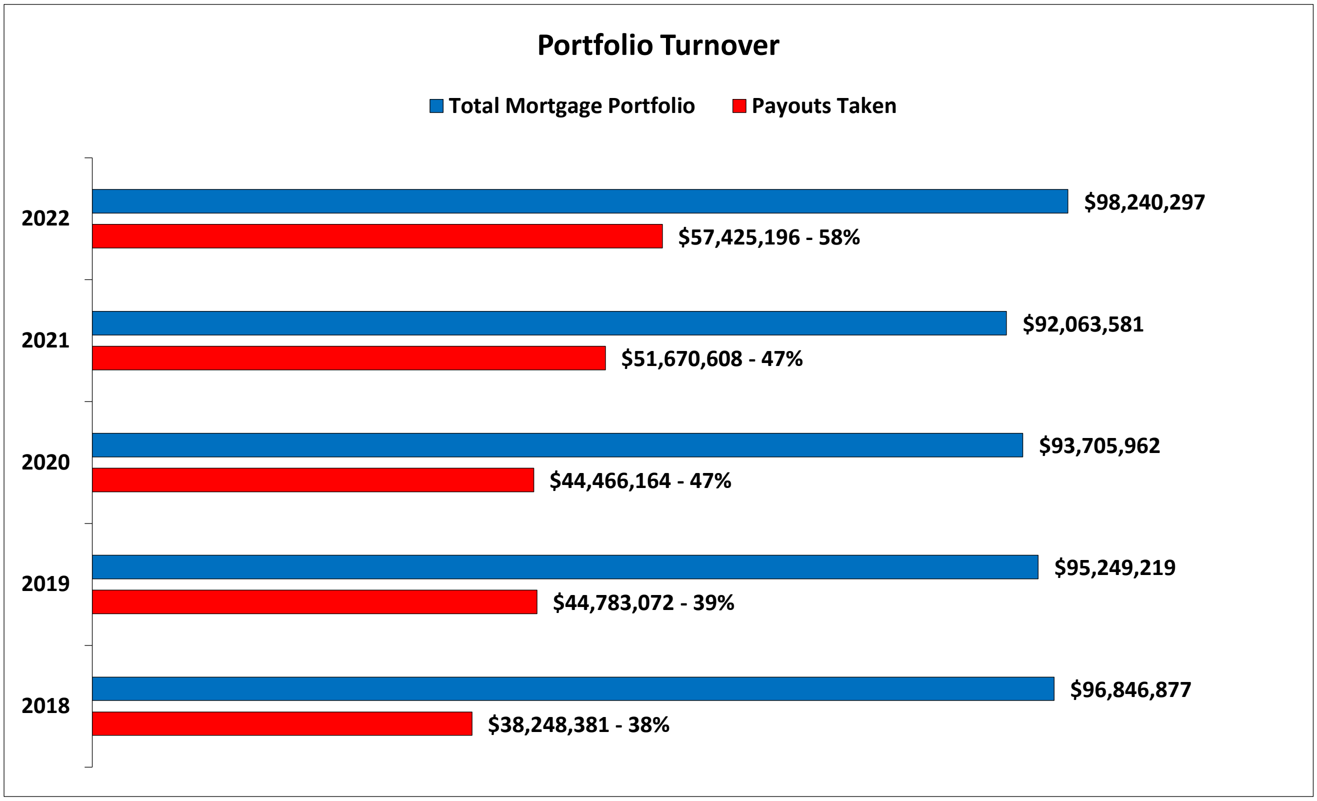
- **<u>Urban Properties</u>** - $79.5 million – 344 accounts. Urban properties are those located in or within commuting distance to larger urban centres (min. 10,000 population).

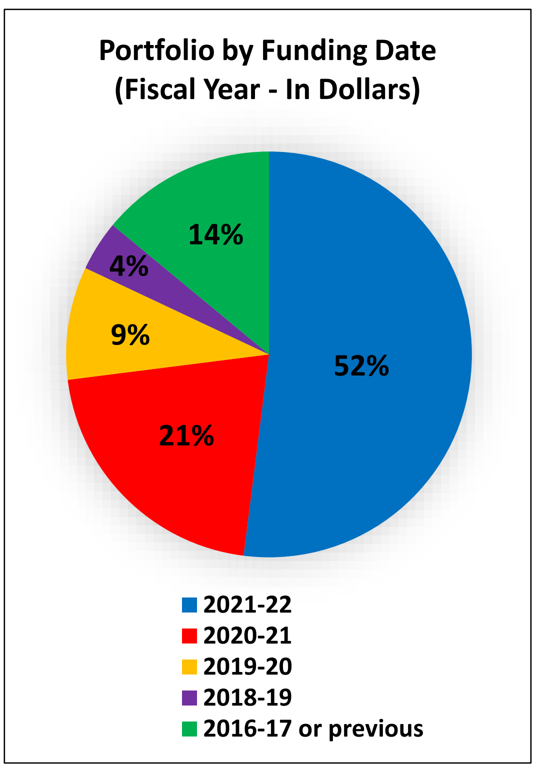
- **<u>Rural Properties</u>** - $18.7 million – 96 accounts. Rural properties are those located in smaller communities and/or rural locations, including acreages and farms.

- 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 province's significantly higher population density 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.

This space has been intentionally left blank.

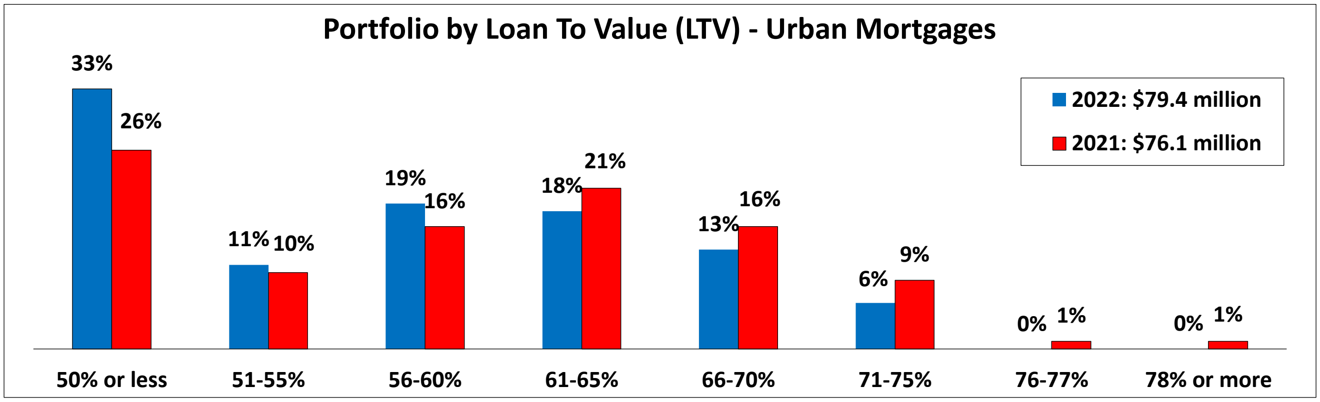


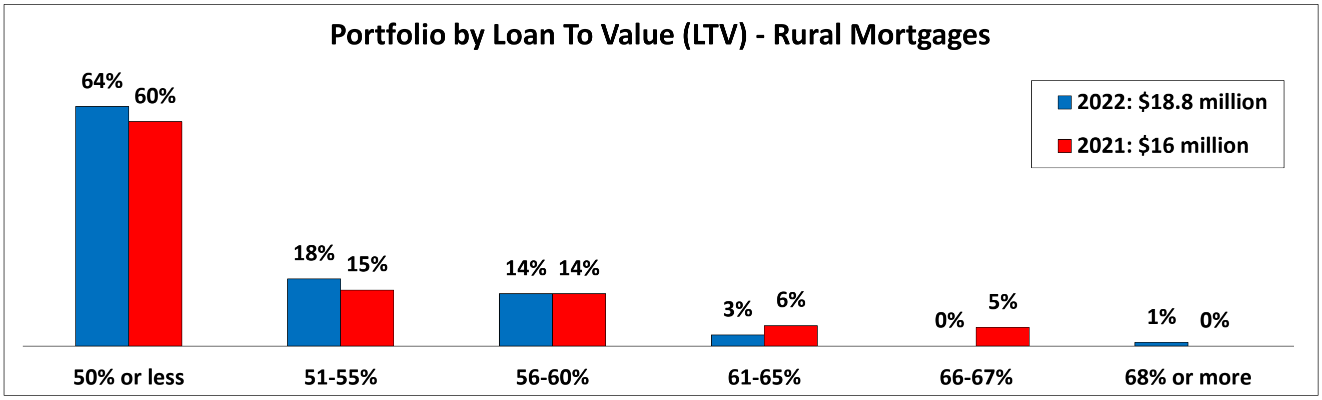


- **As noted above, turnover in our portfolio was particularly high, with 58% of our mortgages (in dollars) paying out this past year.** Over the past five fiscal years, on average, 46% of our portfolio has paid out annually. Although greater turnover does present some challenges to overall portfolio growth, it does reflect the high quality of our mortgage investments as more of our borrowers are able to move to conventional financing (or sell their properties) in a reasonably short timeframe.

- **As a result of this turnover, our mortgage portfolio is relatively new with 52% of our mortgages (in dollars) funded within the past fiscal year, and roughly 82% of our portfolio funded during the last three fiscal years.**

- With the transitioning economy and cooler real estate market of late, we anticipate the volume of turnover (payouts) in our portfolio will likely slow down somewhat during the 2022-23 fiscal year.





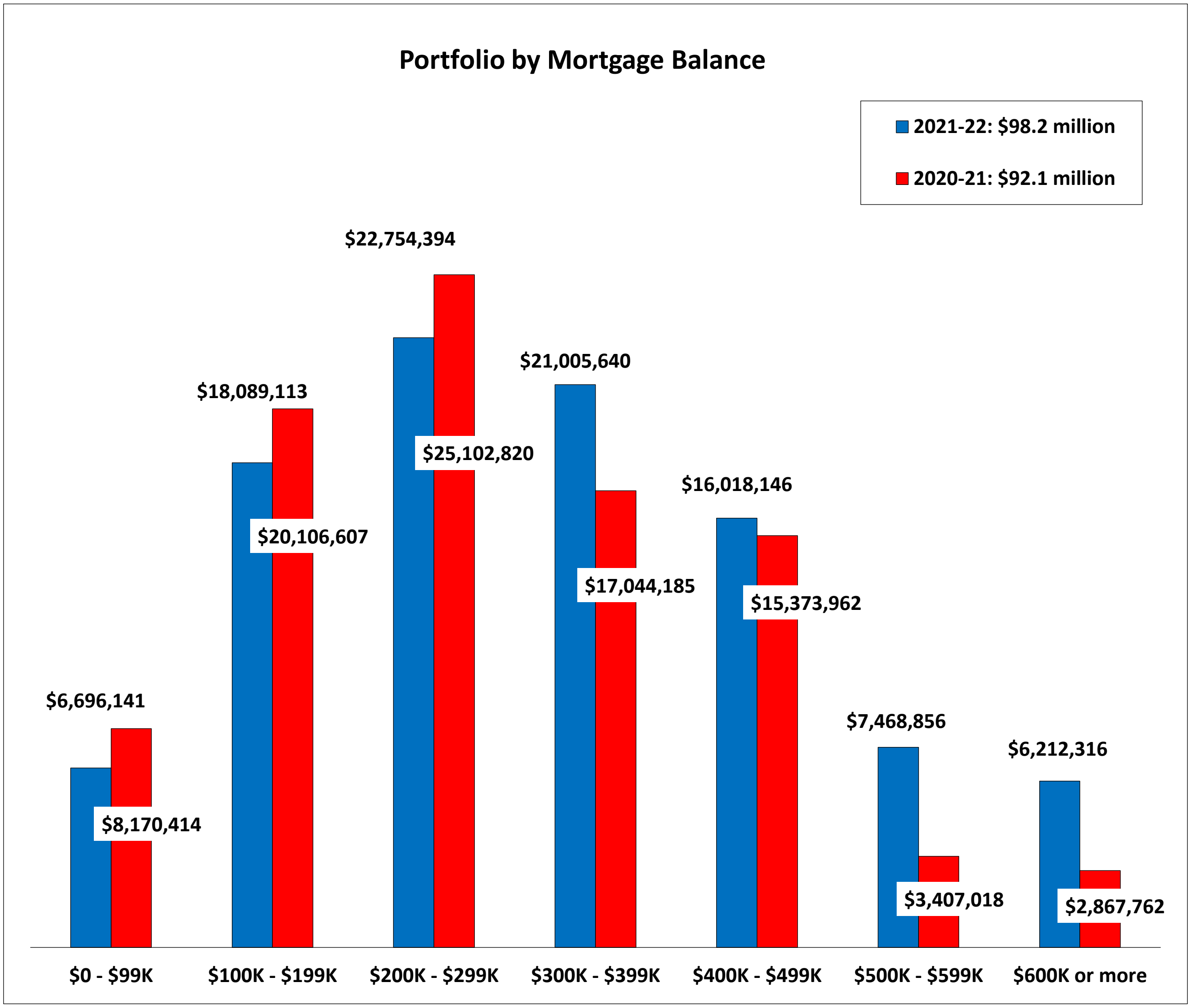
- Based on our most recent property appraisals and/or valuations, our portfolio breaks down as follows:
  - **Urban Mortgages** - 94% of capital is invested at 70% LTV or less (2021 – 89%, 2020 – 87%).
  - **Rural Mortgages** - 96% of capital is invested at 60% LTV or less (2021 – 89%, 2020 – 82%).

- Since the onset of the pandemic, we have maintained a more conservative approach to new mortgage lending, particularly with LTV ratios. Over the past fiscal year, roughly 86% of all mortgages (in dollars) were funded at 65% LTV or less, with only six first mortgages funded at our maximum LTV of 75%. As a result, we have seen a positive shift in our overall LTV profile, with our exposure to urban mortgages over 65% and small town/rural mortgages over 60% both declining on a year over year basis. Although the pandemic is behind us, real estate markets are adjusting so we will be maintaining our more prudent LTV guidelines for the foreseeable future. That said, viable business to our maximum LTV ratios will still be considered, albeit on a very selective basis.

- The small number of mortgages where the present LTV ratios may exceed our usual maximums of 75% on urban real estate and 65% on small town/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. As of August 31, 2022, two foreclosures (both rural) fell into this category.

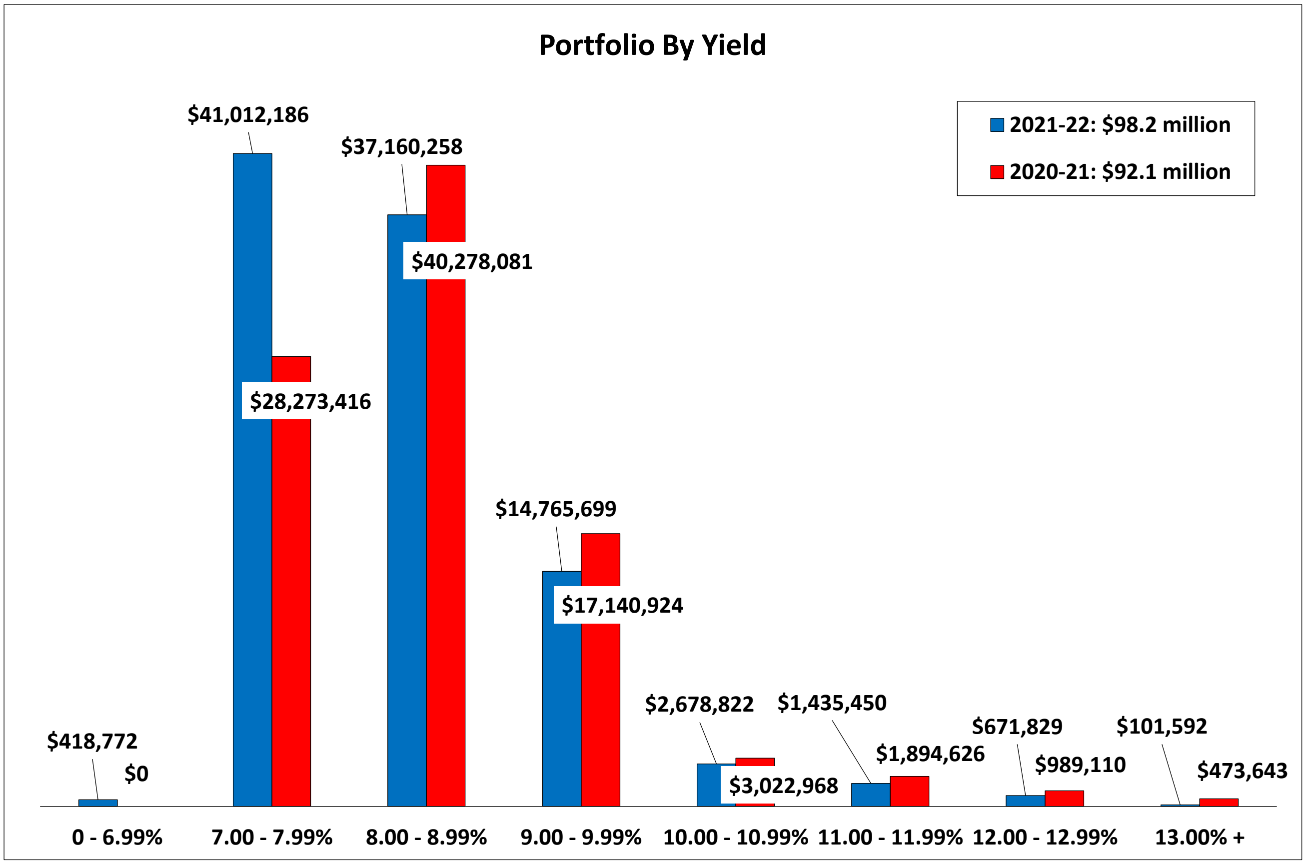
  - The second relates to mortgage renewals and our on-going practice of capitalizing applicable renewal fees at maturity, rather than requiring the borrower to pay these costs up front (in cash). Once renewal fees are capitalized, if the revised loan to value ratios exceed our maximum LTV ratios of 75% (urban) and 65% (rural) by more than 2%, these mortgages are reviewed to determine if a revised renewal decision and/or an updated property valuation is appropriate. **At year-end, none of our mortgage investments (excluding foreclosures) exceeded our usual LTV maximums as noted above.**



- As illustrated above, most of our portfolio, 381 accounts for roughly $69 million (70% of total dollars), have been invested in mortgages under $400,000. Of our 440 accounts, we have only 59 mortgages (13% of total accounts) with a current balance more than $400,000, including 23 accounts over $500,000. Our largest mortgage is just over $785,000. These larger mortgages are all 1st mortgage investments with a conservative average LTV of 55%.

- At present, our average mortgage balance is just over $223,000, up from approximately $200,000 in 2021 ($193,000 – 2020). This year over year increase continues to reflect the influence of rising market values for residential real estate in all provinces over the past few years.

- **Although the number of mortgages we presently carry over $400,000 has increased modestly over the past couple of years, we continue to focus on mostly smaller mortgage investments relative to the size of our total portfolio. At present, 86% of our mortgages (381 accounts) were written for $400,000 or less, with 60% of our mortgages (320 accounts) written for $300,000 or less. We believe this approach will provide for a more diversified investment and reduces the risk of any disproportionately larger mortgages going into default, which could have a more detrimental impact on profitability and security of funds.**



- As of August 31, 2022, total funds invested generated rates of return as follows:
  - 58% of our portfolio generated a yield of 8% or more (2021 - 70%, 2020 - 93%).
  - 20% of our portfolio generated a yield of 9% or more (2021 - 23%, 2020 - 41%).
  - Our 2nd mortgage portfolio ($3.8 million) generated an average yield of 10.62%.

- Since the onset of the pandemic in early 2020, record low interest rates and extremely competitive market conditions have all contributed to the shift in our overall yield profile, with a significant percentage of our mortgages now yielding between 7.0% – 8.0% as compared to our pre-pandemic results. Our increased payout activity was also a contributor due to the substantial number of older, higher yielding mortgages paying out this past year, with new, lower yielding mortgage investments replacing these accounts.

- **As of August 31, 2022, our total portfolio was generating a cumulative yield of 8.53%, with our urban portfolio at 8.35% and our rural portfolio generating 9.18%. At present, depending on LTV and property type/location, newly funded urban 1st mortgages will be generating yields in the 9.75 - 11.45% range, with rural 1st mortgages yielding slightly higher at 10.00 - 11.75%. Yields on 2nd mortgages are usually 2 - 3% higher than 1st mortgages. As a result, we anticipate our net return will progressively increase over the coming months as new mortgage business, written at these higher yields, along with the repricing of existing mortgages at renewal begin to influence the overall yield composition of our portfolio.**

- Actual pricing continues to be based on required LTV ratio, property type, location, purpose of funds, as well as competitive influences. These factors are considered with each mortgage investment to ensure Premiere Canadian is best positioned within the current marketplace, while maintaining our stated criteria relative to pricing, risk and security of funds. A more in-depth analysis of overall business and market conditions will be provided in our Annual Report.

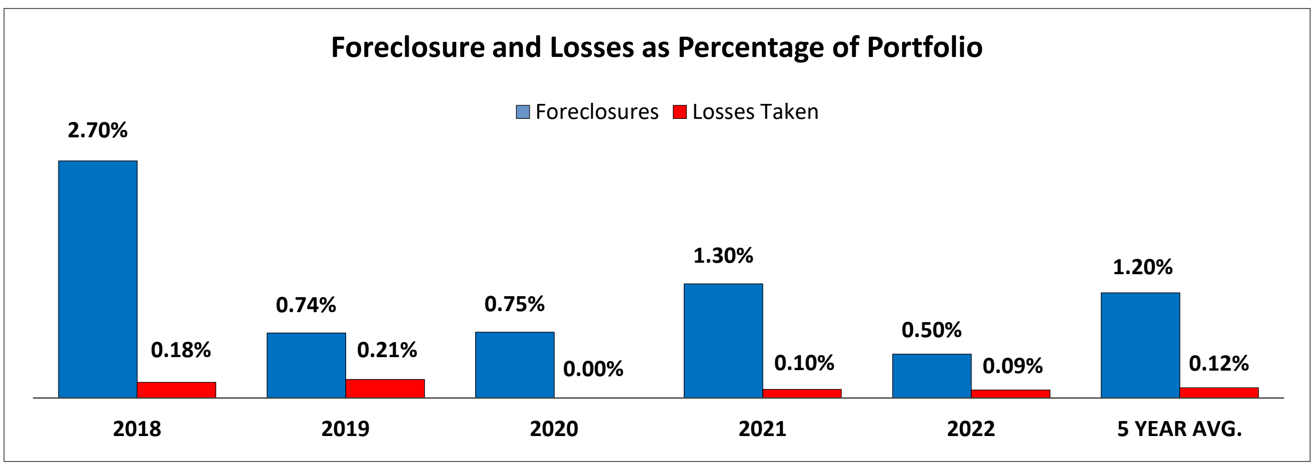
Delinquency – Foreclosures and Losses

Overall delinquency and foreclosure activity remained very stable over the past fiscal year. As of August 31, 2022, we had only three foreclosures in progress. The breakdown of these mortgages is as follows:

Province	#/Accounts	Balance Owing	Security Value	Avg. LTV Ratio
British Columbia	2	$349,376	$484,000	72%
Alberta	1	$98,014	$110,000	89%
Total	**3**	**$447,390**	**$594,000**	**75%**

With respect to write offs, we incurred approximately $85,500 in losses during the 2021-22 fiscal year. These losses, taken on the liquidation of four properties, were fully offset by recoveries from our existing loss reserves, resulting in no impact on our rate of return for the 2021-22 fiscal year. With our current foreclosures, we estimated losses upon sale will likely be somewhere in the $60,000 range. As we have roughly $831,000 in loss reserves set aside for the current fiscal year, any write offs we do incur should not adversely impact profitability or shareholder return for the 2022-23 fiscal year.

Overall, we are pleased with our delinquency controls and lower foreclosure activity this past year. While we anticipate some increase in delinquency going forward, we are confident the quality of our overall portfolio, along with our substantial reserves and diligent account management practices will position Premiere Canadian very well to address any additional delinquency we may encounter over the coming months.



As the above chart illustrates, our historical default and loss levels over the past five fiscal years have been very low. Based on our average mortgage portfolio of just over $93 million during this period, our foreclosures have averaged 1.2% of our total portfolio, with actual losses being nominal at a little more than one-tenth of a percentage point (all numbers based on year-end results).

***