

November 8, 2023

The Shareholders
Premiere Canadian Mortgage Corp.

BUSINESS AND PORTFOLIO OVERVIEW – FISCAL YEAR ENDED AUGUST 31, 2023

Operations Summary

	August 31, 2022 (12 months)		August 31, 2023 (12 months)	
Gross Revenue	\$7,821,958		\$8,374,290	+7.0%
Net Profit	\$5,691,798		\$5,460,340	-4.0%
Loan Loss Reserves	\$831,170		\$732,987	-12%
Gross Mortgage Receivables*	\$98,240,297		\$90,287,007	-8.0%
Number of Total Mortgages	440		390	-50
Total B.C. Mortgages	\$38,648,778	39% of total	\$36,048,476	40% of total
Total Ontario Mortgages	\$33,533,319	34% of total	\$32,859,156	36% of total
Total Alberta Mortgages	\$23,390,504	24% of total	\$19,462,797	22% of total
Total Manitoba Mortgages	\$2,667,694	3% of total	\$1,916,578	2% of total
Average Mortgage Size	\$223,273		\$231,505	+4.0%
Number of 1 st Mortgages	400	91% of total	345	88% of total
Dollar Amount of 1st Mtgs.	\$94,443,823	96% of total	86,344,919	96% of total
Loan to Value Ratio (LTV)	52%		52%	n/c
Total Shareholder Capital	\$77,251,496		\$75,502,973	-2.0%
Number of Shareholders	288		266	-22
NET Return on Investment	7.20%		7.11%	-0.09%

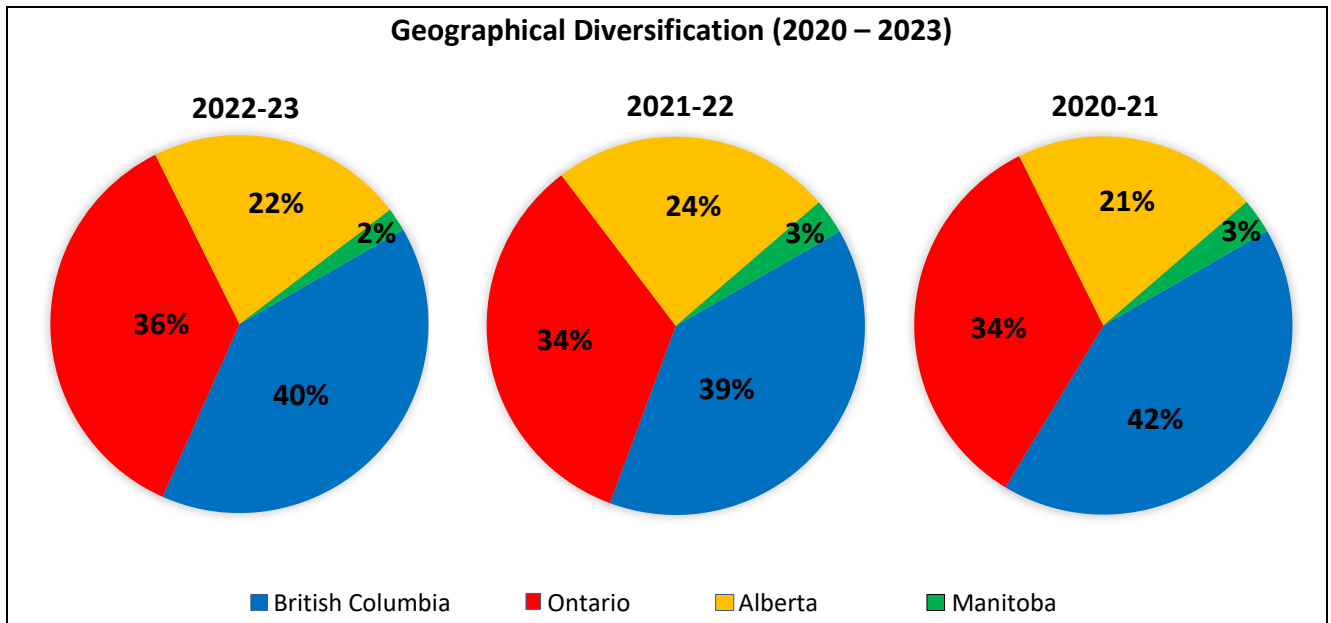
*Summary data notes gross mortgage receivables, while our financial statements will reference net receivables (gross mortgages less loan loss reserves).

We are very pleased to report your Company enjoyed another profitable year. As detailed above, gross revenue for the 2022-23 fiscal year was roughly \$8.4 million (2022 - \$7.8 million), with net income of just under \$5.5 million (2022 - \$5.7 million). Based on these operating results, along with applicable year-end accounting adjustments, a total annual dividend of \$5,590,034 was declared (2022 - \$5,716,008). **As a result, our auditors (MNP LLP) have confirmed a net yield/return on investment to shareholders of 7.11% for the 2022-23 fiscal year.**

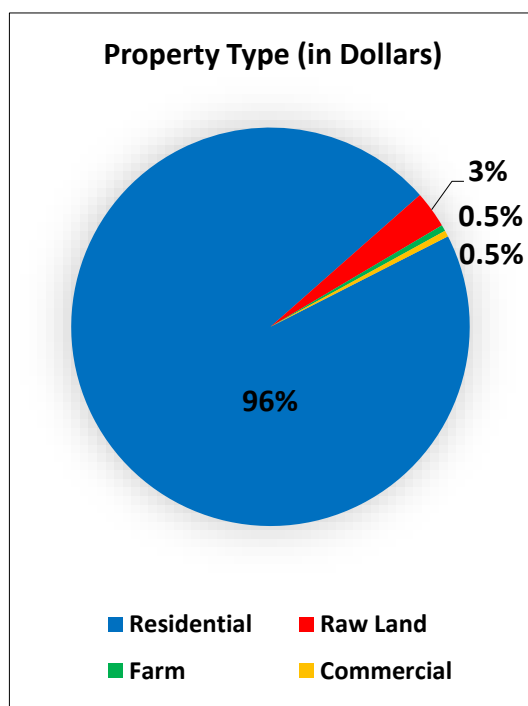
Since commencing operations in 1996, Premiere Canadian has reported a positive return every year, averaging a net annual return to shareholders equivalent to bank prime + 5.1% overall (1996-2023), and bank prime + 3.52% for the past five fiscal years (2019-2023).

PORTFOLIO ANALYSIS – FISCAL YEAR ENDED AUGUST 31, 2023

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, 2023.

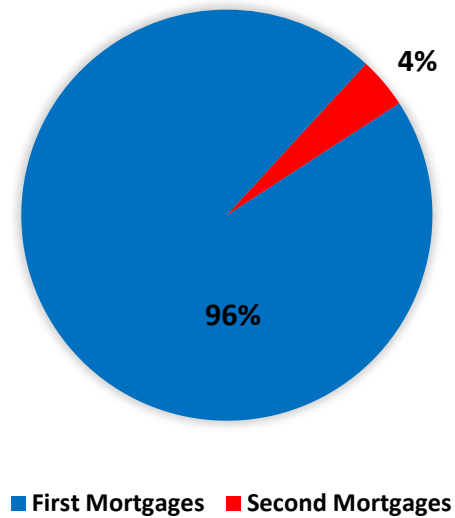


- As illustrated above, we continue to maintain a relatively balance mortgage portfolio geographically for the past few years.
- British Columbia and Ontario continue to be our primary markets as these provinces provide the greatest growth opportunities and allows for a more diverse marketplace for private mortgage investments. That said, Alberta has become a much more active market of late, primarily due to greater affordability for housing and increased in-migration into the province. We anticipate increasing our activity in Alberta this coming year.



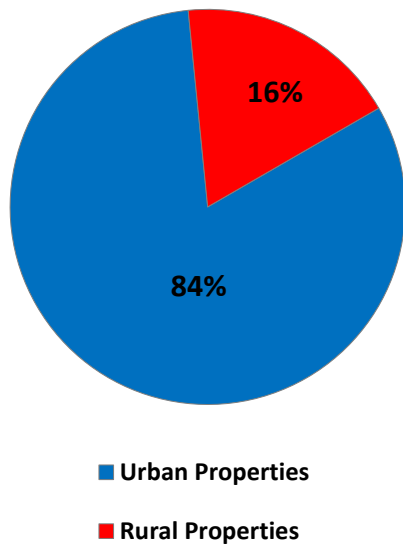
- Our portfolio is almost entirely comprised of typical residential properties, most of which are owner occupied.
- **Residential** - \$86.8 million – 376 accounts
- **Raw Land** - \$2.7 million – 10 accounts
- **Farm** - \$480,500 – 3 accounts
- **Commercial** - \$288,000 – 1 account
- **Construction & Development** – no accounts

First v. Second Mortgages (in Dollars)

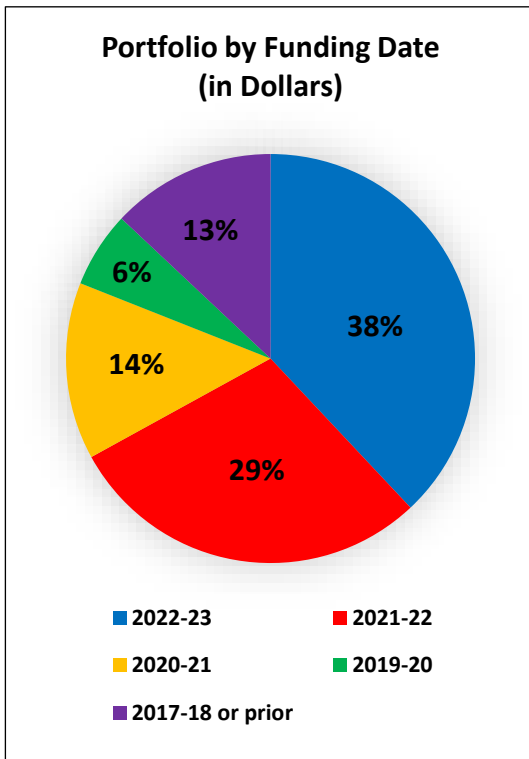
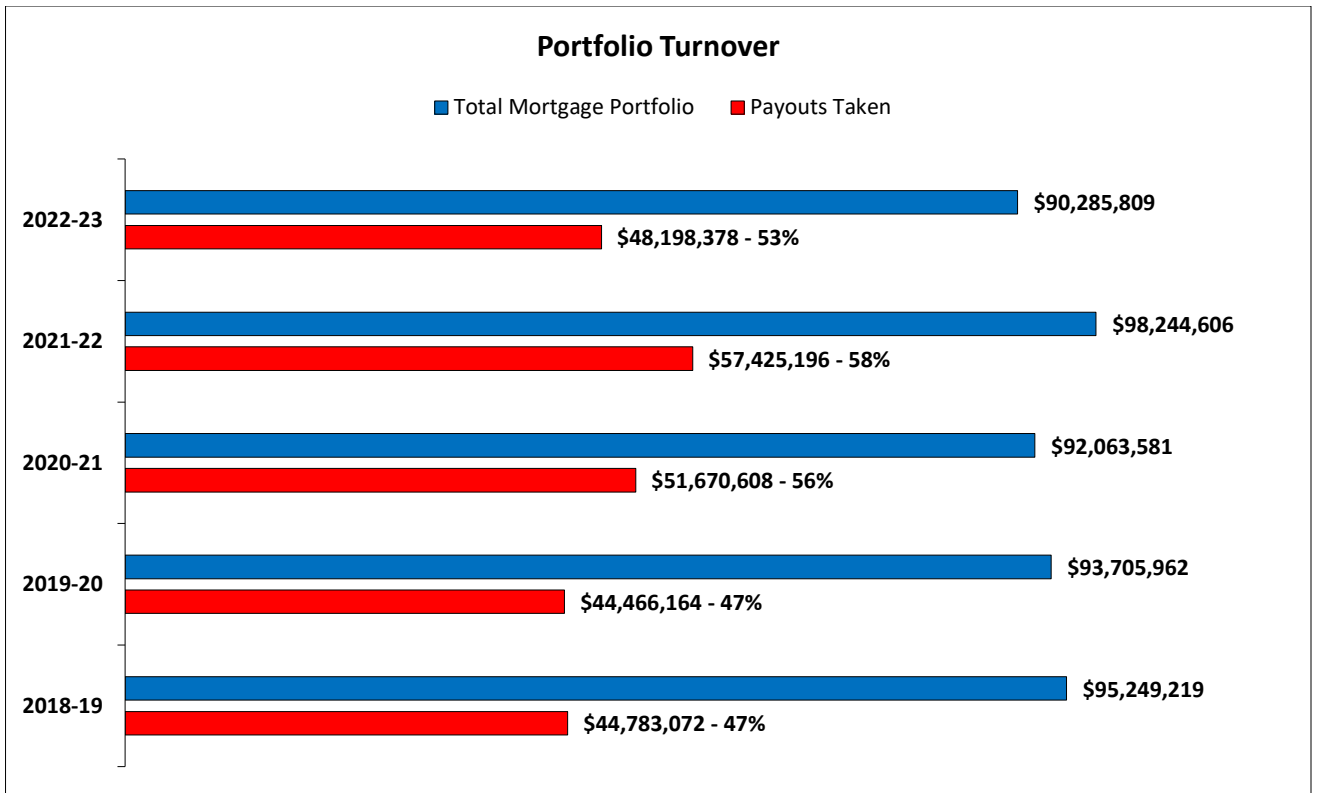


- **1st Mortgages** - \$86.3 million – 345 accounts
- **2nd Mortgages** - \$4.0 million – 45 accounts
- 1st mortgages provide for better security as there are no priority charges (as is the case with 2nd mortgages) which could erode equity and increase the potential for loss in the event of a foreclosure.
- We continue to pursue 2nd mortgage applications in all markets, although our loan to value guidelines are 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 2022-23 fiscal year, we funded a few more 2nd mortgages (\$2.2 million – 23 accounts), with an average yield of just under 12.50% and a conservative LTV of 51%.

Urban v. Rural Properties (in Dollars)

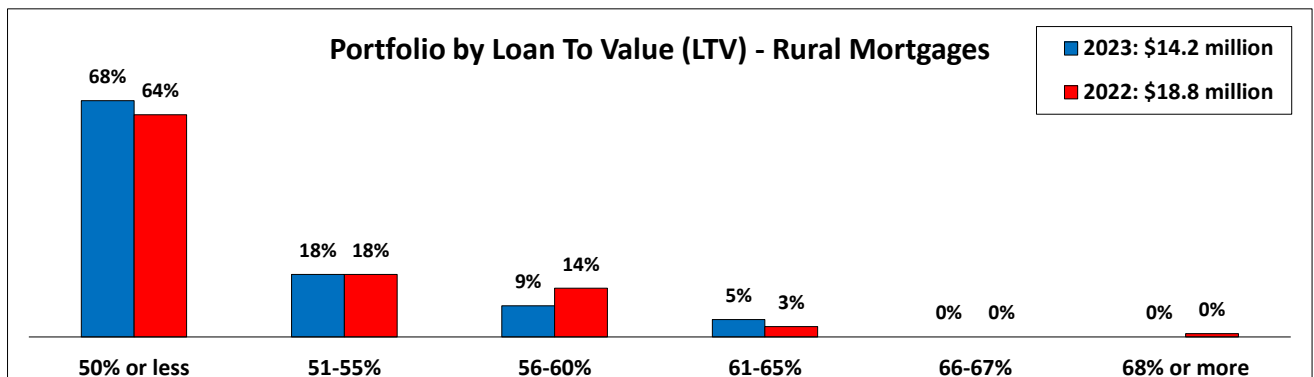
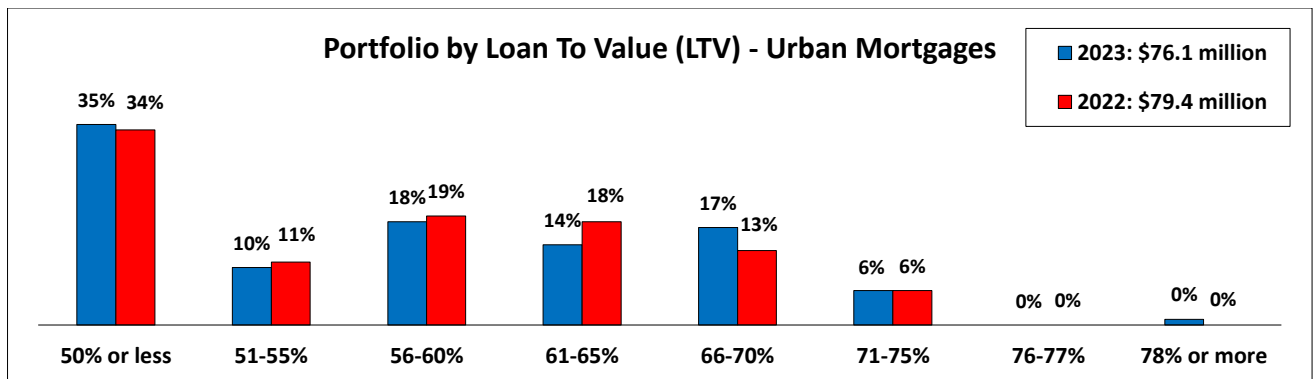


- **Urban Properties** - \$76.1 million – 310 accounts. Urban properties are those located in or within commuting distance to larger urban centres (min. 10,000 population).
- **Rural Properties** - \$14.2 million – 80 accounts. Rural properties are those located in smaller communities and/or rural locations, 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.

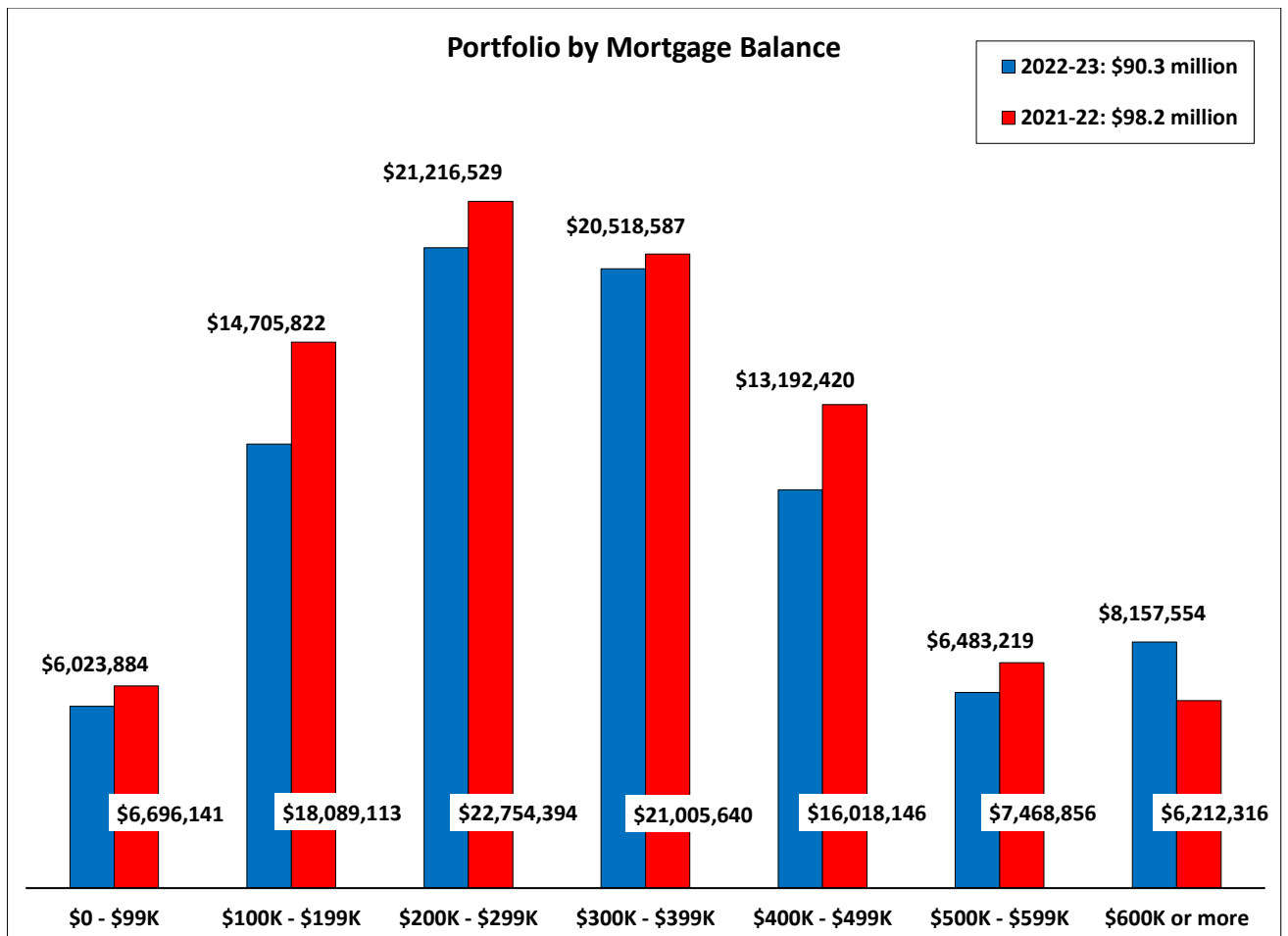


- As noted above, turnover in our portfolio continues to be high, with 53% of our mortgages (in dollars) paying out this past year. Over the past five fiscal years, on average, 52% of our portfolio has paid out annually. Although greater turnover does present some challenges to overall portfolio growth, it does reflect the higher quality of our mortgage investments as more of our borrowers are able to move to conventional financing (and/or sell their properties) in a reasonably short timeframe.

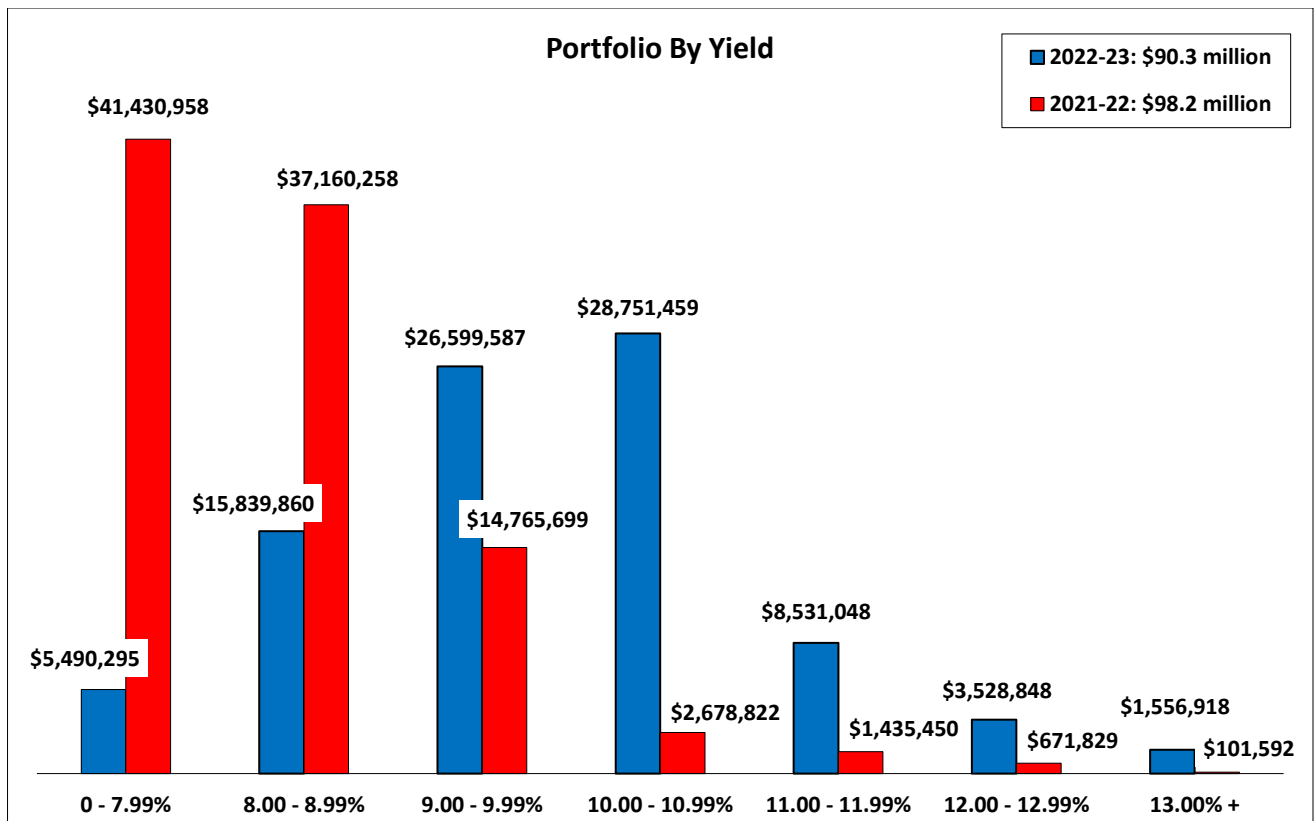
- As of the end of the 2022-23 fiscal year, 38% of existing mortgage investments (in dollars) were funded within the past fiscal year, with roughly 81% of our portfolio funded during the last three fiscal years.



- 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 (2022 – 94%, 2021 – 89%).
 - **Rural Mortgages** - 95% of capital is invested at 60% LTV or less (2022 – 96%, 2021 – 89%).
- Over the course of the pandemic and the first part of the 2022-23 fiscal year, we had maintained a more conservative approach to new mortgage lending, particularly with LTV ratios. Over the past fiscal year, roughly 80% of all mortgages (in dollars) were funded at 65% LTV or less, although with real estate values continuing to stabilize, we have resumed lending on risk appropriate investments up to our maximum LTV ratios of 75% for urban residential properties, and up to 65% LTV on small town and rural residential properties.
- 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, 2023, two foreclosures totalling \$331,500 (1 – urban, 1 – 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.



- At present, 86% of our mortgages (337 accounts) were written for \$400,000 or less, with 69% of our mortgages (270 accounts) written for \$300,000 or less. Of our 390 accounts, we have only 53 mortgages (14% of total accounts) with a current balance more than \$400,000, including 24 accounts over \$500,000. Our largest mortgage is just over \$1 million. These larger mortgages are all 1st mortgage investments, mostly in urban locations, with a conservative average LTV of 55%.
- At present, our average mortgage balance is just over \$231,500, up from approximately \$223,000 in 2022 (\$200,000 - 2021). 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.
- As detailed above, our portfolio consists of mostly smaller mortgage investments relative to the size of our total portfolio. 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 noted above, we have been actively taking steps to increase yields with both new and existing mortgage investments over the past fiscal year. Key points are as follows:
 - Mortgages yielding below 8.0% have been reduced from 42% to 6% of the total portfolio.
 - Mortgages yielding 8.01% - 9.0% have been reduced from 38% to 18% of the total portfolio.
 - Mortgages yielding 9.01% - 11.0% have increased from 18% to 61% of the total portfolio.
 - Mortgages yielding 11.01% or greater have increased from 2% to 15% of total portfolio.
 - By the end of 2023, virtually all mortgages yielding under 9.0% will be repriced, and by the end of the third quarter (May 2024) most business yielding under 10.0% will also repriced up to current yield expectations (as noted below).
- **As of August 31, 2023, our total portfolio was generating a cumulative yield of 9.83%, with our urban portfolio at 9.76% and our rural portfolio generating 10.19%. At present, depending on LTV and property type/location, newly funded urban 1st mortgages will be generating yields in the 10.25% - 11.75% range, with rural 1st mortgages yielding slightly higher at 11.25% - 12.50%. 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 repricing our existing mortgages at renewal will continue 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 established criteria relative to pricing, risk and security of funds.

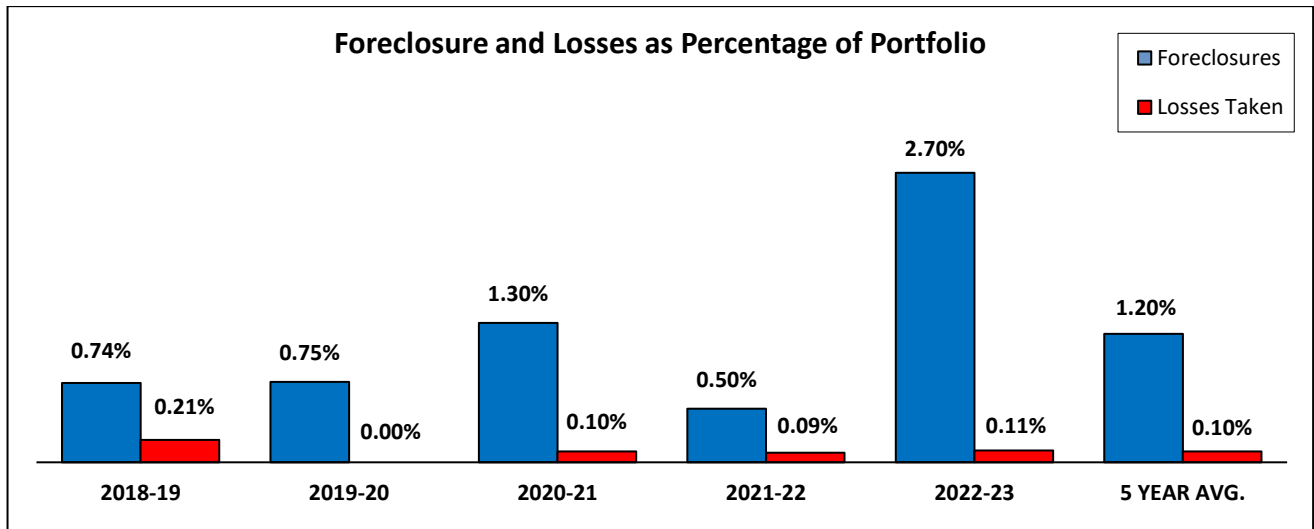
Delinquency – Foreclosures and Losses

Overall, delinquency activity remained stable over the past fiscal year, with nine foreclosures in progress as of August 31, 2023. Although this number has increased as compared to the past couple of years, where we had nominal default activity, present foreclosure numbers (accounts) are more typical of our traditional norms. The breakdown of these mortgages is as follows:

Province	#/Accounts	Balance Owning	Security Value	Avg. LTV Ratio
British Columbia	5	\$1,646,692	\$2,989,000	55%
Alberta	3	\$655,341	\$708,000	92%
Manitoba	1	\$139,522	\$210,500	66%
Ontario	0	n/a	n/a	n/a
Total	9	\$2,441,556	\$3,907,500	78%

With respect to write offs, we incurred approximately \$98,000 in losses this past year. These losses, taken on the liquidation of three properties, were fully offset from existing reserves, thus eliminating any impact on our rate of return for the 2022-23 fiscal year. With our current foreclosures, we anticipate losses will be incurred upon resolution of three accounts (2 – Alberta, 1 – British Columbia), with write offs expected to be somewhere in the \$150,000 range. However, as we continue to carry healthy reserves totaling just over \$730,000, any write offs we do incur will not adversely impact shareholder return for the 2023-24 fiscal year.

As expected, with the higher interest rate environment, we did see a modest increase in NSF activity over the latter part of the past fiscal year, up roughly 10% on a year over year basis. These first notice calls have been addressed very effectively to date, and we are confident our diligent account management practices will minimize any additional delinquency we may encounter over the coming months. In cases where legal action is our only option, we will take all necessary steps to bring these properties to market as soon as possible.



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 under \$94 million during this period, our foreclosures have averaged 1.2% of our total portfolio, with actual losses being nominal at one-tenth of a percentage point (all numbers based on year-end results).
