AAMIC
Atlantic Advantage
Mortgage Investment
Corporation

2022 ANNUAL REPORT

CAPITAL PRESERVATION, STABILITY & GROWTH

Atlantic Advantage Mortgage Investment Corporation (the "AAMIC" or the "Corporation") was incorporated in February 2014 and started attracting accredited investors in November 2014. Our vision is to build and grow AAMIC as a prudent, high yield investment vehicle of choice to affluent accredited investors with a clear risk-averse investment strategy.

Our investment mandate is focused on capital preservation, strong stable returns, and growth by retaining and developing talent to ensure risk-based service excellence and operational simplicity and scalability in a cost-effective environment superior to our peers.

AAMIC owns all of its short-term mortgages that originated through our Investment Manager, Atlantic (HS) Financial Corporation. AAMIC also has an agreement with Atlantic Advantage Management Inc. (the "Manager") to oversee its day-to-day operations.

LETTERS TO SHAREHOLDERS

As we all know 2021 was hugely disrupted by COVID-19, both business-wise as well as on personal levels. However, starting in 2022, with the reopening of our society and economy, business activities started an upward trend. Then next came the fight from the Central Bank on inflation by raising interest rate to a level haven't seen for quite some time. The war between Ukraine and Russia just added additional uncertainty to the outlook of everyone's finances from regular consumer spending, job prospect and household financing etc.

What we are experiencing currently:

There have been mixed signals that there is still much capital in the market to extend as loans. We find this is true with Grade A mortgages that are of low LTV (60% and under), often times 1st mortgage, prime areas and borrowers with good credit scores. At the same time, we also hear stories some mortgage lenders are able to charge much higher interest. Our take is that other mortgage lenders are asking for higher interest rate simply using it as a disguise not to extend the loan by scaring would-be borrowers away, or those are loans of higher risk. For example, recently we turned down mortgages in north Oshawa, E. Gwillimbury and Innisfil area with good credit borrowers willing to pay 12% interest and at 75%-80% LTV. In our opinion, we would much rather maintain a 60% or lower LTV in these uncertain times.

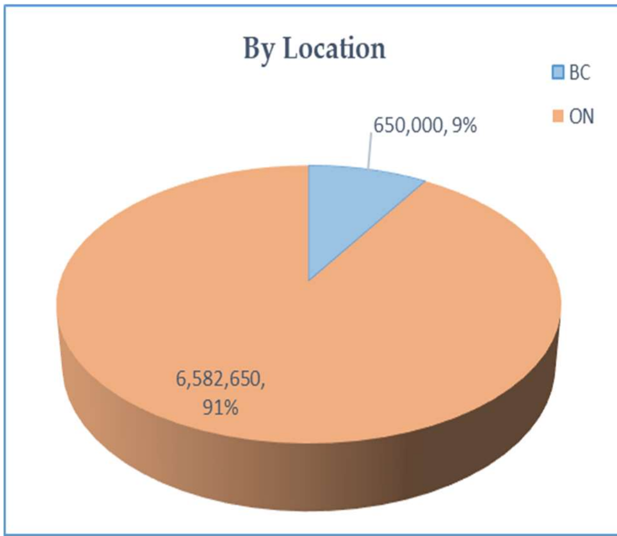
Implications of the rise of interest rate and the drop of housing activities:

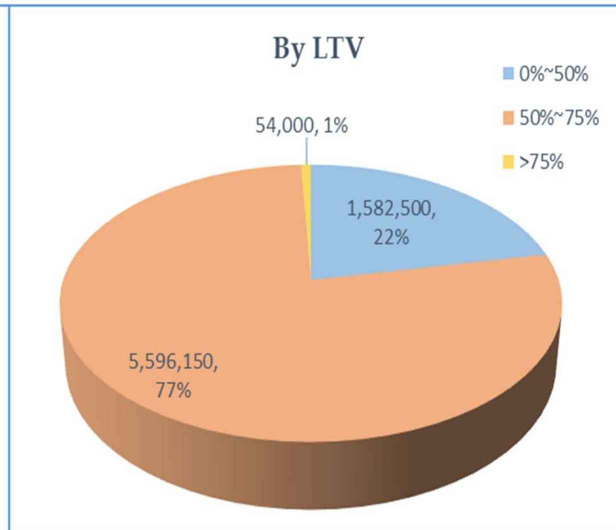
AAMIC remains cautiously optimistic with our conservative approach. At 2022 year end (June 30th), AAMIC suffered a net loss of $210,780.97. The loss was incurred in combination of a Sutton property loan default which results in $5,620.47 loss on principal and $205,160.50 loss on interest because of both accrued interest loss and the holding of over 40% in cash position (not generating interest revenue). However, by Dec. 31st, 2022, the loss was already reduced to $74,417. We would like to point out we are still maintaining 8% interest payout because 95% of our funds are now deployed while our overall portfolio has a 58% LTV and we believe this is low enough for us to weather more future interest rate hikes AND allow us to recover most of 2022's losses. Some of our peers, as you might have read on some news reports, have been suffering from this downturn and have not only stopped funding new deals but also stopped redemption because of bad/non-performing loans. We are projecting 2023 to be a profitable year as we are now able to deploy most, if not all, cash holdings to generate interest revenue.

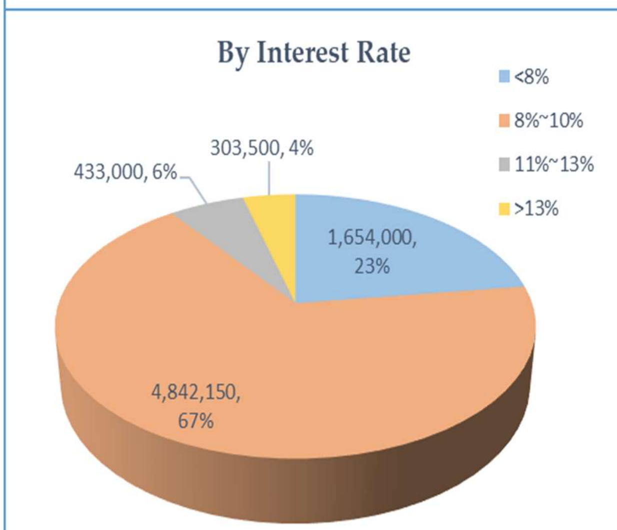
Finally, we have switched our auditor from E&Y to Levy Consulting, Accounting &Tax. Main reason is to cut cost as for the size of our MIC it's hard to justify to pay $50,000 in auditing fees annually. Levy is charging us $15,000 while they are auditors of eight other MICs.

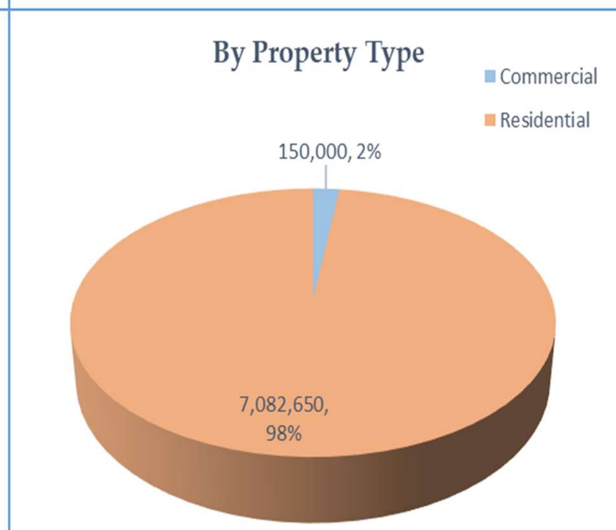
Frank S. Pa
President & Chief Executive Officer
Mar 01, 2023

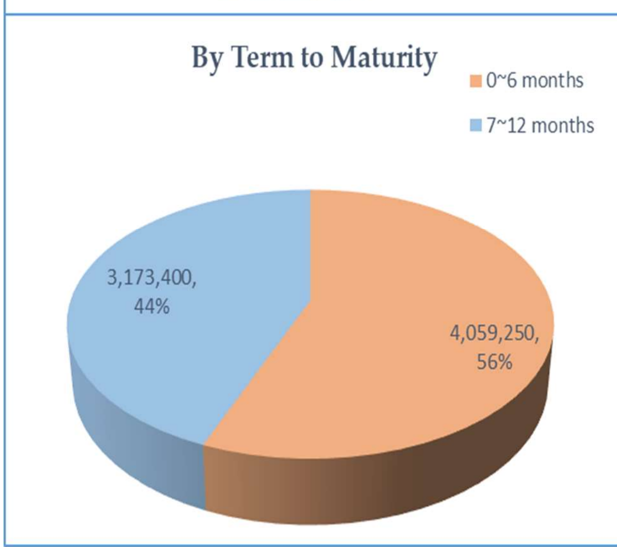
PERFORMANCE HIGHLIGHTS

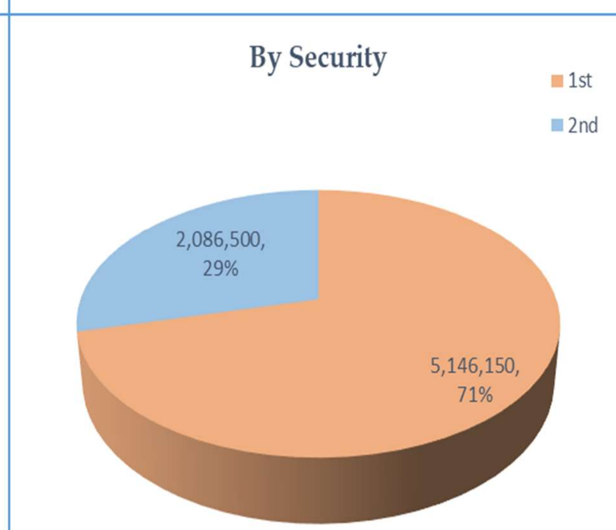












TABLES OF CONTENTS

For the Year Ended June 30, 2022

Management Discussion & Analysis

1. RESPONSIBILITY OF MANAGEMENT

This Management's Discussion and Analysis ("MD&A") for AAMIC should be read in conjunction with the audited financial statements and notes thereto for the year ended June 30, 2022, included herein which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Investment in AAMIC is subject to certain risks and uncertainties described in the AAMIC Offering Memorandum, which should be read in conjunction with this MD&A. These documents are available on our website at www.aamic.ca.

Management is responsible for the information disclosed in this MD&A. AAMIC has in place appropriate procedures, systems, and controls to ensure such information is materially complete and reliable. In addition, the Board of AAMIC has reviewed and approved the MD&A and the audited financial statements and notes thereto for the year ended June 30, 2022.

This MD&A contains certain forward-looking statements and non-IFRS financial measures, see "Forward-Looking Statements" and "Non-IFRS Financial Measures".

2. FORWARD LOOKING STATEMENTS

This MD&A may contain forward-looking statements relating to anticipated future events, results, performance, expectations, or circumstances that are not historical facts but instead represent our beliefs regarding future events and are subject to inherent risks and uncertainties. We caution readers of this MD&A not to place undue reliance on our forward-looking statements. Actual results may differ materially from management expectations projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that AAMIC may invest in and the risks detailed from time to time in the Corporation's public disclosures.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward looking statements to make decisions with respect to investing in the Corporation, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, AAMIC and Atlantic Advantage Management Inc. (the "Manager") do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

3. NON-IFRS FINANCIAL MEASURES

This MD&A contains certain non-IFRS financial measures. A non-IFRS financial measure is defined as a numerical measure of the Corporation's historical or future financial performance, financial position, or cash flows that excludes amounts or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with IFRS in the financial statements or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. Non-IFRS financial measures disclosed herein are meant to provide additional information and insight regarding the historical operating results and financial position of AAMIC. These measures are not in accordance with, or a substitute for IFRS and may be different from or inconsistent with non-IFRS financial measures used by others.

4. CORPORATION & INDUSTRY OVERVIEW

AAMIC is committed to establishing itself in the mortgage investment industry as a prudent and risk-adverse registered plan eligible mortgage investment vehicle for Canadians. AAMIC growth will always operate within this mandate in order to ensure capital preservation, stable income and effective operational infrastructure controls for the benefit of investors and stakeholders. As such, AAMIC is not suitable for those searching for high-risk-high-return or as a short-term investment.

AAMIC generates monthly mortgage interest revenue from its portfolio of mortgages that is secured by real properties consisting primarily of residential properties but also multi-residential, office, retail, industrial or other commercial properties in Canada. Mortgages are either first ranking, a junior position in a first ranking, or a second ranking mortgage. Individual mortgages may be secured by more than one property owned by the same mortgagor, often referred to as a blanket mortgage. AAMIC may invest in mortgages on a participation basis with parties related to the Manager.

5. BUSINESS APPROACH

The Manager and AAMIC are dogmatic in establishing AAMIC as a solid, prudent alternative investment vehicle to our Accredited Investors. We continuously evaluate and proactively enhance our operational underpinning ahead of our business needs. AAMIC consistently applied mortgage underwriting parameters and organic adjudication approach will continue to allow prudent adaptation to constantly changing Canadian real estate and mortgage underwriting environment.

6. FINANCIAL PERFORMANCE

For the year ended June 30, 2022, mortgage interest income amounted to $700,824 (2021-$925,947) and other interest income totaled $13,042 (2021-$10,870). Total expenses before dividend for the period was $97,589 (2021-$99,475) of which $3,452 (2021-$17,850) was management fees paid to Atlantic Advantage Management Inc. Resultant comprehensive income before dividend on Class A Preferred Shares was $610,657 (2021-$837,342).

7. MORTGAGE PORTFOLIO

As at June 30, 2022, the AAMIC had 23 mortgages with a gross value of $7,232,649 (2021-30 mortgages totaling $11,066,599). During the year, the Corporation funded 16 new mortgages $4,901,250 (2021-13, $4,097,800), renewed 24 mortgages totaling $9,526,900 (2021-33, $13,294,300) and discharged 25 totaling $8,735,200 (2021-22, $6,903,450). Total allowance for loan losses was $18,832, representing 26.0 bps (2021-$26,074, 25.7 bps) of the $7,232,650 carrying value of AAMIC mortgage portfolio not financed through mortgage advance funding from the Manager.

	City	Prov.	Property Value	Original Loan $	LTV	Interest Rate	Months Remain
Concession 7	Georgina	ON	26,242,400	166,500	59.3%	15%	-
West King Edward Ave	Vancouver	BC	1,000,000	650,000	65.0%	8%	-
North Park Ave	Hamilton	ON	275,000	178,750	65.0%	9%	2
Anchusa Drive	Richmond Hill	ON	1,285,891	500,000	38.9%	6%	15
8 York Street	Toronto	ON	525,000	183,000	70.0%	12%	4
Cody Avenue	Whitby	ON	1,125,000	100,000	67.7%	11%	5
Bathurst Street	Toronto	ON	1,700,000	800,000	47.1%	8%	0
Bur Oak	Markham	ON	850,000	160,000	53.0%	10%	7
Hughson Drive	Markham	ON	1,700,000	340,000	53.8%	10%	1
70 Cass Avenue	Scarborough	ON	545,000	82,500	47.0%	10%	7
3255 Hwy 7 E.	Markham	ON	570,000	150,000	67.4%	12%	1
Harrison Road	Toronto	ON	3,500,000	200,000	49.3%	10%	7
Bathurst Street	Toronto	ON	1,700,000	200,000	58.8%	10%	2
Danbrook Court	Aurora	ON	1,200,000	100,000	50.0%	12%	10
8 Hillsdale Avenue	Toronto	ON	440,000	280,000	63.6%	9%	1
Gold Park Place	Brampton	ON	1,300,000	650,000	50.0%	7%	4
195 Bonis Ave.	Toronto	ON	700,000	450,000	64.3%	7%	11
6611 Minoru	Richmond Hill	ON	430,000	320,000	74.4%	9%	11
(1) Victoria St S.; (2) Eden Ave	(1) Aylmer; (2) London	ON	1,015,000	361,000	58.2%	10%	4
Bulwer Street	Toronto	ON	1,400,000	380,000	54.5%	10%	10
Bulwer Street	Toronto	ON	1,400,000	137,000	64.3%	14%	10
Plato Drive	Fort Erie	ON	540,000	54,000	75.0%	8%	12
William Russell Lane	Richmond Hill	ON	1,110,000	789,900	71.2%	10%	12
				7,232,650	**58.30%**	**9.00%**	**5.8**

8. BALANCE SHEET HIGHLIGHTS

Total assets as at June 30, 2022 were $12,490,827 (2021-$12,439,223), primarily of mortgages, short-term bank balances, accrued interest receivables and prepaids.

Total liabilities (excluding Class A Preferred Shares) of $144,076 (2021-$868,804) as at June 30, 2022 consisted mainly of Class A Preferred Shares accrued dividends of $45,380 (2021-$75,308).

AAMIC issued 104,390 (2021-251,524) Class A (non-voting) Preferred Shares to 6 (2021-3) new and existing investors during the year. At the same time, 0 investor (2020-4) requested redemptions totaling 0 shares (2021-112,127) giving a net increase of 104,390 (2021-139,397 increase) issued shares. Total issued Class A (non-voting) Preferred Shares as at June 30, 2022 was 1,268,548 shares (2021-$1,154,755) to 66 investors (2021-65). Of all AAMIC Class A Preferred Shares investors, 32 (2021-34) have registered plan (RRSP, TFSA, RESP, etc…) with invested amounts totaling $4,807,450 (2021-$4,727,450). The Corporation made distribution of $972,261 (including reinvested dividends) for the fiscal year (2021-$847,951) representing a net yield of 8% to its investors on an annualized basis.

9. LIQUIDITY & CAPITAL RESOURCES

AAMIC manages its capital structure in a manner that allows it to support ongoing operations while focusing on its primary objectives of capital preservation and building itself as a reputable, risk adverse investment vehicle for eligible investors in Canada. AAMIC reviews and adjusts its capital structure on an ongoing basis in response to mortgage investment opportunities, availability of capital and anticipated changes in general economic conditions.

Access to liquidity is crucial for AAMIC as it allows the Corporation to grow by making full use of mortgage market opportunities under the risk-controlled capital preservation mandate and continued adherence as an eligible MIC within section 130.1 of the Income Tax Act (Canada). The Corporation did not enter into any credit facility with any financial institution or issue any debenture shares. Instead, the founders (holders of AAMIC common shares) have agreed and committed to providing demand loans to AAMIC via the Manager in order to secure mortgage lending on a short-term basis and repayable by the Corporation to the Manager with new Class A (non-voting) Preferred Shares investor funds. These inter-company loans are further discussed under Related Party Transactions in the accompanying audited financial statements.

10. RELATED PARTY TRANSACTIONS

Manager

AAMIC is managed by Atlantic Advantage Management Inc. (the "Manager"), a related party by virtue of common management. The Manager is responsible for the management and administration of the Corporation's mortgage investment portfolio. The Manager has been in the mortgage industry and operated as a mortgage broker for over 26 years and handled more than 35,000 mortgage loans totaling over $12.7 billion over the last 18 years and provided conduits in excess of $105 million for mortgage investors. It has originated over $130 million of loans since its inception, with a 0.5% loss experience.

Pursuant to the Management Agreement, the Manager is entitled to a Management Fee of up to 4.00% per annum of the investors' pool of the Corporation, calculated daily and paid monthly in arrears. Upon approval by the AAMIC Board, the Manager is also entitled to receive a performance fee equal to 12.50% of AAMIC net operating income remaining after distribution of dividend to its Class A Preferred Shares shareholders of at least 8% on a per annum basis, failing which no performance fee shall be payable to the Manager for such annual period. The Manager will calculate the final Performance Fee of a completed calendar year based on the audited financial statements for that year. This Performance Fee will become payable to the Manager within 15 days after the issuance of the Corporation's audited financial statements for that year. During this fiscal period, the Manager earned management fees of $3,452 (2021-$17,850), equivalent to 0.05% (2021-0.16%) average percentage of investor pool balance during the year.

Common Control

Mr. Frank S. Pa is the President and CEO of the Corporation, the Manager, and the Investment Manager. In addition, the Manager and the Investment Manager are related to the Corporation through common control.

Mortgage Funding Advances

As part of mortgage lending liquidity management, the founders (holders of AAMIC common shares) have agreed and committed to providing demand loans to AAMIC via the Manager in order to secure mortgage lending on a short-term basis and repayable by the Corporation to the Manager with new Class A (non-voting) Preferred Shares investor funds. Where such mortgage funding advance is utilized for the acquisition of individual mortgage assets, that portion of mortgage interest income supported by such outstanding mortgage funding advance, calculated on a daily basis is payable to the Manager.

Since inception in 2014, AAMIC partially relies funding advances from its Manager to address immediate mortgage funding need shortfall from otherwise available Class A Preferred Shares uninvested funds. As at June 30, 2022, AAMIC has repaid all Manager funding advance outstanding.

11. COMMITMENTS & CONTINGENCIES

In the ordinary course of business activities, AAMIC may be contingently liable for litigation and claims arising from its mortgage investing operations. Where required, management records adequate provisions in the accounts. As at June 30, 2021, AAMIC did not have and was not aware of any outstanding litigations against the Corporation or its Board and Executives pertaining to matters of the Corporation.

AAMIC evaluates potential mortgages as well as new investors on an ongoing basis. Subsequent to June 30, 2022, and up to the date of this report, the Corporation has funded 11 mortgages totaling $3,030,999, 2 renewals totaling $718,750, and, concurrently, 5 discharges totaling $1,529,900. AAMIC received 2 individual investor funds totaling $647,000 and executed $534,300 redemption requests from 5 investor during this period.

12. OFF-BALANCE SHEET ARRANGEMENTS

AAMIC does not utilize off-balance sheet arrangements.

13. RISK MANAGEMENT

AAMIC is exposed to various financial instrument risks in the normal course of business. The Manager of the Corporation have put in place various procedures and safeguards to mitigate these risks in order to ensure the preservation of capital as well as the achievement of acceptable and consistent rates of return. For details on financial instrument risks and management's response to these risks, please see note 4 of the audited financial statements.

14. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The allowance for loans losses is the most important estimate, taking into consideration assumptions regarding local real estate market conditions, interest rates movement, the availability of credit, impact of present or future legislation and regulation as well as the maturity, duration, past and anticipated performance and well-being of each mortgage in the mortgage portfolio of the Corporation. Accordingly, by their nature, estimates of provision for loan losses are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated provision for loan losses could vary by a material amount.

15. ADDITIONAL INFORMATION

AAMIC remains cautiously optimistic with our conservative approach. In 2022, AAMIC suffered a net loss of $210,780.97. The loss was incurred in combination of a Sutton property loan default which results in $5,620.47 loss on principal and $205,160.50 loss on interest because of both accrued interest loss and the holding of over 40% in cash position (not generating interest revenue). We would like to point out we are still maintaining 8% interest payout because 95% of our funds are now deployed while our overall portfolio has a 58% LTV and we believe this is low enough for us to weather more future interest rate hikes AND allow us to recover most of 2022's losses. Some of our peers, as you might have read on some news reports, have been suffering from this downturn and have not only stopped funding new deals but also stopped redemption because of bad/non-performing loans. We are projecting 2023 to be a profitable year as we are now able to deploy most, if not all, cash holdings to generate interest revenue. AAMIC is opened again for more investors.

Stephen Tung
Co-CEO
Phone: (905) 940-2783

Atlantic Advantage Mortgage Investment Corporation
80 Acadia Avenue, Suite 211
Markham, Ontario L3R 9V1
Tel: 905-940-2783
Email: info@aamic.ca
Website: www.aamic.ca

Match 01, 2023

BOARD OF DIRECTORS

Frank S. Pa, AMP
President & CEO, Corporate Director
Markham ON Canada
Director since 2014

Stephen Tung, B.A.
Co-CEO
Markham ON Canada
Director since 2021

Shing B. Tung, B.A.
Corporate Director, Secretary

Markham ON Canada
Director since 2014

Dr. Collin Hong, M.D., F.R.C.S. (C)
Founder & President
Toronto ON Canada
Director since 2014

Debbie M.K. Lui
Corporate Director
Toronto ON Canada
Director since 2014

LEGAL COUNSEL

Harris + Harris LLP
Barristers & Solicitors
295 The West Mall
6th Floor
Etobicoke ON M9C4Z4
Tel: 905-629-7800

AUDITORS

Levy Consulting, Accounting & Tax
941 Rutherford Road,
Suite 311, Vaughan ON L6A1S2

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Financial Statements

Year Ended June 30, 2022

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION
Index to Financial Statements
Year Ended June 30, 2022

LEVY
CONSULTING, ACCOUNTING & TAX
Chartered Professional Accountants • Licensed Public Accountants
311-941 Rutherford Rd. Vaughan ON L6A 1S2
905-761-7524 www.lcat.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Atlantic Advantage Mortgage Investment Corporation

Opinion

We have audited the financial statements of Atlantic Advantage Mortgage Investment Corporation (the Corporation), which comprise the statement of financial position as at June 30, 2022, and the statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises (ASPE)

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

(continues)

Independent Auditor's Report to the Shareholders of Atlantic Advantage Mortgage Investment Corporation *(continued)*

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

L. Levy

Vaughan, Ontario
November 22, 2022

Levy Consulting Accounting and Tax PC
Chartered Professional Accountants
Licensed Public Accountants

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Statement of Financial Position

June 30, 2022

	2022	2021
ASSETS		
Cash	**$ 5,018,187**	$ 1,062,654
Interest receivable	**240,117**	326,462
Other receivables and prepaid expenses	**9,582**	9,582
Mortgage receivable *(Note 4)*	**7,232,649**	11,066,599
Allowance for loan losses	**(18,832)**	(26,074)
Due from related parties	**9,124**	-
	$ 12,490,827	$ 12,439,223
LIABILITIES		
Management fees payable *(Note 5)*	**$ 34,914**	$ 31,462
Accounts payable and accrued liabilities	**50,803**	86,649
Due to related parties *(Note 5)*	**12,979**	675,386
Dividends accrued	**45,380**	75,308
Redeemable shares: Class A preferred shares *(Note 6)*	**12,685,487**	11,547,550
	12,829,563	12,416,355
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital *(Note 6)*	**100**	100
Retained earnings (deficit)	**(338,836)**	22,768
	(338,736)	22,868
	$ 12,490,827	$ 12,439,223

APPROVED ON BEHALF OF THE BOARD

Frank Pa (President & CEO)

Stephen Tung (co-CEO)

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Statement of Comprehensive Loss

Year Ended June 30, 2022

	2022	2021
REVENUE		
Mortgage interest income	$ **700,824**	$ 925,947
Other interest income	**13,042**	10,870
Loss on property foreclosure sale	**(5,620)**	-
	708,246	936,817
EXPENSES		
Securities filing fees	**25,200**	25,200
Accounting and audit	**52,196**	34,126
Insurance	**10,801**	10,801
PSC commission	**4,820**	12,081
Consulting fees	**3,664**	-
Management fees *(Note 5)*	**3,452**	17,850
Interest and bank charges	**3,219**	3,219
Legal fees	**1,479**	-
Licences, registration and trademark	**-**	900
Allowance for loan losses *(Note 4)*	**(7,242)**	(4,702)
	97,589	99,475
COMPREHENSIVE INCOME BEFORE DIVIDENDS ON CLASS A PREFERRED SHARES	**610,657**	837,342
DIVIDENDS ON CLASS A PREFERRED SHARES		
Cash dividend on Class A preferred shares	**(563,224)**	(847,951)
Reinvested dividend on Class A preferred shares	**(409,037)**	-
	(972,261)	(847,951)
COMPREHENSIVE LOSS	$ **(361,604)**	$ (10,609)

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION
Statement of Changes in Equity
Year Ended June 30, 2022

	Share capital	Retained earnings (deficit)	**Total equity**
As at July 1, 2020	$ 100	$ 33,377	**$ 33,477**
Comprehensive loss for the year	-	(10,609)	**(10,609)**
As at June 30, 2021	$ 100	$ 22,768	**$ 22,868**
As at July 1, 2021	$ 100	$ 22,768	**$ 22,868**
Comprehensive loss for the year	-	(361,604)	**(361,604)**
As at June 30, 2022	$ 100	$ (338,836)	**$ (338,736)**

ATLANTIC ADVANTAGE MORTGAGE INVESTMENT CORPORATION

Statement of Cash Flows

Year Ended June 30, 2022

	2022	2021
OPERATING ACTIVITIES		
Comprehensive loss	$ (361,604)	$ (10,609)
Item not affecting cash:		
Allowance for loan losses	(7,242)	(4,702)
	(368,846)	(15,311)
Changes in non-cash working capital:		
Interest receivable	86,345	(75,551)
Other receivables and prepaid expenses	-	267,189
Mortgage receivable	3,833,950	2,805,650
Management fees payable	3,452	(9,046)
Accounts payable and accrued liabilities	(35,846)	40,427
Due to related parties	(671,530)	(3,759,968)
Dividends accrued	(29,928)	(1,437)
	3,186,443	(732,736)
Cash flow from (used by) operating activities	2,817,597	(748,047)
FINANCING ACTIVITIES		
Issuance of preferred shares	1,452,937	2,515,240
Redemption of preferred shares	(315,000)	(1,121,270)
Cash flow from (used by) financing activities	1,137,937	1,393,970
INCREASE IN CASH FLOW	3,955,534	645,923
Cash - beginning of year	1,062,653	416,730
CASH - END OF YEAR	$ 5,018,187	$ 1,062,653

1. NATURE OF BUSINESS

Atlantic Advantage Mortgage Investment Corporation (the "Corporation" or "AAMIC") was incorporated provincially under the Business Corporations Act of Ontario on February 24, 2014. The Corporation's principal place of business and registered office is at 80 Acadia Avenue, Suite 211, Markham, Ontario, Canada.

The Corporation's main activity is that of a mortgage investment corporation ("MIC") operating solely in Canada as defined in Section 130.1(6) of the Income Tax Act (Canada) ("ITA"). The Corporation generates an income stream for holders of preferred shares by advancing mortgage loans secured against real properties in Canada.

The Corporation is managed by Atlantic Advantage Management Inc. (the "Manager"). The mortgage broker for the Corporation is Atlantic (HS) Financial Corporation (the "Investment Manager").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements of the Corporation has been prepared by the Manger in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board and under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Canadian dollars, which is the functional and presentation currency of AAMIC.

(b) New Accounting Pronouncements

New Standards, Amendments and Interpretations Adopted

Several standards and amendments and interpretations to published standards that become effective for AAMIC's financial year beginning on July 1, 2021, were not relevant or not significant to AAMIC's operations and accordingly did not impact AAMIC.

New Standards, Amendments and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2022, reporting periods and have not been early adopted by AAMIC. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Cash

For the purposes of the statements of cash flows, cash comprises of cash in hand and the balance in the bank under chequing account as at the reporting date.

(continues)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition and Measurement

Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss ("FVTPL"), transaction costs are added to, or subtracted from, this amount.

AAMIC classifies financial assets, at initial recognition, in the following measurement categories: at amortization cost, Fair Value through Other Comprehensive Income ("FVOCI") and FVTPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and AAMIC's business model for managing them. AAMIC initially measures a financial assets at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

For a financial assets to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

AAMIC's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular-way trades) are recognized on the trade date, which is the date that AAMIC commits to purchase or sell the assets.

Financial Assets Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in two categories under IFRS 9, Financial Instruments ("IFRS 9"):

- Financial assets at amortized cost
- Financial assets at FVTPL

Financial Assets at Amortized Cost

The category is the most relevant to AAMIC. AAMIC's financial assets are amortized cost include mortgage investments in the statement of financial position. AAMIC measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

(continues)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gains and losses are recognised as part of net income in the statement of comprehensive income (loss) when the asset is derecognised, modified or impaired by comparing proceeds from the sale of the asset or collateral to the carrying amount.

Financial Assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily require to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, include separated embedded derivatives, are also classified as held for trading. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognized in net income in the statements of comprehensive loss, and this category includes derivative instruments.

Financial Asset Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of AAMIC of similar financial assets) is primarily derecognized (i.e., removed from AAMIC's statement of financial position) when:

- The rights to receive cash flow from the asset has expired; or
- AAMIC has transferred the rights to receive cash flow from the asset or has assumed an obligation to pay the received cash flows in fully without material delay to a third party under a "pass-through" arrangement; and either (a) AAMIC has transferred substantially all the risks and rewards of the asset; or (b) AAMIC has neither transferred control of the asset.

When AAMIC has transferred its rights to receive cash flow from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, AAMIC continues to recognize the transferred asset to the extent of its continuing involvement. In that case, AAMIC also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that AAMIC has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that AAMIC could be required to repay.

(continues)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provision for Loan Losses - Expected Credit Loss Model

IFRS 9 requires the Corporation to record an allowance for Expected Credit Losses ("ECL") for all mortgage investments and other debt financial assets not held at FVTPL together with mortgage commitments and financial guarantee contracts not measured at FVTPL.

Overview of ECL Principals

IFRS 9 introduces a new forward-looking three-stage ECL model that requires the recognition of an unbiased and probability-weighted impairment amount reflecting a range of possible outcomes. The ECL model applies to all financial assets that are debt instruments classified as amortized cost or FVOCI, and for all loan commitments and financial guarantees not measured at FVTPL. The application of the new ECL model will result in causing lifetime credit loses, if any, to be recognized on a timely manner.

The ECL model consists of the following three stages:

- Stage 1 includes performing financial assets and is measured using a 12-month ECL, with interest income being recognized on the gross carrying value of the asset.
- Stage 2 includes financial assets that have experienced a Significant Increase in Credit Risk ("SICR") since initial recognition and is measured using a lifetime ECL, with interest income being recognized on the gross carrying value of the asset.
- Stage 3 includes financial assets that are impaired and is measured using a lifetime ECL, with interest income being recognized on the net carrying value of the asset.

Lifetime ECL is the ECLs that result from all possible default events over the expected life of a financial instrument. A 12-month ECL is the portion of lifetime ECL that represents the ECLs that result from default events on the financial instrument that are possible within the 12 months following the reporting date. The ECL allowances are calculated through forward-looking scenarios that measure the expected cash shortfalls on the financial assets related to default events that are either (i) over the next 12 months; or (ii) over the expected life based on the maximum contractual period over which the Corporation is exposed to credit risk. In principle, the probability weights and the associated scenarios are to be determined through a management review process that involves significant judgment and review by the Corporation.

Assessment of SICR and Calculation of ECL

In adopting IFRS 9, the Corporation has determined that unemployment rates, housing price index and interest rates both at the provincial and national levels are key drivers in the determination of credit losses. The Corporation also considers forward-looking information in the measurement of ECLs.

The Corporation has a mortgage portfolio of weight average duration to maturity of substantially under 12 months and a weight average Loan-to-Value ("LTV") below 65%. As such, the Credit Committee and management of the Corporation concluded that there is no discernible difference in credit risk at the initial acquisition of each mortgage asset and in the measurement of estimated lifetime ECL.

(continues)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Write-offs

Financial assets are written off either partially or in their entirety only when the Corporation has stopped pursuing the recovery. If the amount to be written off is greater than accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to provisions for losses.

Financial Liabilities - Initial Recognition and Measurement

Financial liabilities are measured and recognised initially at fair value, except in the case of financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. AAMIC's financial liabilities includes management fee payable, due to related parties, redeemable Class A preferred shares and accounts payable and accrued liabilities.

Financial Liabilities - Subsequent Measurements

Financial liabilities are classified and subsequently measured at amortized cost, except for financial liabilities at FVTPL.

Financial Liabilities - Derecognition

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

(e) Provisions

Provisions are recognised when AAMIC has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(f) Interest income

Interest income is recognized in the statements of comprehensive loss on an accrual basis.

(g) Dividends to Holders of Redeemable Class A Preferred Shares

Dividends payable to holders of redeemable Class A Preferred Shares are recognized in the statements of comprehensive loss when they are authorized.

(continues)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Income taxes

The Corporation is a MIC pursuant to the ITA. As such, the Corporation is entitled to deduct from its taxable income dividends paid to shareholders during the year or within 90 days of the end of the year to the extent that the dividends were not deducted previously. The Corporation intends to maintain its status as a MIC and intends to distribute sufficient dividends in the year and in future years to ensure that the Corporation is not subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Corporation's dividends results in the corporation being effectively exempt from taxation, and no provision for current or future income taxes is required. As at June 30, 2022, the Corporation had non-capital losses for income tax purposes of $396,450 (2021 - $60,594). The non-capital losses carried forward will expire in 2039.

(i) Class A Preferred Shares

Class A Preferred Shares are classified as liabilities.

(j) Use of Estimates and Judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The most significant estimates that management is required to make relate to the provision for loan losses for the mortgage portfolio. These estimates may include assumptions regarding local real estate market conditions, interest rates and availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances and other factors affecting the investments in mortgages and underlying security of the mortgages.

3. PRESENTATION OF PREFERRED SHARES

As noted in note 6, the holders of Class A Preferred Shares have certain redemption rights and as a result they are treated as liabilities under *IAS 32, Financial Instruments: Presentation*. Accordingly, this is presented as a liability on the statements of financial position and the related dividends are presented as an expense on the statement of comprehensive loss. Dividends paid are included in cash flows from operating activities in the statements of cash flows.

4. MORTGAGE RECEIVABLE

	2022	2021
ON Residential - 1st mortgage (2022 - 11; 2021-14)	**$ 4,656,150**	$ 7,554,100
ON Residential - 2nd mortgage (2022 - 10; 2021 - 14)	**1,776,500**	2,712,500
BC Residential - 1st mortgage (2022 -1; 2021 - 1)	**650,000**	650,000
ON Commercial - 2nd mortgage (2022 -1; 2021 - 1)	**150,000**	150,000
	$ 7,232,650	$ 11,066,600

The mortgage and other loans are for terms ranging from one to five years with interest rates ranging from 6.99% to 20.00%. Prior year with interest rates ranging from 7.77% to 15.00%.

The mortgage loans are secured by first and second mortgages on residential and commercial real estate. The other loans are secured by second mortgages and/or collateral agreements on investments held by the borrowers.

Allowance for credit losses

Allowance on performing loans

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of expected credit losses. The ECL model requires the recognition of credit losses based on 12 months of expected losses for performing loans (Stage 1) and the recognition of lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). As at June 30, 2022, the allowance for expected credit losses on the mortgage investments allocated to Stage 2 was $Nil (2021 - $Nil).

Allowance on impaired loans

Allowance for impaired loans (Stage 3) are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. As at June 30, 2022, the allowance for loan losses on impaired loans was $Nil (2021 - $Nil).

5. RELATED PARTY TRANSACTIONS AND BALANCES

The Corporation has the following agreements and transactions with service providers:

1. Management agreement with the Manager, entitles the manager to earn a fee up to 4.00% per annum of the issued Class A (non-voting) Preferred Shares of the Corporation calculated daily and payable monthly in arrears. A director who is also the president of the Manager is a director and shareholder of the Corporation. During the fiscal year, the Corporation paid fees of $3,452 (2021 - $17,850) under the management agreement with the Manager.

   Upon approval of by the Corporation's Board of Directors, the Manager is also entitled to receive a performance fee equal to 12.50% of the Corporation's net operating income remaining after distribution of dividends to its Class A Preferred Share shareholders of at least 8.00% on a per annum basis, failing which no performance fee shall be payable to the Manager for such annual period. The Manager will calculate the final performance fee of a completed calendar year based on the year-end financial results for that year. This performance fee will become payable to the Manager within 15 days after the issuance of the Corporation's audited financial statements for that year.

2. Mr. Frank S. Pa is the President and CEO of the Corporation, the Manager and the Investment Manager. In addition, the Manager and the Investment Manager are related to the Corporation through common control.

3. All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related party. The Corporation will invest in mortgages on its own right or on a participation basis with parties related to the Manager. In addition, certain mortgage broker duties are performed by the Investment Management.

4. As part of mortgage lending liquidity management, the Manager has agreed and committed to provide interest-free demand loans to the Corporation in order to secure mortgage lending on a short-term basis and repayable as the Corporation acquires new or additional investment funds from new or existing investors. In turn, the Manager is entitled to the mortgage interests earned on that portion of outstanding balances funded by such loans calculated on a daily basis, and only that portion of earned mortgage interests attributable to the Corporation invested principal is earned by the Corporation.

6. SHARE CAPITAL

As of the date of incorporation of February 24, 2014, there were an unlimited number of Voting Common Shares and 10 million Class A (non-voting) Preferred Shares (nominal value of $10 each) authorized, of which 100 Voting Common Shares were issued and outstanding.

(continues)

6. SHARE CAPITAL *(continued)*

		2022	2021
Issued and outstanding:			
1,268,549	Class A (non voting) preferred shares (2021 - 1,154,755)	**$ 12,685,487**	$ 11,547,550
100	Share capital	**100**	100
		$ 12,685,587	$ 11,547,650

Voting Common Shares

The holder of Common shares shall be extended to receive notice of and to attend all meetings of shareholder of the Corporation and to exercise one vote for each share, in person or by proxy, at all such meetings of shareholder of Corporation.

Class A (Non-Voting) Preferred Shares

The holder of the Class A Preferred Shared shall not be entitled to receive notice of or to attend or vote at meetings of the shareholders of the Corporation, but shall be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale of its undertaking or a substantial part thereof.

The holders of the Class A (non-voting) Preferred Shares shall be entitled to receive dividends in such amounts and at such times as and when declared by the directors of the Corporation. In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of property or assets of the Corporation among its shareholders for the purposes of winding-up its affairs, the holders of the Class A (non-voting) Preferred Shares shall be entitled to receive, in priority to any distribution to the holders of the Common Shares or any other shares ranking junior to the Class A Preferred Shares, an amount equal to the Redemption Amount (as hereinafter defined) thereof together with all declared and unpaid dividends. After payment to the holders of the Class A Preferred Shares of the amounts so payable to them as above provided, they shall not be entitled to share or participate in any further distribution of the property or assets of the Corporation.

Monthly and annual redemptions for shareholders of Class A (non-voting) Preferred Shares will be according to the following procedures:

i) Redemption by the Corporation

The Corporation may redeem all or any part of its outstanding Class A (non-voting) Preferred Shares upon due notice or consent from the holder of the Class A (non-voting) Preferred Shares. The amount to be paid by the Corporation in respect of each share to be redeemed shall be an amount equal to the original amount paid up on the Class A (non-voting) Preferred Shares to be redeemed together with all dividends declared thereon and unpaid as at the Redemption Date.

ii) Retraction Rights of Shareholders

A Class A Preferred Share shareholder may apply to the Corporation for redemption of all or part of the shareholder's shares, provided the date of application for redemption is at least 90 days prior to the redemption date, subject to certain conditions:

- No retraction during the first four months from first issuance date.

(continues)

6. SHARE CAPITAL *(continued)*

- The Corporation has the discretion to reject or defer any redemption application by a holder of Class A (non-voting) Preferred Shares where, in the view of the Corporation, such redemption will result in the Corporation failing to qualify as a MIC under the Income Tax Act or which would otherwise be contrary to applicable laws.
- The Board of Directors of the Corporation has the sole discretion, including after receiving a redemption request, to suspend the ability of a shareholder to obtain redemption of their shares, where in the reasonable opinion of the Board of Directors, the payments to be made by the Corporation on the exercise of redemption request by the Shareholders would be prejudicial to the interest of the Corporation as a whole.
- Upon notification in writing to the Corporation of the death of a shareholder, the corporation undertakes to have the shares redeemed within 90 days of such notification subject only to the corporation being able to do so under applicable laws.
- The Redemption Amount is further subject to the following reduction:

i) During the period that is four months and one day up to and including that date that is 12 months from the date of issuance of the shares to be redeemed (the "Issuance date"), the Redemption Amount shall be reduced by 5%;

ii) During the period that is 12 months and one day up and including that date that is 24 months from the Issuance date, the Redemption Amount shall be reduced by 3%;

iii) During the period that is 24 months and one day up to and including that date that is 36 months from the Issuance date, the Redemption Amount shall be reduced by 2%; and

iv) Where a holder of a Class A (non-voting) Preferred Shares is a Substantial Shareholder (as defined in the Income Tax Act) and holds a total number of shares equal to or greater than 10% of the total number of Class A (non-voting) Preferred Shares outstanding, such as Substantial Shareholder will be restricted to redeeming no more than 20% of its shares in any quarter.

As a result of the above, the Corporation has recorded the Class A (non-voting) Preferred Shares as a liability on the statements of financial position. Dividends thereon are presented as an expense on the statements of comprehensive loss. Dividends paid are included in cash flows from operating activities in the statements of cash flows.

Movement in Class A Preferred Shares is as follows:

	2022		2021	
	Shares	**Amount**	Shares	Amount
Class A Preferred Shares				
Opening balance	**1,154,755**	**$ 11,547,550**	1,015,358	$ 10,153,580
Issuance from cash	**145,293**	**1,452,937**	251,524	2,515,240
Redemptions	**(31,500)**	**(315,000)**	(112,127)	(1,121,270)
Ending balance	**1,268,548**	**$ 12,685,487**	1,154,755	$ 11,547,550

7. KEY MANAGEMENT PERSONNEL COMPENSATION

The Corporation paid nil to the members of the Board of Directors and Independent Review Committee for their services to the Corporation. The compensation to senior management and staff of the Manager is remunerated through the management fees paid to the Manager (Note 5-1).

8. SUBSEQUENT EVENTS

Subsequent to June 30, 2022, and up to the date of the report, the Corporation has funded eleven mortgages totalling $3,030,999, two renewals totalling $718,750 and, concurrently, five discharges totalling $1,529,900. AAMIC received two individual investor funds totalling $647,000 and executed $534,300 redemption requests from five investors during this period.

9. CONTINGENT LIABILITIES

In the ordinary course of business activities, the Corporation may be contingently liable for litigation and claims arising from its operations including the investing in mortgages and loans. Where required, management records adequate provisions in the accounts. As at June 30, 2022, the Corporation did not have and was not aware of any outstanding litigations against the Corporation or its Board of Directors and Executives pertaining to matters of the Corporation.

10. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern so that it can provide returns for its shareholders and benefits for other stakeholders. The Corporation considers the items included in shareholders' equity and cash as capital. The Corporation manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operations of the Corporation. The Corporation is not subject to externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

The Corporation is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Corporation's direct control. Management and Board of Directors play an active role in monitoring the Corporation's key risks and in determining the policies that are best suited to manage these risks.

The Corporation's business activities, including its use of financial instruments, exposes the Corporation to various risks, the most significant of which are interest rate risk, credit risk, and liquidity risk.

The Corporation has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk

(continues)

11. FINANCIAL INSTRUMENTS *(continued)*

- market risk

The Corporation's strategy is to acquire and maintain a diversified portfolio of mortgages on real property in Canada that preserves capital and generates attractive returns in order to permit the Corporation to pay monthly distributions to its common shareholders and preferred shareholders.

Management has been given discretionary authority to manage the assets in line with the Corporation's investment restrictions and objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Board of Directors on an ongoing basis.

i) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Corporation, resulting in a financial loss to the Corporation. This risk arises principally from the mortgages held, and also from cash, and receivables. For risk management reporting purposes the Corporation considers and consolidates all elements of credit risk exposure, such as loan to value, sector risk, location risk, and individual obligor default risk.

The Corporation minimizes its exposure to counterparties' credit risk by adherence to established credit policies and underwriting approval procedures of the Corporation. The Corporation credit risk exposure is further reduced by the short-term nature of its mortgage portfolio, with the vast majority of mortgages having a duration to maturity of 12 months or less.

Credit risk is monitored on an on-going basis by the management of the Corporation in accordance with policies and procedures in place.

The Corporation's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at June 30, 2022 is $7,232,650 (2021 - $11,066,600).

ii) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Corporation's policy and the Manger's approach to managing liquidity are to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemption of shares, without incurring unacceptable losses or risking damage to the Corporation's reputation.

As part of mortgage lending liquidity management, the founders (holders of AAMIC common shares) have agreed to provide demand loans to AAMIC via the Manager in order to secure mortgage lending on a short-term basis and repayable by the Corporation to the Manager with new Class A (non-voting) Preferred Shares. Where such mortgage funding advance is utilized for the acquisition of individual mortgage assets, that portion of mortgage interest income supported by such outstanding mortgage funding advance, calculated on a daily basis, is payable to the Manager.

The Corporation's Offering Memorandum provides for the monthly cancellation of shares, and the Corporation is therefore exposed to liquidity risk in meeting shareholder redemptions at each redemption date.

(continues)

11. FINANCIAL INSTRUMENTS *(continued)*

The Corporation's financial assets include a portfolio of mortgages, which are generally illiquid. As a result, the Corporation may not be able to liquidate some of its investments in these instruments in due time in order to meet its liquidity requirements.

The Corporation's liquidity risk is managed on an ongoing basis by management of the Corporation in accordance with the policies and procedures in place. The Corporation's overall liquidity is monitored on an annual basis by the Board of Directors.

The Corporation's redemption policy only allows for redemption from the 10th to the 15th day of the month with a payment to be provided on or before the 15th day of the following month. It is the Manager's policy to have liquid assets comprising cash or access to shareholder loans from founders of the Corporation and bank facilities in order to meet anticipated redemptions. As at June 30, 2022, the Corporation has not entered into any banking facilities agreement with financial institutions

All assets and liabilities are classified under demand/short or within the twelve months of period since all the assets and liabilities are expected to be settled within twelve months except the redeemable Class A Preferred shares on the statement of financial position date.

The following are the contractual maturities of financial liabilities as of June 30, 2022 and June 30, 2021:

2022	Carrying values	Contractual cash flows	Contractual term to maturity
Accounts payable and accrued liabilities	$ 23,753	$ 23,753	Payable within a year
Dividends distribution payable	45,380	45,380	Payable within a year

2021	Carrying values	Contractual cash flows	Contractual term to maturity
Accounts payable and accrued liabilities	$ 86,647	$ 86,647	Payable within a year
Dividends distribution payable	75,380	75,380	Payable within a year

Market risk

Market risk is the risk that changes in market factors, such as interest rates, currency and other price risks will affect the Corporation's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The Corporation's strategy for the management of market risk is driven by the Corporation's primary investment objective which is to invest in a diversified portfolio of mortgages on real property located within Canada that preserves capital and generates returns in order to permit the Corporation to pay monthly distributions to its common shareholders.

The Corporation's market risk is managed on a daily basis by the management of the Corporation in accordance with policies and procedures in place.

(continues)

11. FINANCIAL INSTRUMENTS *(continued)*

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Corporation is not currently exposed to currency risk.

Interest rate risk

The Corporation is exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Corporation's interest-bearing financial instruments, the Corporation's policy is to maintain an overall duration to maturity of its mortgage investment portfolio in the short term of no more than 12 months, and the mortgage investment agreements for all mortgages held by the Corporation stipulate an interest rate floor for the respective mortgage.

Accordingly, the Corporation would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

12. COVID-19 PANDEMIC

The global outbreak of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in a global economic downturn. The effects of this pandemic on the Corporation may include decrease in revenue, interruption to supply chains, and increased government regulations or interventions including shutdown of non-essential services, travel restrictions, barring of gatherings of people, and requirement to stay home.

Management has considered the impact of COVID-19 in its assessment of the Corporation's assets, liabilities and its ability to continue on a going concern basis. Management has determined that adjustments to the financial statements are not required as a result of these events. Accordingly, the financial position and result of operations as of and for the year ending June 30, 2022 have not been adjusted to reflect their impact.

The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Corporation for future periods.

13. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of Chartered Professional Accountants, who expressed an unmodified opinion on those financial statements on January 17, 2022.

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.